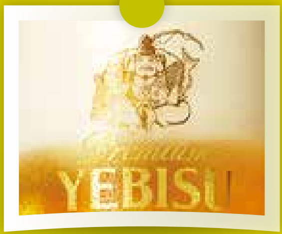
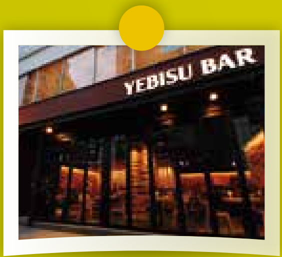
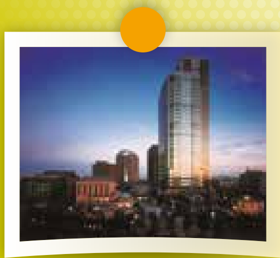






SAPPORO HOLDINGS LIMITED

Positive Past, Focused Future

Annual Report 2014

SAPPORO

SAPPORO

Management Philosophy

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

Fundamental Management Policy

The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value.

About the Group's corporate logo, the Sapporo Shining Star

The Sapporo Shining Star is a motif representing a Polestar. The Group has used this logo since its predecessor, the *Kaitakushi* (the national government Hokkaido development commission) Brewery, was established in 1876. It is a symbol of the pioneering spirit in which the Group was founded.

Sapporo Group

The Sapporo Group has been brewing beer since 1876. Throughout its history, the Group has diligently created products using only carefully selected ingredients. In the areas of food and surroundings, the Group continues to provide products and services designed to satisfy customers in Japan and overseas, especially North America and Southeast Asia.

Founded

1876

Number of employees

7,014 (Consolidated)

112 (Parent company)

Group subsidiaries and affiliates (Consolidated)

Consolidated subsidiaries **42**

Equity-method affiliates **3**

2014 Business Results

The Group posted consolidated net sales of ¥518.7 billion, up 1.7% year on year. The result mainly reflected a year-on-year increase in sales volumes of beer and beer-type beverages in the Japanese Alcoholic Beverages business, as well as growth in the overseas soft drinks business and the impact of foreign exchange rates. Consolidated operating income declined 4.0% year on year; however, all operations achieved profitability for a result of ¥14.7 billion.

Net sales

¥518.7 billion (+1.7% YoY)

Operating income

¥14.7 billion (–4.0% YoY)

Annual Report 2014

Contents

Forward-looking Statements

Statements in this annual report with respect to the Company's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's judgment in light of currently available information. Factors that could cause actual results to differ materially from our earnings forecasts include, without limitation, global economic conditions, our response to market demand for and competitive pricing pressure on products and services and currency exchange rate fluctuations.

All figures in this annual report are rounded to the nearest applicable unit.

Our Business

The Sapporo Group's business domains are "creating value in food," through which it seeks to provide customers with value in the area of "food," and "creating comfortable surroundings," where it provides special times in comfortable spaces. The Group leverages its assets and strengths in developing its businesses.

The businesses are divided into five segments: Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate. The Japanese Alcoholic Beverages and Real Estate businesses are positioned as stable earnings pillars, while the Group also promotes the International and Food & Soft Drinks businesses as future growth drivers.

Creating value in food >>> The core domain driving the Group's dynamic growth

Businesses Segments	Japanese Alcoholic Beverages	International
	Pillar producing stable earnings contribution 	**Growth driver** 
Business overview	With a vision of "Seek No. 1 by accumulating one-of-a-kind products," the Group is developing its businesses in Japan, mainly the beer business, but also dealing in wine, spirits and Japanese liquors.	The Group operates an alcoholic beverages and soft drinks business, mainly in North America and Southeast Asia. In the alcoholic beverages business, we are working to penetrate markets with the Sapporo brand, expand our sales channels, and achieve a further forward leap.
Net sales (billions of yen)	281.8	49.7
YoY	2.5%	3.0%
Share of consolidated sales	54.3%	9.6%
Operating income (billions of yen)	10.2	0.2
YoY	3.1%	(85.7)%
Strength, Market, etc.	Main Brands Beer and beer-type beverages: *Yebisu Beer, Sapporo Draft Beer Black Label, Mugi to Hop The gold, Goku Zero* Wine: *Grande Polaire, Yellow Tail* Shochu: *Shochu Kokuimo (Imo Shochu)* Spirits: *Bacardi, Dewar's*	Main Brands *SAPPORO PREMIUM, SLEEMAN* Main Sales Areas North America, Canada, Vietnam, South Korea, Australia, Singapore

Creating comfortable surroundings >>> The business domain expected to contribute stable profits backed by prime properties

Food & Soft Drinks

To become a third pillar for the Group

The Group operates its Food & Soft Drinks business primarily in Japan and Southeast Asia. We are shoring up and developing our strengths in lemon-based products and soup brands, and working to create new categories such as healthcare and natural foods.

Restaurants

Contact point with customers

The Group operates Japan's largest beer hall chains, *GINZA LION* and *YEBISU BAR*, along with various other restaurants. In addition to providing delicious draft beer, we are developing menus based on the theme of "safety, security, authenticity, and healthiness."

Real Estate

Pillar producing stable earnings contribution

The Group's Real Estate business includes leasing, management, operation, and development. We own two complex facilities—Yebisu Garden Place in Tokyo and Sapporo Factory in Sapporo—as well as well-sited office buildings in the Greater Tokyo Area, among others.

Food & Soft Drinks	Restaurants	Real Estate
133.4	26.4	21.5
2.1.%	(1.8)%	(5.5)%
25.7%	5.1%	4.1%
0.1	0.3	7.7
—	(29.7)%	(11.4)%

Food & Soft Drinks

Main Brands

Soft drinks: *Kireto Lemon, Ribbon, GEROLSTEINER* (natural mineral water), *aromax* (canned coffee)

Soup: *Jikkuri Kotokoto*

Lemon-based products: *Pokka Lemon 100*

Restaurants: Café de Crié (coffee shop)

Number of Café de Crié Outlets

185 (as of December 31, 2014)

Main Sales Areas

Japan, Singapore, Malaysia

Restaurants

Main Brands

GINZA LION BEERHALL, YEBISU BAR

Number of Outlets

185 in Japan, 14 overseas

(As of December 31, 2014)

Real Estate

Main Facilities

Yebisu Garden Place, Sapporo Factory

Main Areas

Ebisu, Ginza, Sapporo

Steps Towards Achieving the New Management Framework

Positive Past,

Since 2007, the Sapporo Group has been working on a New Management Framework with targets set for 2016. We aim to achieve sustainable growth by leveraging the strengths of our existing businesses, while also creating and nurturing new growth fields through aggressive action in global expansion and implementing M&As and business alliances.

2007 Results

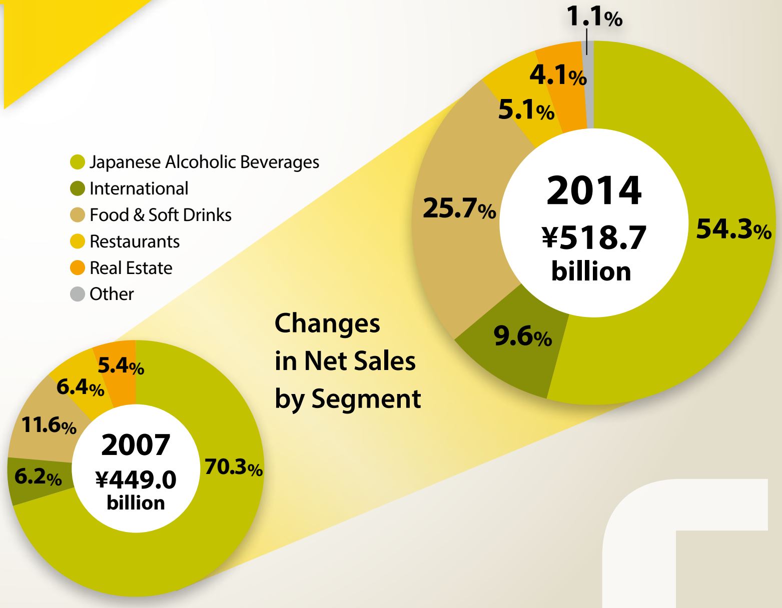
Net sales	**¥449.0 billion** (incl. liquor tax)
Net sales	**¥309.8 billion** (excl. liquor tax)
Operating income	**¥13.2 billion** (before goodwill amortization)
Operating income to net sales	**4.3%** (excl. liquor tax) (before goodwill amortization)
ROE	**5.3%** (before goodwill amortization)
D/E ratio	**1.7 times**

2007

Path to Achieving the New Management Framework

Sapporo Group's New Management Framework Group Strategies

1. Create High-Value-Added Products and Services
2. Form Strategic Alliances
3. Promote International Expansion
4. Expand Synergies among Group Companies



Changes in Net Sales by Segment

Past>>F

Focused Future

2014 Results

Net sales	¥518.7 billion (incl. liquor tax)
Net sales	¥401.8 billion (excl. liquor tax)
Operating income	¥18.5 billion (before goodwill amortization)
Operating income to net sales	4.6% (excl. liquor tax) (before goodwill amortization)
ROE	2.7% (before goodwill amortization)
D/E ratio	1.5 times

2014

2016 Targets

Net sales	¥600.0 billion (incl. liquor tax)
Net sales	¥450.0 billion (excl. liquor tax)
Operating income	¥40.0 billion (before goodwill amortization)
Operating income to net sales	9.0% (excl. liquor tax) (before goodwill amortization)
ROE	8.0% or higher (before goodwill amortization)
D/E ratio	Around 1.0 times

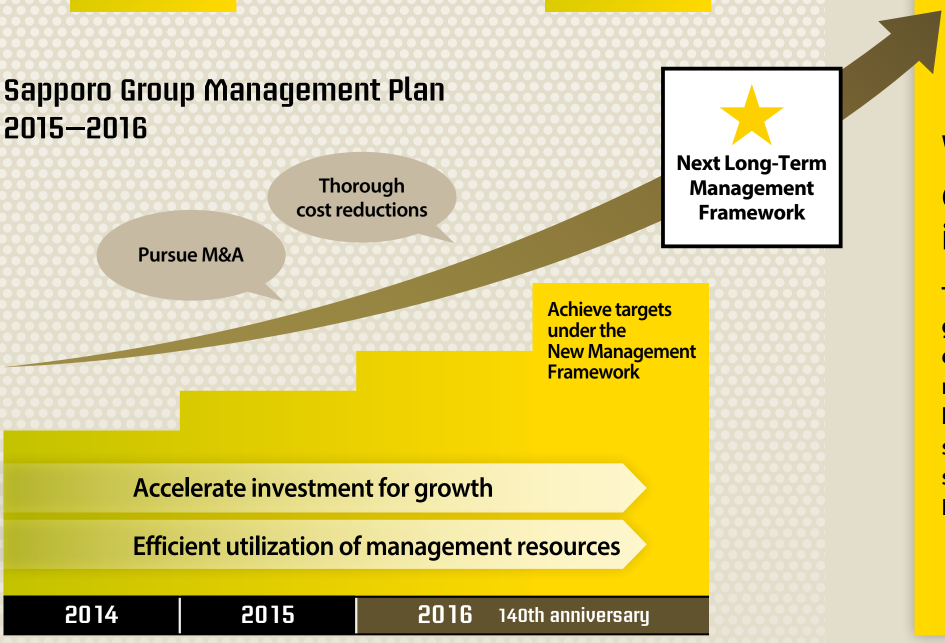
2016

Next Long-term Management Framework in FY2026

150th anniversary

2026

Sapporo Group Management Plan 2015–2016



What the Sapporo Group aspires to be in 2026

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

Positive Past

What W

Initiatives from 2007 to 2013

The global recession that followed the 2008 financial crisis created a slump in domestic
a foundation for sustainable growth through the strategies of our New Management
and services," "Form strategic alliances," "Promote international expansion," and "Expand

2007

Announced a New Management Framework on October 30

2008

Reviewed the production structure and closed the Osaka Brewery

Launched *Mugi to Hop*. Strong sales achieved results above the initial plan

Rich Taste

The Product as it appeared when launched.

Awarded Germany's "National Honor in the World" (the Bundesehrenpreis in Gold)

Sold 15% stake in Yebisu Garden Place

2009

Capital and business alliance with POKKA CORPORATION

Opened the first outlet of the *YEBISU BAR* chain in the Ginza Corridor district

2010

Started construction of a brewery as part of beer business expansion in Vietnam

Business alliance with Maeil Dairies Co., Ltd. (South Korea)

Maeil

Sought to expand our beer sales channels in the home-use market in Singapore through cooperation with POKKA CORPORATION

2011

Business integration with POKKA CORPORATION

Commenced sales through a business alliance with Bacardi Japan Ltd. relating to spirits and other items

The world's No.1 rum brand

Beer production and sales under a licensing agreement with Coopers Brewery Ltd. (Australia)

Annual sales volumes of *SAPPORO PREMIUM* at Sapporo U.S.A. topped 3 million cases for the first time since entering the market

Completed construction of the Sapporo Vietnam Ltd. Long An Brewery

e've Achieved

demand. In this situation, we worked to build Framework: "Create high-value-added products synergies among Group companies."

2012

Acquired 15% stake in Yebisu Garden Place to 100%. Started initiatives to increase value ahead of the 20th anniversary of operations in October 2014

Strengthened alcoholic beverages and soft drinks operations in Southeast Asia

SAPPORO VIETNAM LTD

Exporting to 12 Countries Mainly in ASEAN

POKKA CORPORATION (SINGAPORE) PTE. LTD

Exporting to 60 countries

SAPPORO LION (SINGAPORE) PTE. LTD.

Acquired 51% of the total shares of major private-brand chilled beverages manufacturer Silver Springs Citrus, Inc. (U.S.)

2013

Started operations of POKKA SAPPORO Food & Beverage LTD.

Launched the world's first beer-type beverage to achieve zero purine*1 zero carbohydrate*2, *Goku Zero*

First Concept in the World

*1: 0.00mg purines per 100ml

*2: Less than 0.5g carbohydrate per 100ml is shown as "zero carbohydrate" in accordance with nutrition labelling standards.

The Product as it appeared when launched.

Reorganized production bases in North America and outsourced production of beer to City Brewing Company, LLC (U.S.)

Opened the first *GINZA LION BEER HALL* in Singapore

Focused Future

What We

Fiscal 2014

In fiscal 2014, we utilized the results of the Group's strategy and the platforms we had built to continue accelerating our initiatives for growth as a manufacturer of food products.

Increased presence in the key areas of North America and Southeast Asia

Net sales at SLEEMAN BREWERIES LTD. grew for the 8th consecutive year

Net sales at SLEEMAN BREWERIES LTD. in Canada increased in local currency terms for the eighth consecutive year since 2007. In 2014, net sales had increased to 1.5 times the 2007 level.

Started operations at the new POKKA Malaysia Factory

We started construction of the new POKKA Malaysia Factory in 2013 and after obtaining halal certification commenced production in October 2014.

Further strengthened soft drinks business in North America

Together with Toyota Tsusho America, Inc., we decided to acquire Country Pure Foods, Inc., a major commercial beverage manufacturer in the U.S., through our joint venture, Silver Springs Citrus, Inc.

Accumulated knowledge as a manufacturer of food products, strengthened brand power and promoted innovation

New genre beer *WHITE BELG* wins recognition in the advanced beer-manufacturing country of Belgium

We created a new genre beer characterized by a sophisticated and lively aroma coupled with a fresh taste. *WHITE BELG* was awarded as "Exceptional" in the Superior Taste Award sponsored by the International Taste & Quality Institute.

* The Superior Taste Award, held by the International Taste & Quality Institute headquartered in Brussels, Belgium, is a global food competition for judging and awarding foods and beverages of outstanding taste and quality from around the world.

Green Shower, a new brand in the field of unsweetened carbonated water

A new sensation in sparkling water enlivened with the refreshing aroma of hops.

Aim to Achieve

Sapporo Group Management Plan 2015–2016

We will strive to create profits by growing each of our businesses, implementing M&As and reducing costs throughout the Group, aiming for early achievement of the New Management Framework targets. We are also looking ahead to the next long-term management framework which will begin from 2017.

Quantitative Targets for 2016

ROE **8.0% or higher**
(before goodwill amortization)

D/E ratio **Around 1.0 times**

Initiatives in Each Business

Japanese Alcoholic Beverages

Guided by our vision, "Seek No. 1 by accumulating one-of-a-kind products," we will concentrate investment in core brands to further enhance their value and realize growth in the beer business. In the wine and spirits business, a growth area, we will nurture our brands in line with the themes of each product category.

» For further details, see **p.18–19**

International

We will work to promote the Sapporo brand's penetration in premium beer markets in the key regions of North America and Southeast Asia. In North America, SLEEMAN BREWERIES and Sapporo U.S.A. will team up to improve overall efficiency for the region. In Southeast Asia, we will accelerate the expansion of our beer business in Vietnam and use it as a base for strengthening our exports to surrounding countries.

» For further details, see **p.20–21**

Food & Soft Drinks

In the domestic food and soft drinks business, we will establish and cultivate our core lemon-based product and soup brands, which are unique to Sapporo. At the same time, we will accelerate our proposals for new value and products, drawing on the Group's knowledge and ingredients. Overseas, we will strengthen sales and exports with the start of operations at the new POKKA Malaysia Factory.

» For further details, see **p.22–23**

Restaurants

In Japan, we will solidify our core *GINZA LION* and *YEBISU BAR* brands. Overseas, we will promote further expansion of the overseas restaurant business, centered on the *GINZA LION BEER HALL* format.

» For further details, see **p.24**

Real Estate

We will enhance the value of our properties, primarily in the key areas of Ebisu, Ginza, and Sapporo, helping to strengthen the Group's earnings base. Specifically, we will increase the value of Yebisu Garden Place and advance our plan for a commercial facility complex that can contribute to the further revitalization of the Ginza area and help to usher in renewed energy through the Ginza 5-Chome Redevelopment Project.

» For further details, see **p.25**

R&D

Among all beer breweries in the world, we believe that the Sapporo Group is the only one cultivating and improving species of both barley and hops. Leveraging the Group's long-nurtured knowledge, experience and results, we will promote R&D that can create new value.

» For further details, see **p.17**

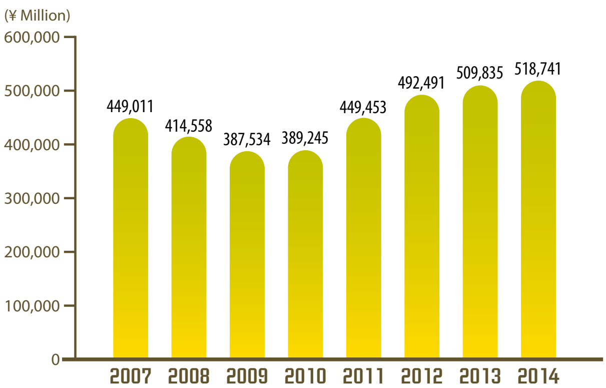
Financial Highlights

SAPPORO HOLDINGS LIMITED and consolidated subsidiaries

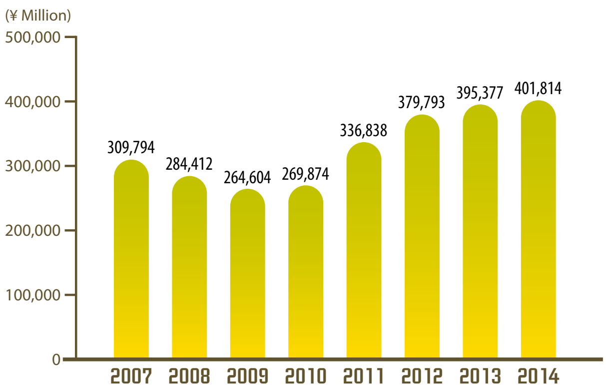
	Millions of yen		
Years ended December 31	2007	2008	2009
For the Year:			
Net sales			
Including tax	¥449,011	¥414,558	¥387,534
Excluding tax	309,794	284,412	264,604
Operating income	12,363	14,685	12,896
Operating income before goodwill amortization	13,232	15,553	13,923
EBITDA	37,759	37,158	36,470
Net income	5,509	7,640	4,535
Capital expenditures (cash basis)	19,884	27,342	21,910
Depreciation and amortization	24,527	21,605	22,547
Goodwill amortization	870	867	1,027
Cash flows from operating activities	30,691	22,292	12,454
Free cash flows	17,196	39,148	(19,773)
At Year End:			
Net assets	125,189	116,862	118,591
Total assets	561,859	527,287	506,875
Financial liabilities	212,464	189,252	196,794
Other Indicators:			
Overseas sales ratio	9.0%	8.8%	8.5%
Operating income to net sales			
Excluding tax	4.0%	5.2%	4.9%
Excluding tax; before goodwill amortization	4.3%	5.5%	5.3%
Debt-to-equity ratio (times)	1.7	1.6	1.7
Equity ratio	22.3%	22.1%	23.4%
ROE	4.6%	6.3%	3.9%
ROE (before goodwill amortization)	5.3%	7.0%	4.7%

Note: Yen amounts have been translated into U.S. dollar amounts at the rate of ¥120.53=U.S.$1.00, the exchange rate prevailing on December 31, 2014.

Net sales (including tax)

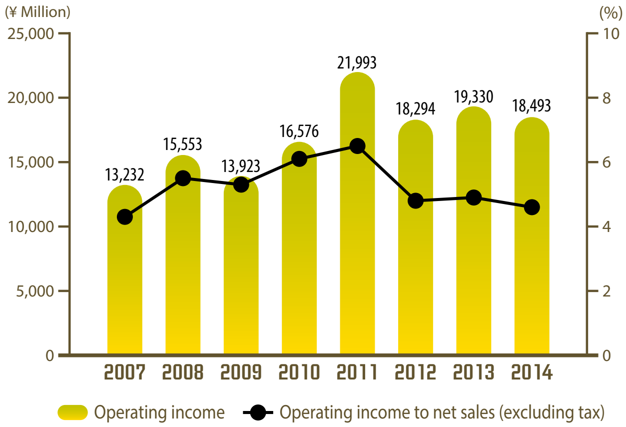


Net sales (excluding tax)



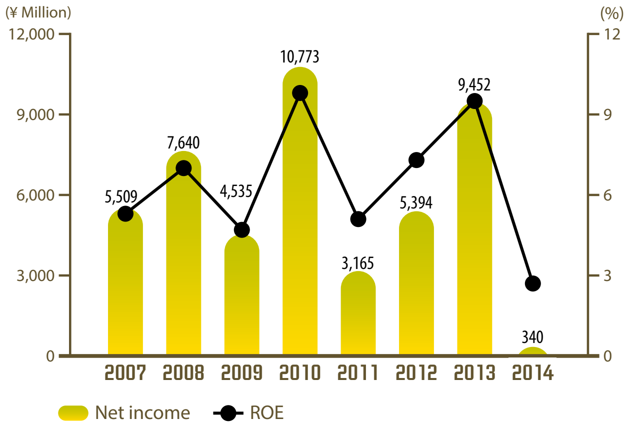
	2010	2011	2012	2013	2014	2015 (plan)	Thousands of U.S. dollars 2014
	¥389,245	¥449,453	¥492,491	¥509,835	**¥518,741**	¥545,700	**$4,303,830**
	269,874	336,838	379,793	395,377	**401,814**	434,200	**3,333,725**
	15,403	18,884	14,415	15,344	**14,729**	16,300	**122,200**
	16,576	21,993	18,294	19,330	**18,493**	20,700	**153,431**
	39,080	46,477	44,100	44,388	**42,974**	43,200	**356,546**
	10,773	3,165	5,394	9,452	**340**	8,000	**2,821**
	19,801	13,423	53,870	13,769	**19,133**	16,500	
	22,504	24,482	25,805	25,059	**24,481**	22,500	**203,114**
	1,173	3,109	3,879	3,985	**3,764**	4,400	**31,232**
	27,431	22,313	29,618	32,862	**22,284**	42,500	**184,887**
	24,836	(28,579)	(29,868)	19,594	**5,055**	29,800	**41,940**
	126,645	124,775	134,947	155,367	**160,005**	—	**1,327,511**
	494,798	550,784	597,636	616,753	**625,439**	—	**5,189,076**
	181,335	219,168	257,647	247,828	**247,557**	220,500	**2,053,903**
	9.4%	11.0%	14.1%	18.3%	**19.2%**	21.5%	
	5.7%	5.6%	3.8%	3.9%	**3.7%**	3.8%	
	6.1%	6.5%	4.8%	4.9%	**4.6%**	4.8%	
	1.4	1.8	1.9	1.6	**1.5**	1.3	
	25.3%	22.4%	22.1%	24.6%	**25.0%**	—	
	8.9%	2.5%	4.2%	6.7%	**0.2%**	5.0%	
	9.8%	5.1%	7.3%	9.5%	**2.7%**	7.8%	

Operating income and Operating income to net sales (excluding tax)



Note: Figures are before goodwill amortization.

