

**Financial Results  
for the Year Ended December 31, 2020 — Consolidated  
(Based on IFRS)**

February 10, 2021

Company name	<b>Sapporo Holdings Limited</b>
Security code	2501
Listed on	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	<a href="https://www.sapporoholdings.jp/english/">https://www.sapporoholdings.jp/english/</a>
Representative	Masaki Oga, President and Representative Director
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Telephone	+81-3-5423-7407
Scheduled dates:	
Annual general meeting of shareholders	March 30, 2021
Filing of annual financial report	March 31, 2021
Commencement of dividend payments	March 31, 2021
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, 2020  
(January 1 – December 31, 2020)**

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

**(1) Operating Results**

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2020	434,723	(11.6)	4,261	(63.7)	15,938	—	(16,605)	—
Year ended December 31, 2019	491,896	(0.4)	11,724	(22.7)	12,208	5.3	3,820	(50.5)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	yen	yen
Year ended December 31, 2020	(16,071)	—	(21,476)	—	(206.31)	(206.31)
Year ended December 31, 2019	4,356	(48.9)	15,915	—	55.92	52.74

	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Core operating profit margin
	%	%	%
Year ended December 31, 2020	(9.9)	(3.1)	1.0
Year ended December 31, 2019	2.6	1.8	2.4

Note: Equity method investment gains:

Year ended December 31, 2020: 17 million yen

Year ended December 31, 2019: 18 million yen

Profit (loss) before tax:

Year ended December 31, 2020: (19,364) million yen

Year ended December 31, 2019: 11,588 million yen

Operating profit margin:

Year ended December 31, 2020: (3.7) %

Year ended December 31, 2019: 2.5%

Note: Core operating profit is the Sapporo Group's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

The profit and loss of the North American soft drinks business has been classified under discontinued operations in 2019. Therefore, the amount of continuing operations excluding the amount of discontinued operations from related items is shown.

## (2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	million yen	million yen	million yen	%	yen
Year ended December 31, 2020	616,349	149,551	149,781	24.3	1,922.80
Year ended December 31, 2019	638,722	174,524	174,071	27.3	2,234.65

### (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, 2020	16,466	(16,000)	4,138	19,734
Year ended December 31, 2019	36,069	(24,930)	(5,984)	15,215

### 2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consol.)	Dividends to equity attributable to owners of parent (consol.)
	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2019	—	0.00	—	42.00	42.00	3,277	75.1	1.9
Year ended December 31, 2020	—	0.00	—	42.00	42.00	3,277	—	2.0
Year ending December 31, 2021 (forecast)	—	0.00	—	42.00	42.00		27.3	

### 3. Forecast of Consolidated Earnings for the Year Ending December 31, 2021 (January 1 – December 31, 2021)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	%
Year ending December 31, 2021	468,200	7.7	9,000	111.2	18,000	—	12,000	—	12,000	—	154.05

Note: Earnings forecasts for the six months ending June 30, 2021 are omitted because the company manages performance targets on a yearly basis.

### 4. Other

(1) Changes to scope of consolidation: Yes

\*Changes affecting the status of significant subsidiaries (scope of consolidation)

Newly excluded: SAPPORO ASIA PRIVATE LTD.

- (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accounting policies required by IFRS: None
  - 2) Changes other than 1) above: None
  - 3) Changes in accounting estimates: None
  
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued at end of period (treasury stock included):
    - December 31, 2020: 78,794,298 shares
    - December 31, 2019: 78,794,298 shares
  
  - 2) Number of shares held in treasury at end of period:
    - December 31, 2020: 896,951 shares
    - December 31, 2019: 898,162 shares
  
  - 3) Average number of outstanding share during the period:
    - December 31, 2020: 77,897,530 shares
    - December 31, 2019: 77,892,507 shares

**Audit Status**

The year-end financial results are outside the scope of audit procedures based on the Financial Instruments and Exchange Act.

