Financial Results
for the Year Ended December 31, 2014 — Consolidated
(Based on Japanese GAAP)

February 12, 2015

Company name	**Sapporo Holdings Limited**
Security code	2501
Listings	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Tsutomu Kamijo, President and Representative Director, Group CEO
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Scheduled dates:

Annual general meeting of shareholders	March 27, 2015
Filing of annual financial report	March 30, 2015
Commencement of dividend payments	March 30, 2015
Supplementary information to the year-end earnings results	Available
Year-end earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2014 (January 1 – December 31, 2014)

(Amounts in million yen rounded down to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2014	518,740	1.7	14,728	(4.0)	14,565	(3.7)	340	(96.4)
Year ended December 31, 2013	509,834	3.5	15,344	6.4	15,130	10.5	9,451	75.2

Note: Accumulated other comprehensive income

Year ended December 31, 2014: 7,283 million yen (70.1)%

Year ended December 31, 2013: 24,339 million yen 119.5%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	yen	%	%	%
Year ended December 31, 2014	0.87	-	0.2	2.3	2.8
Year ended December 31, 2013	24.20	-	6.7	2.5	3.0

Note: Equity method investment gains

Year ended December 31, 2014: 225 million yen

Year ended December 31, 2013: 99 million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2014	625,439	160,004	25.0	401.17
December 31, 2013	616,752	155,366	24.6	388.77

Note: Shareholders' equity

December 31, 2014: 156,303 million yen

December 31, 2013: 151,683 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2014	22,284	(17,229)	(7,307)	9,748
Year ended December 31, 2013	32,861	(13,268)	(19,147)	11,518

2. Dividends

Record date or period	Dividend per share: End Q1	End Q2	End Q3	Year-end	Full year	Total dividends paid (full year)	Payout ratio (consol.)	Dividends to net assets (consol.)
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2013	—	0.00	—	7.00	7.00	2,731	28.9	1.9
Year ended December 31, 2014	—	0.00	—	7.00	7.00	2,727	802.6	1.8
Year ending December 31, 2015 (forecast)	—	0.00	—	7.00	7.00		34.1	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2015 (January 1 – December 31, 2015)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2015	545,700	5.2	16,300	10.7	15,200	4.4	8,000	2,252.8	20.53

Note: Earnings forecasts for the six months ending June 30, 2015, are omitted because the company manages performance targets on a yearly basis.

4. Other

(1) Changes to scope of consolidation: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards etc.: Yes

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, see “Changes in accounting policy” on page 30 in the accompanying material.

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued at end of period (treasury stock included):

December 31, 2014: 393,971,493 shares
December 31, 2013: 393,971,493 shares

2) Number of shares held in treasury at end of period:

December 31, 2014: 4,348,456 shares
December 31, 2013: 3,805,058 shares

3) Average number of outstanding share during the period:

Year ended December 31, 2014: 389,854,319 shares
Year ended December 31, 2013: 390,568,806 shares

Audit Status

The year-end financial results are not subject to audit pursuant to the Financial Instruments and Exchange Act. The audit of the year-end financial results herein had not been completed as of the date of this document.

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to “Outlook for the fiscal year ending December 31, 2015” on page 15.

1. Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2014

① Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2014	518,740	14,728	14,565	340
2013	509,834	15,344	15,130	9,451
Change (%)	1.7	(4.0)	(3.7)	(96.4)

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 yen depreciation. Conditions in the industries in which SAPPORO Group companies operate were as follows.

The domestic alcoholic beverage industry as well as the soft drinks and restaurant industries were adversely affected by unseasonable weather in the summer months of 2014. The soft drinks and restaurant 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 rents levels entered a moderate upward trajectory. Overseas, the North American beer market was generally flat, but the Asian market continued to see steady growth.

Amid this environment, the SAPPORO 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 our Japanese Alcoholic Beverage business, we endeavored to expand sales by continuing to invest in our three core brands—Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop The Gold. In July, we relaunched Goku Zero as a happoshu, repositioning the popular beverage originally marketed in 2013 as a new-genre beer. We also expanded sales in the non-beer growth areas of RTD cocktails, wine, western spirits, and Japanese liquors, thereby making further progress in establishing a multilayered alcoholic beverages business.

Our International business bolstered the production network of its North American beer operations. Moreover, in the soft drinks business, we took an important step toward further strengthening our fruit juice beverage business by deciding to acquire Country Pure Foods, Inc. (CPF), a major foodservice juice manufacturer in the United States. The acquisition will be carried out by group company Silver Springs Citrus, a joint venture between the Sapporo International Inc. and Toyota Tsusho Group company Toyota Tsusho America. In our third year in the Vietnam market, we succeeded in expanding sales by stepping up marketing efforts to establish the Sapporo brand and increase the core drinkership ratio.

The Food & Soft Drinks business endeavored to strengthen marketing and lower costs at its Japan operations as part of our management initiatives while continuing efforts to nurture core brands and expand sales in categories where we have competitive edge. Overseas, we started up production at our new plant in Malaysia in October. We also sold our Hong Kong restaurant business as part of a strategic decision to concentrate resources to support plans to strengthen and expand our soft drinks business in Southeast Asia.

The Restaurants business strengthened its Japan operations by opening new stores and renovating older ones in its two key formats, the Ginza Lion and Yebisu Bar chains. To further improve profitability, we closed or changed the format of a number of unprofitable outlets. Overseas, we opened our second Ginza Lion Beer Hall in Singapore in October.

The Real Estate business enhanced the value of its core property, Yebisu Garden Place, while celebrating the property's 20th anniversary in 2014. We also completed construction of Ebisu First Square in September. Expected to be a new center of activity in Tokyo's Ebisu district, the building has enjoyed full occupancy since its grand opening. We began the demolition of the Sapporo Ginza Building, the first stage in the redevelopment of this core property at the Ginza 4-chome intersection. Meanwhile, taking advantage of an increasingly active real estate market, we sold some rental properties and sold our entire equity stake in Sapporo Sports Plaza Co., Ltd., an operator of fitness clubs, as part of a more strategic concentration of management resources.

The efforts outlined briefly above are some of the highlights of the SAPPORO Group's consolidated results in 2014, which are presented in more detail below.

Net Sales

In 2014, the Sapporo Group posted consolidated net sales of ¥518.7 billion in 2014, ¥8.9 billion, or 2%, more than in 2013. Our Japanese Alcoholic Beverage business achieved year-over-year increases in sales volumes in all categories, including beer-type beverages, RTD cocktails, wine, western spirits, and Japanese liquors. Our 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 value. 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 off-line 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., for the first time, following the company's consolidation within the Japanese Alcoholic Beverage business from January 2014.

Operating Income

Consolidated operating income totaled ¥14.7 billion, a year-over-year decline of ¥0.6 billion, or 4%. The Japanese Alcoholic Beverage 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 at its North American operations and higher marketing expenses at its Vietnam operations. The Food & Soft Drinks business achieved profit growth thanks to efficiency improvement-driven cost reductions at its domestic soft drinks business and sales growth at overseas operations. The Real Estate business saw profit decline owing to lower rental income.

