Financial Results
for the Six Months Ended June 30, 2017 — Consolidated
(Based on Japanese GAAP)

August 3, 2017

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

Filing of quarterly financial report	August 10, 2017
Commencement of dividend payments	-
Supplementary information to the quarterly earnings results	Available
Quarterly earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended June 30, 2017 (January 1 – June 30, 2017)

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

<Note>
On July 1, 2016, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company's common stock. Accordingly, values for the items noted below have been recalculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

- Profit per share
- Diluted per share
- Average number of outstanding shares during the period

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2017	257,970	3.6	3,018	(1.0)	2,654	1.3	222	(52.3)
Six months ended June 30, 2016	248,959	1.3	3,048	-	2,620	-	465	(60.0)

Note: Accumulated other comprehensive income

Six months ended June 30, 2017 2,116 million yen
Six months ended June 30, 2016 (9,728) million yen

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2017	2.85	-
Six months ended June 30, 2016	5.98	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
June 30, 2017	606,035	165,585	26.5
December 31, 2016	626,351	166,380	25.7

Note: Shareholders' equity
June 30, 2017: 160,316 million yen
December 31, 2016: 160,687 million yen

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	Yen	yen	yen	Yen	yen
Year ended December 31, 2016	—	0.00	—	37.00	37.00
Year ending December 31, 2017	—	0.00			
Year ending December 31, 2017 (forecast)			—	37.00	37.00

Note: No changes were made to dividend forecasts in the six months ended June 30, 2017.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2017 (January 1 – December 31, 2017)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2017	563,800	4.1	21,300	5.1	20,300	5.7	10,700	13.0	137.36

Note: Changes were made to earnings forecasts in the six months ended June 30, 2017: None

4. Other

(1) Changes in significant subsidiaries during the six months ended June 30, 2017: None

(2) Simplified accounting: Yes

*Use of simplified accounting methods and/or accounting methods specific to quarterly consolidated financial statements

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

1) Changes in accordance with amendments to accounting standards etc.: None
2) Changes other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

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

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

June 30, 2017: 78,794,298 shares
December 31, 2016: 78,794,298 shares

2) Number of shares held in treasury at end of period:
June 30, 2017: 900,470 shares
December 31, 2016: 898,911 shares

3) Average number of outstanding shares during the period:

Six months ended June 30, 2017: 77,894,480 shares

Six months ended June 30, 2016: 77,903,021 shares

*Quarterly review status
The quarterly financial results are not subject to quarterly reviews pursuant to the Financial Instruments and Exchange Act. The quarterly review of the quarterly financial results herein had not been completed as of the date of this document.

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors.

1. Analysis of Operating Results

(1) Consolidated Financial Results for the Six Months ended June 30, 2017

In the first half of 2017 (January 1 – June 30, 2017), the Japanese economy remained in a moderate recovery trend, with support from rebounding exports and an improved employment and income environment. The outlook for the rest of the fiscal year, however, remains unclear, with consumer prices in Japan still weak and the overseas economic outlook clouded by concerns about US government policies and rising geopolitical risks emanating from North Korea.

In this economic environment, the SAPPORO Group achieved growth of its consolidated sales. The Japanese Alcoholic Beverages business increased shipments of its beer and diversified alcoholic beverage products. The International Business achieved volume growth in its sales of alcoholic beverages in North America.

First-half operating income were largely in line with the first half of the previous year, as rising distribution costs and an increase in fixed costs as we aggressively invested to further enhance brand strength offset increased sales in all business segments.

As a result of the above factors, in the first half of 2017 the SAPPORO Group posted consolidated sales of ¥257.9 billion (up ¥9.0 billion or 4% year on year), operating income of ¥3.0 billion (1% less than a year earlier), ordinary income of ¥2.6 billion (1% more than a year earlier), and net profit attributable to owners of parent of ¥0.2 billion (¥0.2 billion or 52% less than a year earlier).

Seasonal Factors

The Group's operating results exhibit substantial seasonal variation in demand for the products and services offered by the Japanese Alcoholic Beverages, International Business, Food & Soft Drinks, and Restaurants businesses. As a result, sales in the first quarter, which affect the first-half results, tend to be lower than sales in the other three quarters.

Segment information is outlined below.

