Financial Results
for the Year Ended December 31, 2012 — Consolidated
(Based on Japanese GAAP)

February 8, 2013

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 28, 2013
Filing of annual financial report	March 29, 2013
Commencement of dividend payments	March 29, 2013
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, 2012 (January 1 – December 31, 2012)

(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, 2012	492,490	9.6	14,414	(23.7)	13,689	(18.6)	5,393	70.4
Year ended December 31, 2011	449,452	15.5	18,883	22.6	16,807	17.3	3,164	(70.6)

Note: Accumulated other comprehensive income

Year ended December 31, 2012: 11,090 million yen (1265.4%)

Year ended December 31, 2011: 812 million yen (△91.3%)

	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, 2012	13.77	-	4.2	2.4	2.9
Year ended December 31, 2011	8.08	-	2.5	3.2	4.2

Note: Equity method investment gains or losses

Year ended December 31, 2012: 180million yen

Year ended December 31, 2011: 33million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2012	597,636	134,946	22.1	336.60
December 31, 2011	550,784	124,775	22.4	314.87

Note: Shareholders' equity

December 31, 2012: 131,795 million yen

December 31, 2011: 123,293 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, 2012	29,618	(59,485)	30,159	9,725
Year ended December 31, 2011	22,313	(50,891)	24,245	9,057

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consol.)	Dividends to net assets (consol.)
	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2011	—	0.00	—	7.00	7.00	2,740	86.6	2.2
Year ended December 31, 2012	—	0.00	—	7.00	7.00	2,753	50.8	2.1
Year ending December 31, 2013 (forecast)	—	0.00	—	7.00	7.00		49.8	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2013 (January 1 – December 31, 2013)

(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, 2013	512,000	4.0	15,300	6.1	14,000	2.3	5,500	2.0	14.05

4. Other

*For details, see "7. Changes in accounting policy" on page 29.

(1) Changes to scope of consolidation: None
*Changes affecting the status of significant subsidiaries (scope of consolidation)

(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: Yes
3) Changes in accounting estimates: Yes
4) Retrospective restatement: None

(3) Number of shares issued and outstanding (common stock)
1) Number of shares issued at end of period (treasury stock included):
December 31, 2012: 393,971,493 shares
December 31, 2011: 393,971,493 shares

2) Number of shares held in treasury at end of period:
December 31, 2012: 2,418,030 shares
December 31, 2011: 2,400,991 shares

3) Average number of outstanding share during the period:
Year ended December 31, 2012: 391,560,982 shares
Year ended December 31, 2011: 391,580,207 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 com pleted 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, 2013" on page 12.

1. Analysis of Operating Results

(a)Consolidated Financial Results for the fiscal year ended December 31, 2012

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2012	492,490	14,414	13,689	5,393
2011	449,452	18,883	16,807	3,164
Change (%)	9.6	(23.7)	(18.6)	70.4

In 2012, the Japanese economy remained on a moderate recovery trajectory as consumer spending rebounded in line with earthquake -recovery efforts. Overall, however, the economy continued to face difficult conditions, including the protracted appreciation of the yen and a global economic slowdown centering on Europe. More specifically, conditions in the industries in which SAPPORO Group companies operate were as follows.

The soft drinks industry saw sales gains for some new products and existing brands as favorable weather conditions, including a hot summer and warm temperatures lingering into early autumn, helped boost demand. The alcoholic beverage and restaurant industries, however, did not see demand rebound as much as expected from the disaster -depressed levels of 2011, as the recovery in consumer spending has been slower than expected. In the real estate industry, high vacancy rates in the Greater Tokyo office leasing market caused by a recent increase in new office supply are gradually improving. Rent levels, however, remained weak.

Amid this environment, we began implementing the new Sapporo Group Management Plan 2012–2013, which targets the establishment of a new Group management structure that will guide Group companies into a dynamic growth stage. This plan puts forth three basic strategies for achieving this growth: "Accept challenges leading to growth in all businesses," "Steadfastly implement growth measures," and "Create new growth opportunities."

With regard to the first of these three basic strategies, "Accept challenges leading to growth in all businesses," we have called on employees in all our businesses to leverage the strengths of their respective business' brands and management resources while accepting new challenges to enable us to stay ahead of the competition.

In line with our second strategy, "Steadfastly implement growth measures," our Real Estate business has increased its stake in Yebisu Garden Place to 100% and started implementing measures to boost the property's value as it approaches its 20th anniversary in 2014. Similarly, the Food & Soft Drinks business established POKKA SAPPORO FOOD & BEVERAGE LTD. The newly established company has been readying a new business strategy in preparation for the launch of integrated business operations in January 2013. Overseas, we are strengthening our alcoholic beverage and soft drinks businesses in Southeast Asia. The alcoholic beverages business has established Vietnam as a bridgehead for expansion into the markets of neighboring countries. The overseas soft

drinks business, with Pokka Singapore as the center of operations, is aggressively pursuing measures to strengthen its position throughout the region.

Finally, in line with our third strategy, we are creating new growth opportunities in South Korea and in the United States. In South Korea, we are strengthening the Sapporo brand value and product distribution network, while in the United States we are aggressively pursuing M&A opportunities and tie-ups targeted at full-scale entry into that country's soft drinks market.

The efforts outlined briefly above contributed to the SAPPORO Group's consolidated results in 2012, as discussed below.

Net Sales

In 2012, the Sapporo Group posted consolidated net sales of ¥492.4 billion, up ¥43.0 billion or 10% from 2011. The Japanese Alcoholic Beverages and the Restaurants businesses both achieved higher sales than in 2011, when they were directly negatively affected by the impact of the earthquake and tsunami disaster. The International Business segment also achieved higher sales, aided by the consolidation of Silver Springs Citrus from April 2012. Sales at the Food & Soft Drinks business were up sharply, in part thanks to a full-year's contribution from the POKKA Group, which was consolidated in April 2011.

Operating Income

Consolidated operating income totaled ¥14.4 billion, down ¥4.4 billion or 24% from 2011. The Restaurants business achieved profit growth on increased sales, and Real Estate business profits were higher thanks to the inclusion of revenues and earnings from Yebisu Garden Place in the Group's consolidated income statement from March, following the acquisition of the 15% interest in trust beneficiary rights in Yebisu Garden Place held by the former joint holder in the complex. Gains in these segments, however, were outweighed by lower profits or losses in other segments as the result of various profit-reducing factors, including an aggressive year-over-year increase in marketing expenses by both the Japanese Alcoholic Beverage business and the Food & Soft Drinks business, increased goodwill amortization in the Food & Soft Drinks business, a first-quarter operating loss at the POKKA Group, and expenditures by the International Business segment to open new markets in Vietnam.

Ordinary Income

Consolidated ordinary income totaled ¥13.6 billion, representing a ¥3.1 billion or 19% year-over-year decline.

Net Income

Despite the decline in ordinary income, consolidated net income increased by ¥2.2 billion or 70% to ¥5.3 billion. The year-over-year gain largely reflects lower extraordinary losses than in 2011, when such losses were inflated by changes in accounting standards for asset retirement obligations and disaster-related losses.

Segment information is outlined below. We changed accounting methods from the first quarter of 2012 but have applied the new methods retroactively to enable period-over-period comparisons and analysis.

Moreover, as of the first quarter of 2012, the names of reportable business segments have been changed as follows: “International Alcoholic Beverages” is now “International Business” and the Soft Drinks segment and the POKKA Group have been merged into a single segment called “Food & Soft Drinks”. To enable year-over-year comparisons in this document, figures for the year-earlier period have been retroactively adjusted to reflect the new segmentation.