**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 fiscal year ending December 31, 2021” on page 10.

## 1. Analysis of Operating Results and Financial Condition

### (1) Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2020

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
Year ended December 31, 2020	434,723	4,261	(15,938)	(16,071)
Year ended December 31, 2019	491,896	11,724	12,208	4,356
Change (%)	(11.6)	(63.7)	—	—

\*Core operating profit is the Sapporo Group's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

In 2020, the Sapporo Group was impacted by the novel coronavirus outbreak, with large declines in sales mainly of commercial-use beer, sales at beer halls and restaurants, including café chain outlets, as well as sales of soft drinks sold via vending machines.

Meanwhile, in the beer category, sales to the home-use market were strong. Sales volume of canned Sapporo Draft Beer Black Label and Yebisu Beer increased year on year, while in the new genre category, sales of Sapporo Gold Star, a new product launched in February 2020, significantly exceeded the initial sales forecast.

Also, demand for lemon-based products increased in association with recent changes to people's lifestyles and rising health consciousness, and shipments of both Pokka Lemon 100 and Kireto Lemon reached new record highs.

As a net result of the above, revenue and core operating profit declined year on year, but a certain amount of progress has been made with initiatives aimed at strengthening mainstay brands.

Substantial operating loss and net loss attributable to owners of parent were recorded due to temporary costs associated with the implementation of an early retirement incentive plan and other initiatives in addition to an impairment loss on non-current assets booked by POKKA SAPPORO Food & Beverage.

## (b) Results by reportable segment

Millions of yen, except percentages

	Revenue			Core operating profit			Operating profit		
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Change (%)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Change (%)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Change (%)
Alcoholic Beverages	330,178	285,427	(13.6)	8,520	2,368	(72.2)	7,694	(4,861)	—
Food & Soft Drinks	136,876	125,861	(8.0)	(470)	(2,621)	—	(1,151)	(16,921)	—
Real Estate	24,690	23,262	(5.8)	10,737	10,853	1.1	12,714	11,892	(6.5)

Results by segment are outlined below. From 2020 the logistics business, which had been included in “Other business”, is now included in the Alcoholic Beverages segment. To enable year-on-year comparisons, segment figures for the previous fiscal year have been adjusted to reflect this change.

**Alcoholic Beverages**

We estimate that total domestic demand for beer and beer-type products was 9% lower than the level in 2019. In the beer category, while commercial-use beer sales declined, our mainstay canned Sapporo Draft Beer Black Label products have performed strongly, with sales increasing 6% year on year. In the new genre category, Sapporo Gold Star, a new product launched in February 2020, has been well-received, helping drive total sales volume of new genre products up 19% year on year. As a net result, total sales volume of beer and beer-type beverages declined 8% year on year in 2020. In the RTD\*<sup>1</sup> category, sales of Otoko Ume Sour were steady, but category revenue declined year on year partly due to sluggish growth of the core Sapporo Chuhai 99.99 (Four Nine) brand products. In the Japanese liquor business, there was a year-on-year increase in revenue with strong sales of our Kokuimo brand, Japan's best-selling\*<sup>2</sup> blended imo shochu, as well as Koime no Lemon Sour no Moto.

In Vietnam, we worked to establish sales channels capable of generating sustainable profit growth while the business faces tightened restrictions on alcoholic beverages and is impacted by the novel coronavirus outbreak. In North America, we estimate that total beer demand fell slightly below the level of the previous year, both in the US and Canada. Among our overseas beer brands, sales volume increased year on year, led by strong sales of Sleeman Breweries' canned products, which have a high ratio of sales to the home-use market. For Sapporo brand beers, sales volume declined year on year due to the stagnation in the commercial-use

market, which was impacted by the novel coronavirus pandemic.

In the restaurant business, the operating environment remained difficult even after the Japanese government lifted the state of emergency, as the shift to remote work and a “new normal” in people’s lifestyles have resulted in a smaller-than-expected recovery in the number of people dining out. We responded by working to thoroughly reduce costs, including closing down unprofitable restaurants and negotiating rent reductions. Despite these efforts, restaurant sales and profits fell significantly from the previous year’s levels. As of the end of December 2020, our domestic restaurant business had 173 outlets.