Ordinary Income

Reflecting the drop in consolidated operating income, consolidated ordinary income totaled ¥14.5 billion, a ¥0.5 billion or 4% year-over-year decline.

Net Income

Consolidated net income in 2014 totaled ¥0.3 billion, a year-over-year decline of ¥9.1 billion or 96%. A ¥3.5 billion gain on sales of property, plant and equipment under extraordinary gains supported net income but was offset by extraordinary losses, including ¥2.3 billion in demolition and removal costs related to redevelopment of the Sapporo Ginza Building and an ¥11.6 billion increase in our liquor tax burden (including overdue tax) owing to the Japanese Alcoholic Beverage business' voluntary decision to file a revised liquor tax return owing to inclusion of Goku Zero in a different tax rate category.

Segment information is outlined below.

② Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2013	2014	% change	2013	2014	% change
Japanese Alcoholic Beverages	274,909	281,819	2.5	9,901	10,206	3.1
International Business	48,215	49,672	3.0	1,208	172	(85.7)
Food & Soft Drinks	130,671	133,439	2.1	(1,483)	121	-
Restaurants	26,827	26,355	(1.8)	415	292	(29.7)
Real Estate Business	22,767	21,509	(5.5)	8,685	7,695	(11.4)

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages fell about 2% year over year in 2014, largely due to the negative impact of unseasonable weather nationwide in August.

Under such market conditions, our Japanese Alcoholic Beverage business continued its efforts to realize further growth by constantly providing customers with a unique value proposal. These efforts centered on implementing a new vision of “Seek No.1 by accumulating one-of-a-kind products” while also adhering to the campaign slogan, “Bringing more cheer to your ‘Cheers’!”.

In the beer and beer-type beverages category, we continued to strengthen our core Yebisu brand with the release of several limited editions, including Kaori Hanayagu Yebisu in January, Yebisu Royal Selection in May, Yebisu Natsu no Koku in summer gift packs only, and the amber-colored Kohaku Yebisu in September. The popularity of these limited editions contributed to a year-over-year increase in overall shipments of the Yebisu brand.

Sales of our happoshu and new-genre beer offerings were supported by continued strong customer support for Mugi to Hop The Gold, a richer flavored version of our popular Mugi to Hop brand that was released in February. Meanwhile, we discontinued the new-genre beer Goku Zero, the world’s first beer-type beverage 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 happoshu (beer-type beverage with malt content less than 25%). The new Goku Zero has matched the success of its predecessor, with sales supported by the many customers demanding more functionality from beer-type beverages. As a result, sales volume of our happoshu and new-genre beer offerings increased 3% year over year.

Supported by strong sales of the core products noted above, overall sales volume of our beer and beer-type beverages in 2014 was 1% higher than in the previous year, and we expanded share in the beer and beer-type beverages market for the third straight year.

In the RTD* category, Sapporo Otoko Ume Sour, launched in 2013, continued to post solid sales. In April 2014, we added to our RTD offerings with the nationwide launch of Sapporo Kireto Lemon Sour, the first collaboration RTD cocktail using the Food & Soft Drinks business' long-time core Kireto Lemon brand. The new products contributed to a 49% increase in annual RTD product shipments in 2014.

At our wine and liquor business, Grande Polaire, our core premium brand made from 100% domestic grapes, enjoyed a significant increase in sales volume thanks to continued strong support from customers. We strengthened our lineup of domestic wines with the March launch of Polaire Sangria Rico, a new line of Sangria beverages that are enjoying increasing popularity, especially with young women. As a result, sales of our domestic wine offerings posted a year-over-year increase. Our imported wine business, including such core brands as Yellow Tail and Santa Rita, also continued to do well, with annual shipments increasing 3%. Combined shipments of our domestic and overseas wine offerings rose 2% in 2014.

Our western spirits business achieved 6% growth in sales volume for its various Bacardi brand products, which include a Mojito RTS** cocktail made from the world's No.1 selling Bacardi rum as well as a number of other Bacardi-owned global power brands, such as Bombay Sapphire, Martini, Dewar's and Cutty Sark.

Our Japanese liquor business enjoyed continued strong sales of its shochu offerings, led by Imo Shochu Kokuimo, the No. 1 selling blended *imo* shochu. Among our *umeshu* (plum wine) offerings, we saw a considerable increase in 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. Thanks to the sales of these products, total sales volume for our Japanese liquor business expanded 9% in 2014.

Overall, our Japanese Alcoholic Beverage business posted sales of ¥281.8 billion (up ¥6.9 billion, or 3%, year over year) in 2014. Segment operating income totaled to ¥10.2 billion (up ¥0.3 billion, or 3%, year over year).

* RTD, or ready-to-drink, beverages are already-mixed, low-alcohol content cocktail-like beverages that can be consumed as is immediately after opening.

** RTS refers to ready-to-serve liquors used to make cocktails by mixing with soda and other mixers.

International Business

In the North American beer market, we estimate that total demand in Canada fell about 1% year over year in 2014 while demand in the United States 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 this environment, our International Business continued aggressive marketing activities targeting the premium beer markets in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts. Our Canadian subsidiary SLEEMAN BREWERIES achieved a sharp year-over-year increase in its sales of premium brands. However, its overall sales volume (excluding Sapporo brand beer) slipped 1% owing to intensifying price competition in the value-brand market segment. In the United States, a bitter winter cold wave delayed shipments early in the year, but shipments rebounded after the weather thawed out in April, and Sapporo USA managed to achieve an increase in shipments of Sapporo brands over the entire year. At Silver Springs Citrus, earnings were negatively affected by the rising prices of oranges used in its products.

In Vietnam, one of our focus markets in Southeast Asia, we continued efforts to establish the Sapporo brand. An aggressive brand exposure, including a TV ad campaign and outdoor events, helped us make steady progress in raising brand awareness among consumers in the Ho Chi Minh area. Combined with active sales promotions at local restaurants and supermarket chains, these efforts led to a large increase in sales in Vietnam. In South Korea, we steadily expanded sales volumes in both the household and commercial markets by making good use of the sales channels of our local partners. In Oceania, we continued efforts to bolster sales primarily through our brewing licensing agreements, and in Singapore we worked with our local subsidiary to expand sales channels in the local household market.

The efforts outlined above enabled the International Business to achieve an overall increase in shipments of Sapporo brand products, including North America, in 2014.

As a result, the International Business posted sales of ¥49.6 billion (up ¥1.4 billion, or 3%, year over year). Operating income totaled ¥0.1 billion (down ¥1.0 billion, or 86%, year over year).

Food & Soft Drinks

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. Overall demand for lemon-based products (flavorings) was the same as in 2013 (*1) while that for instant soup (including soups in a cup) increased 4% year over year (*2).