(2) Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2011	2012	% change	2011	2012	% change
Japanese Alcoholic Beverages	268,189	274,490	2.4	9,304	7,522	(19.2)
International Business	25,888	36,121	39.5	378	(73)	-
Food & Soft Drinks	108,060	132,174	22.3	3,690	364	(90.1)
Restaurants	24,091	25,615	6.3	219	538	146.0
Real Estate Business	22,468	23,217	3.3	8,552	9,396	9.9

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages declined 1% year over year in 2012. Beer and happoshu sales volumes declined slightly, while volume sales of new-genre beer slowed but continued to show year-over-year growth.

Amid this environment, our Japanese Alcoholic Beverage business launched a renewal version of new-genre beer Mugi to Hop in January and in March began year-round sales of Mugi to Hop Black. Both launches were enthusiastically received. In July, we launched Hokkaido Premium, made from Hokkaido malt and Furano hops. The addition enhanced our new-genre beer lineup, providing customers with a refreshingly flavored beverage in contrast to the more robust flavored Mugi to Hop. As a result, sales of our beer and beer-flavored beverages increased year over year, and we expanded our market share.

In the nonalcoholic beer category, we launched a renewed Sapporo Premium Alcohol Free in February, and in May we unveiled the world’s first completely nonalcoholic black canned beer, Sapporo Premium Alcohol Free Black. The new products supported year-over-year growth in sales volume in this category.

In the low-alcohol or ready-to-drink (RTD)※ category, our tie-up with Bacardi Japan Ltd. led to the April launch of the jointly-developed Bacardi Mojito, which was well received by consumers in Japan and triggered a mojito boom. In March, we launched a renewed version of Sapporo Nectar Sour Peach Sparkling. We also continued to develop and market a

variety of limited-volume RTD beverages with seasonal flavors, part of Sapporo's unceasing effort to bring new products to the market that satisfy customer demand for beverages suitable for a wide range of occasions. As a result, unit sales of RTD beverages expanded sharply in 2012.

In the wine business, demand for our everyday imported and domestic wines continued to grow, as did sales of our premium domestic wine *Grande Polaire*. As a result, the wine business achieved year-over-year growth in 2012. Meanwhile, our western spirits business saw its sales volume increase thanks to the contribution from Bacardi products.

The shochu business also achieved strong sales growth in 2012. Sales were supported by the favorable reception for two new blended shochus: *Imo Shochu Kokuimo,* a blended shochu introduced in March, and *Mugi Shochu Koimugi,* a barley-based shochu launched in September.

Overall, the Japanese Alcoholic Beverages business posted sales of ¥274.4 billion, up ¥6.3 billion, or 2%, year over year. Aggressive spending on marketing during the period, however, weighed on segment operating income, which declined ¥1.7 billion, or 19%, to ¥7.5 billion.

※ 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, where the timing of a full-fledged economic recovery remains unclear, we estimate that total demand in the beer market increased only slightly in 2012. On the other hand, the Asian beer market continues to grow steadily, supported by the region's fast-growing economies.

In this environment, our International Business segment continued marketing activities targeting the premium beer market, where it has core strengths. Canadian subsidiary SLEEMAN BREWERIES achieved a 4% year-over-year increase in unit sales (excluding outsourced production of Sapporo brand products and sales of domestic brands), keeping its six-year growth streak intact. In the United States, Sapporo USA posted a 1% year-over-year increase in sales volumes of Sapporo brand beers. At the end of January 2012, we strengthened our foothold in the United States' soft drinks market when we acquired a 51% equity stake in Silver Springs Citrus, Inc., the United States' largest maker of private-brand drinks. The new subsidiary's results since April are included in our consolidated statements of income.

In Vietnam, from April we began a full-fledged marketing offensive, including TV commercials, as part of our efforts to build brand recognition for the Sapporo Premium brand. In South Korea, at the end of January we took a 15% equity stake in a company established by our local partner, Maeil Dairies Co., Ltd., establishing the structure needed to accelerate sales of Sapporo brand beers to the household and commercial markets in South Korea. In Oceania, we worked to strengthen sales via a brewing and sales licensing agreement entered into in October 2011 with Australia's Coopers Brewery. In Singapore, we

continued to work with our local subsidiary to expand sales channels in the local household market. The efforts outlined above helped us achieve 68% year-over-year growth in beer sales volumes in Asia and other markets outside North America.

As a result, the International Business segment saw its existing local operations achieve expansion on local-currency bases. These gains, combined with the addition of Silver Springs Citrus to the Sapporo Group, helped boost segment sales to ¥36.1 billion, up ¥10.2 billion, or 40%, year over year. Segment operating income, however, declined to the breakeven point, ¥0.4 billion lower than in 2011.

Food & Soft Drinks business

Sapporo Beverage Co., Ltd.

We estimate that domestic demand for soft drinks increased 3% year over year in 2012. New product launches and strong demand for existing brands drove sales in the first half of 2012, and favorable weather conditions, such as a hot summer and warm weather through early autumn boosted sales in the second half.

In this environment, Sapporo Beverage concentrated on growing and strengthening its core brands. Specific measures included a TV ad campaign in a tie-up with a children's TV program to raise brand recognition for our Ribbon brand. Sales were also boosted by a collaborative sales campaign with a popular video game and expansion of over-the-counter and vending machine sales channels. For our *Gabunomi* series, we tied up with a popular animation character to further expand our sales channels and build an even stronger market presence. Unit sales of Gerolsteiner (naturally carbonated water from Germany) surpassed the previous year's level on the success of in-store trial offers and repeat purchase promotions. Unit sales of the *Oishii Tansansui* lineup of bottled soda waters also exceeded the previous-year level. However, overall sales volumes at Sapporo Beverage in 2012 declined 7% year over year, reflecting a reversion to the norm after last year's surge in demand for unsweetened beverages in the aftermath of the earthquake and tsunami disaster.

With regard to costs, we overcame rising material costs by optimizing our production structure and carrying out cost-structure reforms throughout the value chain via a rigorous select-and-focus approach.

POKKA Group

Our estimate of domestic demand trends for soft drinks in 2012 is as stated at the beginning of the previous section. In addition, we estimate that total demand for lemon-based products (flavorings) increased 1% year over year while demand for instant soups (including soups in a cup) declined 3%.

In this environment, the POKKA Group's Domestic Food & Soft Drinks business endeavored to strengthen and cultivate brand power by focusing investments on core brands and newer growth brands.

POKKA's domestic soft drinks business announced a renewal of the Kireto Lemon lineup

and launched a new TV commercial in support of the product. The company bolstered its Pokka Coffee lineup and developed some promotional canned drinks. In August, POKKA launched a renewed version of its Aromax canned coffee series and introduced Aromax Kyokugen no Kaori Black, a limited edition product sold only in the Tokai region (centered on Nagoya City). POKKA's aggressive marketing effort throughout the year also included the May launch of *Yasuragi Kibun no Corn-Cha*, a new unsweetened tea offering made from roasted corn, and offerings in small containers that meet the need for hot soups in autumn and winter.

POKKA's domestic foods business also pursued aggressive marketing strategies, including the increased use of cross-merchandising via TV commercials, the internet and in-store displays, to promote its products, led by POKKA Lemon 100. The business also strengthened the lineups for its *Jikkuri Kotokoto* soup series and the *Kongari Pan* series of instant cups of soup. To stimulate demand for its canned soups during the summer, POKKA introduced *Tsumetai Potage,* a canned cold soup. The *Kantanbimi* line of Korean soups available in both cup and pouch versions was bolstered by the addition of new products, including *hanryu Kuppa Samugedan,* which was launched in October.

