Financial Results
for the Three Months Ended March 31, 2011 — Consolidated
(Based on Japanese GAAP)

May 11, 2011

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

Filing of quarterly financial report	May 12, 2011
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 Three Months Ended March 31, 2011 (January 1 – March 31, 2011)

(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	%
Three months ended March 31, 2011	72,967	(5.4)	(3,338)	-	(4,098)	-	(6,291)	-
Three months ended March 31, 2010	77,130	(5.5)	(3,583)	-	(4,143)	-	(2,978)	-

	Net income per share	Diluted net income per share
	yen	yen
Three months ended March 31, 2011	(16.07)	-
Three months ended March 31, 2010	(7.60)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
March 31, 2011	532,904	119,730	21.8	296.80
December 31, 2010	494,798	126,645	25.3	319.32

Note: Shareholders' equity
March 31, 2011: 116,221 million yen
December 31, 2010: 125,047 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, 2010	—	0.00	—	7.00	7.00
Year ending December 31, 2011	—				
Year ending December 31, 2011 (forecast)		0.00	—	7.00	7.00

Note: No changes were made to dividend forecasts in the three months ended March 31, 2011.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2011 (January 1 – December 31, 2011)

Note: Changes were made to earnings forecasts in the three months ended March 31, 2011.

The Company omits disclosure of its earnings forecast for the year ending December 31, 2011 because reasonable estimates of the Great East Japan Earthquake's impact are not currently possible, making it impossible to provide shareholders and investors with fair, reliable information. The Company will release a revised consolidated earnings forecast as soon as reasonable estimates are possible. For details, see "3. Consolidated Earnings Forecast" on page 11.

4. Other

*For details, see "4. Other" on page 11.

(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

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

1) Number of shares issued at end of period (treasury stock included):
March 31, 2011: 393,971,493 shares
December 31, 2010: 393,971,493 shares

2) Number of shares held in treasury at end of period:
March 31, 2011: 2,386,303 shares
December 31, 2010: 2,367,424 shares

3) Average number of outstanding shares during the period:
Three months ended March 31, 2011: 391,590,749 shares
Three months ended March 31, 2010: 393,732,438 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

Consolidated Financial Results for the Three Months ended March 31, 2011

In the first quarter of 2011 (January 1 – March 31, 2011), the Japanese economy was in the midst of a moderate recovery in business conditions, supported by improvements in the global economy and corporate earnings, when the Great East Japan Earthquake and tsunami disaster struck on March 11, leading to a sudden drop in economic activity and an unclear future.

The Sapporo Group's Japanese Alcoholic Beverages and Restaurants businesses have been directly affected by the disaster. In response to falling sales, both businesses have cut costs, including facility expenditures. Meanwhile, the International Alcoholic Beverages and the Soft Drinks businesses both achieved sales growth thanks to successful marketing strategies launched at the start of 2011, which translated into year-over-year operating income gains.

As a result of the above factors, in the first quarter the Sapporo Group posted consolidated net sales of ¥72.9 billion (down ¥4.1 billion, or 5%, from the year-earlier quarter). The operating loss narrowed to ¥3.3 billion (a ¥200 million improvement over the year-earlier quarter), while the ordinary loss contracted to ¥4.0 billion (a ¥400 million improvement from the year-earlier quarter). First-quarter net loss was ¥6.2 billion (versus an operating loss of ¥2.9 billion in the year-earlier quarter), with most of the increase in net loss due to a ¥1.0 billion charge owing to changes in accounting standards for asset retirement obligations and "disaster losses" of ¥1.9 billion booked in relation to the earthquake.

We are unable to make reasonable estimates of all earthquake-related losses at this time and therefore expect to post additional losses in future periods as the amount of such losses becomes clear.

Regarding the management integration with POKKA CORPORATION, the acquisition of additional shares on March 29 made POKKA a consolidated subsidiary of Sapporo Holdings. However, the acquisition will be recognized as having occurred on March 31, so POKKA's balance sheet items only will be consolidated for the first quarter, with statement of income items to be incorporated into consolidated results from the second quarter. The two companies are now engaged in discussions to institute a new business structure from April 2012.

Segment Information

The presentation of segment information has changed owing to adoption of the management approach from this fiscal year. Changes from the previous fiscal year are explained in the supplementary materials.