As a result of the above, revenue in the Alcoholic Beverages segment in 2020 came to ¥285.4 billion (down ¥44.8 billion, or 14% year on year), while the segment posted a core operating profit of ¥2.4 billion (down ¥6.2 billion, or 72% year on year), and an operating loss of ¥4.9 billion (compared with an operating profit of ¥7.7 billion in the previous fiscal year).

\*1) RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol cocktail-like beverages that can be consumed as is immediately after opening.

\*2) Based on Intage SRI market research on combined blended imo shochu sales in the supermarket, convenience store, and direct sales channels from February 2019 to November 2020.

## **Food & Soft Drinks**

In the Japanese domestic soft drinks market, we estimate that total demand fell 7% year on year in 2020. In our domestic soft drinks business, sales of Kireto Lemon were strong, supported by customers’ heightened health consciousness. However, this did not make up for the decline in sales through vending machines, resulting in a year-on-year decline in total soft drink sales volume.

In our domestic food business, soup sales volume expanded year on year, supported by the pandemic-induced stay-at-home demand for our box- and cup-based soups. Lemon-based food product sales volume increased significantly year on year, supported by strong sales of Pokka Lemon 100 and our lemon-based cocktail mixes. Sales volume of plant-based milk products was also up year on year, supported by sales of our soymilk yogurt.

Pokka Create, which operates the Café de Crié coffee shop chain, saw its revenue decline year on year as it was forced to temporarily close some shops or reduce operating hours, especially at its outlets in urban areas, during the state of emergency declared by the Japanese government.

As a result of the above factors, revenue in the Food & Soft Drinks segment in 2020 came to ¥125.9 billion (down ¥11.0 billion or 8% year on year). The segment posted a core operating loss of ¥2.6 billion (compared with a loss of ¥0.5 billion in the previous fiscal year) and an operating loss of ¥16.9 billion (compared with a loss of ¥1.2 billion in the previous

fiscal year).

## **Real Estate**

In the Greater Tokyo office leasing market, both occupancy rates and average rent levels are trending downward. In this market environment, Sapporo Real Estate Co., Ltd. has been keeping office rents steady at high levels while maintaining high occupancy rates at its properties, especially in the Greater Tokyo Area, including Yebisu Garden Place Tower, the business's core source of earnings. However, the novel coronavirus outbreak has led to a decline in revenue from commercial facilities.

To further improve the profitability of our Real Estate business, we continued to strategically review and revise our property portfolio from a long-term perspective, and made growth investments by acquiring rental properties in the Ebisu area and enhancing the value of those properties, as well as by making equity investments in private-placement funds, along with other measures.

As a result of the efforts outlined above, revenue in the Real Estate business came to ¥23.3 billion (down ¥1.4 billion, or 6% year on year), while the segment's core operating profit was ¥10.9 billion (up ¥0.1 billion, or 1% year on year) and operating profit was ¥11.9 billion (down ¥0.8 billion or 6% year on year).

### **(2) Consolidated Financial Condition**

Consolidated assets as of December 31, 2020, totaled ¥616.3 billion, down ¥22.4 billion from the end of the previous fiscal year (December 31, 2019). The decline primarily reflects decreases in property, plant and equipment, trade and other receivables, and other financial assets (non-current), which offset an increase in income taxes receivable and Cash and cash equivalents.

Consolidated liabilities totaled ¥466.8 billion, up ¥2.6 billion from December 31, 2019. The increase primarily reflects the new issuance of bonds in anticipation of the tightening of the fund procurement environment due to the novel coronavirus outbreak, which offset decreases in other current liabilities, lease liabilities (non-current), trade and other payables, and other factors.

Consolidated equity totaled ¥149.6 billion, down ¥25.0 billion from December 31, 2019. This decline was due to the posting of a net loss attributable to owners of parent, payment of year-end dividends, and a decline in other components of equity.

### **(3) Consolidated Cash Flows**

Cash and cash equivalents (collectively "cash") totaled ¥19.7 billion as of December 31, 2020, ¥4.5 billion or 30% more than a year earlier.

