Financial Results
for the Six Months Ended June 30, 2011 — Consolidated
(Based on Japanese GAAP)

July 29, 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	August 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 Six Months Ended June 30, 2011 (January 1 – June 30, 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	%
Six months ended June 30, 2011	194,428	9.8	3,005	149.2	2,017	375.1	(2,965)	-
Six months ended June 30, 2010	177,144	(2.9)	1,206	(10.3)	424	(18.1)	(684)	-

	Net income per share	Diluted net income per share
	yen	yen
Six months ended June 30, 2011	(7.57)	-
Six months ended June 30, 2010	(1.75)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2011	557,066	120,976	21.4	303.77
December 31, 2010	494,798	126,645	25.3	319.32

Note: Shareholders' equity
June 30, 2011: 118,949 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	—	0.00			
Year ending December 31, 2011 (forecast)			—	7.00	7.00

Note: No changes have been made to the dividend forecasts since the latest release

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

(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	462,000	18.7	18,000	16.9	15,500	8.2	2,700	(74.9)	6.90

Note: No changes have been made to earnings forecasts since the latest release

4. Other

(1) Changes to scope of consolidation: None
(2) Use of accounting methods specific to preparation of consolidated quarterly financial statements: Yes

(3) Changes in accounting principles, changes in accounting estimates, and restatements

1) Changes in accord with amendments to accounting standards: Yes
2) Changes other than the above: None

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

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

June 30, 2011:	393,971,493 shares
December 31, 2010:	393,971,493 shares

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

June 30, 2011:	2,390,631 shares
December 31, 2010:	2,367,424 shares

3) Average number of outstanding shares during the period:

Six months ended June 30, 2011:	391,585,911 shares
Six months ended June 30, 2010:	391,721,094 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 notice on the use of earnings forecasts, please refer to "Consolidated Earnings Forecast" in "Analysis of Operating Results" on page 8 .

1. Analysis of Operating Results

（1）Consolidated Financial Results for the Six Months ended June 30, 2011

In the first half of 2011 (January–June), the Japanese economy was showing signs of a moderate recovery in business conditions in the early part of the year when the Great East Japan Earthquake and tsunami disaster struck on March 11. The impact of the disaster and subsequent electricity shortages has had a major impact on the economy, resulting in a sharp slowdown. As of this writing, prospects for a full-fledged recovery remain unclear.

In this economic environment, the Sapporo Group's Japanese Alcoholic Beverages and Restaurants businesses sales fell as a direct effect of the post-disaster situation. On the other hand, the Soft Drinks business achieved year-on-year sales growth in the first half thanks to successful marketing strategies launched at the start of the year. From April 1, the POKKA Group was added to our consolidated statements of income. This buoyed Group sales and contributed to a sharp increase in consolidated sales.

Operating income was boosted by cost reductions in all business segments, the addition of the POKKA Group, and a solid performance from our Real Estate business.

As a result of the above factors, in the first half of 2011 the Sapporo Group posted consolidated net sales of ¥194.4 billion (up ¥17.2 billion, or 10%, year over year). Operating income was ¥3.0 billion (up ¥1.7bn, or 149%, year over year), and ordinary income came to ¥2.0 billion (up ¥1.5 billion, or 375%, year over year). However, we posted a first-half net loss of ¥2.9 billion (compared with ¥0.6 billion in the first half of 2010), owing to a ¥1.0 billion charge stemming from changes in accounting standards for asset retirement obligations and "disaster losses" of ¥4.6 billion booked in relation to the earthquake/tsunami disaster.

Segment Information is outlined below. 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.

Segment Information

Impact of Seasonal Factors

The Group's operating results exhibit substantial seasonal variation, with demand for the Alcoholic Beverages, Soft Drinks, and Restaurants businesses' products and thus, sales and income, in the first quarter (January–March) of the first half of the year lower compared with other fiscal quarters.

Japanese Alcoholic Beverages

Domestic demand for beer and beer-type beverages was trending in line with the previous year up through the end of February, but demand in March was 87% of the corresponding level a year earlier 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 the year-earlier level.