Seasonal Factors

The Group's operating results exhibit substantial seasonal variation because demand for the Alcoholic Beverages, Soft Drinks, and Restaurants businesses' products tend to be disproportionately concentrated in the summer months. Sales therefore tend to be lower in the first quarter than in the other three quarters.

Japanese Alcoholic Beverages

In the first quarter, total demand for beer and beer-type beverages in the Japanese market was trending in line with the previous year through the end of February, but in demand March fell 13% in the aftermath of the Great East Japan Earthquake. As a result, total demand for beer and beer-type beverages appears to have been at around 94–95% of its year-earlier level.

The earthquake caused some damage to buildings, equipment, and distribution facilities at the Group's Sendai Brewery (Natori City, Miyagi Prefecture) and Chiba Brewery (Funabashi City, Chiba Prefecture). Some product losses were also sustained. These damages forced the shutdown of the two breweries and the halt of product shipments. In addition, post-quake shortages of fuel, transport vehicles, and supply capabilities forced the Japanese Alcoholic Beverage business to limit production to certain core brands and to delay the launch of new products. It also refrained from advertising and in-store marketing activities.

Under such circumstances, marketing activities were focused on the business's core brands, namely Yebisu, Sapporo Draft Beer Black Label, and *Mugi to Hop*, and total unit sales of Sapporo beer products fell 11% year over year in the first quarter.

In the low-alcohol category, in February we launched the limited-quantity Sapporo Nectar Creamy Peach cocktail-style drink and received a favorable market reaction. In the nonalcoholic beer category, we introduced Sapporo Premium Alcohol Free on March 16, and sales of the new product surpassed original targets despite the launch coming soon after the earthquake.

In the wine business, demand for imported wines in the core Greater Tokyo market was stunted in the earthquake's aftermath and revenues consequently fell year over year. Domestic wines, on the other hand, posted year-over-year revenue growth thanks to growing demand in areas west of the Tokai region (which centers on Nagoya), which were unscathed by the massive earthquake in northeast Japan. Nonetheless, our wine business as a whole saw sales and profits income fall below year-earlier levels.

In the *shochu* business, we were forced to postpone the originally scheduled March 23 launch of the Triangle Ginger Highball canned cocktail because of the earthquake's impact. This product is now scheduled for launch on May 11. As a result, the *shochu* business suffered year-over-year declines in both revenues and profits.

As for operations at our quake-damaged breweries, the Chiba Brewery restored its packaging line to partial operation on March 28 and resumed pre-fermentation processes on April 25, so it is now well on the way to fully reinstating operations. The Sendai Brewery resumed partial operation of its packaging line on May 2.

Overall, the Japanese Alcoholic Beverages business saw first-quarter sales fall to ¥49.2 billion (down ¥4.6 billion, or 9%, year over year) and incurred an operating loss of ¥4.0 billion (versus an operating loss of ¥3.8 billion in the year-earlier quarter).

International Alcoholic Beverages

North American beer demand remained sluggish despite signs of a recovery in consumer spending. Industry-wide demand appears to have contracted by around 1–2% versus the first quarter of 2010. Meanwhile, the Asian beer market continues to grow steadily, supported by fast-growing economies in the region.

In this environment, the International Alcoholic Beverages business continued marketing activities targeting the premium beer segment. Canadian subsidiary SLEEMAN BREWERIES' unit sales (excluding outsourced production of Sapporo brand products) increased 4% year over year, maintaining its five-year growth streak. Sapporo USA's Sapporo brand unit sales were up 24% year over year. Meanwhile, non-North American sales, which are concentrated mainly in Asia, continued to grow briskly, with unit sales up 19% year over year.

In Vietnam, brewery construction is proceeding smoothly, and we plan to begin beer production and sales of locally produced beer during 2011. Toward that end, we are working to establish a production system, formulating a marketing strategy, and building a distribution network. In Singapore, we continue to work with POKKA CORPORATION on expanding sales channels in the local household market. In South Korea we entered the household and commercial beer markets via an alliance with Maeil Dairies Co., Ltd.

As a result, our International Alcoholic Beverages business achieved sales of ¥5.4 billion (an increase of ¥0.1 billion, or 4%, year over year) and reduced its operating loss to ¥0.1 billion (¥0.1 billion improvement from a year earlier) despite startup investment totaling ¥0.2 billion in Vietnam.