Following is an explanation of consolidated cash flows by category in 2020 and the factors that affected cash flows in each category.

*(Cash flows from operating activities)*

Operating activities in 2020 provided net cash of ¥16.5 billion, ¥19.6 billion or 54% less than in 2019. The main cash outflow was payment of ¥5.8 billion in income tax and other expenses. The main inflows were ¥26.2 billion from depreciation and amortization and a ¥14.2 billion loss on impairment of property, plant and equipment.

*(Cash flows from investing activities)*

Investing activities in 2020 used net cash of ¥16.0 billion, ¥8.9 billion or 36% less than in 2019. The major investment outflows were ¥10.2 billion for purchase of property, plant and equipment and ¥3.6 billion for purchases of investment properties. The major inflow from investing activities was ¥2.1 billion yen in proceeds from sales of property, plant and equipment.

*(Cash flows from financing activities)*

Financing activities in 2020 provided net cash of ¥4.1 billion, compared with ¥6.0 billion used in 2019. The main inflows were ¥30.0 billion in proceeds from the new issuance of bonds in anticipation of the tightening of the fund procurement environment due to the novel coronavirus outbreak and ¥20.8 billion in proceeds from long-term bank loans. The main outflow was ¥20.0 billion for redemption of bonds and ¥17.3 billion for repayments of long-term bank loans.

**Cash Flow Indicators**

	December 31,	
	2019	2020
Ratio of equity attributable to owners of parent to total assets (%)	27.3	24.3
Ratio of equity attributable to owners of parent to total assets based on market capitalization (%)	31.5	25.2
Cash flow to interest-bearing debt (years)	8.0	18.2
Interest coverage ratio (times)	17.2	9.9

Ratio of equity attributable to owners of parent to total assets:  $\text{Equity attributable to owners of parent to total assets} / \text{Total assets}$

Ratio of equity attributable to owners of parent to total assets based on market capitalization:  $\text{Market capitalization} / \text{Total assets}$

Cash flow to interest-bearing debt:  $\text{Interest-bearing debt} / \text{Cash flow}$

Interest coverage ratio:  $\text{Cash flow} / \text{Interest expense}$

Notes:

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

#### **(4) Outlook for fiscal year ending December 31, 2021**

##### (a) Overall outlook

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
2021 forecast	468,200	9,000	18,000	12,000
2020 results	434,723	4,261	(15,938)	(16,071)
Projected change (%)	7.7	111.2	—	—

In 2021, progress with the rollout of novel coronavirus vaccines is anticipated, and the market environment is expected to gradually recover. Meanwhile, the recovery in demand for dining out and commercial-use products will likely be limited due to the impacts of state of emergency declarations, national and local government requests for people to refrain from outings and for restaurants to shorten business hours, and changes to people's lifestyles as the "new normal" become increasingly established amid the pandemic. As such, demand for home-use products is expected to remain robust.

Amid this environment, the Sapporo Group will continue to focus on strengthening its core brands and advance initiatives targeting growth, with focus on home-use products. In addition, we will continue working to implement structural reforms centered on cost reductions, shrink losses in the restaurant business, and return to profitability in the Food & Soft Drinks business, as we strive to enhance the profitability of the Sapporo Group as a whole.

Through the above efforts, we are forecasting an increase in both revenue and core operating profit versus 2020 levels.

We are also expecting significant year-on-year increases in both operating profit and profit attributable to owners of parent.