Net income and ROE



Note: ROE is before goodwill amortization.

To Our Stakeholders

Creating Corporate Value over the Medium and Long Terms

Tsutomu Kamijo

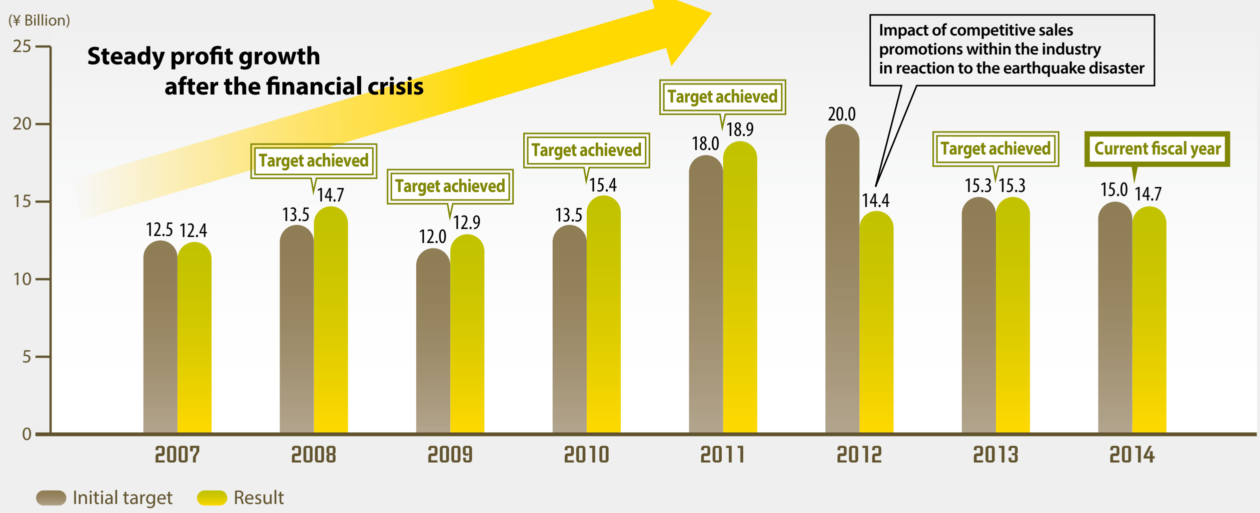
President, Representative Director and Group CEO

Looking Back on Eight Years of the New Management Framework

At Sapporo Holdings, we have been working under a "New Management Framework" — a long-term management plan launched in 2007 to propel us into a new growth stage. There are now two years remaining until the final year of the plan in 2016. At the time of its announcement, I was deeply involved with the planning of the new framework as a member of the board and director of the Corporate Planning Department. Looking back over our progress, I feel that we have achieved part of the plan, but I also feel a strong sense of responsibility to ensure that we maintain our focus to attain our targets.

I would like to review these past eight years at this point. Under the New Management Framework, the Group's four growth strategies are: 1) Create high-value-added products and services, 2) Form strategic alliances, 3) Promote international expansion, and 4) Expand synergies among Group companies. To "Create high-value-added products and services," we delivered new products leveraging the brand value of premium *Yebisu Beer*, which is one of our strengths. In 2008, we also launched a high-quality product in new genre beer with *Mugi to Hop*, which has now grown into a core brand of Sapporo Breweries. In our Real Estate business, we set about rebuilding and renovating our own aging buildings, which are located on prime locations in the Tokyo Metropolitan Area. In projects currently underway, we are involved with the Ginza 5-Chome Redevelopment Project in central Ginza. In efforts to "Form strategic alliances," in 2009 we entered a capital and business alliance with POKKA CORPORATION, a company with powerful brands in lemon beverages despite its small scale. In 2013 we commenced operations at a newly integrated POKKA SAPPORO Food & Beverage Ltd. To "Promote international expansion" and "Expand synergies among Group companies," we have achieved eight consecutive years of net sales growth at Canadian SLEEMAN

Profit Growth and Profit Management (Consolidated Operating Income)



BREWERIES LTD. since acquiring it as a subsidiary in 2006, and expanded its market share. In Vietnam, we completed construction of the Sapporo Vietnam Limited Long An Brewery in 2011 as a launching pad for expansion into Southeast Asian markets, and in 2012, we began full-scale marketing in Vietnam. In Singapore, we have leveraged Pokka's dominant position in the green tea market to expand into neighboring countries. Through these aggressive initiatives in Southeast Asia, our five consecutive years of sales volume growth at Sapporo U.S.A. in the U.S. since 2010 and the aforementioned growth at SLEEMAN, our overseas sales ratio has more than doubled from 9.0% at the end of 2007 to 19.2% at the end of 2014.

Currently, we are implementing balanced cash management to maintain the earning power of our Japanese Alcoholic Beverages business and Real Estate business, which produce stable income, and investing in the International business and Food & Soft Drinks business as drivers of future growth. We are making steady progress toward achieving our planned targets. Our upcoming challenges include further strengthening Group governance and increasing capital efficiency through selection and concentration.

Summary of Fiscal 2014

In fiscal 2014, we encountered a harsh environment, not only with external factors such as inclement weather in Japan and North America, the increase in the consumption tax rate in Japan, the sharp depreciation of the yen, and high raw material costs, but also unexpected factors such as the temporary suspension of *Goku Zero* sales. I believe we were able to show resilience in this adverse environment by leveraging the Group's strengths to achieve a solid result, for example, the *Yebisu Beer* brand exceeded the previous year's sales, while the new genre *Mugi to Hop The gold* grew 10%, lemon-based drinks grew 7%, lemon-based flavoring products grew 4%, and instant soups grew 9%. In the International business, we completed a successful third year of operations in the Vietnamese beer market with net sales excluding exports rising 34% year on year. Meanwhile, in the Food & Soft Drinks business, net sales at POKKA CORPORATION (Singapore) Pte Ltd. climbed 16%, and the completed POKKA Malaysia Factory commenced operations in October. Furthermore, in the Real Estate business we increased the value of Yebisu Garden Place, which had its 20th anniversary of operations in October 2014, and lifted its profitability. We have also been operating our new building in the Ebisu area, Ebisu First Square, at full capacity since its entire operation started.

As a result of these efforts, the Sapporo Group posted consolidated net sales of ¥518.7 billion, up ¥8.9 billion, or 1.7% from 2013. In addition, although consolidated operating income declined by ¥0.6 billion, or 4.0%, to ¥14.7 billion, all business segments returned to profitability. Net income was ¥0.3 billion, a decline of ¥9.1 billion, or 96.4%, mainly reflecting the posting of ¥11.7 billion for additional liquor tax paid and other (including overdue tax) due to a voluntary decision to file a revised liquor tax return owing to the inclusion of *Goku Zero* in a different tax rate category.

We have also been implementing Group-wide selection and concentration while aggressively investing for future growth. In fiscal 2014, we decided to acquire the U.S. fruit juice company Country Pure Foods, Inc., and in the Real Estate business, we started the Ginza 5-Chome Redevelopment Project with construction scheduled to be completed in 2016.

Achieving the New Management Framework Targets

The SAPPORO Group Management Plan 2015–2016 is designed to achieve the targets of the New Management Framework. The plan positions the Japanese Alcoholic Beverages business and Real Estate businesses as the Group's main earnings pillars, and calls for investment in the International business and Food & Soft Drinks business, as well as continued investment in R&D, to gain future growth.

With regard to strategic investment, we decided to allocate between ¥150 billion and ¥200 billion for investment over the five years from 2012 to 2016, including ordinary capital expenditure. By the end of 2014, we had invested ¥119 billion. Our policy now is to continue considering capital efficiency and carrying out strategic investments for future growth while proceeding to reduce our financial leverage.

In each business, we are continuing to cut costs and propose new value in tandem with making growth investments. I will discuss the main initiatives below.

In the Japanese Alcoholic Beverages business, since 2014 we have adopted the vision of "Seek No. 1 by accumulating one-of-a-kind products." We will provide unique Sapporo value through numerous products under the slogan "Bringing more cheer to your 'cheers'!" to achieve further growth. In the International business, we will achieve market penetration in North America and Southeast Asia with our premium brands, including Sapporo, and establish a unique position. In the domestic food and soft drinks business, we will rigorously adopt the customer's perspective and propose and implement marketing plans for each category and brand. In the Restaurants business, we will continue working to "provide 100% satisfaction to customers," by improving our basic service level and promoting initiatives to provide safe and secure products. In the Real Estate business we will raise our competitive capability another notch and continue working to increase the occupancy and rent levels of our property.

We have also positioned ROE as an important indicator for these business developments. In fiscal 2016, we plan to improve our profitability and efficiency aiming for ROE of 8.0% or more.

2015–2016 Targets Based on Current Businesses

(¥ Billion)

	2014 results	2015 targets	2016 targets	2016 New Management Framework
Net sales (including liquor tax)	¥518.7	¥545.7	¥579.5	¥600.0
Operating income	¥14.7	¥16.3	¥23.5	¥40.0
(before goodwill amortization)	¥18.5	¥20.7	¥28.0	
Net income	¥0.3	¥8.0	¥11.4	—
Debt-to-equity ratio (times)	1.5	1.3	1.2	around 1.0
ROE	0.2%	5.0%	6.9%	8.0% or higher
(before goodwill amortization)	2.7%	7.8%	9.6%	

Note: Assumed exchange rates: 2015–2016: US$ = ¥113.00, CAN$ = ¥99.00

Sustaining Medium- to Long-term Growth and Enhancing Corporate Value

In 2026, the Sapporo Group will mark its 150th anniversary. We are formulating the next long-term management framework targeting this milestone year. Right now, our vision is to “be a group of companies that is essential for customers to enjoy rich lives throughout the world by continuing to create and supply new products and services, in its effort to become No. 1 in the market.”

Realizing this vision will mean not only expanding our businesses, but also strengthening our corporate governance and getting actively involved in CSR activities to consolidate our corporate presence. We introduced a system of outside directors in 1997, and since 2009 have had an appropriate governance system that includes three outside directors. As our overseas business expands, we will need to promote awareness of the Sapporo Group Guidelines for Corporate Behavior among our overseas subsidiaries and strengthen the management system for the entire Group. We have also positioned CSR-focused management as one of the key strategies for realizing the sustained growth of the Group, and we have determined six key CSR issues that we continue to tackle as we aim to develop as a company while contributing to the creation of a sustainable society. The issues include “Quality of food and space,” “Conservation of the global environment,” “Harmonious coexistence with society,” “Fair and just dealings,” “Development of human resources and enhancement of the working environment,” and “Sound corporate management.”

Maximizing Shareholder Value

Providing appropriate returns of profit to shareholders is a key management policy of Sapporo Holdings. Our basic policy is to pay dividends, taking our operating performance and financial condition into account. In line with this policy, we paid an annual dividend of ¥7 per share for fiscal 2014, the same dividend paid in fiscal 2013. In fiscal 2015, we plan to maintain the annual dividend at ¥7 per share, while making strategic investments and strengthening our financial foundation. However, we will aim to enhance our return of profit in line with our achievement of the targets of the New Management Framework.

We will continue to strive for stable growth in our earnings, and work together as a Group to maximize our corporate value, constantly providing new value to our customers as a food manufacturer. We hope to meet your expectations and kindly ask for your continued support.

Creating New No. 1 Domains

The Sapporo Group will enhance the capabilities for new product development to meet customer's and society's needs. It will conduct our sustainable growth and also will enhance our corporate value.

In March 2014, the Group established new R&D system named "Sapporo innovation Labs" to enhance the innovative activities. Under "Sapporo innovation Labs," Sapporo Breweries and POKKA SAPPORO Food & Beverage cooperate together in a cross-sectional way. We have developed some R&D seeds in our 138 years history for food processing techniques and raw materials. We aim to develop and create the products which meet customer's needs by matching our seeds. Under the next long-term management framework vision, we will realize new No. 1 domains.

Combination of existing seeds and new technologies

Existing R&D seeds

Food processing
- Product development
- Application varieties

Raw material
- To breed and develop for barley and hops
- Lemon application research
- New raw material research

× **Combination**

New technologies

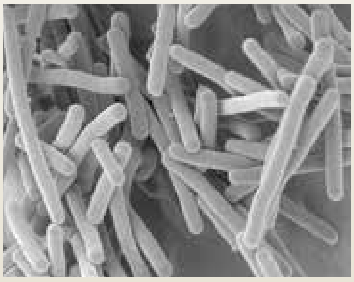
Taste research and sensory science
- Analyze customer's senses scientifically
- Know customer's insight

To Gain Future Growth

1 Develop high value added products by utilizing lactic acid bacteria

We will create high-value-added products with our proprietary plant-based lactic acid bacteria, "Shiawase Nyuusankin SBL88" which means happiness-producing lactic acid bacteria.

SBL88®



2 Aim for the world's best "Lemon" research

We will take advantage of the brand value of Pokka Lemon and push forward with the world's best "Lemon" research to commercialize new-value-added products.

3 Next-generation energy

Based on our fermentation technology, we will proceed with technology development related to next-generation energy from disposable food waste and others. We currently try to support practical implementation of this technology both domestically and overseas.

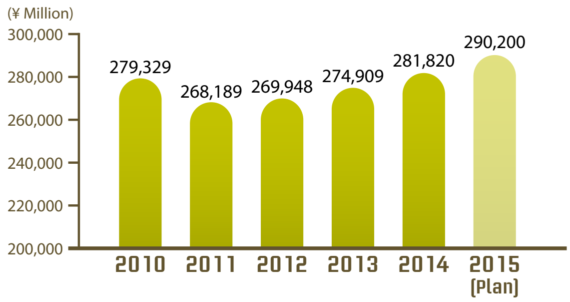
Japanese Alcoholic Beverages

Key Strategies under the Sapporo Group Management Plan 2015–2016

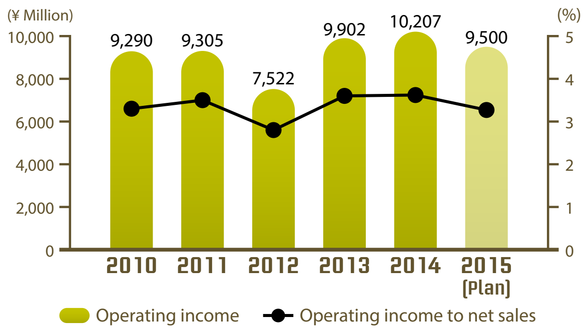
"Seek No. 1 by accumulating one-of-a-kind products" and strengthen cultivation of brands in each field.

- In the beer business, we will concentrate investments on the core brands to further enhance brand value and achieve growth.
- With the start of the craft beer business, we will develop various types of beer by leveraging Sapporo Breweries' long-nurtured brewing technology and carefully selected ingredients to offer new ways of enjoying beer.
- In the wine and spirits business, we will nurture our brands in line with the theme of each product category.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2014 Overview

Looking at the Japanese beer market in fiscal 2014, total domestic demand for beer and beer-type beverages is estimated to have declined by 2% year-on-year, largely due to the negative impact of unseasonable weather nationwide in August. The Japanese Alcoholic Beverages business continued its efforts to realize further growth in beer and beer-type beverages by constantly providing customers with a unique value proposal. As a result, the Japanese Alcoholic Beverages business achieved year-on-year increases in sales volumes in all categories, including beer and beer-type beverages, ready-to-drink (RTD) beverages, wine, spirits, and Japanese liquors. Net sales in the Japanese Alcoholic Beverages business climbed by ¥6.9 billion year on year, or 2.5% compared with the previous year, to ¥281.8 billion, and segment operating income rose ¥0.3 billion, or 3.1% to ¥10.2 billion. Segment operating income before goodwill amortization rose ¥0.3 billion, or 3.1%, to ¥10.2 billion.

Beer Business

In the beer and beer-type beverages category, we expanded our market share for a third consecutive year. By genre, in the beer segment we released several limited editions in our Yebisu brand offering various flavors for a limited time or in gift packs only. In the new-genre beer segment we achieved a 10% increase in sales volume by renewing *Mugi to Hop The gold*. Meanwhile, we discontinued the new-genre beer *Goku Zero* with zero purine bodies, following the shipment of May output. After some revisions to the brewing process, we relaunched *Goku Zero* in July as a *happo-shu*. Despite a gap in sales of about one month due to the temporary withdrawal, the sales volume finally exceeded the initial plan for the year.

RTD Beverages

In the RTD category, sales increased by a significant 49% year on year. *Sapporo Otoko Ume Sour*, launched in 2013, continued to post solid sales, and in April 2014, we leveraged synergies with the Food & Soft Drinks business to launch the RTD *Sapporo Kireto Lemon Sour*, which achieved strong popularity.

Wine and Spirits Business

In the wine business, *Grande Polaire*, our core premium brand made from 100% domestic grapes, performed strongly, achieving a 19% year-on-year increase in sales volume. In the spirits business, we achieved 6% growth in

- SAPPORO BREWERIES LIMITED
- SAPPORO WINES LIMITED
- YEBISU WINEMART CO., LTD.
- TANOSHIMARU SHUZO CO., LTD.
- SAPPORO ENGINEERING LIMITED
- STARNET CO., LTD.
- NEW SANKO INC.
- SHINSEIEN CO.,LTD.

sales volume for our various Bacardi products, including the world's No. 1 rum brand Bacardi.

Japanese Liquor Business

In the Japanese liquor business, total sales volume expanded by 9% year on year. In our *shochu* offerings, the two blended *shochus*, *Imo Shochu Kokuimo* and *Mugi Shochu Koimugi*, performed strongly. Meanwhile, we also saw brisk sales of *San-shu no Zeitaku Porifenōru Aka Umeshu*—literally, a red plum wine loaded with three types of polyphenols, that results in an *umeshu* with added functionality.

Outlook for 2015

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging owing to a decline in the drinking population and the need to respond to increasing diversity in consumer preferences and the venues where our products are sold and consumed. In beer and beer-type beverages, we aim to achieve a fourth straight year of year-on-year growth in sales volumes by further enhancing the value of our core brands. Meanwhile, we will enter the craft beer market, which has been growing in recent years, and build a business on a new model by creating completely new value. The RTD, wine, spirits and Japanese liquor businesses will strengthen the proposals of "Only One" products. The Japanese Alcoholic Beverages business as a whole will strive to achieve its profit targets despite the higher costs of raw ingredients and materials and the impact of yen depreciation by effectively and flexibly controlling marketing expenses while also seeking to enhance brand values. The business will also continue efforts to cut other costs wherever possible.

Topic

A String of "Only One" Products Launched

Guided by a vision of "Seek No. 1 by accumulating one-of-a-kind products," we are working to develop "Only One" products that only Sapporo Breweries can provide.

❶ *Green Aroma*

Green Aroma is a new-genre beer targeted at women. The product uses three botanical ingredients (hops, coriander seed, and orange peel) to create a relaxing aroma, while also achieving a light flavor that is 80% carbohydrate free.

❷ *Craft Label*

The Group has entered the growing craft beer market through a specialized subsidiary, offering beers made from carefully selected ingredients. Our first new beer in this category, *Craft Label Kankitsukaoru Pale Ale*, uses two types of flavored hops to create a refreshing citrus aroma and rich taste.

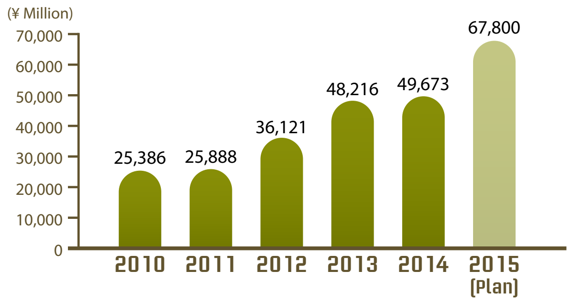
International

Key Strategies under the Sapporo Group Management Plan 2015–2016

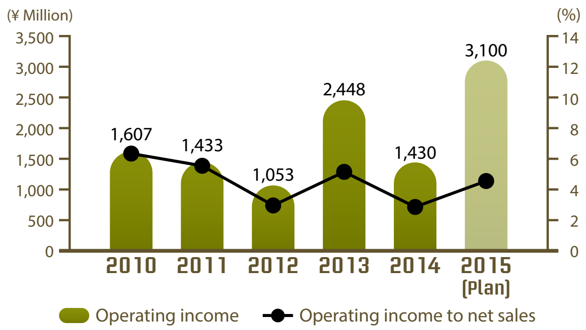
Promote further market penetration of the Sapporo brand in premium beer markets, concentrating resources and efforts on North America and Southeast Asia.

- Bolster initiatives for the area strategy and distribution channels in the Canadian and U.S. premium beer markets to achieve further growth.
- Aim to maximize synergies with Country Pure Foods, Inc. which we will acquire together with Toyota Tsusho America, Inc. and Silver Springs Citrus, Inc., aiming to strengthen and expand the business platform in the U.S. beverages market.
- In Vietnam, we will continue efforts to expand sales, improve operating profits, and achieve profitability through effective and efficient investment in marketing and sales activities with clearly defined targets.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2014 Overview

In the North American beer market, we estimate that total demand in Canada fell about 1% year-on-year in 2014 while demand in the U.S. was largely flat, despite some positive macro developments, including improving employment conditions. The Asian beer market, however, continued to expand steadily, supported by the region's fast-growing economies. In the International business, we encountered intensifying competition with other companies in the same industry in Canada and a decline in sales in North America following a winter cold wave. In Vietnam, however, sales grew briskly. As a result, net sales increased by ¥1.5 billion, or 3.0% year on year, to ¥49.7 billion, and segment operating income decreased ¥1.0 billion to ¥0.2 billion. Segment operating income before goodwill amortization decreased ¥1.0 billion to ¥1.4 billion.

North American Market

In Canada, SLEEMAN BREWERIES achieved a year on year increase in sales for an eighth consecutive year by taking appropriate countermeasures despite being subjected to price competition in the value-brand market segment. In the United States, sales were affected by a winter cold wave early in the year, but rebounded in April, and Sapporo U.S.A. managed to achieve an increase in sales over the entire year for a fifth consecutive year. In the U.S. soft drinks business, the cost of sales ratio increased on rising raw material prices, leading to a year-over-year decline in profit; however, we succeeded in negotiating sales prices and expanding our raw material procurement channels.

Asia and Oceania Market

In Vietnam, sales volume increased steadily by 34% year on year, and 134%, more than double the level of fiscal 2012. We continued efforts to establish the Sapporo brand, including active sales promotions at local restaurants and supermarket chains. In Singapore, we worked with POKKA CORPORATION (Singapore) Pte. Ltd. to expand sales channels in the local household market. In South Korea and Oceania, we worked to strengthen sales in each market. The efforts outlined above enabled the International business to achieve an overall increase of 9% year on year in sales volume of Sapporo brand products, including North America, in 2014.

- SAPPORO INTERNATIONAL INC.
- SAPPORO U.S.A., INC.
- SAPPORO CANADA INC.
- SLEEMAN BREWERIES LTD.
- SAPPORO ASIA PRIVATE LIMITED
- SAPPORO VIETNAM LIMITED
- SILVER SPRINGS CITRUS, INC.

Outlook for 2015

In North America, the U.S. economy has returned to a moderate growth pace amid improving employment conditions and a buoyant stock market. However, overall demand in the North American beer market is expected to remain largely flat in 2015. Meanwhile, we expect the Asian beer market to remain on a solid growth track, supported by a growing population and stable economic growth. Under such circumstances, in Canada, we will continue to promote our core premium brands by aggressively investing in marketing, while increasing sales staff in areas where we hope to increase sales of value-brand beers. In the U.S. market, we aim for sales volume growth in excess of total demand growth. While continuing to target the Japanese-American market segment, we will redouble our efforts to expand sales to the wider Asian-American and general population segments. In the U.S. soft drinks market, we aim to expand sales by leveraging the business foundations of Silver Springs Citrus, Inc. and Country Pure Foods, Inc. which has its strengths in the commercial-use soft drinks market.