From the start of 2011, the Japanese Alcoholic Beverages business focused its marketing activities on core brands, namely YEBISU, Sapporo Draft Beer Black Label, and *Mugi to Hop*. However, 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. Packaging line operations were resumed at the Chiba Brewery on March 28 and at the Sendai Brewery on May 2, but supply shortages forced the Japanese Alcoholic Beverage business to limit production to certain core brands and to delay the launch of new products. Marketing activities, including advertising and in-store promotions, were also greatly affected. As a result, total unit sales of Sapporo beer products fell 9% year over year in the first half.

In the low-alcohol category, in February we launched the limited-quantity Sapporo Nectar Creamy Peach cocktail-style drink and in April we began selling a new and improved version of Sapporo Nectar Sour Sparkling Peach, a year-round offering. Both products met favorable market reactions.

In the nonalcoholic beer category, we introduced Sapporo Premium Alcohol Free on March 16, and sales have beat original targets despite the launch coming soon after the earthquake. In June, we doubled our original unit sales target for 2011 to 1.2 million cases.

The wine and liquor business saw demand for domestic and imported wines increase in areas west of the Tokai region, which centers on Nagoya and was unscathed by the earthquake/tsunami disaster in northeast Japan. As a result, unit sales were above previous year figures, contributing to year-over-year gains in sales and income for the business as a whole.

In the shochu business, we finally launched the Triangle Ginger Highball canned cocktail in May, delayed from the originally-scheduled March launch because of the earthquake's impact. Despite the new offering's late contributions to sales, the shochu business's first-half sales fell slightly short of the previous-year figure, but the business still managed to post a profit.

As for operations at our quake-damaged breweries, the Chiba Brewery resumed full operation on April 25 and the Sendai Brewery was fully operational as of May 19.

Overall, the Japanese Alcoholic Beverages business posted first-half sales of ¥118.2 billion (down ¥7.7 billion, or 6%, year over year). Despite this downturn, the business reduced costs and managed to reach breakeven at the operating income level (compared with a ¥0.1 billion loss a year earlier).

International Alcoholic Beverages

North American beer demand remained sluggish despite signs of a recovery in consumer spending. Demand throughout the industry appears to have contracted 1–2% compared with demand in the first half 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 aggressive marketing activities targeting its core premium beer segment. Canadian subsidiary SLEEMAN BREWERIES' unit sales (excluding outsourced production of Sapporo brand products) increased 5% year over year, maintaining its five-year growth streak. Sapporo USA's Sapporo brand unit sales increased 9% year over year. Meanwhile, sales outside North America, which are concentrated mainly in Asia, continued to grow briskly, with unit sales up 79% 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. To that end, we are now establishing a production system, formulating a marketing strategy, and building a distribution network. In Singapore, we continue to work with the POKKA Group 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, improvement in local currency denominations were offset by yen appreciation as our international Alcoholic Beverages business achieved sales of ¥12.4 billion (same as in the first half of 2010), and the business posted an operating loss of ¥0.2 billion (compared with a ¥0.1 billion loss a year earlier), partly due to startup investments totaling ¥0.3 billion in Vietnam.

Soft Drinks

We estimate that domestic demand for soft drinks in the first half of 2011 expanded around 2% year over year, with shipments increasing amid high temperatures in the latter part of the period.

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 sustained thorough efforts to achieve appropriate costs throughout the value chain as part of our program to strengthen profitability through a select-and-focus approach (i.e., selectively focusing resources on key areas).

The Ribbon soft drink brand managed to keep sales at previous-year levels despite self-restraint in TV advertising following the March disaster. Sales of the Gabunomi series rose by 3% year over year as we launched a consumer-oriented marketing campaign that helped broaden sales points and solidify the products' market presence. Sales of Gerolsteiner naturally carbonated water from Germany increased 17% year over year, supported by greater product recognition realized through in-store trial offers and repeat purchase promotions that included passing out samples and other events.

In addition to the above, increased demand for mineral water and unsweetened beverages and warm temperatures helped boost unit sales of such products by 11% year-over-year.