In this environment, the SAPPORO Group's Food & Soft Drinks business started its second year of integrated operations as POKKA SAPPORO Food & Beverage Ltd. The subsidiary is concentrating investments on core brands as it endeavors to strengthen its brand recognition.

The domestic food and soft drinks business faced a difficult operating environment, with challenges provided by the consumption tax hike and by convenience-store chains' launch of over-the-counter sales of fresh-brewed coffee. The latter adversely affected vending machine sales of our canned coffee drinks and, as a result, sales volume in the coffee category was lower than in 2013. Amid a slump in overall market demand, in April we launched Green Shower, a nonsweetened carbonated water drink with the aroma of hops. The favorable response received from customers has helped establish the product as a new brand in our soft drinks lineup. In November, we launched Fruit Vinegar Sparkling Apple Vinegar & Lemon Vinegar. One of the new drink's key ingredients is lemon vinegar that was brewed using our patented technology. The new drink is the latest in our lineup of soft drinks that appeal to the value of lemons. Meanwhile, we expanded the number of stores carrying our hot lemon drink Pokka Poka Lemon, which contributed to an increase in overall sales in the lemon & natural foods category. We launched a new and improved version of Kireto Lemon in the autumn, and the product continues to generate strong sales. We will continue developing the brand, which is the core brand in this category. We also boosted sales volumes for our Pokka Lemon 100 brand in 2014 compared with the previous year by using marketing activities with seasonal themes. In our overseas brand category, we continued our efforts to stimulate the market for hard drinking waters in Japan through marketing of Gerolsteiner naturally carbonated water from Germany as well as Contrex and Vittel bottled natural mineral waters from France. In particular, we carried out a number of promotions designed to raise customer knowledge of these products' value. In the soup and related foods category, sales of the Jikkuri Kotokoto and Jikkuri Kotokoto Kongari Pan series both exceeded previous year levels. The commercial-use products category also continued to post solid sales increases, led by our lemon-based food and alcoholic-beverage mixers.

In the segment's domestic restaurants business, we marked the 20th year of the founding of our Café de Crié coffee shop chain in November by opening shops in previously untapped areas and strengthening and expanding customer support through various efforts, including offering appealing new menu items. Our efforts resulted in continued strong sales for the chain.

The segment's overseas soft drinks business won larger market shares for core products in its home base in Singapore while also steadily expanding exports. We also started production in October at a plant in Malaysia for products that have received Halal certification.

Meanwhile, in a strategic move designed to concentrate overseas management resources on expanding our core soft drinks business, we sold our entire equity interest in restaurant operator Pokka Corporation (HK) Limited.

As a result of the above, the Food & Soft Drinks segment recorded sales of ¥133.4 billion in 2014 (up ¥2.7 billion, or 2%, year over year). The segment posted an operating income of ¥0.1 billion (compared with a ¥1.4 billion loss in 2013).

(*1)(*2) data sources: Year-over-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.

Restaurants

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 this environment, our Restaurants business pursued the fulfillment of its corporate philosophy of "Enhancing the Joy of Living" by continuing its efforts to deliver safe and sound food and service to its customers while endeavoring to create restaurants that "deliver 100% satisfaction to customers."

During the year, we opened 15 new outlets, with the focus on our core Ginza Lion and Yebisu Bar formats, including those on a contract basis. With a view to expanding our customer base, we opened the first outlet in our new Bier Keller Tokyo chain of casual beer halls in Shimbashi. We also converted a shop in Tokyo's Osaki area to the new Wine House Picnic Club format. During the year, we closed 20 restaurants, including a large core chain restaurant that was 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, 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.

Thus, we have sought to steadily build a strong following for our Ginza Lion brand in Singapore.

Overall, the Restaurants business posted sales of ¥26.3 billion in 2014 (down ¥0.4 billion or 2% from the previous year). Segment operating income was ¥0.2 billion (down ¥0.1 billion, or 30%, year over year).

Real Estate

Japan's real estate industry in 2014 continued to enjoy a moderate recovery in rent levels as vacancy rates improved in the Greater Tokyo office leasing market.

Amid such market conditions, our real estate leasing business saw a temporary drop in the occupancy rate at its core property, Yebisu Garden Place, owing to 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 the occupancy rate as high as those at other properties.

Yebisu Garden Place celebrated the 20th anniversary of its opening during 2014, and we marked the anniversary by making renovations that enhance the property's value by raising convenience levels and strengthening its brand appeal as we endeavor to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings. For example, in April 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. We also decided to open a new-concept movie theater on the property in March 2015. 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 and universal design features, and replacing standard equipment in each apartment unit. At the complex's office tower, in March we completed the installation of emergency power-generating systems that will supply electricity to tenant spaces during disasters or other emergency situations, helping to ensure continuity of tenants' business operations. We are continuing work to ensure power supply to public-use areas of the building during a disaster, with completion of this work scheduled for spring 2015.

The real estate development business opened the doors to Ebisu First Square as scheduled on 30 September, overcoming concerns about a possible delay caused by rising construction costs and labor shortages. Expected to be a new center of activity in Tokyo's Ebisu district, the building enjoyed full occupancy since its grand opening, and its tenants have praised the building's safety and environmental features as well as the comfort of its office spaces. In February, we resolved to redevelop the Sapporo Ginza Building property at the Ginza 4-chome intersection. In April, demolition work on the old building began, and we are targeting completion of the new building in May 2016. We are now moving forward with project planning that will keep costs under control while creating a new building with an exterior design in harmony with the Ginza landscape and befitting a new local landmark.

Meanwhile, in keeping with our management emphasis on a select-and-focus approach with a long-term vision, we sold our entire equity stake in fitness center operator Sapporo Sports Plaza. We also conducted a review of our property portfolio with a view to raising the value of our Real Estate business.

As result of the efforts outlined above, the Real Estate business's sales in 2014 totaled ¥21.5 billion (down ¥1.2 billion, or 6%, year over year). Operating income totaled ¥7.6 billion (down ¥0.9 billion, or 11%, year over year).

(b) Outlook for the fiscal year ending December 31, 2015

①Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2015 forecast	545,700	16,300	15,200	8,000
2014 results	518,740	14,728	14,565	340
Projected increase (%)	5.2	10.7	4.4	2,252.8

In 2015, we plan to accelerate implementation of growth strategies based on our 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 our Japanese Alcoholic Beverage business and Real Estate business, the SAPPORO Group 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.

Our consolidated forecasts and outlook for the SAPPORO Group in 2015 are as follows.

Net Sales

The Japanese Alcoholic Beverage business aims to achieve a fourth straight year of year-over-year growth in shipments of its beer and beer-type beverages by further enhancing the value of its core brands while also entering into the craft beer market. In non-beer businesses, we expect to achieve further growth by aggressively expanding the key growth areas of RTD cocktails, wine, shochu, western spirits and Japanese liquors.