In Vietnam, we will continue efforts to establish the Sapporo brand supported by effective and efficient investment in marketing and sales activities with clearly defined targets. We expect such efforts will help expand sales and improve the profitability of our local business.

Moreover, we will continue to drive sales channel expansion in each of our markets, including South Korea and Oceania.

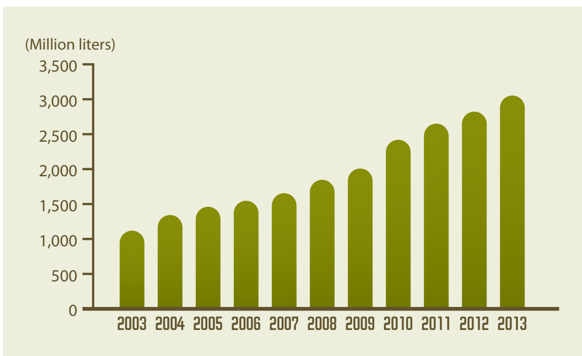
Topic

Growth Potential in the Vietnamese Market

Vietnam is enjoying continued strong growth in real GDP at 5.4%,* much higher than Japan's 1.6%.* Beer production volumes in the domestic Vietnamese market have grown by around 2.5 times over the past ten years. In light of these market trends, the Sapporo Group completed construction of its Vietnam brewery in 2011. Since then, we have been conducting local operations from production to sales, and have seen our sales improve steadily. Looking ahead, we will accelerate our expansion of the beer business in Vietnam, while also working to build up our exports from Vietnam. We will also take steps to accelerate the overall growth of the Group in Asia, mainly through our representative office registered in Singapore, which we established in 2014.

* 2013 figures

Vietnamese Market



Source: General Statistics Office of Vietnam

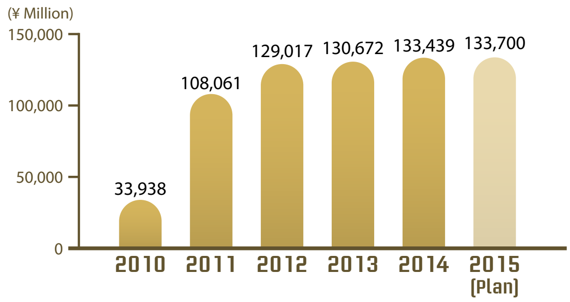
Food & Soft Drinks

Key Strategies under the Sapporo Group Management Plan 2015–2016

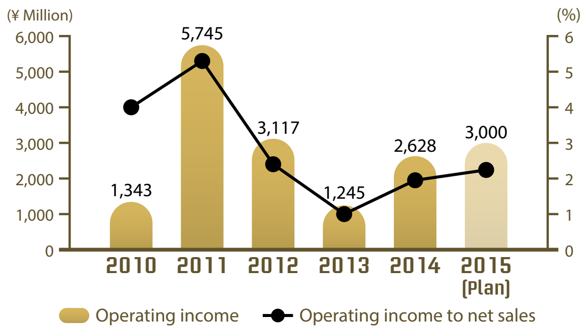
Move on to a growth stage by cultivating brands and implementing structural reforms.

- In the domestic food & soft drinks business, we will establish and cultivate core lemon-based products and soup brands. We will also accelerate the offering of new values and products, drawing on the accumulated knowledge of the Sapporo Group and selected ingredients.
- In the restaurants business in Japan, we will open new formats of *Café de Crié* (intra-hospital and suburban-type restaurants).
- In the overseas soft drinks business, we will strengthen sales and exports by leveraging the opening of the new factory in Malaysia, and expand into surrounding countries such as Myanmar, where we have signed a licensed manufacturing contract.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2014 Overview

We estimate that domestic demand for soft drinks in 2014 slipped 2% year over year, owing in part to the negative impact of unseasonable weather. We also estimate that demand for lemon-based products was the same as in 2013*, and that demand for instant soups increased 4% year on year. As we started the second year of integrated operations as POKKA SAPPORO Food & Beverage Ltd., we concentrated investments on core brands in the domestic food and soft drinks business, aiming to strengthen and cultivate them, and achieve overall sales volumes in line with total demand. In the overseas soft drinks business, sales climbed 16% year on year, atop growth in Singapore with both domestic and export sales. As a result of the above, the Food & Soft Drinks business recorded sales of ¥133.4 billion in 2014, up ¥2.8 billion, or 2.1%, year on year, and posted segment operating income of ¥0.1 billion, compared with a ¥1.5 billion loss in 2013. Segment operating income before goodwill amortization rose ¥1.4 billion, or 111.1%, to ¥2.6 billion.

* Data sources: Year-on-year comparisons of cumulative sales values for January–December 2014 for the lemon foods market (Sapporo definition) and the instant soup market based on Intage SRI research on the supermarket and convenience store industries.

Domestic Food and Soft Drinks Business

In domestic soft drinks brands, we continued to build new brands in addition to our existing ones, with the 2014 launch of *Green Shower*, while providing new value for lemons with the launch of *Fruit Vinegar Sparkling Apple Vinegar & Lemon Vinegar*. In the lemon and natural foods category, we launched a new and improved version of our mainstay product, *Kireto Lemon*, while in the soup and related foods category, we strengthened our lineup of the *Jikkuri Kotokoto* series. As a result of these efforts, sales growth outpaced overall domestic demand.

Domestic Restaurants Business

The *Café de Crié* coffee shop chain marked its 20th anniversary since foundation with steady growth in sales by opening shops in previously untapped areas and offering appealing new menu items.

Overseas Soft Drinks Business

In the overseas soft drinks business, POKKA CORPORATION (Singapore) won larger market shares for core products in its home base in Singapore while also steadily expanding exports. We also completed construction of the POKKA

- POKKA SAPPORO FOOD & BEVERAGE LTD.
- PS BEVERAGE LTD.
- STAR BEVERAGE SERVICE CO., LTD.
- POKKA CREATE CO., LTD.
- POKKA SAPPORO HOKKAIDO LTD.
- POKKA CORPORATION (SINGAPORE) PTE. LTD.
- POKKA INTERNATIONAL PTE LTD.

and another 8 companies

Malaysia Factory and started production in October. Meanwhile, in the overseas restaurant business we sold our entire equity interest in POKKA CORPORATION (HK) Limited to concentrate on our core soft drinks business.

Outlook for 2015

Japan's soft drinks industry continues to see lackluster consumer sentiment, and overall demand growth is likely to continue to be challenging. In the domestic food and soft drinks business, we will strive to thoroughly carry out low-cost operations with the aim of building a business structure capable of generating stable profits. We will also draw up and carry out marketing plans that thoroughly reflect the customer's viewpoint. In the domestic soft drinks business, we will implement sales promotion measures appropriate to our respective brands, such as *aromax* canned coffee, *Ribbon*, *Gabunomi*, and *Green Shower*. In the lemon and natural foods category, we plan to expand the applications of products used as seasonings and in beverages, while aggressively developing new product concepts to further demonstrate our position as the leader in lemon-based products. In the soup and related foods category, we plan to strengthen the *Jikkuri Kotokoto* soup lineup and brand, and to develop new products. In the domestic restaurants business, we will further enhance brand value and accelerate expansion of the *Café de Crié* chain. In the overseas soft drinks business, we plan to maintain our leading share of the core Singapore tea beverages market and expand sales in new product categories.

Topic

Enhancing Production Capabilities in Southeast Asia

In October 2014, the POKKA Malaysia factory started operations. The factory has a cutting-edge sterilized filling line able to fill 500 ml and 1.5 L PET bottles with tea and beverages containing milk, among other drinks. Furthermore, both the factory and its production items have Malaysian halal certification, which is considered one of the most stringent and trusted standards in the world. The certification means that products made at the factory can be marked as halal foods, and that the factory is recognized for practicing adequate food hygiene and product quality management.

Meanwhile, in Myanmar, where the Group is aiming to increase its sales a step further, the local agent decided to construct a factory in Myanmar to conduct licensed production of POKKA brand fruit juice products. The start of construction was marked with a ceremony in November 2014.

Restaurants

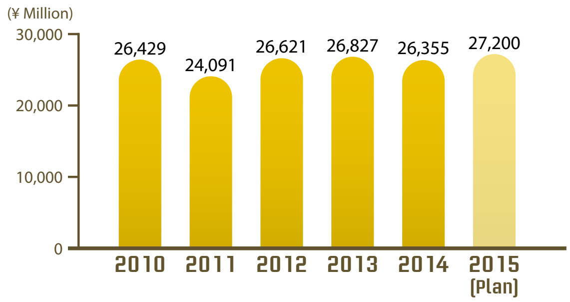
Key Strategies under the Sapporo Group Management Plan 2015–2016

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

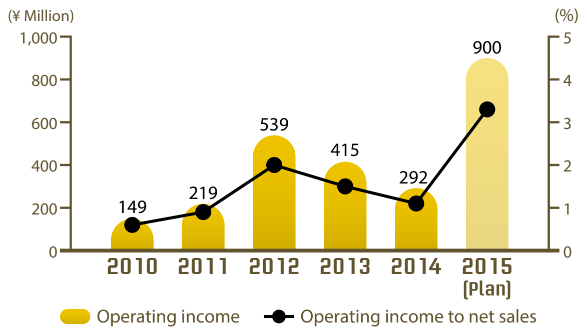
- Operations in Japan focused mainly on the key *GINZA LION* and *YEBISU BAR* formats, with parallel efforts to develop new formats. Overseas, we will promote the *GINZA LION BEER HALL* format in Singapore.
- We will use a point card system to strengthen our relationships with customers, while using the data to enhance marketing by area and format.

- **SAPPORO LION LIMITED**
- **SAPPORO LION (SINGAPORE) PTE. LTD.**

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2014 Overview

Japan's restaurant industry faced a challenging operating environment in 2014, with customer traffic slowed by the decline in personal consumption and unfavorable weather conditions, the weak yen pushing up the prices of food ingredients, and labor costs also rising. In the Restaurant business, we continued to create restaurants that "deliver 100% satisfaction to customers," while closing unprofitable restaurants under a continuing prudent management approach. As a result, the Restaurants business posted sales of ¥26.4 billion, down ¥0.5 billion, or 1.8%, year on year, and segment operating income of ¥0.3 billion, down ¥0.1 billion, or 29.7%.

Domestic

We opened 15 new outlets, with the focus on our core *GINZA LION* and *YEBISU BAR* formats. Also, with a view to expanding our customer base, we opened one new beer hall and one new wine house format restaurant. On the other hand, we closed 20 restaurants during the year, including a large core chain restaurant that closed due to a building reconstruction. As a result, the total number of restaurants operating in Japan at the end of the year was 185.

Overseas

Overseas, we opened our second *GINZA LION BEER HALL* in Singapore in October, bringing to 14 the total number of restaurants we have operating overseas as of the end of 2014.

Outlook for 2015

Japan's restaurant industry is expected to continue to face a difficult operating environment, with increasing external competition from retailers across industries. In the Restaurants business, we will elevate service levels in a return to basics, while promoting the provision of safe and sound food to customers. In new store openings, we will focus on our two mainstay formats, *GINZA LION* and *YEBISU BAR*. We also will seek to improve sales and profitability at existing outlets through appealing store makeovers.

Overseas, we will continue efforts to establish the *GINZA LION BEER HALL* in Singapore. We will also begin planning our entry into neighboring countries.

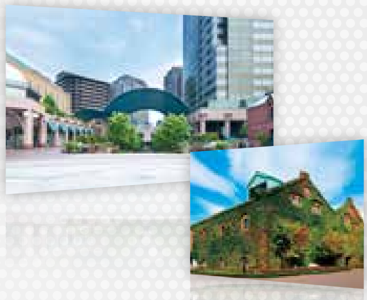
Real Estate

Key Strategies under the Sapporo Group Management Plan 2015–2016

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

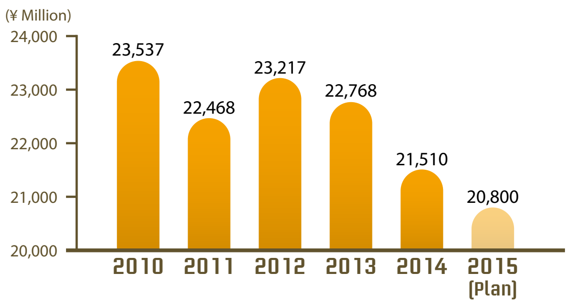
- We will enhance the value of Yebisu Garden Place and drive forward the Ginza 5-chome Redevelopment Project* for a commercial facility complex, with a view to contributing to earnings from fiscal 2016.
- We will strategically review and reorganize our property portfolio, among other steps, to increase the overall value of the real estate business and establish a stable earnings base for the Group.

* Ginza 5-chome Redevelopment Project: A redevelopment project being carried out on a site of approximately 644 m² facing the Ginza 4-chome intersection in the heart of Tokyo's Ginza district.

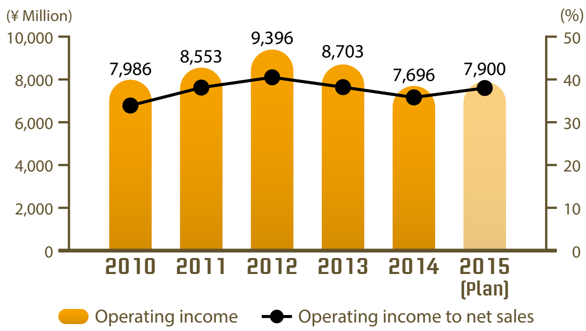


- SAPPORO REAL ESTATE CO., LTD.
- YGP REAL ESTATE CO., LTD.
- TOKYO ENERGY SERVICE CO., LTD.
- YOKOHAMA KEIWA BUILDING CO., LTD.

Net sales



Operating income and Operating income to net sales



Note: Figures are before goodwill amortization.

Fiscal 2014 Overview

Japan's real estate industry in fiscal 2014 continued to enjoy a moderate recovery in rent levels as vacancy rates improved in the Greater Tokyo office leasing market, among other factors. Amid such market conditions, Yebisu Garden Place saw the exit of a large tenant at the expiration of the lease contract in May. However, the business made steady progress with its efforts to find replacement tenants, and as a result we maintained a high occupancy rate as at other properties. Meanwhile, in view of the upswing in the real estate market, we concentrated our management resources, selling some of our rental properties and our entire equity stake in sports facility operator Sapporo Sports Plaza Co., Ltd. As a result, the Real Estate business's sales in 2014 totaled ¥21.5 billion, down ¥1.3 billion, or 5.5%, year on year, and segment operating income totaled ¥7.7 billion, down ¥1.0 billion, or 11.4% Segment operating income before goodwill amortization decreased ¥1.0 billion to ¥7.7 billion.

Yebisu Garden Place

Yebisu Garden Place celebrated the 20th anniversary of its opening during 2014. We welcomed a large upscale restaurant as a new tenant on the commercial-use floor and also undertook a major renovation of public-use floors. At the complex's rental housing building, we carried out renovations designed to enhance the building's comfort level and amenities, including refurbishing the entrance hall, improving the building's barrier-free features, and replacing equipment in each apartment unit. At the complex's office tower, we completed the installation of additional emergency power-generating systems that will supply electricity to tenant spaces during disasters or other emergency situations, strengthening our systems to support the continuity of tenants' business operations.

Real Estate Development

The real estate development business opened the doors to Ebisu First Square on 30 September, and has continued to enjoy full occupancy. Meanwhile, in the Ginza 5-chome Redevelopment Project, we started demolition work on the old building in April, targeting completion of the new building in May 2016.

Outlook for 2015

Japan's real estate industry expects to see further improvement in its operating environment in 2015, including lower vacancy rates and higher rent levels in the Greater Tokyo office leasing market. In the Real Estate business, we will continue our efforts to maintain and increase occupancy rates and rent levels at our properties. At Yebisu Garden Place, we will seek to enhance convenience features across the entire property and further elevate its brand value.

In our real estate development business, we will advance steadily with the Ginza 5-chome Redevelopment Project, aiming to develop a facility that serves as a new hub for disseminating information, and a worthy Ginza landmark.

The Sapporo's "Collaborative Contract Farming System (CCFS)"

—Our quality comes from CCFS fields

The Sapporo Group Management Philosophy is "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles." This philosophy is also reflected in how we procure our raw materials. Our commitment to providing customers with safe, reliable, and tasty beers and wines entails careful selection of raw materials and various related initiatives. We introduce these here.

"Insistence on high quality" means dedication to raw materials

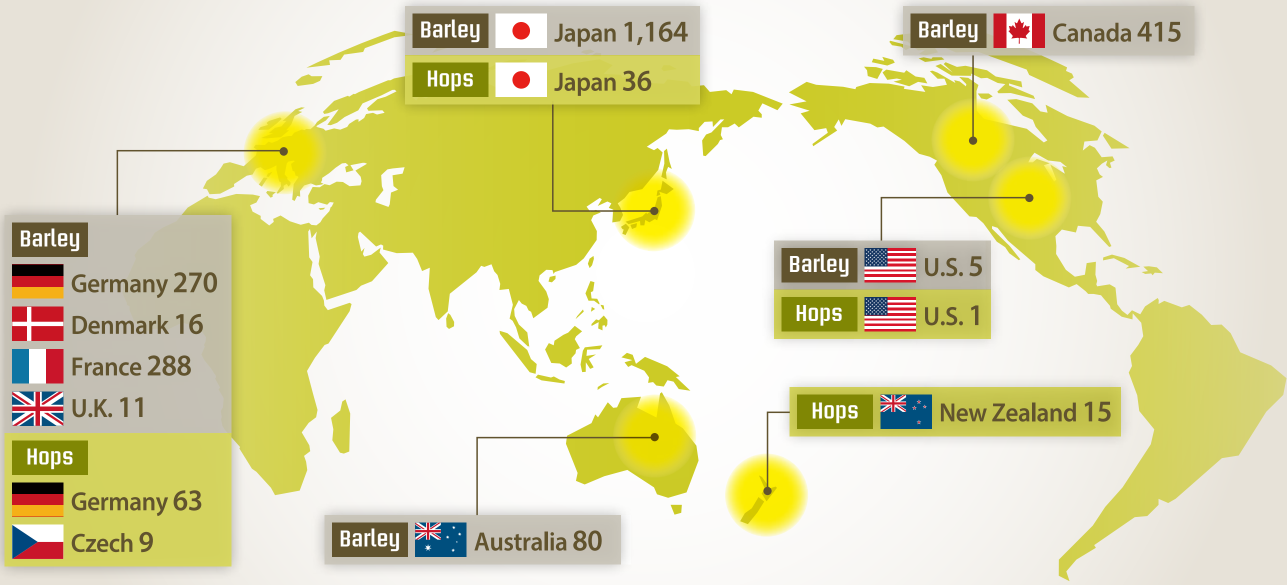
The history of Sapporo Breweries Ltd. is also a history of producing raw materials. We believe that better ingredients make a better quality beer, so we have also dedicated ourselves to the challenges of breeding for raw materials, conducting field trials on barley and hops in Hokkaido ever since the founding of our brewery. This lead the creation of the Collaborative Contract Farming System that we are working today.

The Collaborative Contract Farming System is Sapporo Breweries' unique raw material procurement system, based on the three pillars of 1) specifying the growing area and the growers, 2) specifying the growing method, and 3) communication between the growers and Sapporo Breweries. By the year 2006, we had established a system to procure 100% of the malt and hops for Sapporo beer through Collaborative Contract Farming System fields. At present, this system has been working well for the malt and hops, and also for the barley, too.

Of the Collaborative Contract Farming System

Map of growing areas

Sapporo has about **2,400** Collaborative Contract Farming System growers in **10** countries around the world



processes, the most vital element is communication with the growers. Raw material specialists, called Fieldman, from Sapporo Breweries directly visit the fields of CCFS growers who cultivate barley and hops specially for Sapporo around the world, to meet repeatedly with them prior to sowing, or cultivation, and harvesting as well as after harvesting. The Fieldmen work together with CCFS growers in all areas from variety selection, cultivation methods, such as use of fertilizer and pesticides, and storehouse management. Through their collaboration, they work together to produce safer, more reliable raw materials of higher quality.

Collaborative Contract Farming Systems also applied to wine production

Collaborative Contract Farming Systems have also been introduced for some aspects of material procurement in the *Grande Polaire* series of premium wines made from 100% domestic grapes. In Hokkaido, Nagano, Yamanashi and Okayama, our four growing areas in rich natural surroundings, we are committed to growing high-quality grapes at Sapporo vineyards or with growers that have signed Collaborative Contract Farming System agreements.

Important CSR Issues

The Sapporo Group has positioned CSR-focused management as one of the key strategies for realizing the sustained growth of the Group, and while striving to develop as a company has also stipulated six important CSR issues to contribute toward a sustainable society.

Issue 1

Quality of food and space

To continue to provide the products and services that customers around the world expect, it is vital that we ensure safe and reliable quality as well as work to make further quality improvements.

The Sapporo Group has formulated the Sapporo Group Quality Assurance System to provide safe and reliable production across the entire Group. The system applies strict quality standards not just for Japan, but in various overseas operations, too.

Example 1

Introduced an industry first sterilization technology at the newly established POKKA SAPPORO factory in Nagoya to improve the quality of lemon products.

Pokka Lemon 100 production line

Example 2

Acquired safety and quality certification for the Silver Springs Citrus, Inc. beverage production factory in the U.S.

Silver Springs Citrus quality controllers

Issue 2

Fair and just dealings

In accordance with the Sapporo Group's Basic Purchasing Policy, we conduct fair, equitable and open transactions with clients, suppliers and other trade connections. In addition, to provide the high-quality products and services that customers expect, we aim to build trust-based relationships with our suppliers to ensure stable procurement of safe and reliable ingredients, raw materials, commodities, services and so forth.

In addition, the Group receives the cooperation of its suppliers in actively promoting environmental preservation and CSR initiatives.

Example 1

Sapporo Breweries awards outstanding growers of barley and hops every year based on a quality assessment of raw materials.

In 2014, four outstanding hops growers were awarded in Germany, and another three in the Czech Republic

Example 2

Sapporo Breweries has been conducting satisfaction surveys with its suppliers since 2009 to promote mutual understanding and cooperation. POKKA SAPPORO started doing the same from 2014.

Issue 3

Conservation of the global environment

To achieve a sustainable society, we are taking steps at every stage of our products and services in all of our business domains to address the three following issues: creation of a society in harmony with nature, establishment of a low-carbon society, and establishment of a sound material-cycle society.

Example 1

Ebisu First Square, an office building that started operating at full occupancy in 2014, has an eco-shaft for outstanding environmental performance such as utilization of natural light and natural circulation.

Ebisu First Square

Example 2

We have achieved 100% recycling of by-products and waste materials at Sapporo Breweries' seven factories and POKKA SAPPORO's three factories.

Issue 4

Harmonious coexistence with society

The Sapporo Group has valued connections with many regions in Japan and overseas, such as the site of its foundation, its production and sales bases, and its raw materials production areas and so forth. As a member of each local community, it seeks to support community development and raise awareness about proper drinking practices.

Example 1

Contributing to Ginza, the site of the Group's foundation

Ginza 5-Chome Redevelopment Project: Contribute to the further vitalization of the Ginza area

Ginza Brown: A beer produced using honey bee yeast in a cooperative effort with the Ginza Honey Bee Project, an NPO that promotes more greenery in Ginza

Ginza 5-Chome Redevelopment Project

Ginza Brown

Example 2

Contributing to Hiroshima in harmony with the characteristics of a production area

***Setouchi Lemon Lemonade*:** To increase demand for Setouchi Hiroshima lemons and enhance their brand value, the Group launched a lemon beverage using Setouchi Hiroshima lemons with sales limited to the Chugoku and Shikoku regions.

Issue 5

Development of human resources and enhancement of the working environment

The Sapporo Group promotes diversity. Our aim is to foster an organizational culture of transformation and endeavor by having employees of diverse backgrounds accept and encourage one another through their work, so that each employee can maximize their capabilities. We are also working to create a working environment that is comfortable to work in.

Example 1

In 2014, Sapporo Breweries held the Women's Sales Forum to support the raising of future generations, introducing initiatives to support ambitious female employees who want to continue their careers.

Women's Sales Forum

Example 2

In 2014 we created the global in-house magazine, *SAPPORO★TOPICS* to keep all employees around the world up to date on the Group's current affairs.