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages in the first half of 2017 fell 1% from the level seen in the first half of 2016.

Amid such market conditions, the Japanese Alcoholic Beverage business continued its efforts to realize management's vision of "Seek to be No.1 by accumulating one-of-a-kind products" and achieve further growth by constantly providing customers with a unique value proposal and by investing aggressively in the beer business during 2017, in line with the business policy of "Beer Revival Declaration."

Among beer products, Sapporo Draft Beer Black Label continued to enjoy strong demand, with sales of the canned version particularly strong. Sales of the Yebisu brand also increased, supported by customers' favorable response to the March launch of Yebisu Hana Miyabi. As a result, total domestic shipments of beers in the first half of 2017 increased 5% year on year. In the happoshu category, sales of Goku Zero and our new-genre category offering Mugi to Hop brand fell below previous year levels. Overall, first-half shipments of our beer and beer-type beverages products slipped 1%, in line with the overall domestic demand trend.

In the RTD[*1] category, Ai no Skal White Sour, the latest addition to our high-value-added collaboration products, was sold only in western Japan and favorably received by customers. Sales of other core RTD products, including Otoko Ume Sour and Kireto Lemon Sour, also were solid, and the category achieved year-on-year sales growth.

We also achieved year-on-year sales growth in the wine category, as we strengthened marketing of fine wines[*2], including an imported wine Penfolds, Taittinger champagne, and our domestic wine Grande Polaire.

Our spirits business also achieved year-on-year sales growth, on strong sales of products from major overseas brands, such as Bacardi and Dewars.

The Japanese liquor business turned in a solid first half, with continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling[*3] blended *imo* shochu, helping drive up sales over the previous year's level.

Overall, the Japanese Alcoholic Beverages business posted first-half sales of ¥127.5 billion, up ¥1.7 billion or 1% year on year. First-half operating income came to ¥1.4 billion, a slight 1% decline.

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

*2) Fine wines are wines priced in the mid- to high-price range (¥1,500 and higher per bottle).

*3) Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and direct sales channels from January 2015 to December 2016.

International Business

We estimate that total demand in the North American beer market in the first half of 2017 was below previous-year levels in both the United States and Canada. Meanwhile, demand in Asian markets was solid but growth momentum slowed in line with the widely divergent pace of growth in national and regional economies.

In this environment, our International Business continued its efforts to strengthen brand recognition in the premium beer markets in North America and Southeast Asia. In addition, we expanded our sales channel in the US fruit juice market.

Our Canadian subsidiary SLEEMAN BREWERIES continued to invest in the marketing of its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) increased about 1% year on year. In the U.S. beer market, Sapporo USA's efforts to expand its customer base among the general population as well as Asian Americans led to a 10% year-on-year increase in shipments of Sapporo brand beers in the first half of the year. Our U.S. soft drinks business also achieved year-on-year sales growth, supported by solid sales of commercial-use soft drinks and fruit juice sorbet at Country Pure Foods.

In Southeast Asia, our Vietnam business saw its first-half beer shipments decline year on year owing to an increase in the country's liquor tax in January and a decrease in the number of sales outlets stocking our products following a change in our marketing methods. Our Singapore business, meanwhile, continued to its efforts to expand its sales channels in the household- and commercial-use markets.

Elsewhere in Asia, the Korean business' efforts to expand the number of sales outlets carrying our Sapporo Premium Beer led to an increase in beer shipments to both the household- and commercial-use markets. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced another year-on-year gain in beer sales volumes.

Reflecting the above, our International Business' shipments of Sapporo brand products in overseas markets during the first half of 2017 increased 8% year on year.

As a result, the International Business posted first-half sales of ¥33.7 billion, up ¥2.0 billion, or 7%, and an operating profit of ¥0.1 billion, representing a rebound from a ¥0.3 billion loss a year earlier.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in the first half of 2017 was 1% higher than a year earlier.

In this market environment, the Food & Soft Drinks business continued its efforts to strengthen its brand lineup and deliver value propositions unique to the Sapporo brand.

During the first half, the business utilized its core strength to launch new products including Lemon no Genki, a lemon-based drink with a functional food label that was developed using our extensive research into lemons, and Nippon Mugi-cha, made from 100% domestic-grown six-row barley. Ahead of the peak demand season for beverages, we also launched Gabunomi Shiro Kuma Tropical Fruits Soda, developed through collaboration with Marunaga Confectionery Co., Ltd.

