Financial Results
for the Six Months Ended June 30, 2010 — Consolidated
(Based on Japanese GAAP)

July 30, 2010

Company name **Sapporo Holdings Limited**

Security code 2501
Listings Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL http://www.sapporoholdings.jp/english/
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Scheduled dates:
Filing of quarterly financial reports August 12, 2010
Commencement of dividend payments —

Supplementary information to the quarterly earnings results Available
Quarterly earnings results briefing Available (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended June 30, 2010 (January 1 – June 30, 2010)

(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	%
Six months ended June 30, 2010	177,144	(2.9)	1,206	(10.3)	424	(18.1)	(684)	-
Six months ended June 30, 2009	182,413	-	1,344	-	518	-	(738)	-

	Net income per share	Diluted net income per share
	yen	yen
Six months ended June 30, 2010	(1.75)	-
Six months ended June 30, 2009	(1.88)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2010	509,554	115,615	22.4	291.52
December 31, 2009	506,874	118,590	23.4	302.16

Note: Shareholders' equity
June 30, 2010: 114,191 million yen
December 31, 2009: 118,371 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, 2009	-	0.00	-	7.00	7.00
Year ending December 31, 2010	-	0.00			
Year ending December 31, 2010 (forecast)			-	7.00	7.00

Note: No changes were made to dividend forecasts in the six months ended June 30, 2010.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2010 (January 1 – December 31, 2010)

(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
Full year	391,000	0.9	13,500	4.7	11,000	2.6	4,800	5.8	12.25

Note: Changes were made to earnings forecasts in the six months ended June 30, 2010.

4. Other

*For details, see “4. Other” on page 8.

(1) Changes to scope of consolidation: None

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

(2) Simplified accounting: Yes

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

(3) Changes in accounting principles, procedures, and methods of presentation

1) Changes in accord with amendments to accounting standards: Yes

2) Changes other than the above: None

*Changes in accounting principles, procedures, and methods of presentation used to prepare the quarterly financial statements

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

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

June 30, 2010: 393,971,493 shares
December 31, 2009: 393,971,493 shares

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

June 30, 2010: 2,261,824 shares
December 31, 2009: 2,218,784 shares

3) Average number of outstanding shares during the period:

Six months ended June 30, 2010: 391,721,094 shares
Six months ended June 30, 2009: 391,904,506 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. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "Earnings Forecasts" on page 8 .

1. Analysis of Operating Results

Consolidated financial results for the six months ended June 30, 2010 (January 1 – June 30, 2010)

Our International Alcoholic Beverages business achieved a further increase in sales volume in the first half of 2010 (January–June) while our Japanese Alcoholic Beverages business recorded a year-over-year increase in the April–June quarter, but a difficult operating climate meant that our first-half consolidated net sales fell 3% (¥5.2 billion) from January–June 2009 to ¥177.1 billion, reflecting both a first-quarter (January–March) decrease in sales volume and a further increase low-priced new genre beers' share of overall sales.

We booked operating income of ¥1.2 billion (down ¥0.1 billion, or 10%, from the year-earlier first half), ordinary income of ¥0.4 billion (essentially unchanged from a year earlier), and a net loss of ¥0.6 billion (down from ¥0.7 billion) for January–June 2010, reflecting the success of efforts to reduce manufacturing costs and make more efficient use of our sales promotion budget by focusing on core product lines within our Japanese Alcoholic Beverages business.

Segment Information

Impact of seasonal factors

The Group's operating results exhibit substantial seasonal variation because demand for its Alcoholic Beverages, Soft Drinks, and Restaurant businesses' products tends to be disproportionately concentrated in the summer months. First-half (January–June) sales and income therefore tend to be lower than in the second half of the year.

Alcoholic Beverages

Alcoholic Beverages (Japan)

Total demand in the Japanese beer and beer-type beverages appears to have contracted by around 4% from the first half of 2009, reflecting adverse weather and continued reluctance of consumers to loosen their purse strings.

Unit sales of our core Sapporo Draft Beer Black Label brand were down 7.9% from a year earlier as a growing preference for lower-priced products and a commercial market demand slump reduced total demand for conventional beer products by an estimated 6%. However, total unit sales for our Yebisu brand—which this year marks its 120th anniversary—rose 0.5% from a year earlier on the back of solid demand for our recently relaunched Yebisu Silk line, thereby limiting the decline in our overall conventional beer sales to 5.9%, or slightly less than the 6% decline in aggregate demand.