Issue 6

Sound corporate management

We are taking steps to strengthen corporate governance in Japan and overseas, as well as promote sound, highly transparent corporate management. In conjunction with the Group's global development, we have created the Sapporo Group Code of Corporate Conduct for dissemination and thorough understanding in Japan and in overseas subsidiaries. In this way, we are promoting a correct understanding and sharing the corporate attitude and aims.

Moreover, we formulated the Internal Control System Construction Guidelines to strengthen corporate governance and have been promoting various initiatives, as well as conducting training and awareness-raising programs for all employees to increase their awareness and understanding of compliance issues.

Example

Dissemination of Sapporo Group Code of Corporate Conduct among overseas subsidiaries: SLEEMAN BREWERIES LTD.

Dave Klaasen, Vice President of SLEEMAN

Corporate Governance

Interview with a New Outside Director

**Shizuka Uzawa was appointed as a new outside director of Sapporo Holdings in March 2015.
Making use of his extensive management experience in the manufacturing industry,
Mr. Uzawa talked about how Sapporo Holdings should conduct governance as a globally expanding company, and the role that should be fulfilled by an outside director.**

Shizuka Uzawa

Chairman & Representative Director of Nisshinbo Holdings Inc.

When I was appointed as an outside director of Sapporo Holdings, I understood that I was expected provide a variety of viewpoints and advice from my experience in the manufacturing industry, which is a different type of business to Sapporo's.

Turning to the role of an outside director, first of all, I believe that a company's strategies to create earnings and enhance corporate value should essentially be formulated and implemented by the management team inside that company. Next, I consider that the role of an outside director should be to monitor these strategies, and moreover that there should be a mechanism where the company's management must first convince the outside directors of the correctness and necessity of their strategies before explaining them to stakeholders. I believe that the creation of such a mechanism is one essential part of corporate governance.

At the Board of Directors of Sapporo Holdings, I feel that the board is highly transparent, with each individual director and particularly the President, turning up with their ideas organized, and then providing clear explanations to the outside directors. Sapporo Holdings considers that ROE is one of the important management indicators and works to achieve the goals of improved efficiency and profitability together with a sound financial structure. This stance shows that management aims to send a clear message to investors, and I believe it is my role to conduct the monitoring that will securely facilitate the achievement of these goals.

Before I was appointed as an outside director, my image of the Sapporo Group was that of a domestic-oriented company, but now my perceptions have greatly changed and I understand that in fact the Group is developing its businesses in global markets. I also understand that it is not so simple to promote the alcoholic beverages, food and soft drinks businesses in various overseas regions with different food and beverage cultures. To conduct business against this background, it is extremely important to establish a global system of corporate governance. I understand the era of only Japanese nationals holding management positions has come to an end, and Sapporo's task now is to explore how local overseas personnel will participate in determining the Group's direction. For the top management, it is very important to continually communicate the Group's fundamental messages in all relevant languages, and to have them passed on directly. I myself have overseas management experience, especially as regards developing the global business of Nisshinbo Holdings Inc. The Sapporo Group has not yet developed sizable overseas business activities, but in its development from now on I believe that the Group can make use of my experience in the area of the risk management issues raised by differing legal systems, cultures, and customs.

The Sapporo Group develops its businesses by selling directly to the consumer. Consequently, the safety of its products and service is of paramount importance. It is important for the Group to remain acutely aware of quality assurance and control, and work constantly to create a variety of relevant mechanisms to ensure the best possible quality assurance and control. I have mainly managed business-to-business, but I am also a consumer of Sapporo products, and I believe I can offer a checking function from the consumer's perspective.

The world's markets for Sapporo's products will certainly grow larger. In addition to a steady increase in Sapporo's business possibilities, the Group will be faced with an increasing number of business issues, including how best to communicate Japan's food and beverage culture and how to develop business in each overseas region. My own goal is to fulfill my role properly by keeping a supportive yet critical eye on Sapporo as continues this journey.

Basic Governance Approach

The Sapporo Group regards strengthening and enhancing corporate governance as one of its top management priorities. The Group is working to clarify supervisory, business execution and auditing functions throughout the Group under the holding company framework. The Group is also working to strengthen management supervisory functions to increase management transparency and achieve management goals. To this end, the Group employs the following governance system.

Board of Directors

The Board of Directors performs a supervisory role and makes decisions on statutory matters and important matters relating to business execution stipulated by the Board's regulations. The Board of Directors also elects and supervises the business execution of the President and Representative Director, who serves concurrently as Group CEO, as well as the Group operating officers, and other key personnel.

About Outside Directors

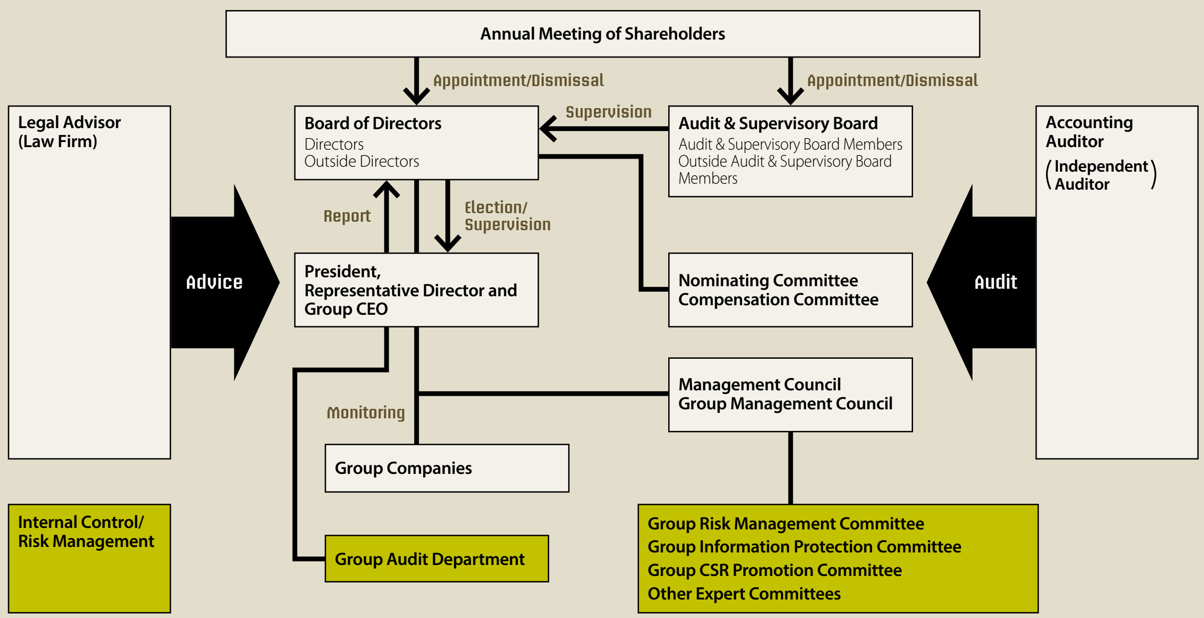
Three of the nine members of the Company's Board of Directors are outside directors. All three have submitted notification to the Tokyo Stock Exchange of their independent director status as stipulated by the exchange regulations. The outside directors are expected to objectively advise and supervise the management team from a neutral standpoint, based on their high perception. The outside directors offered advice and suggestions from their independent and objective standpoints regarding the screening and selection of agenda items at the 15 meetings of the Board of Directors held in 2014.

Name	Reasons for Appointment
Shigehiko Hattori	Mr. Shigehiko Hattori has a wealth of experience, a rich track record and great insight as the president of a business corporation. He also has a wealth of overseas management experience. Mr. Hattori offers pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with overseas expansion, and he has been appointed as an outside director.
Teruhiko Ikeda	Mr. Teruhiko Ikeda has a wealth of experience, a rich track record and great insight as the manager of a financial institution. Mr. Ikeda offers pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of risk management, and he has been appointed as an outside director.
Shizuka Uzawa	Mr. Shizuka Uzawa has a wealth of experience, a rich track record and great insight as the president of a holding company as well as an extensive insight in treasury and corporate management fields. Mr. Uzawa can offer pertinent opinions and advice to the Company's Board of Directors from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of the Group's management structure, and he has been appointed as an outside director.

President, Representative Director and Group CEO, and Group Operating Officers

The President, Representative Director and Group CEO controls business execution across the entire Group based on the resolutions of the Board of Directors. The Group operating officers, under the direct authority of the President, Representative Director and Group CEO, control business execution in the main business segments.

Corporate Functions and Internal Control Relationships



Audits by the Audit & Supervisory Board

Sapporo Holdings Ltd. uses the Audit & Supervisory Board Member system, in which Audit & Supervisory Board Members, who are completely independent from the Board of Directors, audit the job performance of directors from an independent standpoint. The Company has therefore established an Audit & Supervisory Board. In accordance with audit policy and allocated auditing duties decided by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends important meetings such as the Board of Directors meeting and the Management Council, reads over requests for approval, audits subsidiaries, and performs other related duties. The Audit & Supervisory Board Members also receive an explanation of the audit plan from the independent auditors and the independent auditors' report. This system allows proper auditing of the execution of duties by directors.

About Outside Audit & Supervisory Board Members

Sapporo Holdings has four Audit & Supervisory Board Members, two of whom are outside Audit & Supervisory Board Members. Both outside Audit & Supervisory Board Members have submitted notification to the Tokyo Stock Exchange of their independent auditor status as stipulated by the exchange regulations. The outside Audit & Supervisory Board Members are expected to audit the duties executed by the directors from an objective and neutral standpoint. At the 15 meetings of the Board of Directors held in 2014, the outside Audit & Supervisory Board Members offered input where fitting to preserve the propriety and appropriateness of decisions by the directors. Similarly, the outside Audit & Supervisory Board Members provided input where needed on the screening and selection of agenda items and other matters at the 13 meetings of the Audit & Supervisory Board held during the year.

Name	Reasons for Appointment
Junya Sato	Although Mr. Junya Sato has no experience directly managing a company aside from becoming an outside director or an outside corporate auditor, he has professional knowledge of and insight into general legal matters, particularly corporate law, based on his wealth of practical experience as an attorney. The Company has determined that Mr. Sato will be able to monitor the performance of duties by directors of the Company from an objective and fair perspective, and he has been appointed as an outside Audit & Supervisory Board Member.
Kazuo Sugie	As the president of a business corporation, Mr. Kazuo Sugie has a wealth of experience and highly developed insight based on extensive knowledge and information. The Company has determined that, from his objective and neutral position as an outside audit & supervisory board member, Mr. Sugie will monitor the performance of duties by directors of the Company and contribute greatly in strengthening the Company's Audit & Supervisory Board Member system, and he has been appointed as an outside Audit & Supervisory Board Member.

Nominating and Compensation Committees

Although Sapporo Holdings uses the Audit & Supervisory Board Member system, it has also established a Nominating Committee and a Compensation Committee with the goals of increasing transparency with respect to the nomination and remuneration of directors and preserving a sound management structure. The three outside directors and one inside director form the four members of both committees. The committee chair is selected from the outside directors.

Compensation for Directors and Audit & Supervisory Board Members

Compensation for directors is decided within remuneration limits set by the Annual Meeting of Shareholders. Compensation consists of a base salary for each director, determined by the duties performed, and that may, based on predetermined criteria, be adjusted in line with job performance in the previous fiscal year. Compensation for Audit & Supervisory Board Members is also decided within remuneration limits set by the Annual Meeting of Shareholders, and consists of a base salary for each Audit & Supervisory Board Member calculated in accordance with standards decided by the Audit & Supervisory Board.

No bonuses for directors or Audit & Supervisory Board Members were paid in 2014, nor were any retirement benefits, stock options or other noncash remuneration.

Compensation amounts in 2014 were as follows:

Executive classification	Total amount of compensation (¥ Million)	Total compensation by type (¥ Million)			Number of eligible directors and Audit & Supervisory Board Members
		Base salary	Bonuses	Retirement benefits	
Directors (Excluding outside directors)	136	136	—	—	10
Outside directors	25	25	—	—	3
Audit & Supervisory Board Members (Excluding outside Audit & Supervisory Board Members)	36	36	—	—	2
Outside Audit & Supervisory Board Members	14	14	—	—	2
Total	212	212	—	—	17

Notes:
1. Compensation of ¥123 million was paid by consolidated subsidiaries to seven directors (excluding outside directors). The directors' base salary was not paid to four of these directors.
2. Salary of ¥11 million was paid to two directors (excluding outside directors), separately from the base salary for directors shown in the above table. This amount corresponds to the portion of salary for key personnel paid to these individuals, who concurrently serve as key personnel and directors.
3. Remuneration limits have been established by resolution of the 83rd Annual Meeting of Shareholders held on March 29, 2007. The remuneration limits are ¥240 million for directors (however, excluding compensation from consolidated subsidiaries and the portion of salary paid as salary for key personnel) and ¥84 million for Audit & Supervisory Board Members.
4. The Company abolished its retirement benefit system plan for directors and Audit & Supervisory Board Members at the close of the 80th Annual Meeting of Shareholders held on March 30, 2004.

Internal Audits

Under instructions from the President, Representative Director and Group CEO, Sapporo Holdings has established a Group Audit Department as an internal auditing organization independent of the executive chain of command. The Group Audit Department performs internal audits across the entire Group, including operating companies and their subsidiaries. The Group Audit Department and the Audit & Supervisory Board Members meet regularly to exchange views on the results of the internal audits, the status of internal control and other related matters. The internal audit report of the Group Audit Department is read by the Audit & Supervisory Board Members as part of the information that they share.

Upgrading the Internal Control System

The Group has appointed leaders responsible for creating systems to ensure appropriate financial reporting, CSR/ Compliance, Group Governance and Risk Management, and is taking concrete steps to put these systems in place. The goal is to achieve full adherence to the basic policies decided by the Board of Directors, and to constantly upgrade and enhance the systems for the entire group. The secretariats of these initiatives all sit on an Internal Control Liaison Committee that the Group has also established to facilitate mutual understanding and coordination regarding the status of each project.

Risk Management

Sapporo Holdings manages risks relating to itself and its subsidiaries and prepares crisis management measures. To achieve a more robust risk management structure for the entire Group the Company has formulated basic policies and management systems for Group risk management, as well as crisis management regulations. Specifically, Sapporo Holdings and its subsidiaries upgrade and develop systems for managing risks associated with important decisions made during business execution or risks inherent to it, and systems for managing crisis situations that may arise. These efforts are governed by the basic policies for the development of internal control systems.

Compliance

The Group has set out the Sapporo Group Code of Business Conduct to provide a solid set of ethical guidelines for the conduct of all executives and employees. The Group CSR Promotion Committee has created a Group-wide compliance system and established a Whistle-Blower's Hotline and Helpline to help with prevention and early detection of misconduct. In addition, the Group Audit Department, which is an internal auditing body that is independent of the executive chain of command, audits the general business operations of Sapporo Holdings and its subsidiaries to ensure compliance with laws and regulations, the Company's Articles of Incorporation and internal rules.

Policy Toward the Large-Scale Purchase of Share Certificates, etc., of the Company

The Board of Directors considers that decisions regarding the sale of the Company's shares in response to the attempt by a Company shareholder to pursue a large-scale purchase of shares should ultimately rest with the shareholders themselves. However, should an attempt at the large-scale purchase of shares suddenly materialize, the Board of Directors recognizes the provision of ample and appropriate information from both the intended buyer and the Company's Board of Directors as essential to making an optimal decision. The Board of Directors has therefore formulated a policy governing large-scale share purchases* that was approved by the ordinary general meeting of shareholders.

The policy stipulates that the intended purchaser must provide ample and necessary information to the Company's Board of Directors prior to initiating any attempt at a large-scale share purchase. The Board of Directors then reserves a specified period of time to review the proposed purchase, allowing it to provide shareholders with opinions and information that contribute to their final decision. In the event that the proposed purchase is unequivocally deemed to drastically harm the mutual interests of the Company's shareholders, the Board of Directors will, as stipulated by the policy, enact measures deemed appropriate to protect such interests.

To prevent an arbitrary decision to apply this policy by the Board of Directors, an independent committee comprising members who are independent from the management team that executes the Company's business operations has been established to provide an institutional check. The independent committee will receive advice regarding the purchase from the Board of Directors, and offer various counsel pertaining to the matter.

* Policy Toward the Large-Scale Purchase of Share Certificates, etc., of the Company
http://www.sapporoholdings.jp/english/news_release/pdf/14021202.pdf

* This English translation is an abridged version of the original contents of the Annual Securities Report in Japanese. In the event of any discrepancy, the Japanese version prevails.

Board of Directors and Audit & Supervisory Board Members

(As of March 2015)

Board of Directors

Note: Mr. Shigehiko Hattori, Mr. Teruhiko Ikeda and Mr. Shizuka Uzawa are outside directors.

TSUTOMU KAMIJO
(January 6, 1954)

President, Representative Director and Group CEO

- **April 1976**
Joined the Company
- **March 2001**
Director (Member of the Board), Director of Sales Planning Department, of Sapporo Beverage Co., Ltd.
- **March 2007**
Director (Member of the Board), Director of Corporate Planning Department of the Company
- **March 2009**
Managing Director (Member of the Board) of the Company
- **March 2011**
President of Sapporo Beverage Co., Ltd.
President of the Company and CEO of the Group (up to the present)

HIDENORI TANAKA
(April 16, 1955)

Representative Director and Executive Managing Director

- **April 1978**
Joined the Company
- **March 2007**
Director (Member of the Board), Director of Accounting & Finance Department, of Sapporo Breweries Limited
- **March 2008**
Director (Member of the Board) of the Company
- **March 2012**
Managing Director (Member of the Board) of the Company
- **March 2014**
Representative Director and Executive Managing Director of the Company (up to the present)

YOICHI KATO
(July 21, 1954)

Managing Director

- **April 1978**
Joined the Company
- **September 2003**
Director (Member of the Board), Senior Officer, Director of Sales Administration Division, of Yebisu Garden Place Co., Ltd. (currently Sapporo Real Estate Co., Ltd.)
- **March 2009**
Director (Member of the Board), Director of Corporate Planning Department of the Company
- **March 2014**
President of Sapporo Group Management Ltd. (up to the present)
Managing Director (Member of the Board) and Group Operating Officer of the Company (up to the present)

JUNJI WATARI
(December 2, 1955)

Director

- **April 1980**
Joined the Company
- **March 2008**
Director (Member of the Board) and Managing Officer,
Deputy Director of Marketing Department, and Director of New Value Development Department, of Sapporo Breweries Limited
- **March 2014**
Director (Member of the Board) of the Company (up to the present)

TOSHIO MIZOKAMI
(April 16, 1959)

Director

- **April 1984**
Joined the Company
- **March 2012**
Director (Member of the Board) of Sapporo Group Management Ltd. (up to the present)
Director of Group Accounting & Finance Department, of Sapporo Group Management Ltd.
Director of Accounting & Finance Department of the Company
- **March 2014**
Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company (up to the present)

HIROYUKI NOSE
(February 3, 1963)

Director

- **April 1986**
Joined the Company
- **March 2011**
Director of Shochu Planning Department, of Sapporo Breweries Limited
- **March 2013**
Director of Brand Planning Department of Sapporo Breweries Limited
- **March 2015**
Director (Member of the Board) of the Company (up to the present)

SHIGEHIKO HATTORI
(August 21, 1941)

Director

- **April 1964**
Joined Shimadzu Corporation
- **June 1993**
Director (Member of the Board), of Shimadzu Corporation (seconded to the United States of America)
- **June 2003**
President and CEO of Shimadzu Corporation
- **June 2009**
Chairman of the Board of Director of Shimadzu Corporation (up to the present)
- **March 2012**
Director (Member of the Board) of the Company (up to the present)

TERUHIKO IKEDA
(December 5, 1946)

Director

- **April 1969**
Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.
- **April 2002**
Deputy President of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
- **June 2004**
President and Chief Executive Officer of Mizuho Trust & Banking Co., Ltd.
- **June 2010**
Advisor of Mizuho Trust & Banking Co., Ltd. (up to the present)
- **March 2012**
Director (Member of the Board) of the Company (up to the present)

SHIZUKA UZAWA
(January 30, 1946)

Director

- **April 1969**
Joined Nisshinbo Industries, Inc. (currently Nisshinbo Holdings Inc.)
- **June 2001**
Director (Member of the Board), Chief of Accounting and Finance Division of Nisshinbo Industries, Inc.
- **June 2009**
President & Representative Director of Nisshinbo Holdings, Inc.
- **June 2013**
Chairman & Representative Director of Nisshinbo Holdings, Inc. (up to the present)
- **March 2015**
Director (Member of the Board) of the Company (up to the present)

Audit & Supervisory Board Members

Note: Mr. Junya Sato and Mr. Kazuo Sugie are outside Audit & Supervisory Board Members.

SHOUJI OSAKI
(August 17, 1955)

Standing Audit & Supervisory Board Member

- **April 1979**
Joined the Company
- **March 2010**
Managing Officer and Director of Tokai Hokuriku District Headquarters, of Sapporo Breweries Limited
- **March 2013**
Standing Audit & Supervisory Board Member of POKKA SAPPORO Food & Beverage Ltd.
- **March 2015**
Standing Audit & Supervisory Board Member of the Company (up to the present)

KEN KIMOTO
(October 11, 1956)

Audit & Supervisory Board Member

- **April 1980**
Joined the Company
- **March 2006**
Director (Member of the Board), Chief of Quality Assurance Department, of Sapporo Beverage Co., Ltd.
- **January 2013**
Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd.
- **March 2015**
Audit & Supervisory Board Member of the Company (up to the present)

JUNYA SATO
(May 4, 1953)

Audit & Supervisory Board Member

- **April 1982**
Registered as a lawyer (Daiichi Tokyo Bar Association)
Joined the Law Offices of Furness, Sato & Ishizawa (currently Law Offices of Ishizawa, Ko & Sato) (up to the present)
- **October 1990**
Registered as a lawyer in the state of New York
- **April 2011**
Vice Chairman of Daiichi Tokyo Bar Association
- **March 2012**
Audit & Supervisory Board Member of the Company (up to the present)

KAZUO SUGIE
(October 5, 1945)

Audit & Supervisory Board Member

- **August 1970**
Joined Dainippon Ink and Chemicals, Inc. (currently DIC Corporation)
- **June 2001**
Director of Dainippon Ink and Chemicals, Inc.
- **April 2009**
Representative Director, President and CEO of DIC Corporation
- **April 2012**
Chairman of the Board of DIC Corporation
- **March 2013**
Audit & Supervisory Board Member of the Company (up to the present)
- **March 2015**
Senior Advisor of DIC Corporation (up to the present)

Five-Year Summary

SAPPORO HOLDINGS LIMITED and consolidated subsidiaries

Years ended December 31	Millions of yen 2010	2011	2012	2013	2014	Thousands of U.S. dollars 2014
Net sales	¥389,245	¥449,453	¥492,491	¥509,835	**¥518,741**	**$4,303,830**
Japanese Alcoholic Beverages	279,329	268,189	269,948	274,909	**281,820**	**2,338,170**
International	25,386	25,888	36,121	48,216	**49,673**	**412,118**
Food & Soft Drinks	33,938	108,061	129,017	130,672	**133,439**	**1,107,103**
Restaurants	26,429	24,091	26,621	26,827	**26,355**	**218,662**
Real Estate	23,537	22,468	23,217	22,768	**21,510**	**178,461**
Other	625	755	7,566	6,443	**5,944**	**49,316**
Operating cost and expenses	373,842	430,569	478,076	494,490	**504,012**	**4,181,630**
Operating income	15,403	18,884	14,415	15,344	**14,729**	**122,200**
Income before income taxes and minority interests	17,762	5,841	10,512	16,562	**2,695**	**22,358**
Net income	10,773	3,165	5,394	9,452	**340**	**2,821**
	Yen					U.S. dollars
Per share:						
Net income:						
Primary	¥ 27.50	¥ 8.08	¥ 13.77	¥ 24.20	**¥ 0.87**	**$0.01**
Diluted	26.44	—	—	—	**—**	**—**
Net assets	319.32	314.87	336.60	388.77	**401.17**	**3.33**
Cash dividends	7.00	7.00	7.00	7.00	**7.00**	**—**
	Millions of yen					Thousands of U.S. dollars
Year-end data:						
Net assets	¥126,645	¥124,775	¥134,947	¥155,367	**¥160,005**	**$1,327,511**
Total assets	494,798	550,784	597,636	616,753	**625,439**	**5,189,076**
Financial liabilities	181,335	219,168	257,647	247,828	**247,557**	**2,053,903**
ROE (%)	8.9	2.5	4.2	6.7	**0.2**	**—**
Increase in property, plant and equipment and intangible fixed assets	22,571	20,672	57,072	19,465	**22,803**	**189,187**
Depreciation and amortization	22,504	24,482	25,805	25,059	**24,481**	**203,114**

Notes: 1. Yen amounts have been translated into U.S. dollar amounts at the rate of ¥120.53=U.S.$1.00, the exchange rate prevailing on December 31, 2014.
2. In the fiscal years ended December 31, 2011, 2012, 2013 and 2014, there were no latent shares with dilutive effect, therefore information concerning diluted net income per share is omitted.