The domestic food business achieved 8% overall growth in sales of its soup products, driven by particularly strong sales of cold canned soups and cup-based instant soups. Lemon-based food product sales increased 5% year on year, on strong sales of our core Pokka Lemon 100 brand products. During the period, we entered into a new partnership agreement with Hiroshima Prefecture's Kure City with the aim of promoting its lemons and contributing to regional revitalization. The new agreement adds to our partnership with Hiroshima Prefecture, which includes a similar agreement with the town of Osaki-Kamijima. We also enhanced our lineup of soymilk and soymilk-based yogurt products by marking the 20th anniversary of the launch of the SOYAFARM Tōnyū de Tsukutta Yogurt series, our yogurts made from soy milk designated for specified health use, with the first revision to the series in 10 years.

At the domestic restaurants business, Pokka Create, the POKKA SAPPORO subsidiary that operates the Café de Crié coffee shop chain, achieved year-on-year sales growth, including solid sales at directly-run outlets, reflecting the success of its efforts to boost sales by introducing new menus with seasonal and trendy dishes. Meanwhile, our overseas soft drinks business maintained its top share* in Singapore's tea drinks market, including its dominant 70% share of the green tea market, while also expanding exports to Malaysia and other countries in the region. In Indonesia, PT. POKKA DIMA INTERNATIONAL started up commercial production at its new local plant and began shipping the plant's core PET bottle products, including a 450ml bottle of jasmine green tea and 350ml bottle of lemon black tea.

Overall, the Food & Soft Drinks segment recorded first-half sales of ¥65.4 billion, up ¥0.5 billion or 1% year on year. However, the segment posted an operating loss of ¥1.1 billion, compared with a loss of ¥0.8 billion a year earlier.

* Based on data from Nielsen Singapore MarketTrack May 2017 (Copyright 2017, The Nielsen Company)

Restaurants

Japan's restaurant industry stayed on the recovery track in the first half of 2017, while grappling with a severe operating environment characterized by labor shortages and the resulting increase in labor costs as well as the upward trend in food material procurement prices.

In this environment, the Restaurants business continued to pursue the fulfillment of its philosophy of "Enhancing the Joy of Living" through constant efforts to deliver safe and sound food and service to customers while also striving to create restaurants that "deliver 100% satisfaction to customers."

New store openings in Japan included the February opening of a Yebisu Bar outlet in Hiroshima, the chain's first outlet in the Chugoku–Shikoku region, the March opening of another Yebisu Bar outlet in Shin Yokohama, and the May opening of a new Ginza Lion Beer Garden in Omiya, a suburb of Tokyo in Saitama Prefecture. We also renovated the Beer Hall LION GINZA 7-Chome outlet, one of that chain's flagship stores. Meanwhile, we closed four unprofitable outlets. As a result, we had 199 outlets open for business in Japan as of end-June 2017.

Overseas, we continued to expand our operations in Singapore, where we are building a chain of restaurants popular with the local people. During the first half of 2017, we renovated three Tonkichi outlets in the center of the city-state and opened a RIVE GAUCHE cake shop in the CityLink Mall in April. We also opened a Hokkaido-themed takeout SAPPORO LION shop in Resorts World Sentosa. As a result, we had 15 outlets open in Singapore as of end-June 2017.

As a result of the above initiatives, Restaurants segment's sales for the first half of 2017 totaled ¥13.8 billion, up ¥1.1 billion or 9% year on year. Segment operating loss, however, was ¥0.2 billion, slightly worse than the slightly under breakeven loss recorded a year earlier.

Real Estate

Japan's real estate industry continued to enjoy solid demand in the Greater Tokyo office leasing market, keeping vacancy rates low and supporting a continued moderate recovery in rent levels.

In this environment, our real estate business was able to maintain high occupancy rates at its properties in Tokyo Metropolitan area, including Yebisu Garden Place Tower, the business' core source of earnings. In addition, the high occupancy rates provided a solid platform for more assertive efforts to increase rents of existing tenants.