On the cost front, 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. Moreover, we exercised restraint in our advertising and promotional activities in the wake of the disaster as cost reductions kept to the plan target.

As a result, the Soft Drinks business achieved sales of ¥17.6 billion (up ¥3.0 billion, or 21%, year over year) and booked operating income of ¥0.5 billion (up ¥0.1 billion, or 27%, from a year earlier), while also taking a goodwill amortization charge of ¥0.1 billion.

POKKA Group

We estimate that domestic demand for soft drinks in April–June quarter expanded around 2% year over year, with shipments increasing amid high temperatures.

Total demand in the markets for lemon-based products (flavorings) and instant soups appears to be in line with the trend in 2010.

In this environment, the POKKA Group's Domestic Beverage & Foods business endeavored to strengthen and cultivate core brands via focused investment in its Kireto Lemon drink, Aromax and POKKA Coffee canned coffee drinks, and the Kantanbimi brand of Korean soups being newly cultivated by the company.

Sales at POKKA's domestic beverages business during the period were above previous year levels even though post-earthquake supply shortages forced the company to cancel or delay some new product launches and adjust shipments. Sales were supported by a 10th anniversary sales campaign for Kireto Lemon, the introduction of Kireto Lemon Soukai Sparkling, additions to the POKKA Coffee lineup, and the usual favorable responses to annual promotional canned drinks.

The domestic foods business saw sales fall slightly on a year-over-year basis. The company's efforts to market POKKA Lemon 100 as a taking in the morning scene and a TV ad campaign for the Kantanbimi soup line were not enough to overcome sales drops early in the second quarter caused by soup shipment adjustments and the impact of the disaster.

Overall, POKKA's Domestic Beverage & Foods business managed to increase its April–June sales over the previous year's level. The business also boosted its profits above the previous year's level as it reduced fixed costs and stepped up efforts to lower COGS by using a competitive procurement process to offset rising vending machine costs and raw material costs.

The Overseas Beverage & Foods business made steady progress in improving its COGS ratio and lowering distribution costs, but intense price competition in Singapore, a decrease in exports to the Middle East, and other negative factors led to a decline in sales and profits in April–June.

The Overseas Restaurants business benefited from new store openings in Hong Kong, a core market, to secure gains in sales and profits in April–June.

The Domestic Restaurants business also achieved sales and profit growth as its core Café de Crie coffee shop chain proceeded with operational improvements and effective remodelings amid a difficult post-quake market environment for the café industry.

Overall, the POKKA Group posted sales of ¥24.0 billion. Operating income totaled ¥0.7 billion , even with a ¥0.2 billion charge for goodwill amortization.

POKKA Group Overview

POKKA Group results were added to our income statement from April 1. As such, our first-half results include POKKA's results for the April–June quarter. We therefore provide the previous-year data for reference.

※ For reference: POKKA CORPORATION (Including subsidiary companies)
results for April–June 2010 and 2011 (before intersegment eliminations)
2010 Sales ¥24.2 billion
Operating income ¥0.6 billion
2011 Sales ¥24.6 billion (up ¥0.4 billion or 2% year over year)
Operating income ¥1.0 billion (up ¥0.3 billion or 54% year over year)

Restaurants

In the first half of 2011, Japan's restaurant industry suffered a sharp decline. Already dealing with continued weak consumer spending in the face of an unclear economic outlook and increasingly stiff competition, restaurant operators were forced to close many outlets or shorten operating hours in the aftermath of the Great East Japan Earthquake. Sales throughout the industry were also negatively affected by the self-restraint mood that swept over consumers after the disaster. More recently, consumer spending has begun to recover but the operating environment remains challenging, with wide discrepancies among the various restaurant formats.

The earthquake/tsunami disaster forced our Restaurants business to close eight locations in

Miyagi Prefecture, as well as the Chiba Beer Garden and the Nasu Mori no Beer En facility. In addition, planned rolling power outages and other disaster-related complications forced many restaurants in the Greater Tokyo area to close or reduce hours of operation.

