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/
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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.

Real estate development activities during the quarter focused on ongoing construction of a new wing at the Pal Urayasu fitness club in Urayasu, Chiba.

In February, we acquired the Storia Shirokanedai rental apartment building in the Meguro area of Tokyo, and this property is already contributing to segment earnings.

The Real Estate business's sales totaled ¥5.7 billion (¥300 million less than a year earlier), while operating income improved to ¥2.2 billion (up ¥0.3 billion, or 18%, year over year).

2. Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets totaled ¥532.9 billion at March 31, 2011, a ¥38.1billion increase from the end of the previous fiscal year (December 31, 2010). The increase was attributable to making POKKA CORPORATION a consolidated subsidiary and an increase in land holdings, partially offset by a decrease in notes and accounts receivable.

Consolidated liabilities totaled ¥413.1 billion, a ¥45.0 billion increase from December 31, 2010, notably due to the newly consolidated subsidiary, partially offset by decreases in liquor taxes payable and deposits received.

Consolidated net assets totaled ¥119.7 billion, a ¥6.9 billion decrease from December 31, 2010. The decrease is primarily due to dividend payments at the end of the previous fiscal year and the booking of a net loss for the first quarter.

Consolidated Cash Flows

Consolidated cash flows for the three months ended March 31, 2011 were as follows.

Operating activities used net cash of ¥1.8 billion. Main decremental factors included a loss before income taxes and minority interests (¥7.9 billion), a decrease in notes and accounts payable (¥6.4 billion), and a decrease in liquor taxes payable (¥18.3 billion). Main incremental factors included depreciation and amortization (¥4.9 billion), a decrease in notes and accounts receivable (¥22.3 billion), and a decrease in other current assets (¥2.1 billion).

Investing activities used net cash of ¥22.3 billion. Major investment outflows included acquisitions of subsidiaries' shares resulting in changes in scope of consolidation (¥18.6 billion) and purchases of property, plant and equipment (¥3.6 billion).

Financing activities provided net cash of ¥25.3 billion. The major financing inflows were proceeds from short-term bank loans (¥26.4 billion), partly offset by repayments of long-term bank loans (¥4.8 billion).

As a result of the above cash flows, cash and cash equivalents totaled ¥14.3 billion as of

March 31, 2011.

3. Consolidated Earnings Forecast

As it is still difficult to estimate the impact of the Great East Japan Earthquake on Group earnings, we cannot provide a reasonable forecast at this time, but we will do so as soon as accurate estimates can be made.

Forecasting at this time is complicated by the following.

- Reasonable estimates of the cost of restoring damaged facilities to pre-quake conditions have not yet been made.
- Trends in economic activity and consumer spending in the post-quake period remain unclear.
- The impact of electric power supply restrictions, etc., on manufacturing operations remains unclear.

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 three months ended March 31, 2011, 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) Overview of changes in accounting principles, procedures, and methods of presentation used to prepare the quarterly financial statements

Changes in accord with amendments to accounting standards

Adoption of accounting standard related to equity method

Effective the first quarter of the fiscal year ending December 31, 2011, the Company adopted the *Revised Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, revised March 10, 2008) and the *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method* (PITF No.24, March 10, 2008). The impact of this adoption on ordinary income and net income before income taxes and minority interests was nil.

Adoption of accounting standard related to asset retirement obligations

Effective the first quarter of the fiscal year ending December 31, 2011, the Company adopted *the Accounting Standard for Asset Retirement Obligations (Statement No.18, March 31, 2008) and* its associated *Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No.21, March 31, 2008).* Due to this adoption, operating loss and ordinary loss were each 25 million yen higher, and loss before income taxes and minority interests was 1,110 million yen higher. Asset retirement obligations changed by 602 million yen due to adoption of the accounting standard and guidance.

Changes in presentation methods

In accord with the adoption of the Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Other Items (Cabinet Office Ordinance No. 5, March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No.22, December 26, 2008), the Company used the account title “loss before minority interests” for the first quarter ended March 31, 2011.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	March 31, 2011	December 31, 2010
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	14,470	13,390
2 Notes and accounts receivable - trade	53,272	61,352
3 Marketable securities	―	2
4 Merchandize and finished products	16,376	12,412
5 Raw materials and supplies	10,690	9,756
6 Other	14,239	12,984
7 Allowance for doubtful receivables	(130)	(161)
Total current assets	108,918	109,737
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	373,912	357,769
Accumulated depreciation	(197,319)	(185,485)
Buildings and structures, net	176,592	172,284
(2) Machinery and vehicles	200,695	180,519
Accumulated depreciation	(159,440)	(142,521)
Machinery and vehicles, net	41,254	37,997
(3) Land	84,876	77,583
(4) Construction in progress	4,322	3,563
(5) Other	39,560	20,400
Accumulated depreciation	(24,560)	(15,201)
Other, net	14,999	5,199
Total property, plant and equipment	322,045	296,629
2 Intangible assets		
(1) Goodwill	32,501	14,128
(2) Other	10,389	10,331
Total intangible assets	42,891	24,459
3 Investments and other assets		
(1) Investment securities	31,165	38,027
(2) Long-term loans receivable	10,232	10,396
(3) Deferred tax assets	2,680	2,649
(4) Other	16,626	14,493
(5) Allowance for doubtful receivables	(1,656)	(1,594)
Total investments and other assets	59,048	63,972
Total fixed assets	423,985	385,061
Total assets	532,904	494,798