We are constantly striving to bring new added-value to our core Yebisu Garden Place commercial complex and enhance the property's brand value. Thus far in 2017, those efforts included the establishment of a consortium-type child day care center that can be used by employees of the many companies with offices in the complex as well as Shibuya Ward residents. The new facility opened its doors in April. We also continued with the renovation of the Yebisu Garden Place Tower's 39th floor panorama-view restaurant row, which is scheduled to be reopened this August.

GINZA PLACE, the commercial complex we opened in September 2016, is expected to make a solid contribution to earnings in 2017, its first full-year of operation. We continue to enhance the facility's information dissemination capability in line with its original concept as a "base for information dissemination and exchange." In addition to enhancing the property's brand value, these efforts are increasing the property's drawing power and helping make the Ginza district an even more dynamic and bustling urban center. Meanwhile, our real estate development business is making steady progress on the renovation of the Sapporo Factory commercial complex built on the former site of a Sapporo brewery located on the east side of the Sosei River, an area which is a focus of the Sapporo City's urban redevelopment program. In addition, in May we completed the redevelopment of the adjacent parking lot into a three-story 6,900m^2 commercial complex, and in July a housing-related company opened a showroom on the site. We will continue our efforts to make this complex an attractive urban space that delivers enhanced convenience to Sapporo residents and visitors.

As result of the efforts outlined above, Real Estate business sales in the first half of 2017 totaled ¥11.8 billion, up ¥0.9 billion or 9% year on year. Operating income was ¥5.8 billion, up ¥0.6 billion or 12%.

(2) Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets as of June 30, 2017, totaled ¥606.0 billion, ¥20.3 billion less than at the end of the previous fiscal year (December 31, 2016). The decline is mainly attributable to decreases in trade notes and accounts receivable and in long-term loans receivable, which more than offset increases in merchandise and finished products and investment securities.

Consolidated liabilities totaled ¥440.4 billion, a ¥19.5 billion decline from December 31, 2016, reflecting decreases in commercial paper, liquor taxes payable, and long-term bank loans, which outweighed an increase in short-term bank loans.

Consolidated net assets totaled ¥165.5 billion, ¥0.7 billion less than on December 31, 2016. The difference primarily reflects the payment of year-end dividends and a decrease in foreign currency translation adjustments.

Consolidated Cash Flows

Consolidated cash flows for the six months ended June 30, 2017, were as follows.

Operating activities provided net cash of ¥16.4 billion. The main cash flow positives were a ¥17.8 billion decrease in notes and accounts receivable and depreciation and amortization of ¥11.5 billion. The main cash flow negatives were an ¥11.2 billion decrease in liquor taxes payable and a ¥4.2 billion increase in inventories.

Investing activities used net cash of ¥6.0 billion. The main inflow was ¥4.0 billion for collection of long-term loans receivable. The main outflows were ¥7.5 billion used for purchases of property, plant and equipment and ¥1.1 billion used for purchases of intangibles.

Financing activities used net cash of ¥10.5 billion. The main inflows were ¥9.9 billion from the issuance of bonds and ¥6.5 billion in proceeds from long-term bank loans. Major outflows included ¥10.9 billion for the repayment of long-term bank loans, ¥10.0 billion for redemption of bonds, and a ¥3.5 billion net decrease in commercial paper.

As a result of the above cash flows, cash and cash equivalents as of June 30, 2017, totaled ¥10.3 billion.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2017, is unchanged from the forecast announced by Sapporo Holdings on February 13, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2016	June 30, 2017
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,589	10,521
2 Notes and accounts receivable - trade	96,850	78,909
3 Merchandise and finished products	24,657	29,632
4 Raw materials and supplies	13,315	12,385
5 Other	18,852	19,135
6 Allowance for doubtful receivables	(82)	(58)
Total current assets	164,183	150,525
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	393,022	395,580
Accumulated depreciation	(220,233)	(223,085)
Buildings and structures, net	172,788	172,495
(2) Machinery and vehicles	231,559	232,181
Accumulated depreciation	(187,660)	(189,499)
Machinery and vehicles, net	43,898	42,681
(3) Land	111,636	111,406
(4) Construction in progress	3,694	2,821
(5) Other	34,702	33,747
Accumulated depreciation	(21,224)	(20,846)
Other, net	13,477	12,901
Total property, plant and equipment	345,495	342,306
2 Intangible assets		
(1) Goodwill	27,439	25,343
(2) Other	10,511	9,926
Total intangible assets	37,950	35,269
3 Investments and other assets		
(1) Investment securities	59,296	63,719
(2) Long-term loans receivable	4,789	467
(3) Other	15,831	14,947
(4) Allowance for doubtful receivables	(1,195)	(1,201)
Total investments and other assets	78,721	77,933
Total fixed assets	462,168	455,509
Total assets	626,351	606,035