In the Domestic Restaurants business, POKKA's Café de Crié coffee shop chain faced an increasingly competitive operating environment, including challenges from low-priced coffee served at major convenience store chains. POKKA responded by refreshing the Café de Crié menu with items on a regular basis and by continuing to remodel existing outlets and open new ones.

The Overseas Beverage & Foods business made steady progress in improving its COGS ratio and lowering distribution costs as it dealt with intensifying price competition in the Singapore market and declining sales to export markets.

POKKA's Overseas Restaurants business saw a slight slowdown at Hong Kong operations from February amid a generally tepid market as the number of customers from mainland China declined. Business remained upbeat in Singapore, however, as sales were stimulated by revised menus that suited customer preferences at individual store locations and by increased sales of pastries.

Reflecting the efforts and results at its various individual businesses, as summarized above, the Sapporo Group's Food & Soft Drinks segment sales in 2012 amounted to ¥132.1 billion, a year-over-year increase of ¥24.1 billion or 22%. The strong sales result was aided by a full-year contribution from the POKKA Group, which was consolidated from April 2011. The strong sales gains were, however largely offset by increased marketing expenditure, higher goodwill amortization, and an operating loss at the POKKA Group in the first quarter of 2012. As a result, segment operating income totaled ¥0.3 billion, a decline of ¥3.3 billion or 90% from 2011.

Restaurants

Japan's restaurant industry continues to face a very severe operating environment, as concerns about further deterioration in employment and incomes inhibits consumer spending and strengthens the trend toward eating and drinking at home.

Amid this difficult environment, our Restaurants business endeavored to increase customer traffic and rejuvenate existing outlets by focusing on quality improvements, especially in the service area, carrying out various kinds of campaigns, and stepping up marketing to corporations as a means of creating demand for large group parties.

In our core beer hall restaurant format, we sought to strengthen each individual beer hall brand by clarifying basic strategies for each and aiming at the creation of new value.

To reform the segment's profit structure, we reduced costs by renegotiating rents on shop spaces and closing 11 unprofitable outlets.

We also opened 13 new outlets during 2012, including more traditional formats such as YEBISU Bar outlets, mid-sized Ginza Lion brasseries, and the new The Kitchen Ginza Lion as well as new format restaurants in highway rest areas, and commissioned golf country clubs and multi-shop wine-and-dine complexes. As of year-end, the Restaurants business had 193 outlets in operation.

The segment's 2012 sales came to ¥25.6 billion, up ¥1.5 billion or 6% over 2011. Operating income, meanwhile, rebounded to ¥0.5 billion, up ¥0.3 billion or 146% as a result of our cost-cutting efforts, which included reining in personnel costs and renegotiating rental fees, and profitability improvements supported by the closure of unprofitable outlets.

Real Estate

In the real estate industry, high vacancy rates in the Greater Tokyo office leasing market caused by a recent increase in new office supply began to ease. Rent levels, however, remained weak.

In this environment, our Real Estate business managed to maintain high occupancy rates at its Yebisu Garden Place complex and other properties concentrated in the Tokyo Metropolitan area.

In January 2012, we changed the name of our consolidated real estate subsidiary Yebisu Garden Place Co., Ltd., to Sapporo Real Estate Co., Ltd., as part of our plan to raise the Sapporo brand value and strengthen Group synergies while continuing efforts to raise occupancy rates and rent levels at Group properties.

In March, we reacquired trust beneficiary rights amounting to a 15% interest in Yebisu Garden Place held by the joint holder in the complex, returning us to 100% ownership. Having reclaimed full control of the complex, we began considering measures that would strengthen its branding, add to the facility's overall convenience, and thereby enhance the property's asset value. As a result, we have started adding emergency power systems and will continue to make changes that add to the property's value.

Our real estate development business is focusing on the strategic Ebisu area and has started redevelopment of the Seiwa Yebisu Building. Demolition of the old structure started

in December. The new building, which will have more total floor space than its forerunner , is scheduled for completion in autumn 2014.

Overall, Real Estate business sales in 2012 totaled ¥23.2 billion, up ¥ 0.7 billion or 3% year over year, while segment operating income reached ¥9.3 billion, representing an increase of ¥0.8 billion or 10% year over year.

(b) Outlook for fiscal year ending December 31, 2013

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2013 forecast	512,000	15,300	14,000	5,500
2012 results	492,490	14,414	13,689	5,393
Projected increase (%)	4.0	6.1	2.3	2.0

In 2013, in accordance with the Sapporo Group Management Plan 2013 –2014, the updated version of our rolling two -year plan, the Group will focus on three fundamental strategies, namely to “Accept challenges leading to growt h in all businesses,” “Steadfastly implement growth measures,” and “Create new growth opportunities.” We regard the next two years as a crucial period for establishing the foundations that will enable us to achieve our goals and will make every effort to e nhance our corporate value during this period. In 2013, we aim to increase Group sales and expand operating, ordinary and net income. Our consolidated forecasts and outlook for the Sapporo Group in 2013 are as follows.

Net Sales

The Japanese Alcoholic Be verage business will place greatest emphasis on restrengthening its beer brands, with a particular focus on expanding sales of existing brands. It will also endeavor to expand sales of shochu and western spirits, two non -beer categories showing strong grow th potential, while restructuring i ts non-alcoholic beer and low-alcoholic beverage brand lineups.

Our International Business will strive to gain wider brand recognition for the SLEEMAN and Sapporo brands in the North American market while also expanding sales in Southeast Asia from its new regional base in Vietnam. We also plan to expand soft drink sales in the North American market by leveraging new Group member Silver Springs Citrus, Inc., which became a consolidated subsidiary early in 2012.

In the Food & Soft Drinks business, Pokka Corporation and Sapporo Beverage were integrated and made a new start as POKKA SAPPORO FOOD & BEVERAGE, which began operations in January of 2013. The company will strive to strengthen existing Sapporo and POKKA brands and develop distinctive new products that will help drive growth.

The Restaurants business will endeavor to expand sales by further strengthening its

existing brands and opening new outlets, with a focus on the YEBISU Bar chain and the mid-size Ginza Lion brasserie format. In addition, the segment aims to seize the opportunity afforded by the inclusion of POKKA FOOD (SINGAPORE) PTE. LTD. to pursue an overseas growth strategy centered on expansion of our chain of beer halls.

The Real Estate business will continue efforts to maintain and raise occupancy rates while targeting appropriate rent levels. The business targets new growth by adding value to its core Yebisu Garden Place property and through the redevelopment of its Seiwa Yebisu Building.

Based on the above plans for each segment, we envisage consolidated sales of ¥512.0 billion (a year-over-year increase of ¥19.5 billion or 4%) in 2013.

Operating Income

The Japanese Alcoholic Beverages business plans to increase profits by boosting sales and continuing cost control measures. With regard to the International Business segment, while increased profits are envisaged in North America, we expect segment operating income to be roughly unchanged in 2013 as a result of continued investing to build markets and brand recognition in Vietnam. In the Food & Soft Drinks business also, we plan to increase profits by boosting sales. Gains in both sales and profits are expected in the Restaurant business, as it plans to continue efforts to strengthen the profitability of its operations, while operating income is expected to decline in 2013 in the Real Estate business as redevelopment of its Seiwa Yebisu Building cuts into leasing revenues.

Overall, we forecast 2013 consolidated operating income of ¥15.3 billion (up ¥0.8 billion or 6% year over year).

Ordinary Income

We envisage consolidated ordinary income in 2013 of ¥14.0 billion, up ¥0.3 billion or 2% from 2012, thanks in part to lower interest payments.