The International business aims to expand sales by gaining wider brand recognition for the SLEEMAN and Sapporo brands in the premium beer markets in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts. It will also continue aggressive marketing to establish the Sapporo brand in Vietnam. In the U.S. soft drinks market, we plan to expand sales by taking advantage of the strengthened business platform provided by Country Pure Foods, Inc.

The Food & Soft Drinks business plans to increase sales in Japan by strengthening core brands, especially for its lemon-based and soup products. Overseas, it will leverage the first full-year of operations at its new plant in Malaysia to further establish brand recognition in Malaysia while also expanding export sales.

The Restaurants business targets higher sales by continuing to renovate existing outlets and opening new stores with a focus on its mainstay Ginza Lion and Yebisu Bar formats. The business will continue its efforts to firmly establish the Ginza Lion brand in Singapore as a first step in spreading Japan’s beer hall culture in the region. It also is considering expanding into neighboring countries.

The Real Estate business plans to expand rental revenues on a recovery in the occupancy rate at Yebisu Garden Place, which saw a temporary decline in its occupancy rate following the departure of a major tenant upon lease expiration in 2014. The first full-year of operations at Ebisu First Square will also contribute to higher rental revenues in 2015. The Real Estate business also aims to raise occupancy rates and rent levels at other existing properties.

We expect the above plans of our various businesses will produce consolidated net sales of ¥545.7 billion in 2015, for growth of ¥26.9 billion, or 5%, over our 2014 result.

Operating Income

We expect the Japanese Alcoholic Beverage business will see its profit decline despite growth in sales in 2015. We expect profit to be curtailed by the higher costs of raw ingredients and materials resulting from a weak yen and by aggressive spending to strengthen our brands. The International business is expected to achieve profit growth on the back of higher sales in the North American and Vietnam beer markets as we continue to invest to strengthen the Sapporo brand in these markets. The Food & Soft Drinks business is expected to achieve profit growth as it expands sales in overseas markets while reducing costs at its Japan business. The Restaurants business should also achieve profit growth, as it continues to implement measures to raise profitability while also endeavoring to expand sales. Finally, operating income at the Real Estate business should return to a growth trajectory in 2015 on a recovery in the occupancy rate at Yebisu Garden Place and a full-year of rental income from Ebisu First Square.

Overall, we forecast consolidated operating income in 2015 will reach ¥16.3 billion, an increase of ¥1.5 billion, or 11%, over 2014.

Ordinary Income

We forecast consolidated ordinary income of ¥15.2 billion, an increase of ¥0.6 billion, or 4%, from the 2014 result.

Net Income

We expect consolidated net income in 2015 of ¥8.0 billion, a strong improvement over the ¥0.3 billion net income posted in 2014. This forecast takes into account the net impact of expected gains on the sale of fixed assets and losses on the disposal of the same.

The 2015 outlook for each segment is outlined below.

② Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2014	2015 forecast	% change	2014	2015 forecast	% change
Japanese Alcoholic Beverages	281,819	290,200	3.0	10,206	9,500	(6.9)
International Business	49,672	67,800	36.5	172	1,000	478.2
Food & Soft Drinks	133,439	133,700	0.2	121	700	477.7
Restaurants	26,355	27,200	3.2	292	900	208.2
Real Estate Business	21,509	20,800	(3.3)	7,695	7,900	2.7

Japanese Alcoholic Beverages

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging owing to shrinking of the drinking population and the need to respond to increasing diversity in consumer preferences and the venues where our products are sold and consumed.

The Japanese Alcoholic Beverage business will strive to meet these challenges by implementing measures to realize the vision of “seek No. 1 by accumulating one-of-a-kind products” while also adhering to the campaign slogan “Bringing more cheer to your ‘Cheers’!” Through these efforts, the business aims to continue providing customers with the kind of value only Sapporo can offer, which it believes will lead to continued growth in sales and profits.

The beer and beer-type beverages business will endeavor to further enhance the value of core brands as it aims for a fourth straight year of sales volume growth. The business will concentrate management resources on its core brands—Yebisu, Sapporo Draft Beer Black Label, Mugi to Hop The Gold, and Goku Zero. It will also enter the growing craft beer market. With a new goal of “Crafting the beer culture,” we plan to build a new business with a new business model that will create unprecedented value. We plan to market new products that will fully leverage our proprietary brewing technology and commitment to using only the highest quality raw materials.

The RTD* business will seek to match its success with Sapporo Otoko Ume Sour and develop a growing lineup of new collaboration RTD cocktails that offer consumers unmatched value.

Our wine business will continue its “Pursuit of the highest quality” by adding new products to its premium Grande Polaire series of wines made entirely from domestic-grown grapes. The business will also expand its offerings of imported wines with new products that meet customer demand in the growing mid- to upper-range of the price scale. At the same time, we will continue our efforts to bring consumers wines that can be enjoyed casually by expanding sales of the Polaire Sangria Rico series and our barreled Polestar sparkling wine for the commercial-use market.

The shochu business will endeavor to expand sales of its popular blended shochu, Imo Shochu Kokuimo, as well as its honkaku (authentic single distillation) shochus Waramugi and Karari Imo by proposing their consumption with soda. We also plan to create a new series of plum wines (umeshu) with added functionality, centered on our San-shu no Zeitaku Porifenōru Aka Umeshu.

In the western spirits business, we will focus sales efforts on such world-famous brands as Bacardi, the world's best-selling rum in both sales volume and value, as well as Bombay Sapphire, Dewar's, and Martini. In particular, we look forward to further strengthening sales of our popular Bacardi Mojito cocktails.

The Japanese Alcoholic Beverages business as a whole will strive to achieve its profit targets despite higher costs of raw ingredients and materials caused by yen depreciation by effectively and flexibly controlling marketing expenses while continuing to enhance brand values and by cutting other costs wherever possible.

* RTD, or ready-to-drink, beverages are already-mixed, low-alcohol content cocktail-like beverages that can be consumed as is immediately after opening.

International Business

In North America, the US economy has returned to a moderate growth pace amid improving employment conditions and a buoyant stock market. However, concerns about an interest rate hike from the Fed and the impact of falling crude oil prices on the Canadian economy cloud the economic outlook in North America. We therefore look for overall demand in the North American beer market 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 rather stable economic growth.

Under such circumstances, our International business will strive to expand sales of its premium brands including the Sapporo brand in North America and Southeast Asia, the two regions where the business is concentrating its resources and efforts, and establish its own position.

In Canada, SLEEMAN BREWERIES will continue to promote its core premium brands by aggressively investing in marketing, including the airing of TV commercials and sponsorship of a variety of outdoor events, as it seeks to maintain and enhance its brand values. The Canadian subsidiary also plans to increase sales staff in areas where it hopes to increase sales of value-brand beers. Through such efforts, SLEEMAN aims to achieve growth in overall sales volume for its premium and value brands that exceeds total demand growth.