(millions of yen)

	March 31, 2011	December 31, 2010
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	27,242	24,348
2 Short-term bank loans	64,108	28,089
3 Current portion of long-term debt	20,000	20,000
4 Liquor taxes payable	15,917	34,253
5 Income taxes payable	983	1,818
6 Accrued bonuses	4,810	2,055
7 Deposits received	17,893	19,218
8 Other	50,240	37,259
Total current liabilities	201,195	167,043
II Long-term liabilities		
1 Bonds	35,843	35,843
2 Long-term bank loans	98,408	97,402
3 Deferred tax liabilities	14,338	13,455
4 Employees' retirement benefits	7,615	7,190
5 Directors’ and corporate auditors’ severance benefits	33	42
6 Dealers' deposits for guarantees	32,823	31,935
7 Other	22,913	15,239
Total long-term liabilities	211,977	201,109
Total liabilities	413,173	368,152
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,315	46,315
3 Retained earnings	19,281	28,317
4 Treasury stock, at cost	(1,197)	(1,190)
Total shareholders' equity	118,285	127,329
II Valuation and translation adjustments		
1 Unrealized holding gain on securities	2,507	2,985
2 Deferred hedge gains (losses)	4	(7)
3 Foreign currency translation adjustments	(4,576)	(5,258)
Total valuation and translation adjustments	(2,064)	(2,281)
III Minority Interests	3,509	1,597
Total net assets	119,730	126,645
Total liabilities and net assets	523,904	494,798

(2) Consolidated Statements of Income

(millions of yen)

	Three months ended March 31, 2011	Three months ended March 31, 2010
	Amount	Amount
I Net sales	72,967	77,130
II Cost of sales	49,382	53,761
Gross profit	23,584	23,368
III Selling, general and administrative expenses		
1 Sales incentives and commissions	4,500	4,121
2 Advertising and promotion expenses	4,758	5,547
3 Salaries	4,077	3,909
4 Provision for bonuses	1,149	1,097
5 Retirement benefit expenses	743	716
6 Other	11,694	11,559
Total selling, general and administrative expenses	26,923	26,952
Operating loss	(3,338)	(3,583)
IV Non-operating income		
1 Interest income	96	107
2 Dividend income	55	83
3 Foreign exchange gain	54	—
4 Gain (loss) on gift voucher redemptions	124	151
5 Other	93	297
Total non-operating income	423	639
V Non-operating expenses		
1 Interest expense	831	895
2 Equity in loss of affiliates	282	275
3 Foreign exchange loss	—	6
4 Other	68	21
Total non-operating expenses	1,182	1,199
Ordinary loss	(4,098)	(4,143)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	0	0
2 Gain on sales of investment securities	0	1
3 Reversal of provision for doubtful receivables	26	16
4 Reversal of removal costs	—	569
5 Settlement received	261	—
Total extraordinary gains	288	587
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	79	194
2 Effect of adoption of new accounting standards for asset retirement obligations	1,084	—
3 Loss on phased acquisition	566	—
4 Disaster losses	1,907	—
5 Loss on devaluation of investment securities	489	91
Total extraordinary losses	4,128	286
Loss before income taxes and minority interests	(7,937)	(3,842)
Income taxes	(1,635)	(863)
Loss before minority interests	(6,302)	(2,978)
Minority interests in gains (losses)	(11)	0
Net loss	(6,291)	(2,978)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Three months ended March 31, 2011	Three months ended March 31, 2010
	Amount	Amount
I Cash flows from operating activities		
1 Loss before income taxes and minority interests	(7,937)	(3,842)
2 Depreciation and amortization	4,984	5,686
3 Amortization of goodwill	305	262
4 Increase (decrease) in employees' retirement benefits	(24)	(70)
5 Increase (decrease) in allowance for doubtful receivables	(70)	(10)
6 Interest and dividend income	(151)	(190)
7 Interest expense	831	895
8 (Gain) loss on sales and disposal of fixed assets	79	193
9 (Gain) loss on revaluation of investment securities	489	91
10 Effect of adoption of new accounting standards for asset retirement obligations	1,084	—
11 (Increase) decrease in notes and accounts payable - trade	22,387	16,382
12 (Increase) decrease in inventories	(0)	(146)
13(Increase) decrease in other current liabilities	2,107	1,272
14 Increase (decrease) in notes and accounts payable - trade	(6,435)	(1,306)
15 Increase (decrease) in liquor taxes payable	(18,367)	(17,279)
16 Increase (decrease) in deposits received	(1,538)	(3,086)
17 Other	2,672	2,354
Sub total	417	1,206
18 Interest and dividends received	350	439
19 Interest paid	(851)	(802)
20 Income taxes paid	(1,812)	(683)
Net cash provided by (used in) operating activities	(1,895)	159
II Cash flows from investing activities		
1 Purchases of investment securities	(111)	(837)
2 Purchases of property, plant and equipment	(3,628)	(2,768)
3 Proceeds from sales of property, plant and equipment	27	0
4 Purchases of intangibles	(480)	(135)
5 Purchases of newly consolidated subsidiaries	(18,644)	—
6 Other	442	179
Net cash provided by (used in) investing activities	(22,395)	(3,561)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	26,416	9,877
2 Proceeds from long-term bank loans	3,080	10,000
3 Repayment of long-term bank loans	(4,802)	(5,954)
4 Increase (decrease) in commercial paper	3,000	—
5 Cash dividends paid	(2,326)	(2,339)
6 Other	(64)	(42)
Net cash provided by (used in) financing activities	25,304	11,540
IV Effect of exchange rate changes on cash and cash equivalents	27	(12)
V Net increase (decrease) in cash and cash equivalents	1,041	8,126
VI Cash and cash equivalents at beginning of period	13,270	6,267
VII Cash and cash equivalents at end of period	14,311	14,394