Unit sales of new genre products were up 7.3% from a year earlier, reflecting a 24.3% surge for *Mugi to Hop* now marketed under the slogan "So tasty you'll think it's real beer" (translated from the Japanese) as well as a solid contribution from our summer-only Sapporo Ice Lager brand (launched in June).

In the low-alcohol category, our May launch of Sapporo Nectar Sour Sparkling Peach in collaboration with Fujiya proved highly successful, with sales exceeding 50% of our full-year target within just three weeks of release.

In the wine and liquor business, revenues and earnings were both down year over year, despite efforts to reduce costs.

Overall, our Japanese Alcoholic Beverages business booked sales of ¥125.7 billion (down ¥6.9 billion, or 5%, year over year) for January–June 2010, while our operating loss was limited to ¥0.1 billion (whereas we booked an operating loss of less than ¥0.1 billion a year earlier) as one-time charges associated with our newly launched sales and logistics system were partially offset by reductions in manufacturing costs and more efficient use of our sales promotion budget by, for example, focusing on core products.

Alcoholic Beverages (International)

North American beer demand remained relatively sluggish despite some indications that consumers might be starting to increase their spending on certain items, with aggregate demand estimated to have contracted by around 2–3% from a year earlier.

Amid such an environment, the International Alcoholic Beverages business continued to actively focus on sales to the premium market segment, and Canadian subsidiary Sleeman Breweries' unit sales (excluding outsourced production of Sapporo brand products) increased 6% year over year. Sapporo USA's Sapporo brand unit sales to the North American market were up 20% from a year earlier, while its overseas sales, mainly concentrated in Asia, rose 17%.

In December 2009, we reached a decision to enter the Vietnam market. Brewery construction is set to begin in July, and we continue to formulate a marketing strategy and build a distribution network in preparation for locally producing and selling beer in partnership with the state-owned Vietnam National Tobacco Corp.

Overall, the International Alcoholic Beverages business incurred an operating loss of ¥0.1 billion (essentially unchanged from a year earlier) on sales of ¥12.4 billion (up ¥2.0 billion, or 20%, year over year) for January–June 2010.

Soft Drinks

Our estimates indicate that the domestic soft drink market contracted by around 2% relative to January–June 2009 amid continuing adverse market conditions.

Against such a backdrop, the Soft Drinks business focused its marketing strategy on cultivating and strengthening existing brands, allocating marketing expenditures to core brand products while also bolstering its sales force.

Sales campaigns for our recently renewed Gabunomi brand have targeted high-school students, while in-store campaigns for the Ribbon product line featuring our Ribbon-chan promotional character have proved effective in expanding our retail presence. Unit sales of Gerolsteiner naturally carbonated water from Germany surged 21% from a year earlier as we endeavored to reach even more consumers by, for instance, introducing new products for the vending machine channel and running television commercials.

We continued to implement cost-structure reforms throughout the value chain, tapping into synergies derived from our alliance with Pokka Corporation to reduce costs associated with production, purchasing, and logistics operations, in the aim of laying a stable earnings foundation.

We have boosted production capacity for Sapporo Potekaru non-fried potato chips in line with our March renewal of the brand. From May, we expanded our target market beyond Greater Tokyo to encompass the Koshinetsu, Tokai, and Hokuriku regions of Japan. We also launched a consommé-flavored product into the Tokyo market in June as part of our ongoing efforts to boost sales by better meeting customer needs.

Overall, the Soft Drinks business achieved sales of ¥14.7 billion (essentially unchanged from a year earlier), while its rigorous cost-structure reform program, primarily focused on reducing cost of sales, ensured that the business booked operating income of less than ¥0.1 billion (whereas is booked an operating loss of less than ¥0.1 billion a year earlier).

Restaurants

The Japanese restaurant industry has entered a phase of intensifying price competition as increasingly frugal consumers dine out less frequently.

Amid such an environment, our Restaurants business has been working to attract customers back to its existing locations through differentiation strategies centering around draught beer campaigns and seasonal menus, and we have also stepped up our corporate marketing efforts amid signs of a recovery in the corporate events market segment. We closed nine unprofitable locations as part of ongoing profit-structure reforms.

We opened a second Yebisu Bar location and a Brasserie Ginza Lion beer hall at Kasumigaseki Common Gate in January, and we added the summer-only Yebisu Bar: The Garden to this new Yebisu Bar location in May. We consequently had a total of 205 locations at end-June.