In the United States, Sapporo USA also aims for unit sales growth in excess of total demand growth. While continuing to target the Japanese-American market segment, the US subsidiary will redouble its efforts to expand sales to the wider Asian-American and general population segments of the US beer market. In the North American soft drinks market, we aim to expand sales and improve profits by maximizing the synergies of our two local subsidiaries, Silver Springs Citrus and Country Pure Foods. Country Pure Foods has its strength in the commercial-use soft drinks market and we will leverage its business foundation to bolster our regional business.

Outside of North America, we aim to boost sales by building our business in growth markets such as Southeast Asia. We also will be on the lookout for opportunities to move into new markets that will help us strengthen the foundations of our International business and further expand its operations. In Vietnam, we will continue efforts to establish the Sapporo brand supported by effective and efficient investing on marketing and sales activities with clearly defined targets. We expect such efforts will help expand sales and improve the profitability of our local business. In South Korea, we will strive to accelerate the growth in sales of beers in the household and commercial markets by taking advantage of the sales network of our local partner. In Oceania, we will continue efforts to expand sales channels for Sapporo brand products with cooperation from local partners with which we have brewing licensing agreements. Lastly, in the Singapore market, we are expanding sales channels in the household and commercial markets in a cooperative effort with our local subsidiary.

Food & Soft Drinks

Japan’s soft drinks industry has shrugged off the impact of the consumption tax hike but continues to face challenges boosting demand as consumers remain highly price conscious. In addition, we expect the weak yen and higher prices of major raw materials to push up costs. Overall, the operating environment is likely to remain severe.

In response, our domestic food and soft drinks business will redouble its efforts to thoroughly carry out low-cost operations as it aims to build a business structure capable of generating stable profits leading to future growth. Guided by a vision for “continually creating new delicious products that enrich and brighten people’s everyday lives,” the business will draw up and carry out marketing plans for each product category and brand that thoroughly reflect the customer viewpoint.

The domestic food and soft drinks business will implement sales promotion measures appropriate to each of its existing soft drink brands, including Aromax canned coffee, Ribbon, *Gabunomi*, and the relatively new Green Shower, a nonsweetened carbonated water drink introduced in April 2014. In the lemon and natural foods category, we plan to launch a premium version of our mainstay Pokka Lemon 100 as part of our efforts to expand sales of products used as seasonings and in beverages. We also will aggressively develop new product concepts. We will leverage customers' appreciation of the value offered by our core brand Kireto Lemon to develop new soft drink products that further demonstrate our position as the leader in lemon juice-based products. In the soup and related foods category, which has been turning in strong performances, we plan to strengthen the Jikkuri Kotokoto soup lineup and strengthen the Kongari Pan brand by offering new, improved flavors. We will also continue our aggressive new product development program as we seek to bring new value to the instant soup market. In the commercial-use products category, we will parlay our group synergies to expand sales in all market segments, from Pokka Lemon and our alcoholic-beverage mixers to powdered teas and soups.

In this segment's domestic restaurants business, we will redouble our efforts to enhance the brand value and accelerate expansion of the Café de Crié chain, as we continue to carry out plans drawn up in celebration of the chain's 20th anniversary in November 2014.

The overseas soft drinks business expects to see stiffer competition in its Southeast Asian markets. In response, it plans to maintain its leading share of its core Singapore market for tea drinks and expand sales in new product categories. It also aims to expand export sales by prioritizing target markets and proposing products that are best fits for each market. While raising capacity utilization at our new plant in Malaysia, which started production in 2014, we will pursue cost reductions and strengthen supply chain management as we strive to build a platform for future growth.

Restaurants

Japan's restaurant industry is expected to continue to face a difficult operating environment, with increasing external competition from retailers adding to the challenges presented by rising prices caused by the yen's weakness and higher labor costs. In this environment, our Restaurants business will emphasize elevating service levels in a return to basics focused on "delivering 100% satisfaction to customers." Our restaurants also remain committed to practices designed to ensure the provision of safe and sound food to customers.

We look forward to winning new loyal customers and increasing customer traffic by expanding the number of customers holding our new membership reward point card, Club Lion Card, and by creating restaurants with appealing ambience that adds to customer satisfaction.

New store openings 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 brand in Singapore. We also will begin planning our entry into neighboring countries.

Real Estate

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. However, the supply of new office buildings is expected to increase somewhat, which will likely moderate the increase in rent levels. On the other hand, a reduction to the corporate tax rate and other factors are expected to boost corporate economic activity and increase demand for office space.

In this environment, our Real Estate business will endeavor to strengthen its competitiveness on all fronts as it continues to seek to raise occupancy rates and rent levels at its leasing properties.

At our flagship property, Yebisu Garden Place, the occupancy rate is improving after the temporary decline following the exit of a major tenant at the end of its lease contract in May 2014. We will continue efforts to add value in all of the property's areas, starting with the commercial-use areas, as we seek to enhance convenience features across the entire property and further elevate its brand value. In addition, we remain committed to measures, including disaster-response measures, that are intended to enhance safety and security at the property. Finally, we look forward to a solid profit contribution from Ebisu First Square, now in its first full year of operation after opening its doors in September 2014.

The segment's real estate development business is making steady progress with plans for redevelopment of our Ginza 5-chome property adjacent to the Ginza 4-chome intersection. The aim is to develop a property that becomes the talk of the town and a center of activity befitting a Ginza landmark.

We also will continue the practice of regularly reviewing our property portfolio with a view to raising the value of our Real Estate business.

２. Review of Consolidated Financial Condition

(a) Consolidated Financial Condition

Consolidated total assets as of December 31, 2014, totaled ¥625.4 billion, a ¥8.6 billion increase from December 31, 2013. The gain is attributable to increases in machinery and vehicles, and investment securities, partially offset by a decrease in intangible assets owing to goodwill amortization.

Consolidated total liabilities totaled ¥465.4 billion, a ¥4.0 billion increase from December 31, 2013, primarily owing to an increase in long-term bank loans and current portion of bonds, which outweighed a decline in short-term bank loans.

Consolidated net assets totaled ¥160.0 billion, up ¥4.6 billion from December 31, 2013. Asset growth was supported by increases in unrealized holding gain on securities and in the foreign currency translation adjustment account, partly offset by dividend payments.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, “cash”) totaled ¥9.7 billion as of December 31, 2014, a ¥1.7 billion or 15% decline from December 31, 2013.

The following is an explanation of consolidated cash flows by category in 2014 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities provided net cash of ¥22.2 billion, a ¥10.5 billion or 32% decline over 2013. Major sources of operating cash flow included ¥24.4 billion from depreciation and amortization, ¥3.7 billion from goodwill amortization, and a ¥4.2 billion increase in accrued consumption taxes. Major uses included a ¥1.4 billion increase in inventories, ¥2.5 billion in interest paid, and ¥7.6 billion in corporate income taxes.

Cash flows from investing activities

Investing activities used net cash of ¥17.2 billion, an increase of ¥3.9 billion, or 30%, compared with 2013. Major investment outflows included purchases of property, plant and equipment of ¥17.3 billion.