4. Notes on the Going-concern Assumption

Not applicable

5. Segment Information

a. Segment Information by Business

(millions of yen)

	Three months ended March 31, 2010 (January 1, 2010 – March 31, 2010)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
Net sales							
(1) Operating revenues	58,996	6,249	6,142	5,741	77,130	-	77,130
(2) Intra-group sales and transfers	1,145	29	-	548	1,723	(1,723)	-
Total	60,142	6,278	6,142	6,289	78,854	(1,723)	77,130
Operating income (loss)	(4,170)	(270)	(338)	1,898	(2,881)	(702)	(3,583)

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

(6) Changes in Accounting Policies

Three months ended March 31, 2010 (January 1, 2010 – March 31, 2010)

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

For recognition of revenues associated with construction work, the Company has adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No. 15, December 27, 2007) and its associated *Guidance on the Accounting Standard for Construction Contracts* (ASBJ Statement No. 18, December 27, 2007). All construction contracts, including those in existence at the beginning of the quarter, for which certain elements were determinable with certainty at end of the first quarter (March 31, 2010) were accounted for with the percentage-of-completion method. The effect of this change on profit and loss was minor.

b. Segment Information by Geographic Area

Three months ended March 31, 2010 (January 1, 2010 – March 31, 2010)

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

c. Overseas Sales

Three months ended March 31, 2010 (January 1, 2010 – March 31, 2010)

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

Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.
The Sapporo Group utilizes the assets of the Group and its traditional areas of strength in the two business domains, "creation of value in food" and "creation of comfortable surroundings." Under Sapporo Holdings, a pure holding company, each group company formulates development plans and strategies for its products, services, and sales markets and conducts business accordingly.
The Group's businesses are therefore segmented mainly based on the products, services, and sales markets of Group companies and their affiliated companies. The Company's six reportable segments are Japanese Alcoholic Beverages, International Alcoholic Beverages, Soft Drinks, the POKKA Group, Restaurants, and Real Estate.
The Japanese Alcoholic Beverages segment produces and sells alcoholic beverages in Japan, while the International Alcoholic Beverages segment produces and sells alcoholic beverages overseas. The Soft Drinks segment produces and sells soft drinks and other non-alcoholic beverages.
The POKKA Group segment is a business group led by POKKA CORPORATION.
The Restaurants segment operates restaurants of various styles.
The Real Estate segment's activities include leasing and development of real estate.

2. Sales, income, and loss by reportable segment

Three months ended March 31, 2011 (January 1, 2011 – March 31, 2011)

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	49,251	5,461	7,582	4,760	5,709	72,765	201	72,967	-	72,967
(2) Intra-group sales and transfers	1,039	-	30	-	540	1,611	7	1,618	(1,618)	-
Total	50,291	5,461	7,613	4,760	6,249	74,377	208	74,585	(1,618)	72,967
Segment income (loss)	(4,019)	(147)	88	(723)	2,244	(2,558)	(175)	(2,734)	(604)	(3,338)

Notes:

(1) "Other" comprises businesses, such as food 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.