	December 31, 2016	June 30, 2017
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	38,503	36,280
2 Short-term bank loans	30,337	39,271
3 Commercial Paper	33,000	29,500
4 Current portion of bonds	10,083	10,066
5 Liquor taxes payable	34,228	23,024
6 Income taxes payable	1,680	2,339
7 Accrued bonuses	2,980	2,009
8 Deposits received	8,214	8,407
9 Other	53,095	56,672
Total current liabilities	212,123	207,571
II Long-term liabilities		
1 Bonds	50,128	50,128
2 Long-term bank loans	114,593	102,730
3 Net defined benefit liability	8,995	8,354
4 Dealers' deposits for guarantees	33,241	30,930
5 Other	40,887	40,733
Total long-term liabilities	247,847	232,877
Total liabilities	459,971	440,449
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,089	46,089
3 Retained earnings	41,932	39,267
4 Treasury stock, at cost	(1,795)	(1,800)
Total shareholders' equity	140,112	137,442
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	22,517	25,413
2 Deferred hedge gains	41	(15)
3 Foreign currency translation adjustments	(1,943)	(2,309)
4 Remeasurements of defined benefit plans	(41)	(215)
Total accumulated other comprehensive income	20,574	22,873
III Non-controlling Interests	5,693	5,269
Total net assets	166,380	165,585
Total liabilities and net assets	626,351	606,035

(2) Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
	Amount	Amount
I Net sales	248,959	257,970
II Cost of sales	163,238	167,487
Gross profit	85,721	90,482
III Selling, general and administrative expenses		
1 Sales incentives and commissions	17,646	19,013
2 Advertising and promotion expenses	10,682	11,221
3 Salaries	15,781	16,474
4 Provision for bonuses	1,040	1,220
5 Retirement benefit expenses	402	358
6 Other	37,120	39,175
Total selling, general and administrative expenses	82,672	87,464
Operating income	3,048	3,018
IV Non-operating income		
1 Interest income	122	95
2 Dividend income	716	755
3 Equity in income of affiliates	8	10
4 Gain on valuation of derivatives	42	-
5 Other	398	377
Total non-operating income	1,287	1,239
V Non-operating expenses		
1 Interest expense	1,059	977
2 Foreign exchange losses	412	153
3 Loss on valuation of derivatives	-	174
4 Other	244	298
Total non-operating expenses	1,715	1,603
Ordinary income	2,620	2,654
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	22	153
2 Gain on sales of investment securities	5	36
Total extraordinary gains	27	189
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	564	398
2 Loss on sales of property, plant and equipment	5	4
3 Impairment loss	108	210
4 Loss on devaluation of investment securities	22	9
5 Compensation expenses	224	291
Total extraordinary losses	925	915
Profit before income taxes	1,722	1,928
Income taxes	1,266	1,881
Profit	456	46
Loss attributable to non-controlling interests	(9)	(175)
Profit attributable to owners of parent	465	222