Cash flows from financing activities

Financing activities used net cash of ¥7.3 billion, a ¥11.8 billion or 62% decline over 2013. Major inflows included ¥25.6 billion from long-term bank loans and ¥9.9 billion from the issuance of corporate bonds. These inflows were more than offset by outflows, which included ¥38.4 billion for the repayment of long-term bank loans, ¥3.3 billion for the repayment of finance lease obligations, and ¥2.7 billion in cash dividends paid.

Cash Flow Indicators

	As of December 31,				
	2010	2011	2012	2013	2014
Equity ratio (%)	25.3	22.4	22.1	24.6	25.0
Equity ratio based on market capitalization (%)	29.1	20.7	18.3	28.0	31.9
Cash flow to interest-bearing debt (years)	7.8	11.8	10.2	8.8	13.0
Interest coverage ratio (%)	7.6	6.2	8.4	11.9	8.9

Equity ratio: Total net assets / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest expense
Notes:

1. All of the above indicators are calculated based on consolidated financial statement data.
2. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. "Cash flow" is operating cash flow.
4. Of the debt carried on the consolidated balance sheet, interest-bearing debt is total debt on which interest is currently payable.

3. Dividend Policy and Dividends for 2014 and 2015

Providing fair returns to shareholders is a key management policy of the Sapporo Group. Our basic policy is to pay stable dividends to the extent permitted by our operating performance and financial condition.

In accordance with the above policy, we plan to pay annual dividends of ¥7 per share for 2014, the same dividend we paid in 2013.

In 2015, we plan to maintain the annual dividend at ¥7 per share, as we steadily carry out our management plan while also making strategic investments and strengthening our financial foundation.

Dividends for 2014 and 2015 (yen per share)

	Interim	Year-end	Total
2014	0.00	7.0	7.0
2015	0.00	7.0	7.0

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2013	December 31, 2014
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	11,552	9,781
2 Notes and accounts receivable - trade	87,148	89,245
3 Merchandize and finished products	20,832	22,431
4 Raw materials and supplies	13,552	14,108
5 Deferred tax assets	4,172	5,000
6 Other	10,306	15,971
7 Allowance for doubtful receivables	(228)	(165)
Total current assets	147,336	156,372
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	390,326	387,644
Accumulated depreciation	(212,741)	(211,317)
Buildings and structures, net	177,585	176,327
(2) Machinery and vehicles	218,275	224,180
Accumulated depreciation	(176,691)	(180,302)
Machinery and vehicles, net	41,583	43,878
(3) Land	115,056	115,290
(4) Lease assets	18,242	16,826
Accumulated depreciation	(8,921)	(7,904)
Lease assets, net	9,320	8,922
(5) Construction in progress	5,668	2,617
(6) Other	19,515	19,262
Accumulated depreciation	(15,847)	(15,701)
Other, net	3,667	3,560
Total property, plant and equipment	352,882	350,597
2 Intangible assets		
(1) Goodwill	34,418	29,966
(2) Other	7,566	6,025
Total intangible assets	41,985	35,991
3 Investments and other assets		
(1) Investment securities	51,221	59,968
(2) Long-term loans receivable	9,544	9,150
(3) Deferred tax assets	931	1,090
(4) Other	14,177	13,572
(5) Allowance for doubtful receivables	(1,326)	(1,305)
Total investments and other assets	74,548	82,477
Total fixed assets	469,416	469,066
Total assets	616,752	625,439

	December 31, 2013	December 31, 2014
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	35,902	35,534
2 Short-term bank loans	63,642	31,446
3 Commercial Paper	25,000	30,000
4 Current portion of bonds	-	12,000
5 Lease obligations	3,384	3,067
6 Liquor taxes payable	33,700	33,602
7 Income taxes payable	3,837	724
8 Accrued bonuses	2,090	2,115
9 Deposits received	10,824	9,650
10 Other	48,925	53,629
Total current liabilities	227,308	211,771
II Long-term liabilities		
1 Bonds	52,000	50,000
2 Long-term bank loans	107,185	124,110
3 Lease obligations	6,298	6,101
4 Deferred tax liabilities	17,805	22,617
5 Employees' retirement benefits	5,907	-
6 Net defined benefit liability	-	4,510
7 Dealers' deposits for guarantees	32,423	32,336
8 Other	12,457	13,986
Total long-term liabilities	234,077	253,662
Total liabilities	461,386	465,434
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,911	45,912
3 Retained earnings	37,409	34,913
4 Treasury stock, at cost	(1,311)	(1,544)
Total shareholders' equity	135,896	133,168
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	15,467	20,112
2 Deferred hedge gains	4	(0)
3 Foreign currency translation adjustments	314	2,582
4 Remeasurements of defined benefit plans	-	440
Total accumulated other comprehensive income	15,786	23,135
III Minority Interests	3,683	3,700
Total net assets	155,366	160,004
Total liabilities and net assets	616,752	625,439

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2013	Year ended December 31, 2014
	Amount	Amount
I Net sales	509,834	518,740
II Cost of sales	329,605	336,388
Gross profit	180,229	182,352
III Selling, general and administrative expenses		
1 Sales incentives and commissions	33,067	33,546
2 Advertising and promotion expenses	21,211	22,691
3 Salaries	31,406	32,187
4 Provision for accrued bonuses	1,088	1,451
5 Retirement benefit expenses	3,350	2,968
6 Other	74,760	74,777
Total selling, general and administrative expenses	164,884	167,623
Operating income	15,344	14,728
IV Non-operating income		
1 Interest income	245	229
2 Dividend income	797	831
3 Equity in income of affiliates	99	225
4 Foreign exchange gains	849	576
5 Other	1,226	948
Total non-operating income	3,218	2,811
V Non-operating expenses		
1 Interest expense	2,704	2,399
2 Other	728	573
Total non-operating expenses	3,432	2,973
Ordinary income	15,130	14,565
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	61	3,528
2 Gain on sales of investment securities	3,491	230
3 Gain on sales of consolidated subsidiaries	-	966
Total extraordinary gains	3,553	4,724
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,158	2,142
2 Loss on sales of property, plant and equipment	220	108
3 Loss on impairment of property, plant and equipment	425	893
4 Loss on devaluation of investment securities	59	11
5 Loss on sales of investment securities	3	0
6 Additional liquor tax paid and other	-	11,685
7 Compensation expenses	-	1,753
8 Business structure improvement expenses	253	-
Total extraordinary losses	2,120	16,595
Income before income taxes and minority interests	16,562	2,694
Income taxes: current	7,677	1,624
Income taxes: deferred	(534)	975
Total income taxes	7,143	2,599
Income before minority interests	9,419	94
Minority interests	(32)	(245)
Net income	9,451	340