(3) The POKKA Group segment was not included in reportable segments as it comprises affiliated POKKA Group companies to which the equity method was applied in the three months ended March 31, 2011.

3. Reconciliation and main components of differences between sales, 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	(2,558)
Total other sales	(175)
Unallocated corporate costs	(585)
Intra-segment sales	(18)
Operating income on the statement of income	(3,338)

4. Impairment loss on fixed assets or goodwill by reportable segment

Material impairment loss on fixed assets

There were no material impairment losses.

Material change in amount of goodwill

Effective March 29, 2011, the Company made POKKA CORPORATION a consolidated subsidiary through an additional acquisition of shares and categorized it into the POKKA Group segment. POKKA CORPORATION had been an affiliated company under the equity method since September 30, 2009. As a result, goodwill increased by 18,525 million yen in the three months ended March 31, 2011.

Material negative goodwill gains

There were no material gains on negative goodwill.

Additional information

Effective the first quarter of the fiscal year ending December 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (ASBJ Statement No.17 (Revised 2009)) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

6. Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable

7. Subsequent Events

On April 15, 2011, the Company terminated its business alliance with YK, Crescent Partners and Goudou Kaisha CRPBH (the "Investor"), a fund operated by Crescent Partners.
Accordingly, on April 28, the Company purchased all shares in Sapporo Beverage after conversion of all bonds with stock acquisition rights of Sapporo Beverage Co., Ltd. held by the Investor.

Type of shares	Common stock of Sapporo Beverage Co., Ltd.
Number of shares	94,157 shares (49% of issued shares)
Ownership ratio after the additional acquisition	100%
Purchase amount	10,871 million yen

8. Business Combinations

Three months ended March 31, 2011 (January 1, 2011 – March 31, 2011)

Business combination through acquisition

1. Information related to business combination and acquired company

1) Name and business of acquired company

Name: POKKA CORPORATION

Business: Beverages, food, restaurant, confectionaries, distribution, and other businesses

2) Primary reasons for business combination

In September 2009, the Company and POKKA CORPORATION entered into a new capital and business alliance agreement strengthen their existing business alliance in the beverage industry and to expand both companies' business areas. Subsequent efforts to enhance the vending machine business, generate costs savings through joint procurement, optimize production systems, and jointly develop businesses in foreign markets have produced some results. Since that time, market circumstances have become increasingly severe, and both companies have to enhance corporate value by expanding into new business areas and further pursuing synergies through collaboration.
In the current market climate, the Company and POKKA reached the decision that jointly, not independently, building a new food value creation group that is highly competitive in the alcoholic and non-alcoholic beverages, food, and restaurant industries in Japan and overseas would be the best way for both companies to enhance corporate value by accelerating expansion into new business areas, generating added value through collaborative synergies, and building a solid business foundatio

3) Date of business combination

March 29, 2011

4) Legal form of business combination

Cash payment in exchange for shares

5) Name of companies after business combination

Corporate names remain unchanged after the business combination.

6) Percentage of voting rights acquired

Percentage of voting rights held before the business combination:	21.41%
Percentage of voting rights acquired on the date of business combination:	65.35%
Percentage of voting rights held after the business combination:	86.76%

7) Primary reasons for deciding on the acquiring company

The Company was decided on as the acquiring company because it proposed to buy the equity in exchange for cash.

2. Consolidated quarterly accounting period and period for which earnings of the acquired company were included in the consolidated statements of income

Because the acquisition is recognized as having occurred on March 31, 2011, the acquired company's earnings are only reflected in the quarterly consolidated statement of income for the three months ended March 31, 2011 as equity in losses of affiliates.

3. Acquisition cost and breakdown

Acquisition price:	29,514 million yen
Costs incurred directly in the acquisition:	18 million yen
Acquisition cost:	29,533 million yen

4. Difference between the acquisition cost and the accumulated acquisition cost paid for each transaction

Difference arising from phased acquisition: 566 million yen

5. Amount of goodwill, reason for its recognition, amortization method, and amortization period

1) Amount of goodwill: 16,680 million yen
2) Reason for its recognition: Future business activities are expected to generate excess profitability.
3) Amortization method and amortization period: 15 years with the straight-line method

6. Approximate effects on the consolidated statements of income for the three months ended March 31, 2011 assuming that the business combination was completed at the beginning of the fiscal year ending December 31, 2011

Net sales:	22,305 million yen
Ordinary loss:	(123) million yen
Net loss:	(816) million yen

These approximate effects have not been audited.