Soft Drinks

We estimate that domestic demand for soft drinks was running ahead of the previous year's pace in January and February, but the March 11 earthquake halted sales of some new products and postponed launches for some others. Sales were also curtailed by supply shortages owing to damages suffered by ingredient makers and the negative impact on product distribution caused by gasoline shortages. A 4% year-over-year decline in market-wide demand in March alone limited total domestic soft drink sales in the first quarter to a 1% rise.

In this environment, the Soft Drinks business continued to strengthen and cultivate its brands, in particular by focusing marketing investment and sales-force resources on core brands, while also strengthening product development operations targeted at creating new value propositions. We also stepped up efforts to dramatically lower operating costs, implementing cost measures designed to strengthen profitability through a select-and-focus approach (i.e., selectively focusing resources on key areas).

Specifically, we did our first renewal of the Ribbon brand in two years and launched a marketing campaign for the *Gabunomi* series that helped broaden sales points and solidify the products' market presence. To promote market recognition of Gerolsteiner (naturally carbonated water from Germany), we passed out samples as part of in-store trial offers and repeat purchase promotions. We also enhanced our *Oishii Tansansui* lineup of bottled soda waters and introduced new offerings in the *Sonamama Zukuri* series of all-natural fruit juice drinks.

In addition to these efforts, a post-earthquake surge in demand for mineral water and unsweetened beverages led to a 10% year-over-year increase in sales volume for such products.

In terms of costs, we countered rising materials procurement costs by optimizing our production structure and reducing losses from waste and spoilage, as we continued to pursue cost-structure reforms throughout the value chain through our rigorous select-and-focus approach.

As a result, the Soft Drinks business achieved sales of ¥7.5 billion (up ¥1.4 billion, or 23%, year over year) and booked operating income, just above break even, at under ¥0.1 billion (improving by ¥0.1 billion from a year earlier), on the strength of the higher sales and the benefits cost-structure reforms.

Restaurants

In the first quarter of 2011, Japan's restaurant industry continued to feel the pinch of weak consumer spending in the face of an unclear economic outlook and increasingly stiff competition among restaurant operators. An already harsh operating environment was made even more difficult by the earthquake and tsunami disaster, which forced many outlets to close or shorten operating hours and triggered a sharp drop in consumer spending.

To increase customer traffic amid this difficult operating environment, the Restaurants business has conducted a number of campaigns since the outset of 2011, including promotions highlighting various Sapporo-brand beers and campaigns to increase membership of house cards. However, after the earthquake knocked out key lifeline infrastructure and caused damage at some restaurants, eight locations in Miyagi Prefecture were closed, as were the Chiba Beer Garden and the Nasu Mori no Beer En facility. Additionally, planned rolling power outages and other disaster-related complications forced many restaurants in the Greater Tokyo area to close or reduce their hours of operation.

In the aftermath of the earthquake, Sapporo Group restaurants in Sendai City and the Sendai Beer Garden in Natori City have contributed to relief efforts by supplying meals to evacuation centers on a continuous basis.

We opened five new restaurant locations during the first quarter. In January, we opened a shop within the Shiki Theater Company's Hokkaido theater hall. In February, we took on operation of a *Shabu Ichimonji* shabu-shabu restaurant in Kashiwa Takashimaya Station Mall and a buffet restaurant in the Hakone Kowakien Yunessun hot spring resort, and we opened our third Yebisu Bar in the Whity Umeda part of the Umeda underground shopping district in Osaka. In March, Brasserie Ginza Lion opened its newest location in Sapporo City's Tokyu Plaza.

We also closed five unprofitable locations with little prospect of an earnings improvement in the near term. As a result, the Sapporo Group had 194 locations operating at the end of March.

The Restaurants business generated sales of ¥4.7 billion (down ¥1.1 billion, or 20%, year over year), leading to an operating loss of ¥0.7 billion (versus a loss of ¥0.3 billion a year earlier).

Real Estate

Vacancy rates and rents in the Greater Tokyo office leasing market have shown no signs of improvement since the start of 2011, and deteriorated even further in the wake of the March earthquake.

Amid such an environment, our Real Estate business has been endeavoring to maintain or boost rents and occupancy rates and realize additional cost savings at existing properties. Planned rolling power outages in the first few weeks immediately following the earthquake forced some of our office buildings and commercial facilities, including Yebisu Garden Place, to limit usage, but these facilities have since returned to normal operating conditions.