Net Income

We envisage consolidated net income in 2013 of ¥5.5 billion, a ¥0.1 billion or 2% increase versus 2012.

The 2013 outlook for each segment is outlined below. From fiscal 2013, the results of two Group companies—Sapporo Logistics Systems Co., Ltd., which to date has been included in the Japanese Alcoholic Beverage segment, and POKKA Logistics Co., Ltd, which was included in the Food & Soft Drinks segment—will be accounted for in the Other segment. Similarly, the results of POKKA FOOD (SINGAPORE) PTE. LTD. will be accounted for in the Restaurants segment instead of the Food & Soft Drinks segment. The consolidated financial statements for fiscal 2012 have been retroactively adjusted to reflect these changes.

(2) Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2012	2013	% change	2012	2013	% change
Japanese Alcoholic Beverages	269,947	275,200	1.9	7,522	9,000	19.6
International Business	36,121	43,300	19.9	(73)	0	-
Food & Soft Drinks	129,017	136,500	5.8	364	1,000	174.7
Restaurants	26,621	26,800	0.7	539	800	48.4
Real Estate Business	23,217	23,600	1.6	9,396	8,300	(11.7)

Japanese Alcoholic Beverages

We expect the operating environment for our Japanese Alcoholic Beverages business to remain challenging as the drinking population shrinks while consumer preferences and venues for drinking alcoholic beverages grow increasingly diverse.

Faced with this operating environment, our Japanese Alcoholic Beverages business has adopted the campaign slogan "Bringing more cheer to your 'Cheers'!" and is pursuing the dual strategies of "Growth in the beer-taste market" and "Growth as a comprehensive alcoholic beverage enterprise." While endeavoring to establish a market presence befitting Sapporo that will further enhance our profitability and raise our corporate and brand values, we will continue to build stronger bonds with customers, in whom we hope to inspire excitement and joy through the consumption of our products.

Our beer business will again focus on its three core brands —Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop—while also devoting resources to polishing the brand image of our Sapporo Premium Alcohol Free offering in the nonalcoholic beer beverage market.

In the RTD category※, we aim to establish a solid market presence with our Bacardi RTD and nectar sour beverages.

In the wine business, we are focusing on our *Grande Polaire* brand, which is approaching its 10th anniversary and is made exclusively from domestically grown grapes. We also seek to expand sales of additive-free wines and wines in PET bottles, two growing market segments. We will strengthen our imported wine business, with a focus on four core brands—Yellow Tail, Beringer, Mythique and Santa Rita.

In the western spirits segment, we will seek to continue market products that arouse interest in both the home and commercial markets, such as our Bacardi rum–based Bacardi Mojito.

Meanwhile, our shochu business is focused on expanding the market for its two blended shochu brands—*Kokuimo* and *Koimugi*. We also plan to release a new plum wine (*umeshu*) that we hope will arouse considerable demand.

With regard to costs, we will continue to strengthen the Japanese Alcoholic Beverages business' earnings base by implementing effective procurement policies that respond to

fluctuating ingredient and raw material prices, building a more flexible and adaptable production structure, and further improving cost effectiveness, particularly with respect to spending on sales promotions.

※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, many uncertainties continue to cloud the prospects for a full-fledged economic recovery. We therefore expect total demand in the North American beer market to be largely flat again in 2013. In this environment, our International Business aims to continue solidifying its North American market position by capitalizing on its strengths in the premium beer category.

In Canada, SLEEMAN BREWERIES will continue to spend aggressively on marketing as it seeks to maintain and enhance the value of its core premium brands. Including sales of its growing value brands, the company aims to achieve unit sales growth 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, our US subsidiary will redouble its efforts to strengthen our presence to the wider Asian-American and general population sections of the US beer market. In addition, we will leverage the strong business base of Silver Springs Citrus, Inc., which we acquired in January 2012, to expand our soft drinks business in the North American market.

Outside of North America, we aim to boost sales by actively engaging in growth markets in Asia and elsewhere while keeping an eye on opportunities to tap into new markets as we strengthen the foundations of our International Business segment and expand its operations. In particular, we are continuing full-scale marketing efforts in Vietnam to quickly establish our Sapporo brand in that market. In South Korea, we are accelerating sales of Sapporo brand beers in the household and commercial markets through utilizing the 15% equity stake we acquired in January 2012 in a company established by our local partner, Maeil Dairies Co., Ltd. We plan to boost beer sales in Oceania, mainly through a brewing and sales licensing agreement with Australia's Coopers Brewery. Finally, in Singapore, we plan to redouble our efforts to expand sales channels into the household-use beer market in a cooperative effort with our local subsidiary.

Food & Soft Drinks business

Japan's soft drink industry continues to face rising material costs and strong consumer price consciousness. We therefore think that total industrywide demand is unlikely to expand much in 2013.

In this environment, our Food & Soft Drinks business plans to absorb integration-related costs to the maximum level possible by thoroughly promoting low-cost operations across each link in the value chain. In addition, the segment's marketing division is reviewing its

growth strategies and planning to develop business in five categories: beverage brands, overseas brands, lemon & natural foods, soups & related foods, and commercial-use products.

The business plans to concentrate marketing expenditures and resources on such core domestic and overseas beverage brands as Gerolsteiner, Aromax, Ribbon, and *Gabunomi*. For newer brands, such as the *Yasuragi Kibun no Corn-Cha* tea drink, marketing plans will be narrowly focused on specific target groups.

In the lemon & natural foods category, while continuing to promote our Kireto Lemon beverage series and our POKKA Lemon 100 series, the business continues to introduce new derivative products, such as Hiroshima Lemon and the Osake ni Plus series of cocktail fruit mixers. The Food & Soft Drinks business is seeking out trial users for its products while promoting healthy fruit-based drinks, such as cranberry juice and prune juice.

In the soup and related foods category, we plan to bolster the *Kongari Pan* and *Jikkuri Kotokoto* soup brand lineups and continue to build out the newer lineup of *Kantanbimi* Korean soups. We also plan aggressive expansion into such new categories as cold soups, grain-based soups, and desserts.

The core products of the commercial-use category include alcoholic-beverage mixers, soft drinks in returnable bottles, POKKA Lemon, and powdered teas and soups. We aim for dramatic new growth of our commercial-use business by leveraging group synergies created by the integration of the two formerly independent Group companies.

The domestic and overseas restaurants business will continue to enhance its Café de Crié brand value and expand its business. In addition to remodeling existing outlets in line with a new brand package, the business is promoting effective chain expansion targeted at creating a dominant market presence. It is also developing a new market for its Café de Crié outlets by opening some inside hospitals.

The overseas soft drinks business, expects to see stiffer competition in its core Singapore market owing to the policies of competitors. In response, it plans to maintain its leading share of the Singapore market for tea drinks and expand sales in new product categories, such as carbonated beverages. It also plans to expand sales to other countries in Southeast Asia and extend its export market to the Middle East and other regions. To support these plans and build the foundation for further growth, the business will increase its production capacity.

In the overseas restaurants business, Group subsidiary POKKA Hong Kong will continue to focus on the operation of its existing outlets, centering on the POKKA Café chain but also including *Tonkichi tonkatsu* (breaded pork cutlets) restaurants and Mikichi ramen shops. The subsidiary plans to leverage its multiple formats to expand into new areas.

Restaurants

Japan's restaurant industry continues to face a very challenging operating environment. The price of foodstuffs continues to rise and price competition is growing more severe as restaurant operators try to attract customers that are increasingly eating and drinking at

home as a pending consumption tax hike and other difficult economic conditions heighten consumers' concerns about protecting their living standards.