Management's Discussion and Analysis

Sapporo Holdings Limited and the Sapporo Group

The Sapporo Group's management philosophy is "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles" and we strive to increase stakeholder satisfaction by maintaining integrity in corporate conduct that reinforces stakeholder trust and by aiming to achieve continuous growth in corporate value.

In 2014, the Group began implementing the Sapporo Group Medium-Term Management Plan 2014–2016. Under this new three-year plan, we are accelerating growth strategies to position the Sapporo Group as a "manufacturer of food products" capable of realizing sustainable growth as we aim to achieve the financial targets for 2016 laid out in the Sapporo Group's New Management Framework.

In its Japanese Alcoholic Beverages business, the Group sought to expand sales by continuing its investment in core brands *Yebisu, Sapporo Draft Beer Black Label*, and *Mugi to Hop The gold*. Having launched the popular *Goku Zero* new-genre beer product in 2013, the Group relaunched the product as a *happoshu* in July 2014 and strove to establish it within the market. Sales also expanded steadily in the non-beer growth categories of ready-to-drink (RTD) beverages, wine, western spirits, and Japanese liquors, and the Group pursued further diversification of offerings in these categories.

In the International business, the Group worked to strengthen its production capacity in North American beer operations. At the same time, in the soft drinks business, the Group endeavored to further bolster its North American fruit juice beverage operations with a resolution to acquire Country Pure Foods, Inc., a major U.S. foodservice soft drinks manufacturer, through Silver Springs Citrus, Inc., which is a joint venture company between a group company and Toyota Tsusho America Inc. Meanwhile in Vietnam, it was the third year since the Group entered the market in earnest, and it achieved sales expansion by building the Sapporo brand and conducting marketing to increase the core-drinkers ratio.

In the Food & Soft Drinks business in Japan, the Group addressed management issues, working to enhance its marketing capability and reduce costs. It also endeavored to expand sales in categories where it has a competitive edge and to nurture key brands. Overseas, the new plant in Malaysia commenced production in October, and in addition to expanding and consolidating the soft drinks business from its Southeast Asian base, the Group sold its Hong Kong restaurant business to concentrate on its soft drinks business.

In the Restaurant business in Japan, the Group continued to open and renovate outlets, focusing on its key Ginza Lion and YEBISU BAR formats, while closing or changing the formats of unprofitable outlets in a bid to improve profitability. Overseas, the Group opened its second GINZA LION BEER HALL in Singapore in October.

The Real Estate business continued to pursue its value-enhancement plan for Yebisu Garden Place, which celebrated its 20th anniversary in 2014. In addition, Ebisu First Square was completed in September. Expected to be a new center of activity within the Ebisu district, the building has enjoyed full occupancy since its grand opening. The Group also commenced demolition work in preparation for redevelopment of the Sapporo Ginza Building located at the Ginza 4-chome intersection. Meanwhile, it concentrated its management resources by selling some of its rental properties in view of the revived activity in the real estate market, and selling all its shares in Sapporo Sports Plaza Co., Ltd., a sports facility operator.

In terms of the scope of consolidation, the Company had 42 consolidated subsidiaries and three equity-method affiliates as of the end of the year ended December 31, 2014.

Business Environment Overview

In 2014, the Japanese economy generally followed a moderate recovery track, supported by the government's economic stimulus measures and the Bank of Japan's monetary easing. However, the trend in personal consumption remained clouded by the impact of rising prices following the April consumption tax hike and the yen's depreciation. Conditions in the industries in which Sapporo Group companies operate were as follows.

The domestic alcoholic beverages industry as well as the soft drinks and restaurants industries were adversely affected by unseasonable weather in the summer months of 2014.

The soft drinks and restaurants industries were also affected by slumping personal consumption following the consumption tax hike, however the overall impact was limited. In the real estate industry, vacancy rates in the Greater Tokyo office leasing market declined while rent levels entered a moderate upward trajectory. Overseas, the North American beer market was generally flat, but the Asian market continued to see steady growth.

Consolidated Operating Results

Net Sales

Net sales increased ¥8,906 million, or 1.7%, year on year, to ¥518,741 million.

By business segment, the Japanese Alcoholic Beverages business achieved year-over-year increases in sales volumes in all categories, including beer-type beverages, RTD beverages, wine, western spirits, and Japanese liquors. The International business increased beer volume sales in Vietnam, and the Food & Soft Drinks business achieved sales volume gains in its overseas soft drinks business. The stronger sales volumes combined with the benefit of a weaker yen contributed to produce a sharp gain in sales volume. On the other hand, the Restaurants business saw sales decline as a major store had to close temporarily for building renovations. Meanwhile, the Real Estate business saw its rental revenues decrease owing to properties being closed during redevelopment projects and a temporary drop in the occupancy rate at Yebisu Garden Place following the exit of a large tenant at the expiration of its lease contract. Despite some weakness in these two businesses, groupwide sales increased in 2014. The results include Shinseien Co., Ltd., following the Company's consolidation within the Japanese Alcoholic Beverages business from January 2014.

Cost of Sales

Cost of sales increased ¥6,782 million, or 2.1%, year on year to ¥336,388 million.

The cost of sales ratio increased 0.2 percentage points to 64.8%, primarily due to higher manufacturing costs in the Japanese Alcoholic Beverages business, International business, and the Food & Soft Drinks business, driven by a surge in raw material costs.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased ¥2,739 million, or 1.7%, year on year to ¥167,624 million. This was chiefly due to higher marketing costs in the Japanese Alcoholic Beverages business.

Operating Income

Operating income decreased ¥616 million, or 4.0%, year on year to ¥14,729 million.

The Japanese Alcoholic Beverages business achieved profit growth as higher marketing costs were partly offset by reductions in other fixed costs. The International business, however, saw its annual profits decline as it was unable to overcome higher costs of raw materials and higher marketing expenses in its North American operations and higher marketing expenses in its Vietnam operations. The Food & Soft Drinks business achieved profit growth thanks to efficiency improvement-driven cost reductions in its domestic soft drinks business and sales growth in overseas operations. The Real Estate business saw profit decline owing to lower rental income caused by redevelopment of owned properties.

Other Income (Expenses)

Other expenses were ¥12,034 million, compared with other income of ¥1,218 million in the previous year.

With regard to net financial income (expenses), calculated as the sum of interest and dividend income minus interest expense, the Company recorded net financial expenses of ¥1,340 million in fiscal 2014. Net financial expenses improved from the previous year due to a decrease in financial liabilities and a lower interest rate.

The Company recorded a foreign exchange gain from the depreciating yen of ¥576 million and a gain on sales of property, plant and equipment of ¥3,528 million.

The Company recorded an additional liquor tax paid and other of ¥11,686 million due to a voluntary decision to file a revised liquor tax return owing to the inclusion of *Goku Zero* in a different tax rate category in the Japanese Alcoholic Beverages business. A loss on disposal of property, plant and equipment of ¥2,143 million was recorded, mainly due to the demolition and removal costs related to redevelopment of the Sapporo Ginza Building and demolition of a beer production facility and a soft drinks production facility.

Loss on impairment of property, plant and equipment of ¥893 million was recorded due to a decline in profitability of subsidiaries in the Food & Soft Drinks business and the closure of unprofitable restaurants in the Restaurants business.

Compensation expenses of ¥1,753 million were recorded due to demolition expenses in relation to the redevelopment of the Sapporo Ginza Building.

Income before Income Taxes and Minority Interests

As a result of the aforementioned and other factors, income before income taxes and minority interests decreased ¥13,868 million to ¥2,695 million.

Income Taxes and Net Income

Income taxes applicable to the Company, calculated as the sum of corporation, inhabitants' and enterprise taxes, were ¥2,600 million.

Income taxes accounted for 96.5% of income before income taxes and minority interests. The difference between this percentage and the statutory effective tax rate of 38.0% mainly reflected the recording of an amortization of goodwill.

As a result, net income decreased ¥9,112 million, or 96.4%, year on year to ¥340 million.

Segment Information

	Millions of yen			
	Net sales	Operating income	Depreciation and amortization	Increase in property, plant and equipment and intangible fixed assets
Japanese Alcoholic Beverages	¥281,820	¥10,206	¥8,014	¥3,709
International	49,673	173	2,104	1,949
Food & Soft Drinks	133,439	121	6,785	7,401
Restaurants	26,355	292	668	1,276
Real Estate	21,510	7,696	4,231	7,189

Assets, Liabilities and Shareholders' Equity

The Sapporo Group has a cash management system (CMS), which enables Sapporo Holdings to centrally manage fund allocation within the Group in Japan.

The concentration at the Company of cash flows generated by individual Group companies helps preserve fund liquidity, while flexible and efficient fund allocation within the Group serves to minimize financial liabilities.

The Company strives to secure fund procurement channels and liquidity to make certain that ample funds are on hand to cover present and future operating activities, as well as the repayment of debts and other funding needs. Necessary funds are procured mainly from cash flows from operating activities, and loans, primarily from financial institutions.

Assets

Total assets at December 31, 2014 stood at ¥625,439 million, up ¥8,687 million, or 1.4%, from a year ago.

The increase mainly reflected an increase in machinery and vehicles, investment securities, and other factors, which more than offset a decrease in intangible assets related to the amortization of goodwill.

Liabilities

Financial liabilities decreased ¥271 million to ¥247,557 million.

Due to an increase in long-term bank loans and current portion of bonds, which outweighed a decline in short-term bank loans, total liabilities increased ¥4,048 million, or 0.9%, to ¥465,434 million.

Net Assets

Retained earnings decreased ¥2,496 million to ¥34,914 million.

Asset growth was supported by increases in unrealized holding gain on securities and in the foreign currency translation adjustment account, which were partly offset by dividend payments.

As a result, net assets increased ¥4,638 million from a year earlier to ¥160,005 million.

Cash Flows

Consolidated cash and cash equivalents as of December 31, 2014 were ¥9,748 million, a decrease of ¥1,770 million, or 15.4%, from the previous fiscal year-end. Factors behind this decline were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥22,284 million, ¥10,577 million, or 32.2%, lower than in the previous fiscal year.

Major sources of operating cash flow included ¥24,481 million from depreciation and amortization, ¥3,764 million from amortization of goodwill and a ¥ 4,212 million increase in accrued consumption taxes. These were partially offset by a ¥1,401 million increase in inventories, ¥2,518 million in interest paid, and a payment of ¥7,690 million for corporate income taxes.

Cash Flows from Investing Activities

Investing activities used net cash of ¥17,229 million, an increase of ¥3,961 million from the net cash used in the previous fiscal year.

This change mainly reflected the use of ¥17,313 million for purchases of property, plant and equipment and other factors.

Cash Flows from Financing Activities

Financing activities used net cash of ¥7,308 million, ¥11,840 million less than the net cash used in the previous fiscal year.

This change mainly reflected a ¥38,401 million repayment of long-term debt, a ¥3,322 million repayment of finance lease obligations, and a payment of ¥2,734 million in cash dividends paid. These were partially offset by ¥25,630 million in proceeds from long-term debt and ¥9,960 million in proceeds from issuance of bonds.

Cautionary Statement

The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors.

Management Indicators

The current ratio rose 9.0 percentage points from 64.8% to 73.8%. This was the combined result of a ¥ 9,036 million increase in total current assets, which mainly reflected the increase in notes and accounts receivable, and a ¥15,537 million decrease in current liabilities, which mainly reflected the repayment of short-term bank loans.

The equity ratio rose from 24.6% a year earlier to 25.0%, mainly reflecting increases in unrealized holding gain on securities and foreign currency translation adjustments.

Return on equity (ROE) decreased from 6.7% to 0.2%, due to the year-on-year decrease in net income.

The debt-to-equity (D/E) ratio, calculated as financial liabilities divided by net assets, decreased from 1.6 to 1.5 in line with the increase in net assets.

Outlook for 2015

The Company plans to accelerate implementation of growth strategies based on the Sapporo Group Management Plan 2015–2016. These strategies are aimed at fully displaying the special characteristics that position the Sapporo Group as a "manufacturer of food products" and achieving the Group's financial targets for 2016. Standing on the strong foundation and stable earnings provided by its Japanese Alcoholic Beverages business and Real Estate business, the Company will continue investing in the growth of its International business and the Food & Soft Drinks business, while also planting the seeds for future growth through continued R&D investment.

Consequently, the Company is forecasting consolidated net sales of ¥545,700 million, (up 5.2% year on year), operating income of ¥16,300 million (up 10.7% year on year), and net income of ¥8,000 million (up 2,252.8% year on year). Please see pages 18 to 25, key strategies under the Sapporo Group Management Plan 2015–2016 for details on targets for sales and operating income by segment, and strategies.

For 2015, the Company plans to maintain annual dividends of ¥7 per share by steadily executing the Sapporo Group Management Plan, while also making strategic investments and strengthening its financial foundation.

Risk Factors

Major risks that could potentially impact the operating results and financial position of the Sapporo Group, including stock price, are listed below.

Forward-looking statements in the following text reflect the judgment of management as of December 31, 2014.

Economic Conditions

Because net sales of the Sapporo Group are mainly affected by domestic economic trends, the unit price of key products could decline due to fluctuating shipments of key products and deflationary trends as a result of economic deterioration caused by changing economic conditions. Moreover, deteriorating economic conditions could also lead to a decrease in the value of asset holdings.

High Dependency on Specific Business Areas

In 2014, the Japanese Alcoholic Beverages business, one of the Sapporo Group's core business segments, accounted for 54.3% of consolidated net sales. The Group could thus be significantly affected by the performance of this business.

To break away from its high dependency on the Japanese Alcoholic Beverages business and further increase profitability, the Group will expand its business activities in overseas markets.

Overseas Business Activities

The Sapporo Group is aiming to grow earnings by expanding its business activities in overseas markets. In particular, it is expanding the alcoholic beverages business in the U.S. and Canada.

In Asia, the Group is conducting business in the beverage and restaurant fields, mainly in Singapore. Also, in Vietnam, it is manufacturing and selling locally produced beer at its Long An factory.

The overseas business activities of the Sapporo Group are subject to a variety of factors that could adversely affect operating results.

These factors include economic trends, changes in the competitive landscape, and exchange rate fluctuations, in addition to changes to regulations governing investment, trade, taxation, foreign exchange and other areas, differences in business customs and labor relations, as well as other governmental and social factors.

Food Product Safety

The Sapporo Group is stepping up efforts to establish quality assurance systems. However, beyond quality issues originating solely at the Group, quality problems relating to generally available products and/or raw materials could result in product recalls or defective shipments.

In the Restaurants business, food poisoning could result in an order to temporarily suspend operations or may otherwise adversely affect operating results.

OEM Products and Purchased Products

The Sapporo Group outsources the manufacturing of some products to external parties. It also handles products purchased from outside the Group.

While the Sapporo Group does its best to ensure the quality of such products, quality problems beyond the control of the Group could result in the suspension of sales, product recalls and other actions that may in turn adversely affect operating results.

Raw Material and Supply Prices

Prices of certain raw materials and supplies are subject to fluctuations in market conditions. A sharp increase in these prices could push up the cost of sales, which may in turn adversely affect operating results.

Capital Investment Plans

The Sapporo Group conducts capital investment and systems development on an ongoing basis, but related scheduling delays, investment budget overruns and other factors may adversely affect operating results.

Leaks of Customer Information

In the event of the leak of personal information and other related issues resulting from an unforeseen intrusion of a computer virus, unauthorized access to information or other incident, the Sapporo Group could face claims for damages and suffer a decline in its trustworthiness. This could have a negative impact on operating results by increasing costs and reducing earnings.

Credit Risk of Customers

The collection of receivables may be hindered by such factors as an unforeseen bankruptcy of customers or investees. This could have a negative impact on the Group's operating results.

Impact of Laws and Regulations

The unanticipated application of laws and regulations to Sapporo Group businesses in the future could restrict business operations, with an adverse effect on operating results.

For example, should demand decline due to liquor and consumption tax increases, or should regulations pertaining to liquor advertising, selling hours of liquor at liquor stores, or liquor sales locations spread, factors including expenses required for dealing with decreased demand and responding to new regulations could have a negative effect on business performance.

Risk of Litigation

The Sapporo Group strives to reduce violations and infringements of laws and regulations in its business operations by instilling a strong compliance culture through employee training and education.

However, there is a risk of litigation brought against the Group in respect of a problem under product liability or intellectual property laws, irrespective of any violation of laws and regulations by Group companies or their employees in business operations in Japan or overseas. The instigation of a suit against the Group or its outcome could have a negative impact on the Group's operating results.

Risk of Natural Disasters

The Sapporo Group could sustain damage as a result of a large-scale natural disaster or a secondary disaster. This could have a negative impact on the Group's operating results such as by disrupting the supply of products.

Financial Liabilities

The Sapporo Group raises a significant portion of the funds it requires for various businesses through the issuance of corporate bonds and borrowings from financial institutions. Accordingly, the Group has a high balance of financial liabilities relative to total assets. Moreover, the Group's financial liabilities may increase further as a result of large-scale investments accompanying the execution of its growth strategy.

In the event of an increase in market interest rates, or a downgrading of the Company's ratings by ratings agencies, the Group's interest expenses could increase or its fund-raising conditions could deteriorate. This could have a negative impact on the Group's operating results.

Retirement Benefit Obligations

The Sapporo Group calculates employees' retirement benefit expenses and obligations based on actuarial assumptions, such as the discount rate, and the expected rate of return on pension assets.

In the event of differences between actual performance and actuarial assumptions, or a change in these assumptions, the impact will be recorded as an actuarial difference on a cumulative basis and amortized over the average remaining period of service of employees at the time of accrual.

There would consequently be an impact on future retirement benefit expenses and the amount of retirement benefit obligations booked. Separately, the net retirement benefit obligations at transition, which arose upon a change in accounting standards for retirement benefits, is amortized over 15 years.

Loss on Impairment of Property, Plant and Equipment and Leased Assets

The Sapporo Group records impairment losses on property, plant and equipment and leased assets, and intangibles at the Company and consolidated subsidiaries in Japan in line with impairment criteria based on Japanese accounting standards for the impairment of fixed assets. Overseas, consolidated subsidiaries record impairment losses, as necessary, based on local accounting standards. However, going forward, the Sapporo Group may need to book additional impairment losses if assets meet impairment criteria due to changes in market and operating conditions or other factors, or the Company may need to book losses on sales and disposal of property, plant and equipment, depending on the sales price. This could adversely affect the Sapporo Group's operating results and financial position.

Business and Capital Alliances

The Sapporo Group is promoting business and capital alliances with other companies worldwide as part of efforts to increase its competitiveness with a view to achieving growth in line with the Sapporo Group Medium-Term Management Plan. However, the Group may not achieve results as initially anticipated, depending on market conditions, changes in the business environment and other factors. In certain situations, the Sapporo Group's operating results and financial position may be negatively affected in the event of deterioration in the business operations, assets and other aspects of an alliance partner or investee. In addition, the Sapporo Group may record the amortization of large amounts of goodwill in line with investments, or may record an impairment loss on goodwill and other assets due to deterioration in the business results of investees. These factors could have a negative impact on the Sapporo Group's operating results and financial position.

Holding Company Risk

Sapporo Holdings derives income from brand licensing fees and commissions for management guidance, as well as interest and dividends paid by Group operating companies.

Any deterioration in the financial position of Group operating companies could result in nonpayment, which could adversely affect Sapporo Holdings' business performance.

Consolidated Balance Sheets

(December 31, 2014 and 2013)

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current assets:			
Cash and cash equivalents	¥ 9,748	¥ 11,519	$ 80,878
Time deposits	33	34	274
Notes and accounts receivable—trade	89,246	87,148	740,444
Inventories (Note 5)	36,540	34,385	303,157
Allowance for doubtful receivables	(166)	(228)	(1,373)
Deferred tax assets (Note 16)	5,000	4,172	41,484
Other current assets	15,972	10,307	132,512
Total current assets	156,373	147,337	1,297,376
Investments and long-term loans:			
Investment securities (Notes 12 and 14)	59,969	51,221	497,543
Long-term loans receivable	9,151	9,544	75,922
Allowance for doubtful receivables	(1,305)	(1,326)	(10,830)
Deferred tax assets (Note 16)	1,091	931	9,050
Other investments	13,573	14,178	112,609
	82,478	74,548	684,294
Property, plant and equipment (Notes 6 and 14)**:**			
Land	115,291	115,056	956,533
Buildings and structures	387,645	390,327	3,216,167
Accumulated depreciation	(211,317)	(212,741)	(1,753,232)
Machinery and vehicles	224,180	218,275	1,859,956
Accumulated depreciation	(180,302)	(176,692)	(1,495,911)
Lease assets	16,826	18,243	139,603
Accumulated depreciation	(7,904)	(8,922)	(65,578)
Construction in progress	2,618	5,668	21,720
Other	19,263	19,515	159,815
Accumulated depreciation	(15,702)	(15,847)	(130,274)
Property, plant and equipment, net	350,597	352,882	2,908,797
Intangibles:			
Goodwill	29,966	34,419	248,620
Other	6,025	7,567	49,988
	35,991	41,986	298,609
	¥ 625,439	¥ 616,753	$ 5,189,076

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Short-term bank loans (Note 14)	¥ 22,424	¥ 25,259	$ 186,043
Commercial paper	30,000	25,000	248,901
Current portion of bonds (Note 14)	12,000	—	99,560
Current portion of long-term debt (Note 14)	9,023	38,384	74,861
Current portion of lease obligations	3,068	3,384	25,450
Notes and accounts payable—trade	35,534	35,903	294,815
Liquor taxes payable	33,603	33,700	278,790
Income taxes payable (Note 16)	725	3,838	6,012
Accrued bonuses (Note 2 (k))	2,116	2,090	17,555
Deposits received	9,651	10,825	80,071
Other current liabilities	53,629	48,925	444,945
Total current liabilities	211,772	227,308	1,757,004
Bonds (Note 14)	50,000	52,000	414,834
Long-term debt (Note 14)	124,110	107,185	1,029,703
Lease obligations	6,101	6,299	50,619
Dealers' deposits for guarantees	32,337	32,424	268,290
Employees' retirement benefits (Notes 3 and 15)	—	5,907	—
Net defined benefit liability (Notes 3 and 15)	4,511	—	37,424
Deferred tax liabilities (Note 16)	22,617	17,806	187,646
Other long-term liabilities	13,987	12,457	116,044
Contingent liabilities (Note 9)			
Total liabilities	465,434	461,386	3,861,564
Net assets			
Shareholders' equity:			
Common stock (Notes 19)			
Authorized — 1,000,000,000 shares			
Issued — at December 31, 2014 393,971,493 shares	53,887	—	447,081
— at December 31, 2013 393,971,493 shares	—	53,887	—
Capital surplus	45,913	45,912	380,923
Retained earnings (Note 7)	34,914	37,409	289,667
Treasury stock, at cost	(1,545)	(1,311)	(12,817)
Total shareholders' equity	133,168	135,896	1,104,854
Accumulated other comprehensive income			
Unrealized holding gain on securities	20,113	15,467	166,871
Deferred hedge gains	(0)	5	(2)
Foreign currency translation adjustments	2,583	315	21,428
Remeasurements of defined benefit plans (Notes 3 and 15)	441	—	3,655
Total accumulated other comprehensive income	23,136	15,787	191,952
Minority Interests	3,701	3,683	30,706
Total net assets	160,005	155,367	1,327,511
	¥625,439	¥616,753	$5,189,076

