



Six Months ended June 30, 2011

Consolidated 1st Half Earnings Report - Supplementary Information

【Consolidated Results for the six months ended June 30, 2011】

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July 2011

SAPPORO HOLDINGS LTD.

Securities Code 2501

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

Financial highlights (2007~2011)

(billions of yen, except percentages, ratios, per-share data,
and exchange rates)

1st Half Consolidated Financial Highlights

		Six months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2011
Net sales	Including liquor tax	211.4	193.4	182.4	177.1	194.4
	Excluding liquor tax	146.4	133.4	125	124.4	144.4
Overseas net sales to total	Excluding liquor tax	9.3%	9.3%	8.3%	10.0%	11.1%
Operating income	Before goodwill amortization	(0.7)	1.5	1.8	1.7	4.1
	After goodwill amortization	(1.2)	1.1	1.3	1.2	3.0
Operating margin	Including liquor tax / after goodwill amortization	-	0.6%	0.7%	0.7%	1.5%
	Excluding liquor tax /before goodwill amortization	-	1.2%	1.5%	1.4%	2.9%
	Excluding liquor tax /after goodwill amortization	-	0.9%	1.1%	1.0%	2.1%
Ordinary income		(2.8)	(0.7)	0.5	0.4	2.0
Net income		(5.5)	9.5	(0.7)	(0.6)	(2.9)
Total assets		582.1	521.1	497.7	509.5	557.0
Net assets		117.2	128.0	113.5	115.6	120.9
Balance of debt (*1)	Gross	229.7	184.0	188.7	212.2	232.3
	Net	222.3	174.9	179.2	201.5	219.3
Debt-to-equity ratio (times)	Gross	2.0	1.4	1.7	1.8	1.9
	Net	1.9	1.4	1.6	1.7	1.8
Capital expenditure	Cash basis	11.3	13.8	8.7	13.6	7.3
Depreciation and amortization		12.5	11.0	11.3	11.4	11.4
Amortization of goodwill		0.4	0.4	0.5	0.5	1.1
EBITDA	Operating income + Depreciation and amortization +Amortization of goodwill	11.3	12.6	13.1	13.1	15.6
Exchange rates (yen) (*2)	US\$	123.27	104.90	95.60	91.36	82.02
	CAN\$	116.23	104.15	79.42	88.34	83.95

Consolidated Financial Results

		Year ended Dec. 31, 2007	Year ended Dec. 31, 2008	Year ended Dec. 31, 2009	Year ended Dec. 31, 2010	Year ending ending Dec. 31, 2011 (forecast)
Net sales	Including liquor tax	449.0	414.5	387.5	389.2	462.0
	Excluding liquor tax	309.7	284.4	264.6	269.8	349.1
Overseas net sales to total	Excluding liquor tax	9.0%	8.8%	8.5%	9.4%	11.4%
Operating income	Before goodwill amortization	13.2	15.5	13.9	16.5	21.0
	After goodwill amortization	12.3	14.6	12.8	15.4	18.0
Operating margin	Including liquor tax / after goodwill amortization	2.8%	3.5%	3.3%	4.0%	3.9%
	Excluding liquor tax /before goodwill amortization	4.3%	5.5%	5.3%	6.1%	6.0%
	Excluding liquor tax /after goodwill amortization	4.0%	5.2%	4.9%	5.7%	5.2%
Ordinary income		8.1	10.5	10.7	14.3	15.5
Net income		5.5	7.6	4.5	10.7	2.7
Total assets		561.8	527.2	506.8	494.7	
Net assets		125.1	116.8	118.5	126.6	
Balance of debt (*1)	Gross	212.4	189.2	196.7	181.3	213
	Net	205.9	166.7	190.4	167.9	204.1
Debt-to-equity ratio (times)	Gross	1.7	1.6	1.7	1.4	1.7
	Net	1.6	1.4	1.6	1.3	1.6
Capital expenditure	Cash basis	19.8	27.3	21.8	19.8	18.0
Depreciation and amortization		24.5	21.6	22.5	22.5	25.2
Amortization of goodwill		0.8	0.8	1.0	1.1	3.0
EBITDA	Operating income + Depreciation and amortization	37.6	37.0	36.4	39.0	46.2
ROE (%)		4.6%	6.3%	3.9%	8.9%	2.2%
EPS (yen sen)	Before goodwill amortization	16.32	21.70	14.19	30.50	14.56
	After goodwill amortization	14.10	19.49	11.57	27.50	6.89
Exchange rates (yen) (*2)	US\$	114.15	103.49	93.65	87.79	88.00
	CAN\$	116.34	97.97	82.30	85.18	87.00

*1 : The balance of debt includes commercial paper but excludes the balance of lease obligations.