In this environment, we exercised self-restraint in our advertising campaigns and marketing activities in the weeks immediately after the disaster, but we resumed these activities in the latter half of April in an effort to bring customers back to our restaurants. While consumer spending trends in disaster-stricken Miyagi Prefecture remain unstable, recovery-related demand is substantial and in June alone our restaurant sales increased 10% year over year.

We opened five new restaurant locations during the first quarter and seven in the second quarter, including the May openings of our fourth and fifth YEBISU Bar outlets, the former in the Tokyo Dome City facility and latter in Kagurazaka, Tokyo. All new outlets are performing as planned. We also converted an existing outlet in Tokyo's Kanda district to an Ooi Hokkaido (Hello Hokkaido) Betsukai Pub, a Japanese-style pub officially recognized by and featuring fare from the town of Betsukai in Hokkaido.

All but one of the outlets closed after the earthquake have reopened, with the lone exception being a shop in Miyagi Prefecture that is serving as an evacuation center.

During the first half, we also closed five unprofitable locations with little prospect of an earnings improvement in the near term. As a result, we had 196 locations operating at the end of June.

As a result of the above activities and circumstances faced in the first half of 2011, the Restaurants business posted first-half sales of ¥10.5 billion (down ¥1.9 billion, or 15%, year over year), leading to an operating loss of ¥0.6 billion (versus a loss of ¥0.4 billion in the first half of 2010).

Real Estate

The Greater Tokyo office leasing market saw an improvement in vacancy rates in the second quarter of 2011, but rents continued to fall.

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. Properties damaged by the earthquake, including YEBISU Garden Place, have completed repairs and returned to normal operating conditions. In addition, our properties have adopted an assortment of measures to reduce electric power consumption in the peak summer months.

Real estate development activities during the second quarter included the completion of a new wing at the Pal Urayasu fitness club in Urayasu, Chiba. The new wing has received praise from the club's clientele.

The primary new acquisition in the first half was the Storia Shirokanedai rental apartment building in the Meguro area of Tokyo. Acquired in February, this property is already contributing to segment earnings.

Reflecting the above, the Real Estate business's first-half sales totaled ¥11.0 billion (¥0.2 billion, or 2%, less than a year earlier), while operating income rose to ¥4.2 billion (up ¥0.7 billion, or 21%, year over year).

(2) Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets totaled ¥557.0 billion at June 30, 2011, a ¥62.2 billion increase from the end of the previous fiscal year (December 31, 2010). The increase was mainly due to an increase in goodwill from purchase of Sapporo Beverage Co.,Ltd shares and making POKKA CORPORATION a consolidated subsidiary.

Consolidated liabilities totaled ¥436.0 billion, a ¥67.9 billion increase from December 31, 2010, notably due to the newly consolidated subsidiary and issue of commercial papers, partially offset by decreases in liquor taxes payable and deposits received.

Consolidated net assets totaled ¥120.9 billion, a ¥5.6 billion decrease from December 31, 2010. The decrease is primarily due to a year-end dividend distribution and the first-half net loss.

Consolidated Cash Flows

Consolidated cash flows for the six months ended June 30, 2011 were as follows.

Operating activities provided net cash of ¥2.9 billion. The major decremental factors included a loss before income taxes and minority interests (¥5.1 billion) and a decrease in liquor taxes payable (¥13.9 billion). Major incremental factors included depreciation and amortization (¥11.4 billion), a decrease in notes and accounts receivable (¥9.1 billion), and a decrease in other current assets (¥2.2 billion).

Investing activities used net cash of ¥42.4 billion. Major investment outflows included acquisitions of subsidiaries' shares resulting in changes in scope of consolidation (¥18.6 billion), purchase of investments in subsidiaries (¥15.4 billion) and purchases of property, plant and equipment (¥6.5 billion).