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income
(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Net sales	¥518,741	¥509,835	¥492,491	$4,303,830
Operating cost and expenses:				
Cost of sales	336,388	329,606	313,117	2,790,908
Selling, general and administrative expenses	167,624	164,885	164,959	1,390,722
Operating income	14,729	15,344	14,415	122,200
Other income (expenses):				
Interest and dividend income	1,060	1,043	997	8,797
Interest expense	(2,400)	(2,704)	(3,449)	(19,912)
Other, net (Notes 6 and 8)	(10,694)	2,879	(1,451)	(88,727)
	(12,034)	1,218	(3,903)	(99,842)
Income before income taxes and minority interests	2,695	16,562	10,512	22,358
Income taxes (Note 16)**:**				
Current	1,625	7,678	5,669	13,479
Deferred	975	(535)	(318)	8,091
	2,600	7,143	5,351	21,571
Minority interests	245	33	232	2,034
Net income (Note 19)	¥ 340	¥ 9,452	¥ 5,394	$ 2,821

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income
(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Income before minority interests	¥ 95	¥ 9,419	¥ 5,162	$ 787
Other comprehensive income:				
Unrealized holding gain on securities	4,646	10,344	3,131	38,543
Deferred hedge gains (losses)	(5)	8	9	(45)
Foreign currency translation adjustments	2,548	4,568	2,739	21,140
Share of other comprehensive income of associates accounted for using equity method	—	—	50	—
Total other comprehensive income	7,188	14,920	5,929	59,639
Comprehensive income	¥7,283	¥24,339	¥11,090	$60,426
Total comprehensive income attributable to:				
Owners of the parent	¥7,249	¥23,832	¥11,248	$60,140
Minority interests	34	507	(158)	285

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Shareholders' equity				
Common stock:				
Balance at beginning of year	¥53,887	¥53,887	¥53,887	$447,081
Changes during the year	—	—	—	—
Balance at end of year	¥53,887	¥53,887	¥53,887	$447,081
Capital surplus:				
Balance at beginning of year	¥45,912	¥46,308	¥46,311	$380,914
Disposition of treasury stock	1	(397)	(3)	9
Balance at end of year	¥45,913	¥45,912	¥46,308	$380,923
Retained earnings (Note 7)**:**				
Balance at beginning of year	¥37,409	¥31,394	¥28,741	$310,372
Net income	340	9,452	5,394	2,821
Cash dividends	(2,731)	(2,741)	(2,741)	(22,660)
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(104)	(696)	—	(867)
Balance at end of year	¥34,914	¥37,409	¥31,394	$289,667
Treasury stock, at cost:				
Balance at beginning of year	¥ (1,311)	¥ (1,199)	¥ (1,197)	$ (10,877)
Purchase of treasury stock	(239)	(1,024)	(7)	(1,983)
Disposition of treasury stock	5	913	5	43
Balance at end of year	¥ (1,545)	¥ (1,311)	¥ (1,199)	$ (12,817)
Accumulated other comprehensive income				
Unrealized holding gain on securities:				
Balance at beginning of year	¥15,467	¥ 5,123	¥ 1,993	$128,328
Net change in items other than shareholders' equity during period	4,646	10,344	3,130	38,543
Balance at end of year	¥20,113	¥15,467	¥ 5,123	$166,871
Deferred hedge gains:				
Balance at beginning of year	¥ 5	¥ 10	¥ (8)	$ 38
Net change in items other than shareholders' equity during period	(5)	(5)	18	(40)
Balance at end of year	¥ (0)	¥ 5	¥ 10	$ (2)
Foreign currency translation adjustments (Note 2 (m))**:**				
Balance at beginning of year	¥ 315	¥ (3,726)	¥ (6,433)	$ 2,612
Net change in items other than shareholders' equity during period	2,268	4,041	2,707	18,816
Balance at end of year	¥ 2,583	¥ 315	¥ (3,726)	$ 21,428
Remeasurements of defined benefit plans (Notes 3 and 15)**:**				
Balance at beginning of year	¥ —	¥ —	¥ —	$ —
Net change in items other than shareholders' equity during period	441	—	—	3,655
Balance at end of year	¥ 441	¥ —	¥ —	$ 3,655
Minority interests:				
Balance at beginning of year	¥ 3,683	¥ 3,151	¥ 1,482	$ 30,561
Net change in items other than shareholders' equity during period	17	532	1,669	145
Balance at end of year	¥ 3,701	¥ 3,683	¥ 3,151	$ 30,706

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

(Three years ended December 31)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 2,695	¥ 16,562	¥ 10,512	$ 22,358
Depreciation and amortization	24,481	25,059	25,805	203,114
Loss on impairment of property, plant and equipment and leased assets	893	426	188	7,412
Amortization of goodwill	3,764	3,985	3,879	31,232
Decrease in employees' retirement benefits	—	(1,474)	(82)	—
Decrease in net defined benefit liability	(616)	—	—	(5,107)
Decrease in allowance for doubtful receivables	(87)	(114)	(132)	(725)
Interest and dividend income	(1,060)	(1,043)	(997)	(8,797)
Interest expense	2,400	2,751	3,480	19,912
Gain on sales of property, plant and equipment	(3,528)	(62)	(83)	(29,271)
Loss on sales and disposal of property, plant and equipment	2,252	1,379	2,100	18,683
(Gain) loss on sales of investment securities	(231)	(3,488)	43	(1,913)
Loss on devaluation of investment securities	12	59	582	97
Increase in notes and accounts receivable	(1,193)	(2,315)	(2,015)	(9,899)
(Increase) decrease in inventories	(1,401)	108	(1,827)	(11,627)
Increase (decrease) in notes and accounts payable	(930)	2,225	(697)	(7,712)
Increase in accrued consumption taxes	4,212	336	—	34,945
Increase (decrease) in liquor taxes payable	(165)	194	769	(1,368)
Decrease in deposits received	(1,163)	(1,653)	(2,955)	(9,648)
Increase (decrease) in other current liabilities	1,025	2,152	(927)	8,502
Other	53	(2,595)	(723)	439
Subtotal	31,413	42,494	36,920	260,628
Interest and dividends received	1,079	1,056	1,046	8,948
Interest paid	(2,518)	(2,773)	(3,516)	(20,889)
Income taxes paid	(7,690)	(7,915)	(4,832)	(63,800)
Net cash provided by operating activities	22,284	32,862	29,618	184,887
Cash flows from investing activities:				
Purchases of investment securities	(1,398)	(347)	(1,187)	(11,599)
Proceeds from redemption and sales of investment securities	392	4,436	419	3,253
Purchases of affiliates securities	(91)	(265)	(88)	(756)
Purchases of newly consolidated subsidiaries	—	—	(1,611)	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(26)	—	—	(212)
Payments for acquisition of associates accounted for using equity method	—	(286)	—	—
Purchases of property, plant and equipment	(17,313)	(12,244)	(51,133)	(143,638)
Proceeds from sales of property, plant and equipment	6,383	172	178	52,960
Purchases of intangibles	(1,821)	(1,525)	(2,737)	(15,105)
Increase in long-term loans receivable	(137)	(232)	(26)	(1,138)
Collection of long-term loans receivable	227	440	94	1,887
Other	(3,447)	(3,417)	(3,396)	(28,599)
Net cash used in investing activities	(17,229)	(13,268)	(59,486)	(142,948)
Cash flows from financing activities:				
Net increase (decrease) in short-term bank loans	(3,337)	(9,363)	6,475	(27,688)
Proceeds from long-term debt	25,630	32,250	27,879	212,644
Repayment of long-term debt	(38,401)	(21,964)	(31,489)	(318,603)
Proceeds from issuance of bonds	9,960	19,920	9,960	82,635
Redemption of bonds	—	(10,000)	(10,000)	—
Net increase (decrease) in commercial paper	5,000	(22,000)	34,000	41,483
Cash dividends paid	(2,734)	(2,738)	(2,738)	(22,685)
Cash dividends paid to minority shareholders	(15)	(17)	—	(122)
Repayment of finance lease obligations	(3,322)	(4,218)	(3,924)	(27,561)
Purchase of treasury stock	(95)	(1,024)	(7)	(787)
Proceeds form sales of treasury stock	6	6	3	52
Net cash provided by (used in) financing activities	(7,308)	(19,147)	30,159	(60,631)
Effect of exchange rate changes on cash and cash equivalents	426	607	254	3,538
Net increase (decrease) in cash and cash equivalents	(1,826)	1,053	545	(15,153)
Cash and cash equivalents at beginning of year	11,519	9,725	9,058	95,567
Increase in cash and cash equivalents from newly consolidated subsidiaries	10	740	122	80
Increase in cash and cash equivalents resulting from merger	46	—	—	384
Cash and cash equivalents at end of year	¥ 9,748	¥ 11,519	¥ 9,725	$ 80,878

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The Company and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries, in accordance with that of their country of domicile. The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The relevant notes have been prepared as additional information. In addition, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. Furthermore, certain reclassifications of previously reported amounts have been made to reconcile the consolidated financial statements for the years ended December 31, 2012 and 2013 to the 2014 presentation.

For the convenience of the reader, the accompanying consolidated financial statements as of and for the year ended December 31, 2014 have been translated from yen amounts into U.S. dollar amounts at the rate of ¥120.53=U.S.$1.00, the exchange rate prevailing on December 31, 2014.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances, transactions and profits have been eliminated in consolidation.

During the year ended December 31, 2014, the Company gained one subsidiary on the basis of influence, lost six subsidiaries that ceased to exist after a merger, excluded three subsidiaries reflecting the sale of investment securities, and lost one subsidiary due to corporate liquidation. Accordingly, the number of consolidated subsidiaries was 42 as of December 31, 2014.

The Company's remaining subsidiaries, whose gross assets, net sales, net income and retained earnings were not significant in the aggregate in relation to comparable balances in the consolidated financial statements, have not been consolidated.

Regarding the fiscal years of consolidated subsidiaries, the fiscal year of SILVER SPRINGS CITRUS, INC. ends on September 30. When preparing consolidated financial statements, said account settlement date is used as the date of the financial statements. However, important transactions that occur up to the consolidated account settlement date are adjusted as required.

(b) Investments in unconsolidated subsidiaries and affiliates

The Company's investment in three affiliates for the years ended December 31, 2014 and 2013 and in six affiliates for the year ended December 31, 2012 have been accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates other than those accounted for by the equity method are stated at cost determined by the moving-average method as, in the aggregate, they were not material.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(d) Marketable and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity and other securities.

Trading securities are carried at fair value, and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value as of the end of the year, with any net unrealized gain or loss included as a separate component of shareholders' equity, net of the related taxes.

Nonmarketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(e) Derivatives

Derivatives' positions are stated at fair value.

(f) Inventories

Inventories are stated at cost determined principally by the gross average method.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the manufacturing facilities for alcoholic beverages and soft drinks, and by the straight-line method for the real estate assets held and for buildings acquired in Japan subsequent to March 31, 1988. The annual provisions for depreciation have been computed over periods from two to 65 years for buildings and structures, and from two to 17 years for machinery and vehicles.

For property and equipment retired or otherwise disposed of, costs and related depreciation are charged to the respective accounts and the net difference, less any amount realized on disposal, is charged to operations.

Maintenance and repairs, including minor refurbishments and improvements, are charged to income when incurred.

(h) Intangibles

Intangibles with limited useful lives are amortized by the straight-line method over their estimated useful lives.

Software used internally is amortized by the straight-line method over its estimated useful life (5 years) within the Company.

(i) Lease assets

Lease assets are amortized by the straight-line method with the lease period considered to be the useful life and the guaranteed residual value considered to be the residual value.

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before December 31, 2008, are treated in the same way as ordinary operating leases for accounting purposes.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is estimated as the average percentage of actual historical bad debts, which is then applied to the balance of receivables.

In addition, an amount deemed necessary to cover uncollectible receivables is provided for specific doubtful accounts.

(k) Accrued bonuses

The accrual for employees' bonuses is based on an estimate of the amounts to be paid subsequent to the balance sheet date.

(l) Employees' retirement benefits

Employees' retirement benefits are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet date.

(1) Method of attributing the projected amount of retirement benefit to the period

In calculating retirement benefit obligations, the Company uses the straight line method to allocate the projected retirement benefit for the period up to the end of the fiscal year under review.

(2) Method of amortizing actuarial gain and loss, past service cost, and net retirement benefit obligation at transition between accounting standards

The net retirement benefit obligation at transition is being amortized over a period of 15 years by the straight line method. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight line method over the average remaining years of service of the eligible employees (ten years through 14 years). Past service cost is amortized by the straight line method over the average remaining years of service of the employees (ten years through 14 years).

(m) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.

All assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Revenues and expenses of foreign subsidiaries, on the other hand, are translated into Japanese yen at the average exchange rate for the fiscal year.

Any translation differences are included in foreign currency translation adjustments in the net assets section of the balance sheet.

(n) Hedge accounting

Gain or loss on derivatives positions designated as hedging instruments is deferred until the gain or loss on the underlying hedged item is recognized.

In addition, if an interest-rate swap of forward foreign exchange contract meets certain conditions, the interest expense is computed at a combined rate and recognized.

(o) Amortization of goodwill and negative goodwill

Goodwill is amortized in equal amounts over an appropriate period not to exceed 20 years.

3. Change in Method of Accounting

(Accounting Standards for Retirement Benefits)

The Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) from the end of the fiscal year ended December 31, 2014 excluding the main clauses of paragraph 35 of the ASBJ Statement No. 26 and the paragraph 67 of the ASBJ Guidance No. 25. In accordance with this, the Company changed the accounting method to recognize the difference between retirement benefit obligations and plan assets as "net defined benefit liability" and recorded unrecognized actuarial gains and losses, unrecognized past service costs, and unrecognized net retirement benefit obligation at transition in net defined benefit liability.

At the adoption of these accounting standards, the Company followed the transitional treatments stipulated in paragraph 37 of the ASBJ Statement No. 26. The effect from this change was recorded in "remeasurements of defined benefit plans" under accumulated other comprehensive income at the end of the fiscal year under review.

As a result, at the end of the fiscal year ended December 31, 2014, ¥4,511 million ($37,424 thousand) of net defined benefit liability was recorded, and accumulated other comprehensive income was ¥441 million($3,655 thousand) higher.

Further, the amendment relating to the method of attributing expected benefit to periods will be applied from the beginning of the fiscal year ending December 31, 2015. In addition, because a transitional arrangement is prescribed in said accounting standard, it will not be applied retroactively to past financial statements.

(Changes in Depreciation Method)

In response to Japan's corporate tax law amendments and effective from the year ended December 31, 2012, the method which some domestic consolidated Group subsidiaries use for depreciation of property, plant, and equipment acquired on or after April 1, 2012 is adjusted to reflect the revised corporate tax code. The impact of this change on the Group's fiscal year consolidated operating loss, ordinary loss, and the loss before income taxes is immaterial.

4. Changes in Presentation Method

(Consolidated Statements of Cash Flows)

In the previous fiscal year, "increase (decrease) in accrued consumption taxes" was included in "increase (decrease) in other current liabilities" under "cash flows from operating activities." However, from the fiscal year under review onward, this item has increased in importance and is now to be presented as an independent item. To reflect this change in presentation, the previous fiscal year's financial statements have been restated. As a result, the amount of ¥2,488 million recorded for "increase (decrease) in other current liabilities" under "cash flows from operating activities" in the consolidated statements of cash flows in the previous fiscal year, has now been restated as "increase (decrease) in accrued consumption taxes" of ¥336 million and "increase (decrease) in other current liabilities" of ¥2,152 million.

5. Inventories

Inventories at December 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Finished goods and merchandise	¥18,111	¥16,706	$150,265
Real estate for sale	—	149	—
Work in process	4,320	3,978	35,839
Raw materials	12,510	11,970	103,789
Supplies	1,599	1,582	13,264
	¥36,540	¥34,385	$303,157

6. Loss on Impairment of Property, Plant and Equipment

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2014:

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars (Note 1)
Public Vending Service Co.,Ltd. (Koto-ku, Tokyo)	Other	Goodwill	¥209	$1,731
		Other	142	1,177
			¥350	$2,908
Sapporo Lion Ltd. (Toshima-ku, Tokyo and other)	Restaurants for operations	Buildings	¥199	$1,650
		Machinery	18	149
		Other	7	54
			¥223	$1,854
Okinawa Pokka Foods Co.,Ltd. (Kunigami-gun, Okinawa)	Beverage manufacturing facilities	Buildings	¥ 62	$ 517
		Machinery	93	771
		Other	12	101
			¥167	$1,389
Sapporo Breweries Ltd. (Kitakanbara-gun, Niigata and other)	Idle real estate	Land	¥ 75	$ 622
			¥ 75	$ 622
POKKA SAPPORO Food & Beverage Ltd. (Isesaki-shi, Gunma)	Beverage manufacturing facilities	Buildings	¥ 4	$ 33
		Machinery	32	268
		Other	0	1
			¥ 36	$ 301
Pokka Create Co.,Ltd. (Tokushima-shi, Tokushima and other)	Restaurants for operations	Buildings	¥ 15	$ 122
		Machinery	—	—
		Other	7	60
			¥ 22	$ 182
POKKA CORPORATION (H.K.) Ltd. (Hong Kong, Republic of China)	Restaurants for operations	Buildings	¥ 19	$ 158
			¥ 19	$ 158
			¥893	$7,412

Notes to Consolidated Financial Statements

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2013:

Location	Use	Classification	Millions of yen
SLEEMAN BREWERIES LTD. (Nova Scotia, Canada)	Beer brewing facilities	Machinery	¥221
		Buildings	5
		Other	¥ 3
			¥228
Sapporo Lion Ltd. (Chuo-ku, Tokyo and other)	Restaurants for operations	Buildings	¥116
		Machinery	6
		Other	4
			¥126
Pokka Create Co.,Ltd. (Hamamatsu-shi, Shizuoka and other)	Restaurants for operations	Buildings	¥ 26
		Other	10
			¥ 36
Sapporo Breweries Ltd. (Koshu-shi, Yamanashi)	Restaurants for operations	Buildings	¥ 17
			¥ 17
Sapporo Real Estate Co.,Ltd. (Shibuya-ku, Tokyo)	Offices	Buildings	¥ 16
			¥ 16
POKKA SAPPORO Food & Beverage Ltd. (Aichi-gun, Aichi and other)	Idle real estate	Land	¥ 2
			¥ 2
			¥426

The Company and its consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended December 31, 2012:

Location	Use	Classification	Millions of yen
Sapporo Lion Ltd. (Toshima-ku, Tokyo and other)	Restaurants for operations	Buildings	¥ 98
		Machinery	28
			¥125
Pokka Create Co.,Ltd. (Minato-ku, Tokyo and other)	Restaurants for operations	Buildings	¥ 23
		Machinery	0
		Other	18
			¥ 40
Sapporo Fine Foods Co.,Ltd. (Oota-shi, Gunma)	Food manufacturing	Buildings	¥ 0
		Machinery	8
		Other	4
			¥ 13
Sun Pokka Co.,Ltd. (Hatori-gun, Gifu and other)	Idle real estate	Land	¥ 9
			¥ 9
			¥188

The Company and its consolidated subsidiaries decided the asset group in consideration of the division in management accounting. Idle real estate and real estate for lease and offices are grouped with each real estate, and the restaurants are mainly grouped with each store. The asset groups for manufacturing facilities and assets for business are for each respective business.

With regard to the goodwill of Public Vending Service Co., Ltd., since the Company is expecting difficulty in recovering the investment due to a decline in profitability and other factors, the amount of goodwill has been written down to the recoverable amount, and the amount of the reduction recorded as an impairment loss. Real estate for lease has been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability. An impairment loss has been booked for the amount of the write-down.

For restaurants for operations, the amount by which the carrying amount of these assets exceeds the expected present value of these assets is recognized as an impairment loss because the carrying amount of these assets may not be recoverable due to poor profitability.

Beer brewing facilities, beverages and food manufacturing facilities have been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability. An impairment loss has been booked for the amount of the write-down.

Offices have been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability as a result of office relocation. An impairment loss has been booked for the amount of the write-down.

Idle real estate has been written down to the recoverable amount as it is expected to be difficult to recover the investment due to falling land prices. An impairment loss has been booked for the amount of the write-down.

The recoverable amount is measured by the net selling cost and the value in use, with the net selling cost determined based on an appraisal value provided by a real estate appraisal company. The value in use is calculated based on future cash flows discounted by a certain discount rate.

The discount rate was 7.1–7.3% in 2014, 6.4–7.2% in 2013, and 6.5% in 2012.

7. Shareholders' Equity

Retained earnings include a legal reserve provided in accordance with the provisions of the Commercial Code. This reserve is not available for the payment of dividends, but it may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

8. Other Income (Expenses)

"Other income (expenses)—Other, net" for each of the three years in the period ended December 31, 2014 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Gain on gift voucher redemptions	¥ —	¥ —	¥ 570	$ —
Equity in income of affiliates	226	99	181	1,871
Foreign exchange gains	576	849	536	4,783
Gain on sales of property, plant and equipment	3,528	62	83	29,271
Gain on sales of investment securities	231	3,492	21	1,913
Gain on sales of consolidated subsidiaries	966	—	—	8,015
Loss on disposal of property, plant and equipment	(2,143)	(1,158)	(2,088)	(17,779)
Loss on sales of property, plant and equipment	(109)	(221)	(12)	(904)
Loss on impairment of property, plant and equipment	(893)	(426)	(188)	(7,412)
Loss on devaluation of marketable securities and investments	(12)	(59)	(582)	(97)
Loss on sales of investment securities	(0)	(4)	(65)	(0)
Business structure improvement expenses	—	(253)	(346)	—
Compensation expenses	(1,753)	—	—	(14,544)
Additional liquor tax paid and other	(11,686)	—	—	(96,954)
Other	375	498	439	3,111
	¥(10,694)	¥2,879	¥(1,451)	$(88,727)

Note: Business structure improvement expenses are mainly expenses for the review of the manufacturing system of SLEEMAN BREWERIES LTD. and expenses for the reorganization of the Food & Soft Drinks business in 2013, and expenses for the integration of Sapporo Beverage and POKKA CORPORATION in 2012.

9. Contingent Liabilities

Contingent liabilities at December 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Guarantee of loans, principally loans for employees' housing	¥427	¥514	$3,543
Other	138	148	1,144
	¥565	¥662	$4,688

10. Leases

(a) Finance leases

i) Lessee

Finance leases other than those that transfer ownership of the leased assets to the lessees

Description of lease assets

1. Property, plant and equipment
   Fixtures (other) for sales purposes and vending machines (other)
2. Intangible fixed assets
   Software

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before December 31, 2008, continue to be treated in the same way as ordinary operating leases for accounting purposes. Details are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Acquisition costs:			
Machinery and vehicles	¥48	¥95	$398
Other	4	4	35
	¥52	¥99	$433
Accumulated depreciation:			
Machinery and vehicles	¥46	¥82	$384
Other	3	3	26
	¥49	¥85	$410
Accumulated loss on impairment:			
Machinery and vehicles	¥—	¥—	$ —
Other	—	—	—
	¥—	¥—	$ —
Net book value:			
Machinery and vehicles	¥ 2	¥13	$ 15
Other	1	2	9
	¥ 3	¥15	$ 23

Lease payments relating to finance leases accounted for as operating leases amounted to ¥12 million ($98 thousand) and ¥119 million, which equaled the corresponding depreciation on the respective leased assets computed by the straight line method over the lease terms for the years ended December 31, 2014 and 2013, respectively.

There was no recorded loss on impairment of leased assets for the years ended December 31, 2014 and 2013.

Reversals of allowance for impairment loss on leased properties was ¥0.2 million ($1 thousand) and ¥6 million for the years ended December 31, 2014 and 2013.

The amount of depreciation equivalents was ¥12 million ($97 thousand) and ¥114 million for the years ended December 31, 2014 and 2013.

Future minimum lease payments, including the interest portion thereon, subsequent to December 31, 2014 and 2013 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2014	2013	2014
Due within one year	¥2	¥12	$18
Due after one year	1	3	5
Total	¥3	¥15	$23

(b) Operating leases

Future minimum lease payments subsequent to December 31, 2014 and 2013 for operating leases are summarized as follows:

i) Lessee

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2014	2013	2014
Due within one year	¥ 2,077	¥2,651	$17,229
Due after one year	8,143	6,150	67,561
Total	¥10,220	¥8,801	$84,790

ii) Lessor

	Millions of yen		Thousands of U.S. dollars (Note 1)
Year ended December 31,	2014	2013	2014
Due within one year	¥ 5,766	¥ 4,407	$ 47,835
Due after one year	18,257	12,858	151,474
Total	¥24,023	¥17,265	$199,309

11. Financial Instruments

(a) Matters related to financial instruments

i) Group policy regarding financial instruments

The Sapporo Group procures the funds it requires mainly through borrowings from banks and the issue of corporate bonds. Any temporary surpluses are then invested in highly secure, highly liquid financial assets. Short-term operating capital is procured through bank loans and commercial paper. Derivatives are not used for speculative purposes, but rather are used mainly to mitigate exposure to risks stemming from exchange rate and interest rate volatility.

ii) Breakdown of financial instruments and related risks

Operating receivables, such as notes and accounts receivable, are exposed to customer credit risks. To cope with these risks, the Sapporo Group, in line with internal regulations, engages in due date control and balance management for each respective business partner.