*2 : Exchange rates for fiscal 2007 and before are year-end rates; for fiscal 2008 and after are annual average rates.

Consolidated Results (Six Months ended June 30, 2011)

Condensed Consolidated Statements of Income

(billions of yen)

	Six months ended June 30, 2010	Six months ended June 30, 2011	Change	Change (%)
Japanese Alcoholic Beverages	125.9	118.2	(7.7)	▲6.2%
International Alcoholic Beverages	12.4	12.4	(0.0)	▲0.3%
Soft Drinks	14.5	17.6	3.0	21.1%
POKKA Group	-	24.0	24.0	-
Restaurants	12.4	10.5	(1.9)	▲15.3%
Real Estate	11.3	11.0	(0.2)	▲2.5%
Other	0.2	0.4	0.1	50.9%
Net sales	177.1	194.4	17.2	9.8%
Japanese Alcoholic Beverages	(0.1)	0.0	0.2	-
International Alcoholic Beverages	(0.1)	(0.2)	(0.1)	-
Soft Drinks	0.4	0.5	0.1	27.1%
POKKA Group	-	0.7	0.7	-
Restaurants	(0.4)	(0.6)	(0.2)	-
Real Estate	3.5	4.2	0.7	21.1%
Other	(0.4)	(0.3)	0.0	-
General corporate and intercompany eliminations	(1.6)	(1.3)	0.2	-
Operating income	1.2	3.0	1.7	149.2%
Non-operating income	1.3	1.1	(0.1)	▲10.0%
Non-operating expenses	2.0	2.1	0.0	3.5%
Ordinary income	0.4	2.0	1.5	375.1%
Extraordinary gains	1.2	0.6	(0.5)	▲44.3%
Extraordinary losses	1.4	7.8	6.3	441.9%
Income before income taxed and minority interests	0.1	(5.1)	(5.3)	-
Income taxes	0.8	(2.2)	(3.0)	-
Minority interests (loss)	0.0	0.0	0.0	303.7%
Net income	(0.6)	(2.9)	(2.2)	-

※ 1 : Due to the adoption of the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information and its associated guidance from the first quarter of fiscal 2011, we switched to segmentation methods based on our management approach

2 : Consolidated statements of income that include results of the POKKA Group will be available after the second quarter of fiscal 2011.

Sales Breakdown for Japanese Alcoholic Beverages

(billions of yen)

Sales (including liquor tax)

	Six months ended June 30, 2010	Six months ended June 30, 2011	Change	Change (%)
Beer	74.5	68.0	(6.4)	▲8.7%
Happoshu	4.7	3.7	(1.0)	▲22.0%
New genre	33.2	30.9	(2.2)	▲6.8%
Total	112.5	102.6	(9.8)	▲8.7%

Sales (excluding liquor tax)

	Six months ended June 30, 2010	Six months ended June 30, 2011	Change	Change (%)
Beer	36.0	32.8	(3.1)	▲8.8%
Happoshu	2.7	2.1	(0.6)	▲22.3%
New genre	22.9	21.4	(1.5)	▲6.7%
Total	61.7	56.4	(5.3)	▲8.6%

Consolidated Results (Six Months ended June 30, 2011)

Breakdown of Key Changes

(billions of yen)