## (b) Outlook by reportable segment

Millions of yen, except percentages

	Revenue			Core operating profit			Operating profit		
	Year ended Dec. 31, 2020	Year ending Dec. 31, 2021 (forecast)	Change (%)	Year end Dec. 31, 2020	Year ending Dec. 31, 2021 (forecast)	Change (%)	Year ended Dec. 31, 2020	Year ending Dec. 31, 2021 (forecast)	Change (%)
Alcoholic Beverages	285,427	310,900	8.9	2,368	7,300	208.2	(4,861)	6,500	—
Food & Soft Drinks	125,861	133,800	6.3	(2,621)	1,000	—	(16,921)	600	—
Real Estate	23,262	23,300	0.2	10,853	8,600	(20.8)	11,892	21,800	83.3

**Alcoholic Beverages**

In the Japanese Alcoholic Beverages business, we will continue to place top priority on strengthening the beer category, targeting growth of Sapporo Draft Beer Black Label and re-establishing growth for Yebisu Beer. In the new genre category, we will advance a two-pillar flavor-focused strategy pairing Sapporo Gold Star and Sapporo Mugji to Hop. In the RTD/RTS\*1 category, we will accelerate the growth of products related to Koime no Lemon Sour and Otoko Ume Sour by linking commercial-use and home-use products.

In the overseas alcoholic beverages business, we will work to ensure market penetration of Sapporo Premium Beer and our premium brands, and implement strategies that take into account the special characteristics of each geographical area. In the US market, we will work to significantly improve the earnings structure through initiatives such as introducing newly-designed packaging and launching new products for the Anchor brand. In Canada, we will pursue continued growth in revenue and profit at Sleeman Breweries by strengthening the beer and RTD categories and implementing cost structure reforms.

In the restaurant business, we will continue to work on structural reforms targeting thorough cost reductions and enhanced earnings power. These reforms include closing down unprofitable restaurants, negotiating reduced rent for restaurants, and curbing personnel

costs through more efficient work styles and workforce optimization. In addition, to respond to changes in societal needs, we will speed up our efforts to develop and roll out new business formats that offer high earning efficiency.

\*1) RTS, or ready-to-serve beverages, are alcoholic beverages that can be enjoyed simply by adding ice or by mixing the beverage with still or carbonated water.

### **Food & Soft Drinks**

In the Japanese domestic soft drinks business, we will focus efforts on our strong brands, such as the “Tochi to Craft” series of unsweetened teas made with domestically-produced ingredients. In lemon-based foods and soft drinks category, we will aim to further grow sales of Pokka Lemon 100 and Kireto Lemon by making more suggestions concerning the use of lemons and providing information regarding the health benefits of lemon consumption. In the processed foods category, we will make suggestions that are responsive to recent changes in people’s lifestyles, and offer new food styles other than soups. In the plant-based milks category, we will continue to work on boosting consumer awareness of soy milk yogurt and expand contact points with customers.

### **Real Estate**

Our real estate leasing business will continue to enhance the competitiveness of its properties and related services as it seeks to raise occupancy rates and rent levels. At the business’s flagship property, Yebisu Garden Place, and the Sapporo Factory commercial complex, we will continue to enhance convenience to cater to diversifying lifestyles and changing work styles, and offer new functions and added-value to continue to maintain and enhance earnings and raise the brand value of the surrounding areas. To enhance the overall value of our Real Estate business we will continue to promote urban development in Sapporo City and Tokyo’s Ebisu district and through measures such as the strategic review and revision of our property portfolio, while also continuing to work on securing profits in new business fields, including making equity investments in private-placement funds.

(NOTE) The outlook for 2021 presented above contains forward-looking statements that are based on information available when the materials were prepared and are subject to risks and uncertainties. Actual performance may differ materially from the future outlook described for various reasons.

### **(5) Dividend Policy and Dividends for 2020 and 2021**

The Company considers the appropriate return of profits to its shareholders as a fundamental aspect of management policy and has adopted a basic policy to undertake stable dividend

payments taking into consideration the Company's performance and financial condition.

With regard to the level of dividends going forward, the Company will take into account the dividend payout ratio and DOE\* while working to enhance its corporate value under the "Group Management Plan 2024", announced in February 2020.

However, if profit attributable to owners of parent changes significantly because of an extraordinary profit or loss stemming from special factors, the impact may be taken into consideration when deciding the dividend.