Profit	456	46
Other comprehensive income		
Unrealized holding gain on securities	(5,634)	2,893
Deferred hedge gains (losses)	(4)	(108)
Foreign currency translation adjustments	(4,423)	(541)
Remeasurements of defined benefit plans	(121)	(173)
Total other comprehensive income	(10,184)	2,069
Comprehensive income	(9,728)	2,116
(Breakdown)		
Comprehensive income attributable to owners of parent	(8,971)	2,521
Comprehensive income attributable to non-controlling interests	(757)	(404)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
	Amount	Amount
I Cash flows from operating activities		
1 Profit before income taxes	1,722	1,928
2 Depreciation and amortization	10,945	11,543
3 Loss on impairment of property, plant and equipment	108	210
4 Goodwill amortization	1,943	1,928
5 Increase (decrease) in net defined benefit liability	(902)	(801)
6 Increase (decrease) in allowance for doubtful receivables	(32)	(17)
7 Interest and dividend income	(838)	(851)
8 Interest expense	1,060	977
9 (Gain) loss on sales of fixed assets	(22)	(153)
10 (Gain) loss on sales and disposal of fixed assets	569	403
11 (Gain) loss on sales of investment securities	(5)	(36)
12 (Gain) loss on revaluation of investment securities	22	9
13 (Increase) decrease in notes and accounts receivable - trade	16,141	17,848
14 (Increase) decrease in inventories	(4,057)	(4,201)
15 Increase (decrease) in notes and accounts payable - trade	1,645	(2,181)
16 Increase (decrease) in accrued consumption taxes	(3,121)	(1,720)
17 Increase (decrease) in liquor taxes payable	(12,163)	(11,200)
18 Increase (decrease) in deposits received	304	(2,311)
19 Increase (decrease) in other current liabilities	8,564	8,427
20 Other	1,071	(543)
Sub total	22,958	19,258
21 Interest and dividends received	938	956
22 Interest paid	(1,069)	(1,026)
23 Income taxes paid	(8,023)	(3,377)
24 Income taxes refundable	18	675
Net cash provided by (used in) operating activities	14,823	16,486
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(8,766)	(7,578)
2 Proceeds from sales of property, plant and equipment	294	302
3 Purchases of intangibles	(1,279)	(1,193)
4 Payments for purchases of investment securities	(6)	(6)
5 Proceeds from sale and redemption of investment securities	6	86
6 Purchase of affiliates securities	(154)	(298)
7 Purchase of subsidiaries' shares resulting in change in scope of consolidation	(660)	-
8 Increase in long-term loans receivable	(40)	(41)
9 Collection of long-term loans receivable	36	4,065
10 Payments for transfer of business	(1,558)	-
11 Other	(1,929)	(1,352)
Net cash provided by (used in) investing activities	(14,058)	(6,015)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	3,882	1,906
2 Increase (decrease) in commercial paper	(2,000)	(3,500)
3 Proceeds from long-term bank loans	13,266	6,500
4 Repayment of long-term bank loans	(19,617)	(10,904)
5 Proceeds from issuance of bonds	9,960	9,960
6 Redemption of bonds	-	(10,016)
7 Cash dividends paid	(2,725)	(2,887)
8 Cash dividends paid to non-controlling interests	(10)	(19)
9 Repayment of finance lease obligations	(1,446)	(1,538)
10 Purchase of treasury stock	(451)	(4)
11 Proceeds from sale of treasury stock	447	0
Net cash provided by (used in) financing activities	1,305	(10,504)
IV Effect of exchange rate changes on cash and cash equivalents	(126)	(123)
V Net increase (decrease) in cash and cash equivalents	1,942	(156)
VI Cash and cash equivalents at beginning of period	10,399	10,475
VII Cash and cash equivalents at end of period	12,342	10,318

(4). Notes on the quarterly financial statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Application of accounting methods specific to the preparation of quarterly consolidated financial statements)

Calculation of tax liabilities

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before taxes for the fiscal year, which encompasses the six months ended June 30, 2017, and then multiplying profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies, changes in accounting estimates, and retrospective restatements)

Not applicable

(Additional information)

Implementation Guidance on Recoverability of Deferred Tax Assets

Sapporo Holdings has applied the revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan [ASBJ] Guidance No. 26 of March 28, 2016) to its consolidated accounts from the first quarter of the year ending December 31, 2017.

(5) Segment Information

Ⅰ **Six months ended June 30, 2016 (January 1, 2016 – June 30, 2016)**

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	125,755	31,608	64,991	12,650	10,905	245,911	3,048	248,959	-	248,959
(2) Intra-group sales and transfers	1,271	52	129	0	1,248	2,702	9,425	12,127	(12,127)	-
Total	127,027	31,660	65,120	12,650	12,153	248,613	12,474	261,087	(12,127)	248,959
Segment income (loss)	1,474	(390)	(802)	(51)	5,184	5,415	(72)	5,342	(2,293)	3,048

Notes:

(1) "Other" comprises businesses, such as logistics businesses, that are not included in reportable segments.