	Change factor	Six months ended June 30, 2010	Six months ended June 30, 2011	Income change	Details
	Beer, etc.	(0.6)	(1.4)	(0.8)	
	Marginal profit			(4.2)	
	(subtotal)				
	Increase (decrease) in volume/product mix.			(3.6)	Beer -2.2 Happoshu -0.4 New genre -1.0 product mix, etc.+0
	Other			(0.6)	Increase of transport cost, etc.
	Fixed costs and other			3.4	
	(subtotal)				
	Advertising and promotional costs			1.6	
	Facility cost			0.8	Depreciation and amortization decrease +0.4, Repair cost decrease +0.4
	Transfer to extraordinary losses due to disaster			1.4	Fixed cost during production /marketing suspension due to disaster, etc.
	Other			(0.4)	
	Wine and spirits	0.1	0.3	0.2	
	Other	0.4	1.2	0.8	Sapporo Premium Alcohol Free, etc.
	Japanese alcoholic business	(0.1)	0.0	0.2	
	North America, etc.	(0.0)	0.2	0.2	
	Increase (decrease) in volume/product mix.			0.1	Increase in volume +0.3, product mix, etc. -0.2
	Marketing expense, etc.			0.1	
	Vietnam	(0.1)	(0.4)	(0.3)	
	International alcoholic business	(0.1)	(0.2)	(0.1)	
	Increase (decrease) in volume/product mix.			0.0	Increase in volume +0.4, product mix, etc. -0.4
	Manufacturing cost			0.0	
	other costs			0.2	Vending machine cost decrease, etc.
	Amortization of goodwill			(0.1)	
	Soft drinks business	0.4	0.5	0.1	
	Newly consolidated subsidiary			1.0	Consolidated PL from the current second quarter
	Amortization of goodwill			(0.3)	
	POKKA Group	-	0.7	0.7	
	Existing stores			(0.3)	
	New stores / Renovated stores, etc.			0.0	
	Restaurants	(0.4)	(0.6)	(0.2)	
	Rent			0.5	
	Sales, etc.			0.2	Sales of real estate for sale , etc.
	Real Estate Business	3.5	4.2	0.7	
	Food business			0.0	
	Other			0.0	
	Other	(0.4)	(0.3)	0.0	
	Corporate and eliminations	(1.6)	(1.3)	0.2	
	Change in operating income	1.2	3.0	1.7	
	Financial account balance	(1.2)	(1.2)	(0.0)	
	Equity in income (losses) of affiliates	(0.1)	(0.2)	(0.0)	
	Other	0.5	0.5	(0.0)	
	Non-operating income and expenditure	(0.8)	(0.9)	(0.2)	
	Change in ordinary income	0.4	2.0	1.5	
	Gain on sale of investment securities	0.6	0.0	(0.5)	
	Gain from changes in equity in affiliated companies	-	0.3	0.3	
	Other extraordinary income	0.6	0.3	(0.3)	
	Loss on retirement of fixed assets	(0.6)	(0.2)	0.3	
	Impairment loss	(0.1)	(0.0)	0.0	
	Asset retirement obligation	-	(1.0)	(1.0)	
	Loss due to gradual acquisition	-	(0.5)	(0.5)	Pokka Corporation
	Loss due to disaster	-	(4.6)	(4.6)	Loss due to the Great East Japan Earthquake
	Other extraordinary loss	(0.7)	(1.1)	(0.3)	Loss on valuation of investment securities, etc.
	Extraordinary income and loss	(0.2)	(7.1)	(6.9)	
	Pre-tax income	0.1	(5.1)	(5.3)	
	Corporate tax, etc. / income and loss of minority shareholders	(0.8)	2.2	3.0	
	Net income	(0.6)	(2.9)	(2.2)	

	Six months ended June 30, 2010	Six months ended June 30, 2011
Yen / US\$	91.36	82.02
Yen / CAN\$	88.34	83.95

Consolidated Results (Six Months ended June 30, 2011)
(Segment Information)

(billions of yen)