Given the above policy and taking into consideration the operating results for the current term and the management environment etc. going forward, the Company plans to pay a dividend of ¥42 per share for 2020. The Company's Articles of Incorporation stipulate that interim dividends may also be distributed, but we currently are distributing an annual dividend once a year. Decisions regarding the payment of dividends from surplus profits are, in the case of the year-end distribution, approved at the general meeting of shareholders, while the interim dividend, if any, is determined at the sole discretion of the Board of Directors.

We plan to pay an annual per-share dividend of ¥42 in 2021.

\* DOE (dividend on equity) = Amount of dividends / Amount of equity (i.e., total equity attributable to owners of parent)

## **2. Basic Approach to Selecting Accounting Standards**

The Sapporo Group has voluntarily applied the International Financial Reporting Standards (IFRS) to its consolidated accounts from the first quarter of 2018. This change in accounting standard is aimed at facilitating international comparisons of Group financial information in the capital markets.

### 3. Consolidated Financial Statements

#### (1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2019	December 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	15,215	19,734
Trade and other receivables	92,529	84,475
Inventories	36,528	36,001
Other financial assets	5,403	5,459
Income taxes receivable	88	8,755
Other current assets	6,002	6,128
Subtotal	155,765	160,551
Assets held for sale	—	278
Total current assets	155,765	160,829
Non-current assets		
Property, plant and equipment	147,014	126,650
Investment property	219,589	218,574
Goodwill	18,358	17,920
Intangible assets	8,844	9,023
Investments accounted for using equity method	428	446
Other financial assets	78,728	69,969
Other non-current assets	7,445	6,108
Deferred tax assets	2,551	6,831
Total non-current assets	482,957	455,520
Total assets	638,722	616,349

(Millions of yen)

	December 31, 2019	December 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	34,475	31,927
Bonds and borrowings	72,121	83,177
Lease liabilities	6,538	5,836
Income taxes payable	2,414	727
Other financial liabilities	33,021	38,120
Other current liabilities	61,903	56,456
Total current liabilities	210,472	216,243
Non-current liabilities		
Bonds and borrowings	155,220	158,091
Lease liabilities	23,921	21,046
Other financial liabilities	46,624	45,344
Retirement benefit liability	5,007	3,965
Other non-current liabilities	2,828	2,832
Deferred tax liabilities	20,125	19,277
Total non-current liabilities	253,725	250,555
Total liabilities	464,197	466,798
Equity		
Share capital	53,887	53,887
Capital surplus	40,958	40,853
Treasury shares	(1,792)	(1,787)
Retained earnings	51,521	33,459
Other components of equity	29,497	23,370
Total equity attributable to owners of parent	174,071	149,781
Non-controlling interests	454	(231)
Total equity	174,524	149,551
Total liabilities and equity	638,722	616,349

## (2) Consolidated Statement of Profit or Loss and Comprehensive Income

### Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Continuing operations		
Revenue	491,896	434,723
Cost of sales	336,682	302,593
Gross profit	155,213	132,130
Selling, general and administrative expenses	143,490	127,869
Other operating income	3,528	3,656
Other operating expenses	3,044	23,855
Operating profit (loss)	12,208	(15,938)
Finance income	1,227	982
Finance costs	1,864	4,425
Share of profit of investments accounted for using equity method	18	17
Profit (loss) before tax	11,588	(19,364)
Income tax expense	4,259	(2,759)
Profit (loss) from continuing operations	7,329	(16,605)
Discontinued operations		
Loss from discontinued operations	(3,509)	—
Profit (loss)	3,820	(16,605)
Profit attributable to		
Owners of parent	4,356	(16,071)
Non-controlling interests	(536)	(533)
Profit (loss)	3,820	(16,605)

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Continuing operations	99.39	(206.31)
Discontinued operations	(43.46)	—
Basic earnings (loss) per share	55.92	(206.31)
Diluted earnings (loss) per share		
Continuing operations	93.55	(206.31)
Discontinued operations	(40.81)	—
Diluted earnings (loss) per share	52.74	(206.31)