Net income before minority interests	9,419	94
Other comprehensive income		
Unrealized holding gain on securities	10,344	4,645
Deferred hedge gains (losses)	8	(5)
Foreign currency translation adjustments	4,567	2,548
Total other comprehensive income	14,920	7,188
Comprehensive income	24,339	7,283
(Breakdown)		
Comprehensive income attributable to owners of the parent	23,832	7,248
Comprehensive income attributable to minority interests	507	34

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2013	Year ended December 31, 2014
	Amount	Amount
Shareholders' Equity		
Common stock		
Balance at beginning of year	53,886	53,886
Balance at end of period	53,886	53,886
Capital surplus		
Balance at beginning of year	46,308	45,911
Changes during period		
Disposition of treasury stock	(396)	1
Total changes during period	(396)	1
Balance at end of period	45,911	45,912
Retained earnings		
Balance at beginning of year	31,393	37,409
Changes during period		
Cash dividends	(2,740)	(2,731)
Net income	9,451	340
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(695)	(104)
Total changes during period	6,015	(2,495)
Balance at end of period	37,409	34,913
Treasury stock		
Balance at beginning of year	(1,199)	(1,311)
Changes during period		
Purchase of treasury stock	(1,024)	(239)
Disposition of treasury stock	912	5
Total changes during period	(111)	(233)
Balance at end of period	(1,311)	(1,544)
Total shareholders' equity		
Balance at beginning of year	130,389	135,896
Changes during period		
Cash dividends	(2,740)	(2,731)
Net income	9,451	340
Purchase of treasury stock	1,024	(239)
Disposition of treasury stock	516	6
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(695)	(104)
Total changes during period	5,507	(2,728)
Balance at end of period	135,896	133,168
Total accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at beginning of year	5,122	15,467
Changes during period		
Net change in items other than shareholders' equity during period	10,344	4,645
Total changes during period	10,344	4,645
Balance at end of period	15,467	20,112

Deferred hedge gains (losses)		
Balance at beginning of year	9	4
Changes during period		
Net change in items other than shareholders' equity during period	(4)	(4)
Total changes during period	(4)	(4)
Balance at end of period	4	(0)
Foreign currency translation adjustments		
Balance at beginning of year	(3,725)	314
Changes during period		
Net change in items other than shareholders' equity during period	4,040	2,267
Total changes during period	4,040	2,267
Balance at end of period	314	2,582
Remeasurements of defined benefit plans		
Balance at beginning of year	-	-
Changes during period		
Net change in items other than shareholders' equity during period	-	440
Total changes during period	-	440
Balance at end of period	-	440
Total accumulated other comprehensive income		
Balance at beginning of year	1,406	15,786
Changes during period		
Net change in items other than shareholders' equity during period	14,380	7,349
Total changes during period	14,380	7,349
Balance at end of period	15,786	23,135
Minority interests		
Balance at beginning of year	3,151	3,683
Changes during period		
Net change in items other than shareholders' equity during period	532	17
Total changes during period	532	17
Balance at end of period	3,683	3,700
Total net assets		
Balance at beginning of year	134,946	155,366
Changes during period		
Cash dividends	(2,740)	(2,731)
Net income	9,451	340
Purchase of treasury stock	(1,024)	(239)
Disposition of treasury stock	516	6
Changes in scope of consolidation / Changes in scope of associates accounted for using equity method	(695)	(104)
Net change in items other than shareholders' equity during period	14,912	7,366
Total changes during period	20,419	4,638
Balance at end of period	155,366	160,004

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2013	Year ended December 31, 2014
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	16,562	2,694
2 Depreciation and amortization	25,058	24,481
3 Loss on impairment of property, plant and equipment	425	893
4 Amortization of goodwill	3,985	3,764
5 Increase (decrease) in employees' retirement benefits	(1,474)	-
6 Increase (decrease) in net defined benefit liability	-	(615)
7 Increase (decrease) in allowance for doubtful receivables	(114)	(87)
8 Interest and dividend income	(1,043)	(1,060)
9 Interest expense	2,751	2,399
10 (Gain) loss on sales of fixed assets	(61)	(3,528)
11 (Gain) loss on sales and disposal of fixed assets	1,379	2,251
12 (Gain) loss on sales of investment securities	(3,487)	(230)
13 (Gain) loss on revaluation of investment securities	59	11
14 (Increase) decrease in notes and accounts receivable - trade	(2,314)	(1,193)
15 (Increase) decrease in inventories	108	(1,401)
16 Increase (decrease) in notes and accounts payable - trade	2,225	(929)
17 Increase (decrease) in accrued consumption taxes	335	4,211
18 Increase (decrease) in liquor taxes payable	194	(164)
19 Increase (decrease) in deposits received	(1,653)	(1,162)
20 Increase (decrease) in other current liabilities	2,152	1,024
21 Other	(2,594)	52
Sub total	42,493	31,413
22 Interest and dividends received	1,055	1,078
23 Interest paid	(2,772)	(2,517)
24 Income taxes paid	(7,915)	(7,689)
Net cash provided by (used in) operating activities	32,861	22,284
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(12,243)	(17,312)
2 Proceeds from sales of property, plant and equipment	171	6,383
3 Purchases of intangibles	(1,525)	(1,820)
4 Payments for purchases of investment securities	(346)	(1,397)
5 Proceeds from redemption and sale of investment securities	4,435	392
6 Payments for purchase of affiliates securities	(264)	(91)
7 Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	(25)
8 Payments for acquisition of associates accounted for using equity method	(286)	-
9 Payments of long-term loans receivable	(232)	(137)
10 Collection of long-term loans receivable	440	227
11 Other	(3,417)	(3,447)
Net cash provided by (used in) investing activities	(13,268)	(17,229)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(9,362)	(3,337)
2 Increase (decrease) in commercial paper	(22,000)	5,000
3 Proceeds from long-term bank loans	32,249	25,630
4 Repayment of long-term bank loans	(21,964)	(38,401)
5 Proceeds from issuance of bonds	19,920	9,960
6 Redemption of bonds	(10,000)	-
7 Cash dividends paid	(2,737)	(2,734)
8 Cash dividends paid to minority shareholders	(16)	(14)
9 Repayment of finance lease obligations	(4,217)	(3,321)
10 Purchase of treasury stock	(1,024)	(94)
11 Proceeds from sale of treasury stock	6	6
Net cash provided by (used in) financing activities	(19,147)	(7,307)
IV Effect of exchange rate changes on cash and cash equivalents	607	426
V Net increase (decrease) in cash and cash equivalents	1,053	(1,826)
VI Cash and cash equivalents at beginning of period	9,725	11,518
Ⅶ Increase(decrease) in cash and cash equivalents from newly consolidated subsidiaries	740	9
Ⅷ Increase in cash and cash equivalents resulting from merger	-	46
Ⅸ Cash and cash equivalents at end of period	11,518	9,748

(5) Notes on the Going-concern Assumption

Not applicable

(6) Changes in Accounting Policy

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, ¥4,510 million of net defined benefit liability was recorded, and accumulated other comprehensive income was ¥440 million higher.
Effects on per share information are presented in the relevant sections of this document.