In this difficult environment, we continue to strengthen the branding of the Group's various restaurant formats while carrying out various campaigns and marketing programs, including stepping up the marketing of large group parties to corporations, in a concerted effort to increase customer traffic at our restaurants.

We will continue recent efforts to reform the segment's profit structure, including cost reductions achieved by creating a distribution system with a single center for serving our Tokyo metropolitan logistics network, seeking lower rents and thereby cutting fixed costs, and closing unprofitable locations.

We are focusing restaurant openings on the YEBISU Bar format, the mid-size Ginza Lion brasseries, and The Kitchen Ginza Lion format. We also will develop new restaurant formats to meet a wider range of consumer needs and preferences.

POKKA FOOD (SINGAPORE) PTE. LTD., accounted for in the Food & Soft Drinks segment in 2012, has been included in the Restaurants business from January 2013 and will further develop our restaurants business in Singapore through our chain of Sapporo Lion outlets.

Real Estate

Japan's real estate industry is expected to move into a clear recovery trend as the supply of new office buildings begins to decline and an economic recovery unfolds.

Meanwhile, our Real Estate business has been working to raise occupancy rates and the rent levels at Group properties. It also seeks to further strengthen the branding of Yebisu Garden Place, the Group's flagship property, and add to the facility's overall convenience, thereby enhancing the property's asset value. In line with these goals, we are increasing the number of emergency power-generating systems at the property. In February 2013, the Real Estate business began operations at ChezVia Yebisu, an apartment building in the Ebisu area that provides a new urban lifestyle choice.

In addition, we have started the reconstruction of the Seiwa Yebisu Building, which we intend to turn into a centerpiece property in the Ebisu district. We are also considering a redevelopment project that would increase the floor space of the Sapporo Ginza Building located at Ginza 5-chome.

Note: The above forecasts are based on information available to the company at the time of disclosure with the understanding that a number of uncertain factors may influence performance and that actual results may differ materially from those expressed or implied herein.

2. Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets as of December 31, 2012, totaled ¥597.6 billion, a ¥46.8 billion increase from December 31, 2011. The increase is attributable to an increase in land and property holdings accompanying the acquisition of the additional 15% equity interest in Yebisu Garden Place, which more than offset a decrease in intangible fixed assets related to the amortization of goodwill. Consolidated liabilities totaled ¥462.6 billion, a ¥36.6 billion increase from December 31, 2011, reflecting increases in bank loans and other financial liabilities, which were partially offset by a decrease in deposits received.

Consolidated net assets totaled ¥134.9 billion, a ¥10.1 billion increase from December 31, 2011. Asset growth was supported by increases in unrealized gains on securities and in the foreign currency translation adjustment account, as well as posting of net income for fiscal 2012.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, "cash") totaled ¥9.7 billion as of December 31, 2012, a ¥0.6 billion or 7% increase from December 31, 2011. The increase reflects the net result of cash generated by operating activities and financing activities and cash used in investing activities, including purchases of subsidiary shares, investment securities, and fixed and intangible assets.

The following is an explanation of consolidated cash flows by category in 2012 and the factors that affected cash flows in each category.

Cash flows from operating activities

Operating activities provided net cash of ¥29.6 billion, a ¥7.3 billion or 33% increase over 2011. Major sources of operating cash flow included ¥10.5 billion in income before income taxes and minority interests and ¥25.8 billion in depreciation and amortization. Major uses of operating cash flow included a ¥2.9 billion reduction in deposits received, a ¥1.8 billion increase in inventories, and a ¥2.0 billion decrease in notes and accounts payable-trade.

Cash flows from investing activities

Investing activities used net cash of ¥59.4 billion, an ¥8.5 billion or 17% increase over 2011. Major investment outflows included purchases of property, plant and equipment of ¥51.1 billion, purchases of intangible fixed assets of ¥2.7 billion, and purchases of subsidiaries' shares accompanying changes in the scope of consolidation of ¥1.6 billion.

Cash flows from financing activities

Financing activities provided net cash of ¥30.1 billion, a ¥5.9 billion or 24% increase over 2011. Major inflows included a ¥34.0 billion net increase in commercial paper, proceeds from long-term bank loans of ¥27.8 billion, and ¥9.9 billion from the issuance of corporate bonds. Major outflows included ¥31.4 billion repayments of long-term bank loans and ¥10.0 billion in bond redemptions.

Cash Flow Indicators

	As of December 31,				
	2008	2009	2010	2011	2012
Equity ratio (%)	22.1	23.4	25.3	22.4	22.1
Equity ratio based on market capitalization (%)	41.5	39.3	29.1	20.7	18.4
Cash flow to interest-bearing debt (years)	9.9	18.4	7.8	11.8	10.2
Interest coverage ratio (%)	6.0	3.5	7.6	6.2	8.4

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 2012 and 2013

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 2012, the same dividend we paid in 2011.

In 2013, 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 2011 and 2012 (yen per share)

	Interim	Year-end	Total
2012	0.00	7.0	7.0
2013	0.00	7.0	7.0

4. Management Policy

(1) Fundamental Management Policy

The Sapporo Group's management philosophy is "to make people's lives richer and more enjoyable." In conducting its business activities, the Sapporo Group strives to maintain integrity and corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value. This is our fundamental management policy.

(2) Operating Performance Targets

The Sapporo Group's New Management Framework's management targets for 2016 are as follows.

Consolidated net sales: ¥600 billion
Consolidated operating income: ¥40 billion (before goodwill amortization)
Debt/equity ratio: around 1.0
ROE: above 8% (before goodwill amortization)

(3) Medium- to Long-Term Management Strategies

1) Create High-Value-Added Products and Services

In all of our businesses, we will build sustained market advantages and pursue maximal capital efficiency by concentrating management resources in market segments where we are most competitive. We will create high value-added products and services, placing priority on "providing valuable products and services that customers can identify with" as a shared Group value.

2) Form Strategic Alliances

Instead of single-mindedly operating our businesses on a stand-alone basis, we will form strategic alliances with strong partners to amplify our strengths, complement our functional capabilities, and gain access to know-how in the aim of expeditiously gaining competitive advantages on a large scale.

3) Promote International Expansion

We will pursue overseas expansion not only in our alcoholic beverage operations but also in our soft drink and food operations. We aim to establish strong brands in overseas markets by leveraging our proprietary technological capabilities and business alliances.

4) Expand Group Synergies

We will pursue greater inter-business synergies through flexible coordination and cooperation that transcends individual Group companies and organizational frameworks.

(4) Issues to be Addressed

Fiscal 2013 marks a major turning point in our Group organization, including the startup in January of the integrated operation of our Food & Soft Drinks business by POKKA SAPPORO FOOD & BEVERAGE LTD. With just four years left to reach the goals set forth in our New Management Framework concept, these next two years represent a crucial stage during which we must place the Sapporo Group firmly on a track to achieve these goals. We have therefore formulated the Sapporo Group Management Plan 2013–2014 to guide us

during this crucial stage. This revised version of our two -year rolling plan outlines three basic strategies for guiding us toward realization of the New Management Framework.

1) Accept challenges leading to growth in all businesses
The first of the three basic strategies calls on employees in all our businesses to leverage the strengths of their respective business' brands and management resources while accepting new challenges to enable us to stay ahead of the competition.

2) Steadfastly implement growth measures
To fully realize the benefits of the many initiatives undertaken by the Group in recent years—including the full integration of our Food & Soft Drink business' two core subsidiaries into POKKA SAPPORO FOOD & BEVERAG E LTD., entry into the Vietnamese market, and pursuit of plans to enhance the value of Yebisu Garden Place—we will continue to make forward investments and take other steps to strengthen our foundations.