### (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Profit	3,820	(16,605)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	6,411	(5,051)
Remeasurements of defined benefit plans	4,595	1,124
Total of items that will not be reclassified to profit or loss	11,006	(3,927)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	885	(973)
Effective portion of cash flow hedges	204	29
Total of items that may be reclassified to profit or loss	1,090	(944)
Total other comprehensive income, net of tax	12,095	(4,872)
Comprehensive income	15,915	(21,476)
Comprehensive income attributable to		
Owners of parent	16,104	(20,913)
Non-controlling interests	(188)	(563)
Comprehensive income	15,915	(21,476)

#### (4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2019	53,887	40,998	(1,822)	46,065	(1,485)	(188)
Profit (loss)				4,356		
Other comprehensive income					622	120
Comprehensive income	-	-	-	4,356	622	120
Purchase of treasury shares			(9)			
Disposal of treasury shares		0	39			
Dividends				(3,277)		
Changes due to sale of consolidated subsidiaries				(245)		
Share-based payment transactions		(41)				
Transfer to retained earnings				4,623		
Total transactions with owners	-	(41)	30	1,100	-	-
Balance as of December 31, 2019	53,887	40,958	(1,792)	51,521	(863)	(68)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2019	24,046	-	22,373	161,501	3,234	164,735
Profit (loss)				4,356	(536)	3,820
Other comprehensive income	6,411	4,595	11,748	11,748	348	12,095
Comprehensive income	6,411	4,595	11,748	16,104	(188)	15,915
Purchase of treasury shares			-	(9)	-	(9)
Disposal of treasury shares			-	39	-	39
Dividends			-	(3,277)	(12)	(3,289)
Changes due to sale of consolidated subsidiaries			-	(245)	(2,580)	(2,826)
Share-based payment transactions			-	(41)	-	(41)
Transfer to retained earnings	(28)	(4,595)	(4,623)	-	-	-
Total transactions with owners	(28)	(4,595)	(4,623)	(3,534)	(2,592)	(6,126)
Balance as of December 31, 2019	30,428	-	29,497	174,071	454	174,524

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2020	53,887	40,958	(1,792)	51,521	(863)	(68)
Profit (loss)				(16,071)		
Other comprehensive income					(943)	29
Comprehensive income	-	-	-	(16,071)	(943)	29
Purchase of treasury shares			(5)			
Disposal of treasury shares		0	10			
Dividends				(3,277)		
Changes in ownership interest in subsidiaries		(92)		-		
Share-based payment transactions		(12)				
Transfer to retained earnings				1,286		
Total transactions with owners	-	(104)	5	(1,991)	-	-
Balance as of December 31, 2020	53,887	40,853	(1,787)	33,459	(1,806)	(40)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2020	30,428	-	29,497	174,071	454	174,524
Profit (loss)				(16,071)	(533)	(16,605)
Other comprehensive income	(5,051)	1,124	(4,842)	(4,842)	(30)	(4,872)
Comprehensive income	(5,051)	1,124	(4,842)	(20,913)	(563)	(21,476)
Purchase of treasury shares			-	(5)	-	(5)
Disposal of treasury shares			-	10	-	10
Dividends			-	(3,277)	(10)	(3,287)
Changes due to sale of consolidated subsidiaries			-	(92)	(111)	(203)
Share-based payment transactions			-	(12)	-	(12)
Transfer to retained earnings	(162)	(1,124)	(1,286)	-	-	-
Total transactions with owners	(162)	(1,124)	(1,286)	(3,377)	(121)	(3,498)
Balance as of December 31, 2020	25,215	-	23,370	149,781	(231)	149,551