Marketable securities and investment securities mainly consist of stocks of companies with which the Group has business relations and the investment of temporary surpluses in bonds. These securities are exposed to risks stemming from market price volatility. The Sapporo Group periodically evaluates the market value of these stocks and bonds. The Group also makes long-term loans to business partners and other entities.

Payables, such as notes and accounts payable, are operating liabilities and due for payment within one year.

Short-term borrowings and commercial paper consist mainly of operating funds procured for business transactions. Long-term debt and corporate bonds are funds procured mainly for capital investment purposes.

Long-term debt is exposed to risks stemming from interest-rate and foreign exchange volatility. For certain long-term debt, the Sapporo Group uses derivative transactions (interest-rate swaps and currency swaps) as a hedge against risks stemming from interest-rate volatility.

Currency-related derivative transactions consist of foreign exchange contracts and currency swap transactions. Interest rate derivative transactions are interest rate swaps. Derivative financial instruments consist of commodity futures and commodity option transactions.

iii) Risk management system for financial instruments

① Management of credit risks
(risks associated with default, etc., by business partners)

Regarding operating receivables and long-term loans, the Company and its major consolidated subsidiaries, in line with internal rules of conduct at each Company, periodically monitor the status of main business partners via the executive department of each business division.

Along with managing due dates and balances for each partner, the Company and its major subsidiaries take steps to preventatively assess and minimize losses from instances in which the recovery of receivables or loans may become doubtful due to deterioration, etc., in financial condition.

In derivative transactions, the Company and its major subsidiaries, based on standards of internal control, only enter into contracts with financial institutions possessing high credit ratings.

These controls are followed as a rule to prevent the emergence of possible credit risks.

② Management of market risks
(risks from exchange-rate and interest-rate volatility)

With regard to operating receivables and payables denominated in foreign currencies, the Company and certain of its subsidiaries use forward foreign exchange contracts to limit to within a certain scope risks stemming from exchange-rate volatility. Interest rate swaps are also used to control volatility risks involved in the interest rates on borrowings.

To mitigate risks associated with foreign currency transactions, currency swap transactions are used. Commodity futures and commodity option transactions are used to hedge against the risk of fluctuating raw material purchase prices to limit such risk within a specified range.

For marketable and investment securities, the Company and its major subsidiaries periodically assess the market value of the securities and the financial condition, etc. of the issuer (business partners), and, as necessary, review the holding status of such securities, taking into account their relationship with the business partner in question.

Derivative transactions are executed and managed pursuant to standards of internal control. These controls clearly stipulate matters pertaining to derivatives, including their purpose, product range, transaction counterparties, settlement approval procedures, the segregation of duties within executive departments, and the system for reporting such transactions. The balance and status of income (loss) for derivative transactions is reported periodically to the Board of Directors.

③ Management of liquidity risk associated with fund procurement
(risk of failing to meet payment due dates)

To minimize financial liabilities, the Sapporo Group has a cash management system (CMS) to centrally manage fund allocation to the Company and its major subsidiaries. Financial divisions within the Group formulate plans for fund procurement and fund management in an effort to manage liquidity risk.

iv) Supplementary explanation of matters concerning fair value, etc., of financial instruments

Market value of financial instruments contains fair values that are rationally calculated in cases for which no market price is available. Because variable factors are incorporated into the calculation of this value, the adoption of different terms and assumptions can cause fair value to vary.

Furthermore, notional amounts contracted in derivative transactions, as described in the notes pertaining to derivative transactions, are not a full expression of the market risk associated with derivative transactions.

(b) Matters concerning fair value, etc., of financial instruments

Amounts, market value and their variances reported in the consolidated balance sheets for the fiscal years ended December 31, 2014 and 2013 are as follows:

Items for which the assessment of market value is not feasible were omitted.

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2014			2013			2014		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 9,781	¥ 9,781	¥ —	¥ 11,553	¥ 11,553	¥ —	$ 81,152	$ 81,152	$ —
(2) Notes and accounts receivable—trade	89,246			87,148			740,444		
Allowance for doubtful receivables	(150)			(133)			(1,241)		
Sub total	89,096	89,096	—	87,015	87,015	—	739,203	739,203	—
(3) Marketable securities and investment securities									
① Held-to-maturity debt securities	200	202	2	200	203	3	1,659	1,676	17
② Other securities	49,849	49,849	—	41,527	41,527	—	413,580	413,580	—
(4) Long-term loans receivable	9,653			9,934			80,089		
Allowance for doubtful receivables	(61)			(103)			(503)		
Sub total	9,592	9,594	2	9,831	9,834	3	79,586	79,599	13
Total assets	¥158,519	¥158,522	¥ 4	¥150,126	¥150,132	¥ 6	$1,315,180	$1,315,209	$ 30
(1) Notes and accounts payable—trade	¥ 35,534	¥ 35,534	¥ —	¥ 35,903	¥ 35,903	¥ —	$294,815	$294,815	$ —
(2) Short-term bank loans	22,424	22,424	—	25,259	25,259	—	186,043	186,043	—
(3) Commercial paper	30,000	30,000	—	25,000	25,000	—	248,901	248,901	—
(4) Liquor taxes payable	33,603	33,603	—	33,700	33,700	—	278,790	278,790	—
(5) Income taxes payable	725	725	—	3,838	3,838	—	6,012	6,012	—
(6) Bonds	62,000	62,623	623	52,000	52,283	283	514,395	519,565	5,170
(7) Long-term bank debt	133,133	135,013	1,880	145,569	148,678	3,108	1,104,564	1,120,164	15,599
Total liabilities	¥317,418	¥319,922	¥2,503	¥321,269	¥324,660	¥3,391	$2,633,520	$2,654,290	$20,770
Derivative transactions to which									
① Hedge accounting is not applied	¥ 3	¥ 3	¥ —	¥ 44	¥ 44	¥ —	$ 22	$ 22	$ —
② Hedge accounting is applied	7	7	—	15	15	—	61	61	—
Total derivative transactions	¥ 10	¥ 10	¥ —	¥ 59	¥ 59	¥ —	$ 84	$ 84	$ —

i) Methods for determining market value of financial instruments and matters concerning marketable securities and derivative transactions

<Assets>

(1) Cash and cash equivalents, (2) Notes and accounts receivable

Book value is used since the variance between market value and book value is small due to the settlement of these accounts in the near future.

(3) Marketable and investment securities

In determining market value, the stock market price is used for stocks. In the absence of a market price quotation, fair value on public and corporate bonds is determined as follows. Such bonds are first sorted in sets according to maturity and credit rating. Yield on a government bond with a similar maturity or another appropriate indicator is then applied as a benchmark, and a spread taking into account credit rating and maturity of a set of bonds is added on top of the benchmark rate. This rate approximating the future cash flow of that set of bonds is then applied as the discount rate in calculating the set's present value. For matters pertaining to respective marketable securities to be held-to-maturity, refer to "12. Marketable Securities and Investment Securities" in the Notes to Consolidated Financial Statements.

(4) Long-term loans receivable

Within the Sapporo Group, the fair value of long-term loans receivable is calculated as follows. Loans are first sorted in sets according to maturity and credit risk. Yield on a government bond with a similar maturity or another appropriate indicator is then applied as a benchmark, and a spread taking into account the credit risk and maturity of a set of loans is added on top of the benchmark rate. This rate approximating future cash flow of that set of loans is then applied as the discount rate in calculating the set's present value. The fair value of potentially doubtful receivables is calculated either at present value using the same discount rate formula, or based on the projected amount of collateral or guarantees deemed recoverable.

<Liabilities>

(1) Accounts payable, (2) Short-term bank loans, (3) Commercial paper, (4) Liquor taxes payable, and (5) Income taxes payable

Book value is used since the variance between market value and book value is small due to the short-term settlement of these accounts.

(6) Corporate bonds

The market value of bonds issued by the Company is calculated based on the market price for bonds that have market prices.

(7) Long-term debt

For long-term debt, the method for determining fair value is to discount the sum total of the outstanding principal and interest by the estimated interest-rate cost of refinancing it.

Long-term bank loans based on variable interest rates are subject to special procedures for interest rate swaps and allocation procedures for currency swaps. This is calculated by discounting the sum total amount of principal and interest, with said interest rate swaps and currency swaps treated as one, at a reasonably estimated interest rate that applies when refinancing.

ii) Financial instruments for which the assessment of market value is not feasible

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
	Carrying value	Carrying value	Carrying value
Unlisted stocks, etc.	¥10,020	¥ 9,712	$ 83,134
Dealers' deposits for guarantees	32,337	32,424	268,290

iii) Estimate of monetary claims and maturing marketable securities due for redemption after the consolidated account settlement

	Millions of yen			
	2014			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	¥ 6,386	¥ —	¥—	¥ —
Notes and accounts receivable—trade	89,246	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities	100	100	—	—
Long-term loans receivable	502	1,043	—	8,108
Total	¥96,234	¥1,143	¥—	¥8,108

	Thousands of U.S. dollars (Note 1)			
	2014			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	$ 52,983	$ —	$—	$ —
Notes and accounts receivable—trade	740,444	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities	830	830	—	—
Long-term loans receivable	4,167	8,653	—	67,269
Total	$798,424	$9,483	$—	$67,269

	Millions of yen			
	2013			
	Inside one year	After one year and inside five years	After five years and inside ten years	After ten years
Cash and cash equivalents	¥ 9,001	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	87,148	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities	—	200	—	—
Long-term loans receivable	390	1,234	205	8,105
Total	¥96,540	¥1,434	¥205	¥8,105

12. Marketable Securities and Investment Securities

(a) Trading securities

No relevant items as of December 31, 2014 and 2013.

(b) Held-to-maturity debt securities

The aggregate carrying value, fair value, gross unrealized gain and loss on held-to-maturity debt securities whose fair value was determinable at December 31, 2014 and 2013 are summarized as follows:

	Millions of yen		
	2014		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	¥ —	¥ —	¥—
Corporate bonds	200	202	2
Other	—	—	—
Subtotal	¥200	¥202	¥ 2

	Thousands of U.S. dollars (Note 1)		
	2014		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	$ —	$ —	$—
Corporate bonds	1,659	1,676	17
Other	—	—	—
Subtotal	$1,659	$1,676	$17

	Millions of yen		
	2013		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	¥ —	¥ —	¥—
Corporate bonds	200	203	3
Other	—	—	—
Subtotal	¥200	¥203	¥ 3

(c) Other securities

The aggregate acquisition cost, carrying value, gross unrealized gain and loss on other securities whose fair value was determinable at December 31, 2014 and 2013 are summarized as follows:

Unlisted stocks have no discernable market price, making any assessment of market value unfeasible. Such stocks have subsequently been omitted from the chart of other securities below.

	Millions of yen		
	2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥46,595	¥15,308	¥31,288
Debt securities	16	16	0
Other	—	—	—
Subtotal	¥46,611	¥15,324	¥31,288
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 3,237	¥ 3,863	¥ (626)
Debt securities	—	—	—
Other	—	—	—
Subtotal	¥ 3,237	¥ 3,863	¥ (626)
Total	¥49,849	¥19,187	¥30,662

	Thousands of U.S. dollars (Note 1)		
	2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$386,587	$127,002	$259,585
Debt securities	133	133	1
Other	—	—	—
Subtotal	$386,720	$127,135	$259,585
Securities whose acquisition cost exceeds their carrying value:			
Stock	$ 26,859	$ 32,054	$ (5,195)
Debt securities	—	—	—
Other	—	—	—
Subtotal	$ 26,859	$ 32,054	$ (5,195)
Total	$413,580	$159,189	$254,390

	Millions of yen		
	2013		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥38,058	¥14,135	¥23,923
Debt securities	—	—	—
Other	—	—	—
Subtotal	¥38,058	¥14,135	¥23,923
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 3,469	¥ 3,866	¥ (397)
Debt securities	—	—	—
Other	—	—	—
Subtotal	¥ 3,469	¥ 3,866	¥ (397)
Total	¥41,527	¥18,001	¥23,527

(d) The realized gain and loss on sales of other securities

The realized gain and loss on sales of other securities in the periods ended December 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Sales	¥392	¥4,316	$3,253
Gain on sales of securities	231	3,492	1,913
Loss on sales of securities	0	4	0

(e) Marketable securities that have been written down

The Company recorded write-downs of ¥12 million ($97 thousand) and ¥20 million in other securities in the years ended December 31, 2014 and 2013, respectively.

The Company writes down marketable securities when their market value falls by 50% or more than their book value at the fiscal year-end. If their value falls by between 30% and 50%, the Company records the amount of write-downs deemed necessary based on the possibility of recovery for individual securities.

13. Derivatives

(a) Derivative transactions to which hedge accounting is applied

i) Currency-related

December 31, 2014

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Contract amount payable after one year	Thousands of U.S. dollars (Note 1): Fair value
Designation applied to forward exchange contracts	Forward foreign exchange contract Purchase denomination: euro	Accounts payable	¥ 76	¥—	¥ (1)	$ 629	$ —	$ (4)
	Sell denomination: US$	Accounts receivable	323	—	(6)	2,679	$ —	(50)
Principle method	Forward foreign exchange contract Sell denomination: CAN$	Accounts receivable	473	—	14	3,925	—	115
Currency swap allocation procedures	Received in USD, paid in JPY	Long-term debt	10,000	10,000	*	82,966	82,966	*
Total			¥10,872	¥10,000	¥ 7	$90,199	$82,966	$ 61

December 31, 2013

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value
Principle method	Forward foreign exchange contract Sell denomination: CAN$	Accounts receivable	¥ 514	¥ —	¥15
Currency swap allocation procedures	Received in USD, paid in JPY	Long-term debt	10,000	10,000	*
Total			¥10,514	¥10,000	¥15

Note: Because those based on currency swap allocation procedures are treated together with long-term loans, which are regarded as hedged items, their market value is shown inclusive of the market value of long-term loans.

ii) Interest rate-related

December 31, 2014

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Contract amount payable after one year	Thousands of U.S. dollars (Note 1): Fair value
Special treatment for interest rate swaps	Interest rate swaps Receive variable rate, pay fixed rate	Long-term debt	¥43,576	¥39,514	*	$361,541	$327,832	*
Total			¥43,576	¥39,514	*	$361,541	$327,832	*

December 31, 2013

Hedge accounting method	Hedging instrument	Main hedged item	Millions of yen: Contract amount	Millions of yen: Contract amount payable after one year	Millions of yen: Fair value
Special treatment for interest rate swaps	Interest rate swaps Receive variable rate, pay fixed rate	Long-term debt	¥59,855	¥37,309	*
Total			¥59,855	¥37,309	*

Note: Interest rate swaps backing long-term debts as hedges are subject to special treatment. Their fair value is recorded in conjunction with the long-term debts they back.

(b) Derivative transactions to which hedge accounting is not applied

i) Currency-related

December 31, 2014		Millions of yen				Thousands of U.S. dollars (Note 1)			
Hedge accounting method	Hedging instrument	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contract								
	Purchase denomination: JPY	¥ 397	¥ —	¥(45)	¥(45)	$ 3,293	$ —	$(373)	$(373)
	Purchase denomination: US$	1,275	1,275	60	60	10,579	10,579	496	496
	Sell denomination: US$	294	—	(7)	(7)	2,441	—	(57)	(57)
Total		¥1,966	¥1,275	¥ 8	¥ 8	$16,313	$10,579	$ 66	$ 66

December 31, 2013		Millions of yen			
Hedge accounting method	Hedging instrument	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Forward foreign exchange contract Purchase denomination: US$	¥798	¥—	¥45	¥45
Total		¥798	¥—	¥45	¥45

ii) Commodity-related

December 31, 2014		Millions of yen				Thousands of U.S. dollars (Note 1)			
Hedge accounting method	Hedging instrument	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Market transactions	Commodity option contract Purchase denomination: Call	¥ 9	¥—	¥(6)	¥(6)	$ 74	$—	$(53)	$(53)
	Sell denomination: Put	4	—	1	1	32	—	11	11
	Commodity future trading Purchase denomination	48	—	(0)	(0)	397	—	(2)	(2)
Total		¥61	¥—	¥(5)	¥(5)	$503	$—	$(44)	$(44)

December 31, 2013		Millions of yen			
Hedge accounting method	Hedging instrument	Contract amount	Contract amount payable after one year	Fair value	Unrealized gain (loss)
Market transactions	Commodity option contract Purchase denomination: Call	¥ 10	¥—	¥(7)	¥(7)
	Sell denomination: Put	7	—	2	2
	Commodity future trading Purchase denomination	198	—	5	5
Total		¥216	¥—	¥(1)	¥(1)

14. Short-Term Bank Loans, Bonds and Long-Term Debt

Short-term bank loans represent notes or overdrafts. The annual average interest rates applicable to short-term bank loans for the years ended December 31, 2014 and 2013 were 0.64% and 0.45%, respectively. Bonds at December 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
0.96% bonds due 2015	¥12,000	¥12,000	$ 99,560
0.62% bonds due 2016	10,000	10,000	82,967
0.64% bonds due 2017	10,000	10,000	82,967
0.39% bonds due 2018	10,000	10,000	82,967
0.31% bonds due 2019	10,000	—	82,967
0.61% bonds due 2020	10,000	10,000	82,967
Total	62,000	52,000	514,395
Less current portion	12,000	—	99,560
Bonds, net of current portion	¥50,000	¥52,000	$414,834

The aggregate annual maturities of bonds subsequent to December 31, 2014 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥12,000	$ 99,560
2016	10,000	82,967
2017	10,000	82,967
2018	10,000	82,967
2019	10,000	82,967
2020 and thereafter	10,000	82,967
	¥62,000	$514,395

Long-term debt at December 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Loans from banks and insurance companies maturing from 2013 to 2024 with weighted-average annual interest rates:			
2014—0.69%			
2013—0.92%			
Secured	¥ 17,900	¥ 18,330	$ 148,511
Unsecured	115,233	127,239	956,054
	133,133	145,569	1,104,564
Less current portion	9,023	38,384	74,861
	¥124,110	¥107,185	$1,029,703

The aggregate annual maturities of long-term debt subsequent to December 31, 2014 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥ 9,023	$ 74,861
2016	46,603	386,649
2017	11,647	96,635
2018	19,373	160,730
2019	17,285	143,407
2020 and thereafter	29,202	242,281
	¥133,133	$1,104,564

The assets pledged as collateral for short-term bank loans and long-term debt at December 31, 2014 and 2013 are summarized as follows:

(a) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Investment securities	¥7,648	¥6,563	$63,453
Buildings and structures	91	100	758
Land	613	613	5,083
Other investment.	25	80	207
	¥8,377	¥7,356	$69,502

(b) Debt relating to the above pledged assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Short-term bank loans	¥ 3,000	¥ 1,500	$ 24,890
Long-term bank debt	17,900	18,330	148,511
	¥20,900	¥19,830	$173,401

In addition, cash and cash equivalents of ¥30 million ($249 thousand) of POKKA INTERNATIONAL PTE. LTD. are pledged as collateral for a credit limit of ¥984 million ($8,163 thousand).

Short-term bank loans of ¥9 million ($71 thousand) have been borrowed against said credit limit.

15. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans covering substantially all employees. Additional benefits may be granted to employees according to the conditions under which termination occurs.

Effective from the fiscal year ended December 31, 2014, the Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) from the end of the fiscal year ended December 31, 2014 excluding the main clauses of paragraph 35 of the ASBJ Statement No. 26 and the paragraph 67 of the ASBJ Guidance No. 25. In accordance with this, the Company changed the accounting method to recognize the difference between retirement benefit obligations and plan assets as "net defined benefit liability" and recorded unrecognized actuarial gains and losses, unrecognized past service costs, and unrecognized net retirement benefit obligation at transition in net defined benefit liability.

At the adoption of these accounting standards, the Company followed the transitional treatments stipulated in paragraph 37 of the ASBJ Statement No. 26. The effect from this change was recorded in "remeasurements of defined benefit plans" under accumulated other comprehensive income at the end of the fiscal year under review.

Situation as of the end of the fiscal year ended December 31, 2014

(a) Defined Benefit Plans

i) Reconciliation of balance of defined benefit obligation at the start of the period and at the end of the period

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Balance of retirement benefit obligation at the start of the period	¥46,331	$384,396
Service cost	1,396	11,581
Interest cost	688	5,707
Actuarial gain or loss	458	3,796
Payment of retirement benefits	(2,805)	(23,271)
Other	(140)	(1,165)
Balance of retirement benefit obligation at the start and the end of the period	¥45,927	$381,044

Note: Some of the Company's consolidated subsidiaries have adopted a simplified method for calculating the retirement benefit obligation.

ii) Reconciliation of balance of pension plan assets at the start of the period and at the end of the period

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Balance of pension plan assets at the start of the period	¥38,065	$315,815
Expected return on plan assets	894	7,415
Actuarial gain or loss	1,817	15,071
Contribution from employer	3,208	26,617
Payment of retirement benefits	(2,567)	(21,298)
Balance of pension plan assets at the end of the period	¥41,417	$343,620

Note: Some of the Company's consolidated subsidiaries have adopted a simplified method for calculating the retirement benefit obligation.

iii) Reconciliation of balance of retirement benefit obligation and pension plan assets at the end of the period and liabilities and assets related to retirement benefits stated on the balance sheet

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Retirement benefit obligation for funded plans	¥ 42,353	$ 351,387
Pension plan assets	(41,417)	(343,620)
	936	7,766
Retirement benefit obligations for unfunded plans	3,575	29,657
Net amount of liabilities and assets on the consolidated balance sheet	4,511	37,423
Liabilities related to retirement benefits	4,511	37,423
Net amount of liabilities and assets on the consolidated balance sheet	¥ 4,511	$ 37,423

iv) Amounts of retirement benefit expenses and breakdown

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Service cost	¥1,396	$11,581
Interest cost	688	5,707
Expected return on plan assets	(894)	(7,415)
Amortization of net retirement benefit obligation at transition	1,503	12,471
Amortization of actuarial gain or loss	915	7,590
Amortization of past service cost	(728)	(6,044)
Retirement benefit expenses relating to defined benefit plans	¥2,880	$23,891

Note: The retirement benefit expenses of consolidated subsidiaries using the simplified method are included in the service cost. In addition to the above retirement benefit expenses, additional retirement benefits of ¥36 million ($295 thousand) are included in retirement benefit expenses.

v) Accrued adjustment for retirement benefits

	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2014
Unrecognized net retirement benefit obligation at transition	¥ 1,503	$ 12,472
Unrecognized actuarial gain or loss	1,643	13,635
Unrecognized past service cost	(3,841)	(31,865)
Total	¥ (694)	$ (5,758)

vi) Items related to pension plan assets

(1) Main breakdown of pension plan assets

The proportions of the main classifications of the total pension plan assets are as follows:

Bonds 46%, stocks 22%, cash and deposits 2%, life insurance general account 21%, other 9%

(2) Method of determining long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected distribution of pension plan assets, and the current and expected long-term rates of return on the various assets comprising the pension plan assets.

vii) Matters related to actuarial assumptions

Main actuarial assumptions at the end of the fiscal year under review

Discount rate 0.6–1.6%

Expected rate of return 1.2–2.5%

(b) Defined contribution plans

The required contribution amount for the defined contribution plans of the Company and its subsidiaries is ¥492 million ($4,084 thousand).

Reference: Information up to the year prior to the year of the accounting standard change

Employees' retirement benefits as of December 31, 2013 was analyzed as follows:

	Millions of yen
	2013
Retirement benefit obligation	¥(46,331)
Fair value of pension plan assets	37,954
Trust assets	111
	(8,266)
Unrecognized net retirement benefit obligation at transition	3,011
Unrecognized actuarial gain or loss	3,917
Unrecognized past service cost	(4,569)
Prepaid pension cost	—
Employees' retirement benefits	¥ (5,907)

The Company and certain consolidated subsidiaries had recognized past service cost related to a change in the level of benefits offered under their lump-sum retirement payment plans.