3) Creating new growth opportunities
We will continue to aggressively pursue attractive M&A deals and alliances, both in Japan and overseas.

In addition, the Sapporo Group regards the fulfillment of our corporate social responsibility (CSR) as crucial to the Group's sustained growth. We will conduct progr ams with such themes as "Provision of safe products of reliable quality", "Coexisting with the wider society", and "Preservation of the earth's environment". Additionally, we will continue our CSR and compliance programs as the foundation that governs our corporate behavior, and build awareness of the importance of CSR and compliance within our corporate culture through in-house education.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2011	December 31, 2012
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,204	9,755
2 Notes and accounts receivable - trade	79,340	83,581
3 Merchandize and finished products	17,113	20,372
4 Raw materials and supplies	10,948	12,072
5 Deferred tax assets	4,539	3,737
6 Other	8,258	9,026
7 Allowance for doubtful receivables	(386)	(287)
Total current assets	129,018	138,258
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	376,200	384,995
Accumulated depreciation	(201,765)	(205,155)
Buildings and structures, net	174,435	179,839
(2) Machinery and vehicles	203,307	210,465
Accumulated depreciation	(163,080)	(170,803)
Machinery and vehicles, net	40,226	39,661
(3) Land	83,826	115,413
Lease assets	19,150	19,255
Accumulated depreciation	(9,071)	(9,469)
Lease assets, net	10,079	9,785
(4) Construction in progress	2,058	4,425
(5) Other	20,149	19,987
Accumulated depreciation	(16,396)	(16,050)
Other, net	3,752	3,936
Total property, plant and equipment	314,379	353,061
2 Intangible assets		
(1) Goodwill	40,147	37,541
(2) Other	8,844	7,444
Total intangible assets	48,992	44,985
3 Investments and other assets		
(1) Investment securities	31,208	35,670
(2) Long-term loans receivable	10,142	9,783
(3) Deferred tax assets	2,203	2,040
(4) Other	16,251	15,222
(5) Allowance for doubtful receivables	(1,411)	(1,386)
Total investments and other assets	58,394	61,330
Total fixed assets	421,766	459,377
Total assets	550,784	597,636

(millions of yen)

	December 31, 2011	December 31, 2012
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	32,354	32,985
2 Short-term bank loans	57,370	55,270
3 Commercial Paper	13,000	47,000
4 Current portion of long-term debt	10,000	10,000
5 Lease obligations	3,899	3,860
6 Liquor taxes payable	32,535	33,397
7 Income taxes payable	2,985	3,830
8 Accrued bonuses	2,118	1,860
9 Deposits received	15,301	12,358
10 Other	43,024	42,583
Total current liabilities	212,589	243,146
II Long-term liabilities		
1 Bonds	32,000	32,000
2 Long-term bank loans	106,798	113,376
3 Lease obligations	7,715	7,346
4 Deferred tax liabilities	12,186	13,002
5 Employees' retirement benefits	7,452	7,385
6 Directors' and audit & supervisory board members' severance benefits	53	26
7 Dealers' deposits for guarantees	32,623	32,914
8 Other	14,589	13,491
Total long-term liabilities	213,418	219,543
Total liabilities	426,008	462,689
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,310	46,308
3 Retained earnings	28,741	31,393
4 Treasury stock, at cost	(1,197)	(1,199)
Total shareholders' equity	127,741	130,389
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	1,993	5,122
2 Deferred hedge gains (losses)	(8)	9
3 Foreign currency translation adjustments	(6,432)	(3,725)
Total accumulated other comprehensive income	(4,447)	1,406
III Minority Interests	1,482	3,151
Total net assets	124,775	134,946
Total liabilities and net assets	550,784	597,636

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
I Net sales	449,452	492,490
II Cost of sales	286,678	313,117
Gross profit	162,774	179,373
III Selling, general and administrative expenses		
1 Sales incentives and commissions	26,390	32,838
2 Advertising and promotion expenses	17,532	20,221
3 Salaries	27,117	31,147
4 Provision for bonuses	1,357	1,225
5 Retirement benefit expenses	3,245	3,499
6 Other	68,246	76,027
Total selling, general and administrative expenses	143,890	164,958
Operating income	18,883	14,414
IV Non-operating income		
1 Interest income	343	263
2 Dividend income	595	734
3 Equity in income of affiliates	33	180
4 Foreign exchange gain	-	535
5 Gain (loss) on gift voucher redemptions	511	570
6 Other	769	980
Total non-operating income	2,253	3,264
V Non-operating expenses		
1 Interest expense	3,557	3,448
2 Exchange loss	107	-
3 Other	664	541
Total non-operating expenses	4,330	3,990
Ordinary income	16,807	13,689
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	315	83
2 Gain on sales of investment securities	25	21
3 Settlement received	261	-
Total extraordinary gains	602	104

VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	997	2,087
2 Loss on sales of fixed assets	23	11
3 Impairment loss	1,669	188
4 Loss on devaluation of investment securities	1,261	582
5 Loss on sale of investment securities	23	64
6 Business structure improvement expenses	-	346
7 Effect of adoption of new accounting standards for asset retirement obligations	1,084	-
8 Compensation expenses	267	-
9 Loss on phased acquisition	566	-
10 Loss on change in equity	244	-
11 Disaster losses	5,430	-
Total extraordinary losses	11,569	3,281
Income (loss) before income taxes and minority interests	5,840	10,512
Income taxes: current	4,114	5,668
Income taxes: deferred	(1,316)	(317)
Total income taxes	2,798	5,350
Income (loss) before minority interests	3,042	5,161
Minority interests in gains (losses)	(122)	(232)
Net income	3,164	5,393
Net income before minority interests	3,042	5,161
Other comprehensive income*1		
Unrealized holding gain on securities	(959)	3,130
Deferred hedge gains (losses)	(0)	9
Foreign currency translation adjustments	(1,139)	2,739
Share of other comprehensive income of associates accounted for using equity method	(130)	49
Total other comprehensive income	(2,230)	5,928
Comprehensive income*2	812	11,090
(Breakdown)		
Comprehensive income attributable to owners of the parent	998	11,248
Comprehensive income attributable to minority interests	(186)	(158)

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
Shareholders' Equity		
Common stock		
Balance at end of previous period	53,886	53,886
Balance at end of period	53,886	53,886
Capital surplus		
Balance at end of previous period	46,315	46,310
Changes during period		
Disposition of treasury stock	(4)	(2)
Total changes during period	(4)	(2)
Balance at end of period	46,310	46,308
Retained earnings		
Balance at end of previous period	28,317	28,741
Changes during period		
Cash dividends	(2,741)	(2,740)
Net income	3,164	5,393
Total changes during period	423	2,652
Balance at end of period	28,741	31,393
Treasury stock		
Balance at end of previous period	(1,190)	(1,197)
Changes during period		
Purchase of treasury stock	(18)	(7)
Disposition of treasury stock	11	5
Total changes during period	(7)	(1)
Balance at end of period	(1,197)	(1,199)
Total shareholders' equity		
Balance at end of previous period	127,329	127,741
Changes during period		
Cash dividends	(2,741)	(2,740)
Net income	3,164	5,393
Purchase of treasury stock	(18)	(7)
Disposition of treasury stock	7	2
Total changes during period	411	2,648
Balance at end of period	127,741	130,389
Total accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at end of previous period	2,985	1,993
Changes during period		
Net change in items other than shareholders' equity during period	(992)	3,129
Total changes during period	(992)	3,129
Balance at end of period	1,993	5,122