Our Restaurants business incurred an operating loss of ¥0.4 billion (essentially unchanged from a year earlier) on sales of ¥12.8 billion (down ¥0.4 billion, or 4%, from a year earlier).

Real Estate

In the Greater Tokyo office leasing market, vacancy rates continue to rise and rents remain in a downtrend.

Our Real Estate business has been endeavoring to maintain rents and occupancy rates and realize additional cost savings at existing properties. Rent levels for our Greater Tokyo properties have been impacted by overall market conditions, but occupancy rates have stayed at relatively high levels.

Construction of our Shinjuku Square office building was completed in June, while an extension to our Pal Urayasu fitness facility in Urayasu, Chiba, is currently under way.

We continue to view the Ebisu area as a strategic priority while seeking to acquire new properties in other areas of Central Tokyo. We added the newly built Shibuya Sakuragaoka Square office building to our property portfolio in April.

The Real Estate business's earnings have been boosted by a number of properties acquired in 2009, including the Rose City Higashi Sapporo rental housing complex, the Ebisu Square office building, and the MLB café Tokyo, a commercial property.

Our Real Estate business earned operating income of ¥3.5 billion (essentially unchanged from a year earlier) on sales of ¥11.3 billion (up ¥0.2 billion, or 2%).

2. Review of Consolidated Financial Condition

a) Consolidated Financial Condition

Consolidated assets totaled ¥509.5 billion at June, 2010, a ¥2.6 billion increase from December 31, 2009. The increase was the net result of several factors, including an increase in land holdings due to real estate acquisitions, a decrease in trade a decrease in notes and accounts receivable, an increase in other intangible assets, resulting from the launch of a new sales and logistics system, and the associated decrease in construction in progress.

Consolidated liabilities totaled ¥393.9 billion, a ¥5.6 billion increase from December 31, 2009. The increase was chiefly attributable to decreases in liquor taxes payable and deposits received, partially offset by growth in short-term bank loans.

Consolidated net assets totaled ¥115.6 billion, a ¥2.9 billion decrease from December 31, 2009. The decrease was mainly due to a year-end dividend distribution and the first-half net loss.

b) Consolidated Cash Flows

Consolidated cash flows were as follows in the first half.

Operating activities provided net cash of ¥5.7 billion. Major sources of operating cash flow included depreciation and amortization of ¥11.4 billion, a ¥5.3 billion decrease in trade notes and accounts receivable, and a ¥2.8 billion increase in notes and accounts payable. Major uses of operating cash flow included a ¥12.1 billion decrease in liquor taxes payable and a ¥4.3 billion decrease in deposits received.

Investing activities used net cash of ¥14.2 billion. Major investment outflows included ¥12.7 billion spent to acquire property, plant and equipment and ¥1.7 billion spent to acquire investment securities.

Financing activities provided net cash of ¥12.8 billion. Major financing inflows included a ¥10.4 billion increase in short-term bank loans and ¥12.0 billion in proceeds from long-term bank loans. Major outflows included ¥9.6 billion in repayments of long-term bank loans.

As a result of the above cash flows, cash and cash equivalents totaled ¥10.5 billion at June, 2010.

3. Consolidated Earnings Forecast

In light of our results for the first half of 2010—including a decline in sales revenue for our Japanese Alcoholic Beverages business—we now forecast consolidated net sales of ¥391.0 billion for the full year ending December 31, 2010, which would represent an increase of ¥3.4 billion (1%) versus 2009.

Our full-year profit forecasts are unchanged from those announced on February 12, 2010. On a consolidated basis, we forecast operating income of ¥13.5 billion (up ¥0.6 billion, or 5%, from 2009), ordinary income of ¥11.0 billion (up ¥0.2 billion, or 3%), and net income of ¥4.8 billion (up ¥0.2 billion, or 6%).

4. Other

(1) Changes affecting the consolidation status of material subsidiaries (scope of consolidation)

None

(2) Use of simplified accounting methods and/or accounting methods specific to quarterly consolidated financial statements

Simplified accounting

Calculation of deferred tax assets and deferred tax liabilities

If there have been no material changes in either the business environment or temporary differences since the end of the previous fiscal year, the Company uses the same earnings forecasts and tax planning strategies that it used in the previous fiscal year to assess the likelihood of deferred tax assets being used at a later date. If there have been material changes in the business environment and/or in temporary differences since the end of the previous fiscal year, the Company uses the earnings forecasts and tax planning strategies that it used in the previous fiscal year but modifies them to allow for the likely impact of these material changes.