## (5) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before tax	11,588	(19,364)
Profit (loss) before tax from discontinued operations	(5,102)	—
Depreciation and amortization	28,242	26,202
Impairment losses	1,342	14,161
Loss on sale of discontinued operations	4,886	—
Interest and dividend income	(1,185)	(973)
Interest expenses	2,248	1,792
Share of loss (profit) of investments accounted for using equity method	(18)	(17)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(1,599)	(896)
Decrease (increase) in trade and other receivables	849	9,628
Decrease (increase) in inventories	(210)	132
Increase (decrease) in trade and other payables	(754)	(2,005)
Increase (decrease) in accrued alcohol tax	(1,414)	(3,353)
Other	274	(2,393)
Subtotal	39,149	22,914
Interest and dividends received	1,188	979
Interest paid	(2,101)	(1,664)
Income taxes paid	(2,167)	(5,763)
Net cash provided by (used in) operating activities	36,069	16,466
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,995)	(10,199)
Proceeds from sale of property, plant and equipment	387	2,060
Purchase of investment property	(13,211)	(3,639)
Purchase of intangible assets	(2,917)	(2,318)
Purchase of investment securities	(1,710)	(2,546)
Proceeds from sale of investment securities	1,045	1,517
Payments for acquisition of subsidiaries due to change in scope of consolidation	(1,633)	—

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Payment for sale of shares of subsidiary due to change in scope of consolidation	(491)	—
Proceeds from sale of discontinued operations	1,798	—
Proceeds from sale of trust beneficiary right (investment property)	8,586	—
Payments for loans receivable	(182)	(75)
Collection of loans receivable	129	77
Other	(1,735)	(877)
Net cash provided by (used in) investing activities	(24,930)	(16,000)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	920	422
Net increase (decrease) in commercial papers	(6,500)	—
Proceeds from long-term borrowings	21,370	20,800
Repayments of long-term borrowings	(21,486)	(17,322)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(10,013)	(20,013)
Dividends paid	(3,290)	(3,287)
Repayments of lease liabilities	(7,016)	(6,466)
Purchase of treasury shares	(9)	(5)
Other	39	10
Net cash provided by (used in) financing activities	(5,984)	4,138
Effect of exchange rate changes on cash and cash equivalents	71	(86)
Net increase (decrease) in cash and cash equivalents	5,226	4,519
Cash and cash equivalents at beginning of period	9,989	15,215
Cash and cash equivalents at end of period	15,215	19,734

**(6) Notes on the Going-concern Assumption**

Not applicable

## **(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.

Under the Company, which is a pure holding company, Group companies carry out business activities and formulate strategies for the products and services they offer and for the sales markets they cover.

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

The Alcoholic Beverages segment produces and sells alcoholic beverages and operates restaurants of various styles.

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

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

### **Changes to Reportable Segments**

From this year, the logistics business, which used to be listed under "other business," is classified under "Alcoholic Beverages." To enable year-on-year comparisons, figures for the previous fiscal year have been adjusted to reflect the new reportable segments.

The profit and loss of the North American soft drinks business has been classified under discontinued operations because all of the shares in Country Pure Foods, Inc. (the company managing the North American soft drinks business, which falls under Food & Soft Drinks) held by the Sapporo Group were transferred to BPCP CPF Holdings Inc. in 2019.

Consequently, the profit and loss of the North American Soft Drinks business are classified under discontinued operations and is therefore not included in segment information.

## 2. Revenue, profit (or loss)

### 2. Revenue, profit (or loss)

(millions of yen)

	Years ended December 30, 2019 (January 1, 2019 – December 31, 2019)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	330,178	136,876	24,690	152	491,896	-	491,896
Inter-segment revenue	10,137	295	2,704	0	13,136	(13,136)	-
Total	340,315	137,171	27,393	153	505,032	(13,136)	491,896
Operating profit (loss)	7,694	(1,151)	12,714	14	19,273	(7,065)	12,208

(millions of yen)

	Years ended December 30, 2020 (January 1, 2020 – December 31, 2020)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	285,427	125,861	23,262	172	434,723	-	434,723
Inter-segment revenue	12,361	755	2,642	1	15,758	(15,758)	-
Total	297,788	126,616	25,904	173	450,481	(15,758)	434,723
Operating profit (loss)	(4,861)	(16,921)	11,892	(0)	(9,890)	(6,048)	(15,938)

"Other" comprises businesses, such as health food business, etc., that are not included in reportable segments. Adjustment included General corporate and intercompany eliminations. General corporation are general administrative expenses that do not belong to the reporting segment.

### (Subsequent Events)

None