Financing activities provided net cash of ¥39.0 billion. The major financing inflows were proceeds from short-term bank loans (¥23.8 billion) and long-term bank loans(¥17.5 billion), partly offset by repayments of long-term bank loans (¥15.8 billion), redemption of bonds (¥20.0 billion), net increase in commercial papers (¥37.0 billion), cash dividends paid (¥2.7 billion), and repayments of finance lease obligations (¥1.0 billion).

As a result of the above cash flows, cash and cash equivalents totaled ¥12.8 billion as of June 30, 2011.

(3)Consolidated Earnings Forecast

With regard to an earnings forecast for the year ending December 31, 2011, the Company has made no further revision to the consolidated earnings forecast issued on June 30, 2011.

2. 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, 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 income and ordinary income for the six months ended June 30, 2011 were each 52 million yen lower, while income before income taxes and minority interests was 1,136 million yen lower. 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 six months ended June 30, 2011.

Consolidated quarterly statements of cash flows

In the second quarter of the fiscal year ended December 31, 2010, “repayment of finance lease obligations” was included in "other" under cash flows from financing activities. In the second quarter of the fiscal year ending December 31, 2011, though, it ceased to be included in “other” and was presented separately because of its increased importance.

For reference, “repayment of finance lease obligations” in the fiscal year ended December 31, 2010 was 80 million yen and included in "other” under cash flows from financing activities.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	June 30, 2011	December 31, 2010
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	13,021	13,390
2 Notes and accounts receivable - trade	66,449	61,352
3 Marketable securities	50	2
4 Merchandize and finished products	20,020	12,412
5 Raw materials and supplies	10,235	9,756
6 Other	15,489	12,984
7 Allowance for doubtful receivables	(188)	(161)
Total current assets	125,078	109,737
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	375,105	357,769
Accumulated depreciation	(198,904)	(185,485)
Buildings and structures, net	176,201	172,284
(2) Machinery and vehicles	200,302	180,519
Accumulated depreciation	(160,001)	(142,521)
Machinery and vehicles, net	40,300	37,997
(3) Land	84,866	77,583
(4) Construction in progress	5,540	3,563
(5) Other	39,915	20,400
Accumulated depreciation	(24,954)	(15,201)
Other, net	14,960	5,199
Total property, plant and equipment	321,870	296,629
2 Intangible assets		
(1) Goodwill	41,944	14,128
(2) Other	9,915	10,331
Total intangible assets	51,860	24,459
3 Investments and other assets		
(1) Investment securities	30,506	38,027
(2) Long-term loans receivable	10,163	10,396
(3) Deferred tax assets	2,757	2,649
(4) Other	16,350	14,493
(5) Allowance for doubtful receivables	(1,520)	(1,594)
Total investments and other assets	58,257	63,972
Total fixed assets	431,987	385,061
Total assets	557,066	494,798

(millions of yen)

	June 30, 2011	December 31, 2010
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	33,582	24,348
2 Short-term bank loans	50,917	28,089
3 Current portion of long-term debt	-	20,000
4 Liquor taxes payable	20,289	34,253
5 Income taxes payable	1,478	1,818
6 Accrued bonuses	1,769	2,055
7 Deposits received	17,424	19,218
8 Other	88,848	37,259
Total current liabilities	214,311	167,043
II Long-term liabilities		
1 Bonds	32,000	35,843
2 Long-term bank loans	112,409	97,402
3 Deferred tax liabilities	14,208	13,455
4 Employees' retirement benefits	7,558	7,190
5 Directors' and corporate auditors' severance benefits	33	42
6 Dealers' deposits for guarantees	32,648	31,935
7 Other	22,919	15,239
Total long-term liabilities	221,777	201,109
Total liabilities	436,089	368,152
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,313	46,315
3 Retained earnings	22,599	28,317
4 Treasury stock, at cost	(1,196)	(1,190)
Total shareholders' equity	121,602	127,329
II Valuation and translation adjustments		
1 Unrealized holding gain on securities	2,198	2,985
2 Deferred hedge gains (losses)	2	(7)
3 Foreign currency translation adjustments	(4,853)	(5,258)
Total valuation and translation adjustments	(2,652)	(2,281)
III Minority Interests	2,026	1,597
Total net assets	120,976	126,645
Total liabilities and net assets	557,066	494,798