The components of retirement benefit expenses for the years ended December 31, 2013 and 2012 were as follows:

	Millions of yen	
	2013	2012
Service cost	¥1,288	¥1,439
Interest cost	873	923
Expected return on plan assets	(779)	(759)
Amortization of net retirement benefit obligation at transition	1,503	1,506
Amortization of actuarial gain or loss	991	1,146
Amortization of past service cost	(679)	(678)
Other	850	628
	¥4,047	¥4,204

Note: "Other" includes contributions to defined contribution pension plans and additional retirement payments, etc.

The assumptions used in calculation of the above information for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	1.2–1.6%	0.9–2.1%
Expected rate of return on plan assets	1.5–2.5%	2.5–3.0%
Period of recognition of past service cost	10–14 years	9–14 years
Method of amortization	Straight-line method	Straight-line method
Period of recognition of actuarial gain or loss (amortized by the straight-line method over the average number of remaining years of service of the eligible employees commencing in the following year)	10–14 years	9–15 years
Period of recognition of net retirement benefit obligation	15 years	15 years

16. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 38.0% in 2014 and 2013. The differences from the corresponding effective tax rates are due primarily to (1) the accounting policy of not providing for deferred income taxes arising from timing differences between financial and tax reporting for unschedulable temporary differences, and (2) certain expenses which are not deductible for income tax purposes.

The effective tax rates reflected in the consolidated statements of income for the year ended December 31, 2014 and 2013 differ from the corresponding statutory tax rates for the following reasons:

	2014	2013
Statutory tax rates	38.0%	38.0%
Effect of:		
Disallowed expenses, including entertainment expenses	15.7	2.1
Dividends and other income deductible for income tax purposes	(14.0)	(0.9)
Inhabitants' per capita taxes	10.5	1.7
Changes in valuation allowance	19.1	(1.3)
The tax rate differences of overseas subsidiary companies	(23.0)	(2.5)
Amortization of goodwill	45.5	7.8
Other, net	4.8	(1.9)
Effective tax rates	96.5%	43.1%

The significant components of deferred tax assets and liabilities at December 31, 2014 and 2013 were as follows:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Deferred tax assets:			
Property, plant and equipment	¥ 5,012	¥ 5,584	$ 41,585
Investment securities	3,151	2,747	26,142
Gift coupon income	2,212	2,693	18,350
Accrued expenses	2,559	2,631	21,231
Tax loss carryforwards	3,628	2,435	30,098
Employees' retirement benefits	—	2,232	—
Net defined benefit liability	1,855	—	15,392
Accrued bonuses	756	784	6,271
Asset retirement obligations	507	583	4,210
Allowance for doubtful receivables	203	545	1,682
Other	1,757	2,325	14,579
Gross deferred tax assets	21,640	22,558	179,539
Valuation allowance	(9,063)	(9,552)	(75,194)
Total deferred tax assets	12,577	13,006	104,346
Deferred tax liabilities:			
Reserve for advanced depreciation deduction, etc.	10,545	10,009	87,485
Unrealized holding gain on securities	10,851	8,369	90,030
Property, plant and equipment	6,245	6,686	51,812
Gain on valuation of assets received through merger	524	435	4,346
Other	940	216	7,798
Total deferred tax liabilities	29,105	25,715	241,471
Net deferred tax assets (liabilities), net	¥(16,528)	¥(12,709)	$(137,126)

17. Real Estate for Lease

The Company and certain consolidated subsidiaries own office buildings for rent and commercial facilities for rent (including land) in Tokyo and other areas.

Rental income associated with real estate for rent in the fiscal years ended December 31, 2014 and 2013 were ¥6,203 million ($51,464 thousand) and ¥7,087 million. Significant earnings from rent are included under operating income; rental-related expenses are posted under operating expenses. In 2014 and 2013, the carrying value of this real estate for rent on the consolidated balance sheets, the change in carrying value, and the total fair value were as follows:

Year ended or as of December 31, 2014

Millions of yen			
Balance at December 31, 2013	Change during 2014	Balance at December 31, 2014	Fair value at December 31, 2014
¥210,079	¥(2,214)	¥207,864	¥348,237

Year ended or as of December 31, 2014

Thousands of U.S.dollars (Note 1)			
Balance at December 31, 2013	Change during 2014	Balance at December 31, 2014	Fair value at December 31, 2014
$1,742,957	$18,370	$1,724,587	$2,889,217

Year ended or as of December 31, 2013

Millions of yen			
Balance at December 31, 2012	Change during 2013	Balance at December 31, 2013	Fair value at December 31, 2013
¥209,925	¥154	¥210,079	¥337,772

Notes 1. Amounts posted in the consolidated balance sheets represent the acquisition cost after the deduction of cumulative depreciation.
2. In regard to the main components of changes in the year ended December 31, 2014, the main increase was the acquisition of real estate of ¥4,572 million ($37,936 thousand), while the main decreases were depreciation and amortization of ¥3,721 million ($30,868 thousand), sales of¥2,336 million ($19,383 thousand) and disposal losses of ¥788 million ($6,538 thousand).
In regard to the main components of changes in the year ended December 31, 2013, the main increase was the acquisition of real estate of ¥4,098 million , while the main decreases were depreciation and amortization of ¥3,908 million and disposal losses of ¥34 million.
3. Fair value at the end of the fiscal year under review is based primarily on real estate appraisals carried out by external appraisers.

18. Segment Information

(a) Segment information by geographic area

i) Net sales

Year ended or as of December 31, 2014

Millions of yen				
Japan	North America	Asia	Others	Total
¥441,478	¥46,752	¥24,904	¥5,606	¥518,741

Year ended or as of December 31, 2014

Thousands of U.S. dollars (Note 1)				
Japan	North America	Asia	Others	Total
$3,662,806	$387,884	$206,625	$46,515	$4,303,830

Year ended or as of December 31, 2013

Millions of yen				
Japan	North America	Asia	Others	Total
¥437,607	¥45,843	¥21,927	¥4,457	¥509,835

Year ended or as of December 31, 2012

Millions of yen				
Japan	North America	Asia	Others	Total
¥439,114	¥34,658	¥14,836	¥3,883	¥492,491

ii) Property, plant and equipment

The balance of property, plant and equipment located in Japan amounted to more than 90% of the total balance of property, plant and equipment. Accordingly, geographical segment information has not been disclosed in 2014 and 2013.

(b) Information by major customer

Net sales

Company name	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014	Segment
KOKUBU & CO., LTD.	¥64,789	¥63,859	$537,532	Japanese Alcoholic Beverages, Food & Soft Drinks

The Company does not have any major customers whose share of sales accounts for more than 10% of net sales shown on the consolidated statements of income. Accordingly, information by major customer is omitted in 2012.

(c) Segment information

i) Overview of reportable segments

The Company's reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Sapporo Group utilizes the assets of the Group and its traditional areas of strength in the two business domains, "creation of value in food" and "creation of comfortable surroundings." Under Sapporo Holdings, a pure holding company, each group company formulates development plans and strategies for its products, services, and sales markets and conducts business accordingly.

The Group's businesses are therefore segmented mainly based on the products, services, and sales markets of Group companies and their affiliated companies. The Company's five reportable segments are Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate.

The Japanese Alcoholic Beverages segment produces and sells alcoholic beverages in Japan, while the International segment produces and sells alcoholic beverages and soft drinks overseas.

The Food & Soft Drinks segment produces and sells foods and soft drinks.

The Restaurants segment operates various types of restaurants.

The Real Estate segment's activities include leasing and development of real estate.

ii) Calculation methods for sales, income (or loss), assets and other items by reportable segment

Accounting methods applied in reportable segments by business largely correspond to those presented under "Summary of Significant Accounting Policies" and "Change in Method of Accounting." Reportable segment income is based on operating income. Inter-segment sales or transfers are calculated as if the transactions were with third-parties based on market prices.

iii) Amounts of sales, income (loss), assets, and other items by reportable segment

Year ended or as of December 31, 2014

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥281,820	¥49,673	¥133,439	¥26,355	¥ 21,510	¥512,797	¥ 5,944	¥518,741	¥ —	¥518,741
Intra-group sales and transfers	2,529	95	315	4	2,754	5,697	19,478	25,174	(25,174)	—
Total	¥284,348	¥49,768	¥133,754	¥26,359	¥ 24,264	¥518,493	¥25,422	¥543,915	¥(25,174)	¥518,741
Operating income (loss)	¥ 10,206	¥ 173	¥ 121	¥ 292	¥ 7,696	¥ 18,488	¥ 184	¥ 18,672	¥ (3,943)	¥ 14,729
Identifiable assets	¥220,463	¥57,602	¥102,762	¥12,247	¥214,390	¥607,463	¥ 7,135	¥614,599	¥ 10,841	625,439
Depreciation and amortization	¥ 8,014	¥ 2,104	¥ 6,785	¥ 668	¥ 4,231	¥ 21,803	¥ 75	¥ 21,878	¥ 2,603	¥ 24,481
Increase in property, plant and equipment and intangible fixed assets	¥ 3,709	¥ 1,949	¥ 7,401	¥ 1,276	¥ 7,189	¥ 21,523	¥ 31	¥ 21,554	¥ 1,249	¥ 22,803

Year ended or as of December 31, 2014

	Thousands of U.S. dollars (Note 1)									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	$2,338,170	$412,118	$1,107,103	$218,662	$ 178,461	$4,254,513	$ 49,316	$4,303,830	$ —	$4,303,830
Intra-group sales and transfers	20,978	789	2,611	32	22,852	47,262	161,602	208,864	(208,864)	—
Total	$2,359,149	$412,907	$1,109,714	$218,694	$ 201,313	$4,301,776	$210,918	$4,512,693	$(208,864)	$4,303,830
Operating income (loss)	$ 84,677	$ 1,435	$ 1,005	$ 2,423	$ 63,850	$ 153,390	$ 1,526	$ 154,916	$ (32,716)	$ 122,200
Identifiable assets	$1,829,113	$477,905	$ 852,581	$101,611	$1,778,725	$5,039,935	$ 59,200	$5,099,135	$ 89,940	$5,189,076
Depreciation and amortization	$ 66,489	$ 17,456	$ 56,296	$ 5,546	$ 35,103	$ 180,890	$ 626	$ 181,517	$ 21,598	$ 203,114
Increase in property, plant and equipment and intangible fixed assets	$ 30,769	$ 16,168	$ 61,400	$10,586	$ 59,647	$ 178,571	$ 254	$ 178,825	$ 10,362	$ 189,187

Year ended or as of December 31, 2013

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥274,909	¥48,216	¥130,672	¥26,827	¥ 22,768	¥503,392	¥ 6,443	¥509,835	¥ —	¥509,835
Intra-group sales and transfers	2,534	83	309	0	2,668	5,594	19,546	25,140	(25,140)	—
Total	¥277,443	¥48,299	¥130,981	¥26,827	¥ 25,436	¥508,986	¥25,989	¥534,975	¥(25,140)	¥509,835
Operating income (loss)	¥ 9,902	¥ 1,208	¥ (1,483)	¥ 415	¥ 8,686	¥ 18,728	¥ 231	¥ 18,959	¥ (3,615)	¥ 15,344
Identifiable assets	¥212,664	¥54,815	¥102,752	¥11,991	¥215,874	¥598,097	¥ 7,467	¥605,564	¥ 11,189	¥616,753
Depreciation and amortization	¥ 8,684	¥ 1,856	¥ 6,777	¥ 643	¥ 4,412	¥ 22,371	¥ 85	¥ 22,457	¥ 2,602	¥ 25,059
Increase in property, plant and equipment and intangible fixed assets	¥ 2,124	¥ 2,219	¥ 8,517	¥ 813	¥ 4,467	¥ 18,140	¥ 156	¥ 18,296	¥ 1,169	¥ 19,465

Year ended or as of December 31, 2012

	Millions of yen									
	Reportable segment									
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	Total	General corporate and intercompany eliminations	Consolidated
Net sales	¥269,948	¥36,121	¥129,017	¥26,621	¥ 23,217	¥484,925	¥ 7,566	¥492,491	¥ —	¥492,491
Intra-group sales and transfers	2,361	34	312	—	2,574	5,281	19,611	24,892	(24,892)	—
Total	¥272,308	¥36,155	¥129,329	¥26,621	¥ 25,792	¥490,206	¥27,177	¥517,383	¥(24,892)	¥492,491
Operating income (loss)	¥ 7,522	¥ (73)	¥ 364	¥ 539	¥ 9,396	¥ 17,748	¥ (413)	¥ 17,335	¥ (2,920)	¥ 14,415
Identifiable assets	¥201,652	¥50,474	¥103,501	¥10,722	¥215,189	¥581,539	¥ 9,528	¥591,066	¥ 6,570	¥597,636
Depreciation and amortization	¥ 10,307	¥ 1,507	¥ 6,654	¥ 567	¥ 4,612	¥ 23,647	¥ 0	¥ 23,648	¥ 2,158	¥ 25,805
Increase in property, plant and equipment and intangible fixed assets	¥ 2,772	¥ 1,442	¥ 7,633	¥ 809	¥ 42,207	¥ 54,862	¥ 9	¥54,871	¥ 2,201	¥ 57,072

Note: The "Other" category is a business segment that is not included in the reportable segments, and comprises logistics businesses and certain other operations.

iv) Impairment losses on fixed assets or goodwill by reportable segment

Year ended or as of December 31, 2014

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on impairment	**¥75**	**¥—**	**¥595**	**¥223**	**¥—**	**¥893**	**¥—**	**¥—**	**¥893**

Year ended or as of December 31, 2014

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on impairment	**$622**	**$—**	**$4,937**	**$1,854**	**$—**	**$7,412**	**$—**	**$—**	**$7,412**

Year ended or as of December 31, 2013

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on impairment	¥17	¥228	¥38	¥126	¥16	¥426	¥—	¥—	¥426

Year ended or as of December 31, 2012

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Loss on impairment	¥—	¥—	¥50	¥125	¥—	¥175	¥13	¥—	¥188

v) Amortization for and unamortized balance of goodwill by reportable segment

Year ended or as of December 31, 2014

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2014	¥ 1	¥ 1,257	¥ 2,507	¥—	¥—	¥ 3,764	¥—	¥ 3,764	¥ 3,764
Unamortized balance as of Dec. 31, 2014	¥—	¥10,000	¥19,966	¥—	¥—	¥29,966	¥—	¥29,966	¥29,966

Year ended or as of December 31, 2014

	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2014	$ 9	$10,426	$ 20,797	$—	$—	$ 31,232	$—	$ 31,232	$ 31,232
Unamortized balance as of Dec. 31, 2014	$—	$82,966	$165,654	$—	$—	$248,620	$—	$248,620	$248,620

Year ended or as of December 31, 2013

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2013	¥—	¥ 1,240	¥ 2,728	¥—	¥17	¥ 3,985	¥—	¥—	¥ 3,985
Unamortized balance as of Dec. 31, 2013	¥—	¥11,098	¥23,321	¥—	¥—	¥34,419	¥—	¥—	¥34,419

Year ended or as of December 31, 2012

	Millions of yen								
	Reportable segment								
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total	Other	General corporate and intercompany eliminations	Consolidated
Amortization in year ended Dec. 2012	¥—	¥ 1,126	¥ 2,753	¥—	¥—	¥ 3,879	¥—	¥—	¥ 3,879
Unamortized balance as of Dec. 31, 2012	¥—	¥11,894	¥25,648	¥—	¥—	¥37,542	¥—	¥—	¥37,542

vi) Gain on negative goodwill by reportable segment

Not applicable in the years ended December 31, 2014, 2013 and 2012.

19. Amounts per Share

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share has been computed based on the net income available for distribution to shareholders and the weighted average number of shares of common stock outstanding during the year after allowing for the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Information concerning diluted net income per share is omitted because there were no latent shares with a dilutive effect for the years ended December 31, 2014, 2013 and 2012.

Amounts per share of net assets have been computed based on the net assets available for distribution to shareholders and the number of shares of common stock outstanding at each balance sheet date.

	Yen			U.S. dollars (Note 1)
	2014	2013	2012	2014
Net income	¥0.87	¥24.20	¥13.77	$0.01
Diluted net income	—	—	—	—

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Net assets	¥401.17	¥388.77	$3.33

20. Subsequent Events

(Appropriation of Retained Earnings)

On March 27, 2015, the following appropriation of retained earnings was approved at the annual general meeting of the Company's shareholders:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends	¥2,727	$22,628

(Business Combinations by Acquisition)

The Company's consolidated subsidiary Sapporo International Inc. ("SI") and Toyota Tsusho America, Inc. ("TAI") decided to acquire the shares of Country Pure Foods, Inc. ("CPF"), a major food service juice manufacturer in the U.S., through Silver Springs Citrus, Inc. ("SSC"), a U.S. juice manufacturing joint venture of SI and TAI.

Overview of Business Combination

1. Name and business description of acquired company

• Company name: Country Pure Foods, Inc.
• Location: Akron, Ohio, U.S.
• Net sales: Approximately ¥18.3 billion (fiscal year ended December 31, 2013)
• Business description:
Manufacture and sales of food service juice in the healthcare and education sectors
Manufacture and sale of retail chain private label juice
Manufacturing services and sales for leading branded juice companies

2. Main reason for business combination

The Sapporo Group formulated the Sapporo Group Medium-term Management Plan 2014–2016 in February 2014, and has accelerated its growth strategy as a manufacturer of food products. It is taking steps to achieve the financial targets for 2016 by generating synergies among Group companies and by pursuing M&As.

As part of the plan, SI has defined North America, its operational base, together with the fast-growing Asian market, as its first priority markets for the beer business. It has also launched its beverage business in North America by acquiring SSC in 2012. Since then, it has been accumulating know-how and knowledge in that market.

Looking ahead, SI will maximize synergies with SSC by bringing CPF into its corporate Group together with TAI, its partner in the North American beverage business, to accelerate its growth strategy for the International business in North America, including the beer business.

3. **Entity from which the shares will be acquired:** Mistral Winthorpe Holdings, LLC and other
4. **Share acquisition period:** February 24, 2015
5. **Legal form of the business combination:** Cash payment in exchange for shares
6. **Name of the company after acquisition:** No change
7. **Share of voting rights to be acquired:** 51%
8. Main grounds for determining the acquired company

The company was determined to be acquired because its shares were acquired for cash consideration by the Company's subsidiary.

9. Acquisition price of the acquired company and breakdown thereof

Acquisition consideration: U.S.$102 million
Acquisition price: U.S.$102 million
The acquisition price is a provisional amount because adjustments to the purchase price for fluctuations in working capital, based on the agreement, are currently under examination.

10. Amount of goodwill arising, reason for goodwill, and amortization method and period

Currently undetermined

11. Assets to be accepted and liabilities undertaken on the date of the business combination and breakdown of main components

Currently undetermined

(Transfer of Trust Beneficiary Rights)

The Company resolved at a Board of Directors' meeting held on February 12, 2015 to transfer the trust beneficiary rights of assets held by its consolidated subsidiary Sapporo Real Estate Co., Ltd. as described below.

1. Outline of the Entity to Which the Rights Were Transferred

The rights will be transferred to a domestic special-purpose company (SPC). There are no capital, human or transactional relationships that need to be particularly mentioned as related parties to the SPC, the Company, Sapporo Real Estate, or other companies related to the Company.

2. Description of the Assets to be Transferred

Description and location of assets:	Shibuya Sakuragaoka Square (Trust beneficiary rights), 31-15 Sakuragaoka-cho, Shibuya-ku, Tokyo
Land:	1,200 m^2 (Note 1)
Building:	8,656 m^2 (Total floor space) (Note 1)
Transfer price:	¥17.0 billion
Book value:	¥9.6 billion
Gains from transfer:	¥7.3 billion
Current use:	Rental real estate

* The above amounts of the book value and gains from the transfer are the values as of December 31, 2014.
Note 1: The measurement of the land and building is based on amounts stated in the registry of land.

3. Schedule for the Transfer

Conclusion of transfer contract: February 13, 2015
Implementation of transfer: February 13, 2015

4. Impact on Income

As a result of the transfer of the rights, a gain on sales of property, plant and equipment of ¥7.3 billion is to be posted under extraordinary income for the Company's first quarter of the year ending December 31, 2015.

Corporate Data

(As of December 31, 2014)

Company Name
SAPPORO HOLDINGS LIMITED

Business
Holding company

Date of Establishment
September 1949

Head Office
20-1, Ebisu 4-chome, Shibuya-ku,
Tokyo 150-8522, Japan
info@sapporoholdings.jp

Capital
¥53,887 million

Fiscal Year-end
December 31

Number of Employees
7,014 (Consolidated)   112 (Parent company)

Main Banks
Mizuho Bank, Ltd.
The Norinchukin Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Securities Traded: Common Stock
Tokyo Stock Exchange, First Section

Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in March each year in Tokyo, Japan. In addition, the Company may hold an extraordinary meeting of shareholders whenever necessary.

Stock Information

(As of December 31, 2014)

Major Shareholders

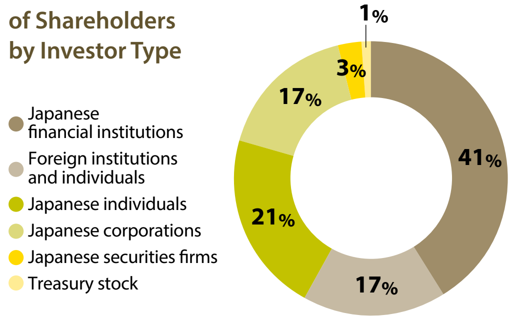
Shareholders name	Number of shares (thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	20,937	5.31
Japan Trustee Services Bank, Ltd.	18,995	4.82
Trust & Custody Services Bank, Ltd., as retirement benefit trust assets Mizuho Trust and Banking Co., Ltd.	12,212	3.10
Nippon Life Insurance Company	11,146	2.83
Meiji Yasuda Life Insurance Company	10,434	2.65
The Norinchukin Bank	9,375	2.38
Mizuho Bank, Ltd.	9,032	2.29
Marubeni Corporation	8,246	2.09
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	7,970	2.02
Taisei Corporation	7,000	1.78

Note: Shareholding ratios are calculated after deduction of treasury stock.

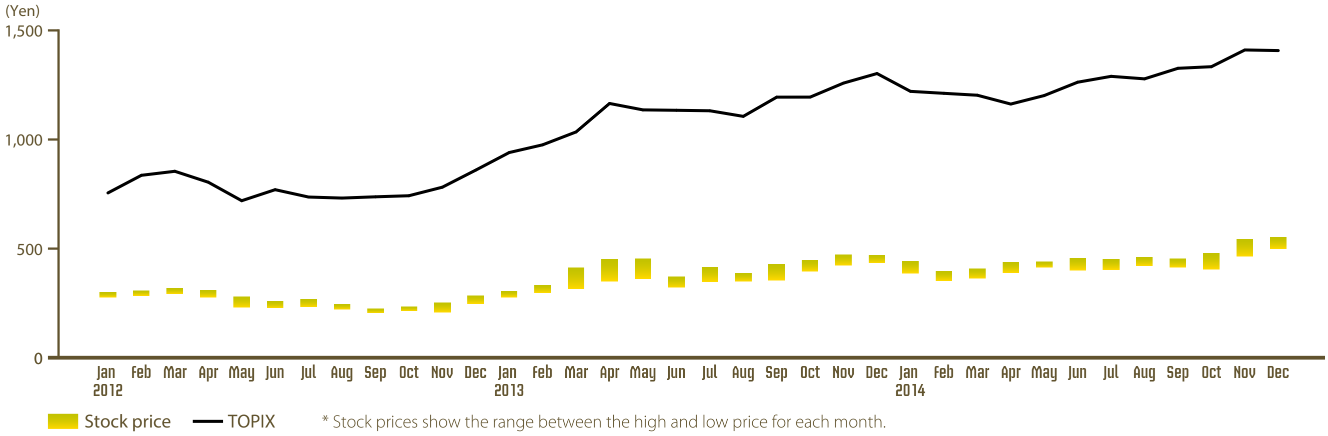
Number of Shares Issued
393,971,493

Number of Shareholders
53,535

Breakdown of Shareholders by Investor Type



Stock Price Range



* Stock prices show the range between the high and low price for each month.

SAPPORO

SAPPORO HOLDINGS LIMITED
20-1, Ebisu 4-chome, Shibuya-ku,
Tokyo 150-8522, Japan
http://www.sapporoholdings.jp/english/

MIX
Paper from responsible sources
FSC® C014473

Waterless Printing. Naturally.

VOC FREE

Printed in Japan