Accounting methods specific to 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 and minority interests for the fiscal year, which encompasses the six months ended June 30, 2010, and then multiplying income (loss) before taxes and minority interests by this estimated effective tax rate. Note that “deferred income taxes” are included under “income taxes”.

(3) Changes in accounting principles, procedures, and methods of presentation used to prepare the quarterly financial statements

Changes in accord with amendments to accounting standards

Change in accounting standard for recognizing revenues from and costs of completed construction

Effective the first quarter of the fiscal year ending December 31, 2010, the Company adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No. 15, December 27, 2007) and its accompanying *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No. 18, December 27, 2007) for recognizing revenues associated with contracted construction. All construction contracts, including those in existence at the beginning of the first half, for which certain elements were determinable with certainty at end of the first half (June 30, 2010) were accounted for with the percentage-of-completion method.

The impact of this change of profit and loss is minor.

The impact on each business segment is stated in the relevant sections of this document.

(4) Notes on the going-concern assumption

None

5.Consolidated Financial Statement

1.Consolidated Balance Sheets

(millions of yen)

	June 30, 2010	December 31, 2009
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,677	6,387
2 Notes and accounts receivable - trade	54,501	60,120
3 Marketable securities	10	47
4 Merchandize and finished products	15,487	13,258
5 Raw materials and supplies	9,860	9,689
6 Other	11,035	12,966
7 Allowance for doubtful receivables	(165)	(192)
Total current assets	101,406	102,277
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	366,419	361,276
Accumulated depreciation	(188,957)	(184,898)
Buildings and structures, net	177,462	176,378
(2) Machinery and vehicles	182,389	182,373
Accumulated depreciation	(141,547)	(138,387)
Machinery and vehicles, net	40,842	43,986
(3) Land	91,343	84,384
(4) Construction in progress	2,605	8,487
(5) Other	20,577	19,784
Accumulated depreciation	(15,320)	(15,182)
Other, net	5,256	4,601
Total property, plant and equipment	317,510	317,838
2 Intangible assets		
(1) Goodwill	15,090	14,926
(2) Other	11,130	6,967
Total intangible assets	26,221	21,894
3 Investments and other assets		
(1) Investment securities	36,377	35,390
(2) Long-term loans receivable	10,507	11,072
(3) Deferred tax assets	4,899	4,824
(4) Other	14,266	15,339
(5) Allowance for doubtful receivables	(1,637)	(1,763)
Total investments and other assets	64,414	64,863
Total fixed assets	408,147	404,596
Total assets	509,554	506,874

(millions of yen)

	June 30, 2010	December 31, 2009
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	22,960	20,185
2 Short-term bank loans	57,041	36,735
3 Current portion of long-term debt	30,000	10,000
4 Liquor taxes payable	23,046	35,242
5 Income taxes payable	855	843
6 Accrued bonuses	956	1,638
7 Deposits received	22,709	27,084
8 Other	45,756	37,523
Total current liabilities	203,326	169,252
II Long-term liabilities		
1 Bonds	23,843	43,843
2 Long-term bank loans	98,347	106,216
3 Deferred tax liabilities	12,046	12,097
4 Employees' retirement benefits	7,341	7,487
5 Directors’ and corporate auditors’ severance benefits	42	45
6 Dealers' deposits for guarantees	32,402	32,011
7 Other	16,588	17,330
Total long-term liabilities	190,612	219,032
Total liabilities	393,938	388,284
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,317	46,318
3 Retained earnings	16,859	20,286
4 Treasury stock, at cost	(1,151)	(1,131)
Total shareholders' equity	115,912	119,360
II Valuation and translation adjustments		
1 Unrealized holding gain on securities	2,649	2,637
2 Deferred hedge gains (losses)	(16)	0
3 Foreign currency translation adjustments	(4,353)	(3,627)
Total valuation and translation adjustments	(1,720)	(988)
III Minority Interests	1,423	218
Total net assets	115,615	118,590
Total liabilities and net assets	509,554	506,874