(7).Segment Information

1. 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 restaurants of various styles.
The Real Estate segment's activities include leasing and development of real estate.

2. Calculation methods for sales, income (or loss), assets and other items

Accounting methods applied in reportable segment by business largely correspond to that presented under "The Basis for Preparation of Consolidated Financial Statements" and "Change in Accounting methods." Reportable segment income is based on operating income. Intersegment sales or transfers is based on market price. Intra-group sales and transfers are calculated as if the transactions were to third parties based on market prices.

3. Sales, income (or loss), assets, and other items

(millions of yen)

	Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	274,909	48,215	130,671	26,827	22,767	503,391
(2) Intra-group sales and transfers	2,533	83	309	0	2,667	5,594
Total	277,442	48,298	130,981	26,827	25,435	508,986
Segment income (loss)	9,901	1,208	(1,483)	415	8,685	18,727
Segment assets	212,664	54,815	102,752	11,991	215,874	598,096
Other						
Depreciation and amortization	8,683	1,855	6,776	643	4,412	22,371
Increase in property, plant and equipment, and intangible assets	2,123	2,218	8,516	813	4,467	18,139

	Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	6,442	509,834	-	509,834
(2) Intra-group sales and transfers	19,545	25,140	(25,140)	-
Total	25,988	534,975	(25,140)	509,834
Segment income (loss)	231	18,959	(3,614)	15,344
Segment assets	7,466	605,563	11,189	616,752
Other				
Depreciation and amortization	85	22,456	2,601	25,058
Increase in property, plant and equipment, and intangible assets	156	18,296	1,169	19,465

(millions of yen)

	Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	281,819	49,672	133,439	26,355	21,509	512,796
(2) Intra-group sales and transfers	2,528	95	314	3	2,754	5,696
Total	284,348	49,767	133,753	26,359	24,264	518,493
Segment income (loss)	10,206	172	121	292	7,695	18,488
Segment assets	220,462	57,601	102,761	12,247	214,389	607,463
Other						
Depreciation and amortization	8,013	2,103	6,785	668	4,231	21,802
Increase in property, plant and equipment, and intangible assets	3,708	1,948	7,400	1,275	7,189	21,523

	Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)			
	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	5,944	518,740	-	518,740
(2) Intra-group sales and transfers	19,477	25,174	25,174	-
Total	25,421	543,914	(25,174)	518,740
Segment income (loss)	183	18,672	(3,943)	14,728
Segment assets	7,135	614,598	10,840	625,439
Other				
Depreciation and amortization	75	21,878	2,603	24,481
Increase in property, plant and equipment, and	30	21,553	1,248	22,802

Notes:

(1) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.
(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

4. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of income (information on differences)

(millions of yen)

Segment income (loss)	December 31, 2013	December 31, 2014
Total for reportable segments	18,727	18,488
Income(loss) from other segments	231	183
Unallocated corporate costs*	(3,309)	(3,798)
Intra-segment sales	(305)	(145)
Operating income on the statement	15,344	14,728

Note: Unallocated corporate costs consist mainly of SGA that is not attributable to reportable segments.

(millions of yen)

Segment income (loss)	December 31, 2013	December 31, 2014
Total for reportable segments	598,096	607,463
Assets of other segments	7,466	7,135
	(9,259)	(10,932)
Unallocated corporate assets*	20,448	21,772
Total assets on the consolidated financial statements	616,752	625,439

Note: Unallocated corporate assets do not belong to reportable segments and consist mainly of working funds (cash and cash equivalents and marketable securities), long-term investments, and assets of general administration divisions.

5. Related Information

1. Information by product and service

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

Information by product and service is omitted here, as the same information is disclosed elsewhere.

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Information by product and service is omitted here, as the same information is disclosed elsewhere.

2. Segment Information by Geographic Area

(1) Net sales (millions of yen)

Year ended December 31, 2013(January 1, 2013 – December 31, 2013)				
Japan	America	Asia	Other	Total
437,607	45,843	21,927	4,457	509,834

Year ended December 31, 2014(January 1, 2014 – December 31, 2014)				
Japan	America	Asia	Other	Total
441,477	46,751	24,904	5,606	518,740

(2) Property, plant and equipment

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

Information has been omitted as total fixed assets held in Japan constituted more than 90% of that shown on the balance sheets.

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Information has been omitted as total fixed assets held in Japan constituted more than 90% of that shown on the balance sheets.

(3) Information by major customer

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	63,858	Japanese Alcoholic Beverages Food & Soft Drinks

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(millions of yen)

Company Name	Net Sales	Segment
KOKUBU & CO.,LTD.	64,788	Japanese Alcoholic Beverages Food & Soft Drinks

6. Impairment loss on fixed assets or goodwill by reportable segment

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	17	227	38	126	16	425	-	-	425

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	74	-	595	223	-	893	-	-	893

7. Amortization for and unamortized balance of goodwill

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	-	1,239	2,728	-	17	3,985	-	-	3,985
Unamortized Balance as of Dec. 31, 2013	-	11,098	23,320	-	-	34,418	-	-	34,418

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany eliminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	1	1,256	2,506	-	-	3,764	-	-	3,764
Unamortized Balance as of Dec. 31, 2014	-	9,999	19,966	-	-	29,966	-	-	29,966

8. Gain on negative goodwill by reportable segment

Year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

Not applicable

Year ended December 31, 2014 (January 1, 2014 – December 31, 2014)

Not applicable

(8) Property Leasing

The Sapporo Group holds office buildings (including land) for lease in the Tokyo metropolitan and other areas. Net leasing income on those properties in the year ended December 31, 2013 was ¥7,087 million (leasing income was mainly recorded as operating revenues; leasing expenses were mainly recorded as operating expenses). Net leasing income on those properties in the year ended December 31, 2014 was ¥6,202 million (leasing income was mainly recorded as operating revenues; leasing expenses were mainly recorded as operating expenses).

The carrying value of those properties on the consolidated balance sheets, change in carrying value during the years ended December 31, 2013 and 2014, and the total fair value appear in the following table.

(millions of yen)

		Year ended December 31, 2013	Year ended December 31, 2014
Carrying value on consolidated balance sheets			
	January 1	209,924	210,078
	Change during the period	154	△2,214
	December 31	210,078	207,864
Fair value at December 31		337,771	348,237

Notes:

1. Carrying value on the consolidated balance sheets represents acquisition costs net of accumulated depreciation and accumulated impairment loss.
2. The change during the year ended December 31, 2013 comprises increase mainly arising from property acquisitions (¥4,098 million) and decrease mainly due to depreciation (¥3,907 million) and disposal (¥34 million). The change during the year ended December 31, 2014 comprises increase mainly arising from property acquisitions (¥4,572 million) and decrease mainly due to depreciation (¥3,720 million), sales ((¥2,336 million), disposal (¥788 million).
3. The fair value at December 31 is mainly based on property valuations performed by third-party real estate appraisers.