(2) Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2010	Six months ended June 30, 2011
	Amount	Amount
I Net sales	177,144	194,428
II Cost of sales	120,865	124,969
Gross profit	56,278	69,458
III Selling, general and administrative expenses		
1 Sales incentives and commissions	9,102	12,467
2 Advertising and promotion expenses	9,903	9,017
3 Salaries	9,580	12,293
4 Provision for bonuses	526	984
5 Retirement benefit expenses	1,429	1,583
6 Other	24,529	30,106
Total selling, general and administrative expenses	55,072	66,453
Operating income	1,206	3,005
IV Non-operating income		
1 Interest income	245	181
2 Dividend income	367	336
3 Foreign exchange gain	-	104
4 Gain (loss) on gift voucher redemptions	310	251
5 Other	391	309
Total non-operating income	1,315	1,183
V Non-operating expenses		
1 Interest expense	1,815	1,798
2 Equity in loss of affiliates	132	223
3 Foreign exchange loss	46	-
4 Other	101	149
Total non-operating expenses	2,096	2,171
Ordinary income	424	2,017
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	0	17
2 Gain on sales of investment securities	574	21
3 Reversal of provision for doubtful receivables	66	19
4 Reversal of removal costs	569	-
5 Gain on change in equity	-	353
6 Settlement received	-	261
Total extraordinary gains	1,210	674
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	593	255
2 Impairment loss	58	57
3 Loss on devaluation of inventories	141	1,076
4 Loss on sales of investment securities	-	23
5 Effect of adoption of new accounting standards for asset retirement obligations	-	1,084
6 Compensation expenses	-	68
7 Loss on phased acquisition	-	566
8 Disaster losses	-	4,692
9 Business structure improvement expenses	650	-
Total extraordinary losses	1,443	7,823
Income (loss) before income taxes and minority interests	191	(5,132)
Income taxes	858	(2,240)
Loss before minority interests	-	(2,891)
Minority interests in gains (losses)	18	74
Net loss	(684)	(2,965)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30, 2010	Six months ended June 30, 2011
	Amount	Amount
I Cash flows from operating activities		
1 Income (loss) before income taxes and minority interests	191	(5,132)
2 Depreciation and amortization	11,418	11,448
3 Amortization of goodwill	550	1,194
4 Increase (decrease) in employees' retirement benefits	(146)	(82)
5 Increase (decrease) in allowance for doubtful receivables	(152)	(148)
6 Interest and dividend income	(612)	(517)
7 Interest expense	1,815	1,804
8 (Gain) loss on sales and disposal of fixed assets	592	237
9 (Gain) loss on revaluation of investment securities	141	1,076
10 Effect of adoption of new accounting standards for asset retirement obligations	-	1,084
11 (Increase) decrease in notes and accounts receivable - trade	5,383	9,187
12 (Increase) decrease in inventories	(2,613)	(3,320)
13(Increase) decrease in other current assets	507	2,259
14 Increase (decrease) in notes and accounts payable - trade	2,848	(95)
15 Increase (decrease) in liquor taxes payable	(12,158)	(13,977)
16 Increase (decrease) in deposits received	(4,374)	(2,007)
17 Other	2,965	3,491
Sub total	6,356	6,504
18 Interest and dividends received	794	660
19 Interest paid	(1,804)	(1,864)
20 Income taxes paid	(813)	(2,371)
21 Income taxes refund	1,183	0
Net cash provided by (used in) operating activities	5,717	2,928
II Cash flows from investing activities		
1 Purchases of investment securities	(1,741)	(771)
2 Purchases of property, plant and equipment	(12,763)	(6,579)
3 Proceeds from sales of property, plant and equipment	470	61
4 Purchases of intangibles	(936)	(769)
5 Purchases of newly consolidated subsidiaries	-	(18,662)
6 Purchase of subsidiaries' shares	-	(15,490)
7 Other	736	(264)
Net cash provided by (used in) investing activities	(14,235)	(42,475)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	10,401	23,894
2 Proceeds from long-term bank loans	12,000	17,580
3 Repayment of long-term bank loans	(9,685)	(15,870)
4 Redemption of bonds	-	(20,000)
5 Increase (decrease) in commercial paper	3,000	37,000
6 Cash dividends paid	(2,735)	(2,728)
7 Payments received from minority shareholders	-	181
8 Repayment of finance lease obligations	-	(1,017)
9 Other	(101)	(8)
Net cash provided by (used in) financing activities	12,878	39,031
IV Effect of exchange rate changes on cash and cash equivalents	(71)	140
V Net increase (decrease) in cash and cash equivalents	4,289	(375)
VI Cash and cash equivalents at beginning of period	6,267	13,270
VII Cash and cash equivalents at end of period	10,557	12,894