Deferred hedge gains (losses)		
Balance at end of previous period	(7)	(8)
Changes during period		
Net change in items other than shareholders' equity during period	(0)	17
Total changes during period	(0)	17
Balance at end of period	(8)	9
Foreign currency translation adjustments		
Balance at end of previous period	(5,258)	(6,432)
Changes during period		
Net change in items other than shareholders' equity during period	(1,174)	2,707
Total changes during period	(1,174)	2,707
Balance at end of period	(6,432)	(3,725)
Total accumulated other comprehensive income		
Balance at end of previous period	(2,281)	(4,447)
Changes during period		
Net change in items other than shareholders' equity during period	(2,166)	5,854
Total changes during period	(2,166)	5,854
Balance at end of period	(4,447)	1,406
Minority interests		
Balance at end of previous period	1,597	1,482
Changes during period		
Net change in items other than shareholders' equity during period	(115)	1,668
Total changes during period	(115)	1,668
Balance at end of period	1,482	3,151
Total net assets		
Balance at end of previous period	126,645	124,775
Changes during period		
Cash dividends	(2,741)	(2,740)
Net income	3,164	5,393
Purchase of treasury stock	(18)	(7)
Disposition of treasury stock	7	2
Net change in items other than shareholders' equity during period	(2,281)	7,523
Total changes during period	(1,869)	10,171
Balance at end of period	124,775	134,946

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
I Cash flows from operating activities		
1 Income (loss) before income taxes and minority interests	5,840	10,512
2 Depreciation and amortization	24,482	25,805
3 Impairment loss	1,669	188
4 Amortization of goodwill	3,109	3,879
5 Increase (decrease) in employees' retirement benefits	(204)	(82)
6 Increase (decrease) in allowance for doubtful receivables	(108)	(132)
7 Interest and dividend income	(939)	(997)
8 Interest expense	3,579	3,480
9 (Gain) loss on sales of fixed assets	(315)	(83)
10 (Gain) loss on sales and disposal of fixed assets	1,020	2,099
11 (Gain) loss on sales of investment securities	(1)	43
12 (Gain) loss on revaluation of investment securities	1,261	582
13 Effect of adoption of new accounting standards for asset retirement obligations	1,084	-
14 (Increase) decrease in notes and accounts receivable - trade	(4,705)	(2,015)
15 (Increase) decrease in inventories	(1,579)	(1,826)
16 Increase (decrease) in notes and accounts payable - trade	(701)	(697)
17 Increase (decrease) in liquor taxes payable	(1,676)	769
18 Increase (decrease) in deposits received	(4,129)	(2,955)
19 Increase (decrease) in other current liabilities	(540)	(927)
20 Other	1,368	(723)
Sub total	28,511	36,920
21 Interest and dividends received	955	1,045
22 Interest paid	(3,605)	(3,515)
23 Income taxes paid	(3,548)	(4,832)
Net cash provided by (used in) operating activities	22,313	29,618
II Cash flows from investing activities		
1 Purchases of investment securities	(2,154)	(1,186)
2 Proceeds from redemption and sale of investment securities	262	419
3 Purchase of stocks of subsidiaries and affiliates	(16,141)	(87)
4 Purchases of newly consolidated subsidiaries	(18,662)	(1,611)
5 Purchases of property, plant and equipment	(11,608)	(51,133)
6 Proceeds from sales of property, plant and equipment	769	178
7 Purchases of intangibles	(1,814)	(2,736)
8 Increase in long-term loans receivable	(25)	(25)
9 Collection of long-term loans receivable	327	93
10 Other	(1,843)	(3,395)
Net cash provided by (used in) investing activities	(50,891)	(59,485)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	13,194	6,475
2 Proceeds from long-term bank loans	38,612	27,878
3 Repayment of long-term bank loans	(24,926)	(31,488)
4 Proceeds from issuance of bonds	9,960	9,960
5 Redemption of bonds	(20,000)	(10,000)
6 Increase (decrease) in commercial paper	13,000	34,000
7 Cash dividends paid	(2,735)	(2,737)
8 Payments received from minority shareholders	181	-
9 Repayment of finance lease obligations	(3,028)	(3,923)
10 Purchase of treasury stock	(18)	(7)
11 Proceeds from sale of treasury stock	7	2
Net cash provided by (used in) financing activities	24,245	30,159
IV Effect of exchange rate changes on cash and cash equivalents	121	253
V Net increase (decrease) in cash and cash equivalents	(4,212)	545
VI Cash and cash equivalents at beginning of period	13,270	9,057
Ⅶ Increase(decrease) in Cash and cash equivalents from newly consolidated subsidiaries	-	122
Ⅷ Cash and cash equivalents at end of period	9,057	9,725

6. Notes on the Going-concern Assumption
Not applicable

7. Changes in accounting policy
(Method of accounting for sales)
Sapporo Beverage Co., Ltd., and POKKA CORPORATION, both subsidiaries of the Company, are to be merged on January 1, 2013.
In line with this merger, the reportable segments for Soft Drinks and POKKA Group presented in the consolidated accounts for the year ended December 31, 2011 have been integrated into a single segment called “Food & Soft Drinks” from the first quarter of the year ended December 31, 2012. In addition, a portion of the sales incentives paid to business partners (wholesalers and retail outlets) on the sales price of flavored-water drinks and food products, which to date have been accounted for under selling, general and administrative expenses, are excluded from reported sales from the year ended December 31, 2012.
These changes to accounting methods are applied retroactively to the Company’s financial statements for the fiscal year ending December 31, 2011, and the consolidated financial statements for the full year ending on the same date.
As a result, sales, gross profit, and selling, general and administrative expenses on the revised financial statements for the fiscal year ending on December 31, 2011, have each been reduced by ¥4,647 million from the amounts reported before the retroactive application of the new accounting method. Operating income is unaffected by the change.

(Changes in depreciation method)
In response to Japan's recent corporate tax law amendments and effective from the year ended December 31, 2012, the method which some group domestic consolidated subsidiaries use for depreciation of property, plant, and equipment acquired on or after April 1, 2012 are 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 negligible.

8. Changes in presentation methods
(Consolidated balance sheets)
Effective the year ended December 31, 2012, “commercial paper,” which was previously included in “other” under “current liabilities,” is individually presented because of its increased importance in monetary terms. Accordingly, the consolidated financial statements for the year ended December 31, 2011 have been retroactively adjusted to reflect the

change.
As a result, ¥56,024 million included in “other” under “current liabilities” in the consolidated balance sheets for the year ended December 31, 2011 was presented as “commercial paper” of ¥13,000 million and “other” of ¥43,024 million.

9. Additional information
(Application of accounting standard for accounting changes and error corrections)
The Company has adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and its associated Guidance on Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) in regards to accounting changes and the revision of errors on past accounts being carried out from the star of the first quarter of the year ended December 31, 2012.

10. Business combination
Year ended December 31, 2012 (January 1 – December 31, 2012)
[Business combination through acquisition]
1. Outline of business combination
(1) Name and business of acquired company
Name: SILVER SPRINGS CITRUS, INC.
Business: Manufacturing and sales of PB chilled beverages for major food supermarkets and commissioned manufacturing of chilled beverages for major beverage manufactures

(2) Main reason for the business combination
The goal of the Sapporo Group stated in the “Sapporo Group Management Plan 2011-2012,” a two-year rolling plan with the “New Management Framework” covering the period until 2016, which will be the 140th anniversary of Sapporo Holdings, is to solidify the Group’s growth trajectory. Under the management plan, Sapporo International (“SI”) aims to expand its business area from its International Alcoholic Beverages business to International Business, positioning North America, as an operational base, and fast-growing Asia as a priority area. Through the agreement, SI has acquired a business base for its beverage businesses in North America, where it has a competitive advantage in the Alcoholic Beverages business, and launched business expansion in North America. The agreement enables SI to accumulate the know-how and expertise necessary to establish a foundation for its beverage businesses in North America, where it already has an operational base for its Alcoholic Beverages business. In addition, by securing steady profit from Silver Spring

Citrus, SI aims to stimulate further growth of its international business.