(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

(millions of yen)

Segment income (loss)	Amount
Total for reportable segments	5,415
Total other losses	(72)
Unallocated corporate costs	(2,275)
Intra-segment sales	(18)
Operating losses on the statement of income	3,048

3. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

At the Japanese Alcoholic Beverages business, the book value of certain machinery and equipment has been lowered to the expected recoverable amount following a revision to the business' production network that lowered the profitability outlook for the business and made full recovery of related investments unlikely. As a result, an impairment loss of ¥55 million has been recognized on the accounts for the first half of fiscal 2016. In the Food & Soft Drinks business, profitability declines at certain restaurants operated by the business make the recovery of investment in those outlets unlikely. Accordingly, the book value of the buildings and related equipment has been lowered to the expected recoverable amount. As a result, an impairment loss of ¥52 million has been recognized on the accounts for the first half of fiscal 2016.

(Significant changes in the amount of goodwill)

Not Applicable

(Material Gain on negative goodwill)

Not Applicable

Ⅱ Six months ended June 30, 2015 (January 1, 2017 – June 30, 2017)

1. Sales, income, and loss by reportable segment

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	127,541	33,707	65,497	13,814	11,839	252,400	5,570	257,970	-	257,970
(2) Intra-group sales and transfers	1,569	35	129	0	1,276	3,010	9,748	12,758	(12,758)	-
Total	129,110	33,742	65,626	13,814	13,115	255,410	15,318	270,729	(12,758)	257,970
Segment income (loss)	1,458	107	(1,186)	(214)	5,800	5,964	(87)	5,876	(2,858)	3,018

Notes:

(1) "Other" comprises businesses, such as logistics businesses, that are not included in reportable segments.

(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

(millions of yen)

Segment income (loss)	Amount
Total for reportable segments	5,964
Total other losses	(87)
Unallocated corporate costs	(3,085)
Intra-segment sales	227
Operating income on the statement of income	3,018

3. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

At the Food & Soft Drinks business, the profitability of certain operating equipment has declined, making the recovery of investment in those assets unlikely. Accordingly, the book value of related leased and other assets has been lowered to the expected recoverable amount. As a result, an impairment loss of ¥138 million has been recognized on the accounts for the first half of fiscal 2017.

In the Other column, the profitability of certain food production facilities has declined, making the recovery of investment in those assets unlikely. Accordingly, the book value of certain machinery and equipment has been lowered to the expected recoverable amount. As a result, an impairment loss of ¥72 million has been recognized on the accounts for the first half of fiscal 2017.

(Significant changes in the amount of goodwill)
Not Applicable

(Material Gain on negative goodwill)
Not Applicable

(Subsequent events)

[Business combination by acquisition]
The Company has decided to acquire 100% of the outstanding shares of Anchor Brewing Company, LLC, with the acquisition to be made through a subsidiary, to be established for the purpose of entering into the agreement.

1. Name and business content of company to be acquired

Name:	Anchor Brewing Company, LLC (and a subsidiary)
Location:	San Francisco, California, USA
Annual sales:	Approx. US $33 million (about ¥3.7 billion) (fiscal year ended December 2016)
Business content:	Beer brewing and sales

2. Purpose of acquisition

In November 2016, the Sapporo Group formulated the new Long-Term Management Vision “SPEED 150” through 2026, the year marking the Group’s 150th anniversary since its founding. The vision set forth in Speed 150 is for the Sapporo Group to be a company with highly unique brands in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks” around the world.

Regarding its “Promote Global Business Expansion” policy, a key component of the Group’s growth strategy, Sapporo Group is promoting a distinctive plan that prioritizes expanding business in North America, already a core part of the Group’s business foundation, and Southeast Asia, a regional market with high growth prospects.

The addition of Anchor’s strong brand power and network to the Sapporo Group’s US beer business portfolio through the conclusion of this agreement is expected to generate further synergies and accelerate the growth of the Group’s US business.

3. Transaction counterparty

Anchor Brewers & Distillers, LLC

4. Acquisition date

August 31, 2017 (planned)

5. Acquisition cost: US$85 million

The contract purchase price is currently under review by the involved parties. Accordingly, the acquisition cost shown here is provisional amount.

6. Share of outstanding stock to be acquired: 100%

7. Acquisition funding method: Own capital, external borrowings, etc.