2.Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2009	Six months ended June 30, 2010
	Amount	Amount
I Net sales	182,413	177,144
II Cost of sales	127,631	120,865
Gross profit	54,781	56,278
III Selling, general and administrative expenses		
1 Sales incentives and commissions	8,866	9,102
2 Advertising and promotion expenses	9,814	9,903
3 Salaries	9,363	9,580
4 Provision for bonuses	502	526
5 Retirement benefit expenses	1,534	1,429
6 Other	23,356	24,529
Total selling, general and administrative expenses	53,437	55,072
Operating income	1,344	1,206
IV Non-operating income		
1 Interest income	199	245
2 Dividend income	368	367
3 Foreign exchange gain	86	-
4 Gain (loss) on gift voucher redemptions	229	310
5 Other	248	391
Total non-operating income	1,132	1,315
V Non-operating expenses		
1 Interest expense	1,764	1,815
2 Equity in loss of affiliates	11	132
3 Foreign exchange loss	-	46
4 Other	182	101
Total non-operating expenses	1,958	2,096
Ordinary income	518	424
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	19	0
2 Gain on sales of investment securities	-	574
3 Reversal of provision for doubtful receivables	-	66
4 Reversal of removal costs	-	569
Total extraordinary gains	19	1,210
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	529	593
2 Impairment loss	-	58
3 Business structure improvement expenses	-	650
4 Loss on devaluation of investment securities	87	141
5 Loss on devaluation of inventories	125	-
Total extraordinary losses	742	1,443
Income (Loss) before income taxes and minority interests	(204)	191
Income taxes	530	858
Minority interests	2	18
Net loss	(738)	(684)

3.Consolidated Statements of Cash Flows (millions of yen)

	Six months ended June 30, 2009 (A)	Six months ended June 30, 2010 (B)
	Amount	Amount
I Cash flows from operating activities		
1 Income (loss) before income taxes and minority interests	(204)	191
2 Depreciation and amortization	11,311	11,418
3 Amortization of goodwill	506	550
4 Decrease in employees' retirement benefits	(36)	(146)
5 Decrease in allowance for doubtful receivables	(71)	(152)
6 Interest and dividend income	(568)	(612)
7 Interest expense	1,764	1,815
8 (Gain) loss on sales and disposal of property, plant and equipment	470	592
9 (Gain) loss on devaluation of investment securities	87	141
10 Decrease in notes and accounts receivable - trade	9,792	5,383
11 Increase in inventories	(3,549)	(2,613)
12 (Increase) decrease in other current assets	7,514	507
13 Increase (decrease) in notes and accounts payable - trade	(1,884)	2,848
14 Decrease in liquor taxes payable	(12,423)	(12,158)
15 Decrease in deposits received	(12,258)	(4,374)
16 Other	1,887	2,965
Sub total	2,339	6,356
17 Interest and dividends received	730	794
18 Interest paid	(1,782)	(1,804)
19 Income taxes paid	(1,496)	(813)
20 Income taxes refunded	2,792	1,183
Net cash provided by (used in) operating activities	2,584	5,717
II Cash flows from investing activities		
1 Purchases of investment securities	(2,091)	(1,741)
2 Purchases of property, plant and equipment	(7,650)	(12,763)
3 Proceeds from sales of property, plant and equipment	368	470
4 Purchases of intangibles	(1,139)	(936)
5 Other	(1,658)	736
Net cash provided by (used in) investing activities	(12,171)	(14,235)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(7,476)	10,401
2 Proceeds from long-term bank loans	19,000	12,000
3 Repayment of long-term bank loans	(12,590)	(9,685)
4 Net increase (decrease) in commercial paper	-	3,000
5 Cash dividends paid	(2,736)	(2,735)
6 Other	(17)	(101)
Net cash provided by (used in) financing activities	(3,821)	12,878
IV Effect of exchange rate changes on cash and cash equivalents	115	(71)
V Net increase (decrease) in cash and cash equivalents	(13,292)	4,289
VI Cash and cash equivalents at beginning of period	22,217	6,267
VII Cash and cash equivalents at end of period	8,924	10,557

6.Notes on the going-concern assumption

Not applicable

7.Segment Information

1. Segment Information by Business

(millions of yen)

	Six months ended June 30, 2009 (January 1, 2009 – June 30, 2009)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
Net sales							
(1) Operating revenues	143,137	14,854	13,282	11,138	182,413	-	182,413
(2) Intra-group sales and transfers	2,468	108	-	1,105	3,681	(3,681)	-
Total	145,605	14,962	13,282	12,244	186,095	(3,681)	182,413
Operating income (loss)	(200)	(72)	(443)	3,561	2,845	(1,500)	1,344