(3) Date of business combination

January 31, 2012

(4) Legal form of business combination

Cash payment in exchange for shares

(5) Name of company after business combination

SILVER SPRINGS CITRUS, INC.

(6) Percentage of voting rights acquired

Percentage of voting rights held before the business combination:	-%
Percentage of voting rights acquired on the date of business combination:	51%
Percentage of voting rights held after the business combination:	51%

(7) Primary reason for deciding on the acquiring company

The Company was decided on as the acquiring company because it proposed to buy the equity in exchange for cash.

2. Period for which earnings of the acquired company were included in the consolidated financial statements

The earnings of the acquired company for the nine-month period from January 1, 2012 through September 30, 2012 are included in the Company's consolidated statements of income for the year ended December 31, 2012. The fiscal year end date of the acquired company is September 30, which is three months different from that of the Company.

3. Acquisition cost and breakdown

Acquisition price:	¥1,835 million
Costs incurred directly in the acquisition:	¥0 million
Acquisition cost:	¥1,835 million

4. Amount of goodwill, reason for its recognition, amortization method, and amortization period

(1) Amount of goodwill: ¥421 million

(2) Reason for its recognition: The acquired company's future business activities are expected to generate excess profits.

(3) Amortization method and amortization period: 5 years with the straight-line method

5. Assets acquired and liabilities assumed at the date of business combination

Current assets:	¥2,609 million
Fixed assets:	¥1,731 million
Total assets:	¥4,340 million

Current liabilities:	¥1,524 million
Long-term liabilities:	¥99 million
Total liabilities:	¥1,624 million

6. Approximate effects on the consolidated statements of income for the year ended December 31, 2012 assuming that the business combination was completed on January 1, 2012 and method of calculation

Net sales:	¥2,081 million
Ordinary loss:	¥13 million
Net loss	¥19 million

(Method adopted to estimate approximate effects)

The approximate effects correspond to the acquired company's net sales and income/loss recorded on its consolidated statements of income assuming that the business combination was completed on January 1, 2012. These approximate effects have not been audited.

11.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, 2011 was ¥7,049 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, 2012 was ¥7,945 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, 2011 and 2012, and the total fair value appear in the following table.

(millions of yen)

		Year ended December 31 2011	Year ended December 31 2012
Carrying value on consolidated balance sheets			
	January 1	173,601	173,297
	Change during the period	(304)	36,627
	December 31	173,297	209,924
Fair value at December 31		299,800	335,672

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, 2011 comprises increase mainly arising from property acquisitions (¥3,993 million) and decrease mainly due to depreciation (¥3,951 million) and impairment loss (¥318 million). The change during the year ended December 31, 2012 comprises increase mainly arising from property acquisitions (¥41,663 million) and decrease mainly due to depreciation (¥4,122 million) and disposal (¥873 million).

3. The fair value at December 31 is mainly based on property valuations performed by third-party real estate appraisers.

12.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 segmen 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 affiliate 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 Consolidat Financial Statements" and "Change in Accounting methods." Reportable segment income is based on operating income. Intersegment sales or tran 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, 2011 (January 1, 2011 – December 31, 2011)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	268,189	25,888	108,060	24,091	22,468	448,697
(2) Intra-group sales and transfers	5,773	37	687	-	2,236	8,735
Total	273,962	25,925	108,748	24,091	24,704	457,432
Segment income (loss)	9,304	378	3,690	219	8,552	22,145
Segment assets	215,079	40,252	100,713	10,469	180,208	546,724
Other						
Depreciation and amortization	13,248	1,052	5,054	573	4,414	24,343
Increase in property, plant and equipment, and intangible assets	5,180	4,363	5,625	515	4,966	20,652

	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	755	449,452	-	449,452
(2) Intra-group sales and transfers	40	8,776	(8,776)	-
Total	796	458,228	(8,776)	449,452
Segment income (loss)	(643)	21,502	(2,618)	18,883
Segment assets	1,992	548,717	2,066	550,784
Other				
Depreciation and amortization	133	24,476	6	24,482
Increase in property, plant and equipment, and intangible assets	8	20,660	11	20,671

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 correspor period.

(millions of yen)

	Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)					
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total
Net sales						
(1) Operating revenues	274,490	36,121	132,174	25,615	23,217	491,619
(2) Intra-group sales and transfers	5,977	34	699	-	2,574	9,285
Total	280,468	36,155	132,874	25,615	25,791	500,905
Segment income (loss)	7,522	(73)	364	538	9,396	17,748
Segment assets	205,338	50,474	104,452	10,308	215,189	585,762
Other						
Depreciation and amortization	10,307	1,506	6,653	567	4,611	23,646
Increase in property, plant and equipment, and intangible assets	2,772	1,441	7,632	808	42,206	54,862

	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	871	492,490	-	492,490
(2) Intra-group sales and transfers	44	9,330	(9,330)	-
Total	915	501,820	(9,330)	492,490
Segment income (loss)	(413)	17,335	(2,920)	14,414
Segment assets	2,210	587,973	9,662	597,636
Other				
Depreciation and amortization	0	23,647	2,157	25,805
Increase in property, plant and equipment, and intangible assets	8	54,871	2,200	57,071

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 correspor period.

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

(millions of yen)

Segment income (loss)	December 31, 2011	December 31, 2012
Total for reportable segments	22,145	17,748
Loss from other segments	(643)	(413)
Unallocated corporate costs*	(2,505)	(3,035)
Intra-segment sales	(112)	115
Operating income on the statement	18,883	14,414

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

(millions of yen)

Segment income (loss)	December 31, 2011	December 31, 2012
Total for reportable segments	546,724	585,762
Assets of other segments	1,992	2,210
Set off of receivables from the Company's administrative	(19,558)	(19,365)
Unallocated corporate assets*	21,625	29,028
Total assets on the consolidated financial statements	550,784	597,636

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

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

1. Information by product and service

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

2. Segment Information by Geographic Area

(1) Net sales

Sales in Japan constituted more than 90% of total sales by segments. Accordingly, geographical segment information has not been disclosed.

(2) Property, plant and equipment

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

3. Information by major customer

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

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

1. Information by product and service

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

2. Segment Information by Geographic Area

(1) Net sales

(millions of yen)

Japan	North America	Asia	Other	Total
439,113	34,657	14,835	3,883	492,490

(2) Property, plant and equipment

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

3. Information by major customer

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

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

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany elminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	309	-	70	314	8	703	966	-	1,669

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany elminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Impairment loss	-	-	50	125	-	175	12	-	188

7. Amortization for and unamortized balance of goodwill

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany elminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	0	1,054	2,054	-	-	3,109	-	-	3,109
Unamortized Balance as of Dec. 31, 2011	-	12,176	27,971	-	-	40,147	-	-	40,147

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(millions of yen)

	Reportable segments						Other	General corporate and intercompany elminations	Total
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total			
Amortization	-	1,126	2,753	-	-	3,879	-	-	3,879
Unamortized Balance as of Dec. 31, 2012	-	11,893	25,647	-	-	37,541	-	-	37,541

8. Gain on negative goodwill by reportable segment

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

Not applicable

Year ended December 31, 2012 (January 1, 2012 – December 31, 2012)

Not applicable