Six months ended June 30, 2010 (*1)	Japanese Alcoholic Beverages	International Alcoholic Beverages	Soft Drinks	Pokka Group	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Net sales	125.9	12.4	14.5	—	12.4	11.3	0.2	—	177.1
Operating income	(0.1)	(0.1)	0.4	—	(0.4)	3.5	(0.4)	(1.6)	1.2
(Operating income before goodwill amortization)	(0.1)	0.4	0.4	—	(0.4)	3.5	(0.4)	(1.6)	1.7
Sales promotion costs									
Sales incentives and commissions	6.7	0.0	2.2	—	0.0	0.0	0.0	(0.0)	9.1
Advertising and promotion expenses	7.7	0.5	0.1	—	0.5	0.0	0.1	(0.0)	9.1
Promotion items	2.8	0.6	0.0	—	0.0	0.0	0.0	0.0	3.4
Depreciation and amortization	7.1	0.5	0.1	—	0.3	3.0	0.0	0.0	11.4
Amortization of goodwill	0.0	0.5	0.0	—	0.0	0.0	0.0	0.0	0.5
EBITDA (*2)	7.0	1.0	0.6	—	(0.0)	6.6	(0.3)	(1.6)	13.1
Capital expenditures (cash basis)	2.5	0.2	0.0	—	0.4	10.2	0.2	0.0	13.6
Payment of lease obligations	0.0	0.0	0.0	—	0.0	0.0	0.0	0.0	0.0

Six months ended June 30, 2011 (*1)	Japanese Alcoholic Beverages	International Alcoholic Beverages	Soft Drinks	Pokka Group	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Net sales	118.2	12.4	17.6	24.0	10.5	11.0	0.4	—	194.4
Operating income	0.0	(0.2)	0.5	0.7	(0.6)	4.2	(0.3)	(1.3)	3.0
(Operating income before goodwill amortization)	0.0	0.3	0.7	1.1	(0.6)	4.2	(0.3)	(1.3)	4.1
Sales promotion costs									
Sales incentives and commissions	6.5	0.0	3.5	2.3	0.0	0.0	0.0	(0.0)	12.4
Advertising and promotion expenses	7.0	0.5	0.0	0.8	0.4	0.0	0.0	(0.0)	9.0
Promotion items	2.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	3.2
Depreciation and amortization	6.6	0.5	0.3	1.3	0.2	2.1	0.0	0.0	11.4
Amortization of goodwill	0.0	0.5	0.2	0.3	0.0	0.0	0.0	0.0	1.1
EBITDA (*2)	6.6	0.8	1.1	2.5	(0.3)	6.4	(0.2)	(1.3)	15.6
Capital expenditures (cash basis)	1.5	2.1	0.2	0.3	0.1	2.9	0.0	0.0	7.3
Payment of lease obligations	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	1.0

Change	Japanese Alcoholic Beverages	International Alcoholic Beverages	Soft Drinks	Pokka Group	Restaurants	Real Estate	Other	Corporate and eliminations	Consolidated total
Net sales	(7.7)	(0.0)	3.0	24.0	(1.9)	(0.2)	0.1	—	17.2
Operating income	0.2	(0.1)	0.1	0.7	(0.2)	0.7	0.0	0.2	1.7
(Operating income before goodwill amortization)	0.2	(0.1)	0.3	1.1	(0.2)	0.7	0.0	0.2	2.4
Sales promotion costs									
Sales incentives and commissions	(0.2)	0.0	1.2	2.3	0.0	0.0	(0.0)	(0.0)	3.3
Advertising and promotion expenses	(0.6)	(0.0)	(0.0)	0.8	(0.0)	0.0	(0.0)	0.0	(0.0)
Promotion items	(0.2)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)
Depreciation and amortization	(0.5)	(0.0)	0.1	1.3	(0.0)	(0.9)	0.0	(0.0)	0.0
Amortization of goodwill	0.0	(0.0)	0.2	0.3	0.0	0.0	0.0	0.0	0.6
EBITDA (*2)	(0.3)	(0.1)	0.5	2.5	(0.2)	(0.1)	0.0	0.2	2.4
Capital expenditures (cash basis)	(0.9)	1.9	0.1	0.3	(0.2)	(7.2)	(0.2)	0.0	(6.3)
Payment of lease obligations	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.9

※1 : Due to the adoption of the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information and its associated guidance from the first quarter of fiscal 2011, we switched to segmentation methods based on our management approach.

※2 : EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

※3 : Consolidated statements of income that include results of the POKKA Group will be available after the second quarter of fiscal 2011.