	Six months ended June 30, 2010 (January 1, 2010 – June 30, 2010)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
Net sales							
(1) Operating revenues	138,220	14,759	12,805	11,358	177,144	-	177,144
(2) Intra-group sales and transfers	2,527	128	-	1,101	3,758	(3,758)	-
Total	140,748	14,887	12,805	12,460	180,902	(3,758)	177,144
Operating income (loss)	(280)	8	(447)	3,530	2,810	(1,604)	1,206

Notes:

(1) Segment classifications reflect the similarity of constituent businesses and take into account standard industry classifications in Japan.

(2) Main products in each segment

Business segment	Main products
Alcoholic Beverages	Beer, happoshu and new-genre beverages, wine, whiskey, shochu and other products, distribution, brewing equipment, etc.
Soft Drinks	Soft drinks, other non-alcoholic beverages, and snack foods
Restaurants	Operation of beer halls and restaurants
Real Estate	Real estate leasing, real estate sales, operation of commercial facilities, utility supplies, and operation of fitness clubs

(3) Changes in Accounting Policies

Six months ended June 30, 2009 (January 1, 2009 – June 30, 2009)

1) Measurement of Inventories

Effective the first quarter of the fiscal year ending December 31, 2009, the Company adopted the Accounting Standard for the Measurement of Inventories (ASBJ Statement No. 9) and switched from the conventional cost method of measurement to a cost method that involves reducing book values to reflect diminished profit potential.

Due to this change, in the six months ended June 30, 2009, operating loss in the Alcoholic Beverages business was ¥372 million higher, and in the Soft Drinks business, ¥116 million higher, than the amounts that would have resulted with the previous method.

2) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the first quarter of the fiscal year ending December 31, 2009, the Company adopted the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (ASBJ Practical Issues Task Force Report No. 18). Due to this change, operating loss in the Alcoholic Beverages business was ¥181 million higher in the six months ended June 30, 2009, than it would have been under the previous method.

Additional information

Change in Useful Life of Property, Plant and Equipment

The Company and its subsidiaries in Japan have reviewed the useful lives of property, plant and equipment following the 2008 revision of Japan's Corporation Tax Act, and effective the fiscal year ending December 31, 2009, began using new useful lives for depreciation of machinery assets.
Due to this change, in the six months ended June 30, 2009, compared with what they would have been under the previous accounting method, operating loss in the Alcoholic Beverages business was ¥685 million lower; in the Soft Drinks business, lower by approximately ¥0 million; and in the Restaurants business, ¥6 million higher. By the same comparison, operating income in the Real Estate business was lower by approximately ¥0 million.

Six months ended June 30, 2010 (January 1, 2010 – June 30, 2010)

Change in accounting standard for recognizing revenues from and costs of completed construction
Effective the first quarter of the fiscal year ending December 31, 2010, the Company adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its accompanying *Guidance on Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007) for recognizing revenues associated with contracted construction. All construction contracts, including those in existence at the beginning of the second quarter, for which certain elements were determinable with certainty at end of the second quarter were accounted for with the percentage-of-completion method.
The effect of this change on segment information was negligible.

2. Segment Information by Geographic Area

Six months ended June 30, 2009 (January 1, 2009 – June 30, 2009) and
six months ended June 30, 2010 (January 1, 2010 – June 30, 2010)

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

3. Overseas Sales

Six months ended June 30, 2009 (January 1, 2009 – June 30, 2009) and
six months ended June 30, 2010 (January 1, 2010 – June 30, 2010)

Overseas sales constituted less than 10% of consolidated sales.
Accordingly, overseas sales have not been disclosed.

8.Notes on significant changes in the amount of shareholders' equity

Not applicable

9.Subsequent Events

From July 1, 2010, the Company began issuance of domestic stratight bonds with the following characteristics.

• 24th Unsecured Bond Series

1. Issuer	Sapporo Holdings Ltd.
2. Total issue amount	¥12,000 million
3. Issue price	¥100 cash per ¥100 of face value
4. Coupon	0.96% per annum
5. Pay-in date	July 20, 2010
6. Maturity	July 27, 2015
7. Use of proceeds	Funds to redeem bonds and funds to repay borrowings