4. Notes on the Going-concern Assumption

Not applicable

5. Segment Information

a. Segment Information by Business

(millions of yen)

	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

(6) Changes in Accounting Policies

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

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 first quarter, for which certain elements were determinable with certainty at end of the second quarter (June 30, 2010) were accounted for with the percentage-of-completion method. The effect of this change on segment information was minor.

b. Segment Information by Geographic Area

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.

c. Overseas Sales

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.

Segment Information

1. Overview of reportable segments
Six months ended June 30, 2011 (January 1, 2011 – June 30, 2011)

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
Six months ended June 30, 2011 (January 1, 2011 – June 30, 2011)

(millions of yen)

	Reportable segments										
	Alcoholic Beverages (Japan)	Alcoholic Beverages (International)	Soft Drinks	POKKA Group	Restaurants	Real Estate	Total	Other *1	Total	Adjustment	Amounts reported on the statements of income *2
Net sales											
(1) Operating revenues	118,219	12,447	17,604	24,064	10,581	11,078	193,995	432	194,428	-	194,428
(2) Intra-group sales and trans	2,635	7	373	572	-	1,078	4,666	15	4,682	(4,682)	-
Total	120,855	12,455	17,977	24,636	10,581	12,156	198,662	448	199,111	(4,682)	194,428
Segment income (loss)	74	(217)	526	730	(676)	4,266	4,704	(312)	4,392	(1,386)	3,005

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. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of income (information on differences)
Six months ended June 30, 2011 (January 1, 2011 – June 30, 2011)

(millions of yen)

Segment income (loss)	Amount
Total for reportable segments	4,704
Loss from other segments	(312)
Unallocated corporate costs*	(1,326)
Intra-segment sales	(59)
Operating income on the statement	3,005

Note: Unallocated corporate costs consist mainly of SGA that is not attributable to reportable segments.

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 April 28, 2011, the Company additionally acquired Sapporo Beverage's shares for the Soft Drinks segment. As a result, goodwill increased by 7,691 million yen for the six months ended June 30, 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
Not applicable

8. Business Combinations
Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)
Transactions under common control

1. Information related to constituent company in business combination
1) Name and business of constituent company
Name: Sapporo Beverage Co., Ltd.
Business: Beverages and other businesses

2) Date of business combination
April 28, 2011

3) Legal form of business combination
Cash payment in exchange for shares

4) Name of company after business combination
Sapporo Beverage Co., Ltd.

5) Purpose and outline of transactions

On April 15, 2011, the Company terminated its business alliance with Yugen Kaisha 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. As a result, the Company has ownership of all voting rights in Sapporo Beverage.

2. Outline of accounting methods adopted
The Company accounted for the transaction as a transaction under common control in accord with the Accounting Standard for Business Combinations (ASBJ Statement No.21, issued December 26, 2008) and its accompanying Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, issued December 26, 2008).

3. Additional acquisition of subsidiary's shares
1) Acquisition cost and breakdown
Cash and cash equivaler 10,871 million yen

2) Amount of goodwill, reason for its recognition, amortization method, and amortization period
1) Amount of goodwill: 7,691 million yen
2) Reason for its recognition: Future business activities are expected to generate excess profitability.
3) Amortization method and amortization period: 10 years with the straight-line method