

**Financial Results  
for the Nine Months Ended September 30, 2011 — Consolidated  
(Based on Japanese GAAP)**

October 31, 2011

Company name **Sapporo Holdings Limited**

Code Number 2501  
 Shares Listed Tokyo Stock Exchanges (First Section); Sapporo Securities Exchanges  
 URL <http://www.sapporoholdings.jp/english/>  
 Representative Tsutomu Kamijo, President and Representative Director, Group CEO  
 Contact Tatsuya Komatsu, Director of the Corporate Communications Department  
 Telephone +81-3-5423-7407

Scheduled dates:

Filing of quarterly financial report November 14, 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 Nine Months Ended September 30, 2011  
(January 1 – September 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	%
Nine months ended September 30, 2011	324,402	14.2	12,268	29.2	10,567	23.2	573	(82.9)
Nine months ended September 30, 2010	284,085	0.3	9,497	21.1	8,575	36.8	3,352	44.6

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended September 30, 2011	1.46	-
Nine months ended September 30, 2010	8.56	7.51

## (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
September 30, 2011	543,144	122,494	22.2	308.60
December 31, 2010	494,798	126,645	25.3	319.32

Note: Shareholders' equity

September 30, 2011: 120,840 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

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

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

September 30, 2011: 393,971,493 shares

December 31, 2010: 393,971,493 shares

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

September 30, 2011: 2,396,205 shares

December 31, 2010: 2,367,424 shares

3) Average number of outstanding shares during the period:

Nine months ended September 30, 2011: 391,582,338 shares

Nine months ended September 30, 2010: 391,711,624 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 10.

## **1. Analysis of Operating Results**

### **Consolidated Financial Results for the Nine Months ended September 30, 2011**

During the first nine months of 2011 (January–September), the Japanese economy showed signs of a moderate recovery in business conditions in the early part of the year, until the Great East Japan Earthquake and tsunami disaster struck on March 11. The impact of the disaster and subsequent electricity shortages dealt a heavy blow to the economy, resulting in a sharp slowdown. Although the recovery process has taken hold, the outlook for a full-fledged recovery of the domestic economy remains clouded by a number of major concerns, including financial instability in Europe, an economic slowdown in the United States, and continued yen appreciation.

In this economic environment, sales at the Sapporo Group's Japanese Alcoholic Beverages and Restaurants businesses have fallen as a direct result of the post-disaster environment. On the other hand, the Soft Drinks business managed to post year-on-year sales growth during the first nine months thanks to successful marketing strategies launched at the start of the year. Meanwhile, the addition of the POKKA Group to our consolidated accounts from April 1 has contributed to a sharp increase in the Sapporo Group's consolidated sales.

Operating income was boosted by cost reductions in all business segments, the addition of the POKKA Group, and profit gains at our Real Estate business.

Meanwhile, the Sapporo Group has made various contributions to recovery efforts after the Great East Japan Earthquake. Immediately after the earthquake/tsunami disaster our Restaurants business began distributing food to disaster-struck areas and continued to do so until June 20. The same business has donated a portion of sales from draft beer campaigns at its restaurants and from the Sapporo Group's Yebisu Beer Festival held in Tokyo's Ebisu district in September for use in disaster-recovery efforts.

As a result of the above factors, in the first nine months of 2011 the Sapporo Group posted consolidated net sales of ¥324.4 billion (up ¥40.3 billion, or 14%, year over year). Operating income was ¥12.2 billion (up ¥2.7bn, or 29%), and ordinary income came to ¥10.5 billion (up ¥1.9 billion, or 23%). However, we posted a ¥1.0 billion loss from changes in accounting standards for asset retirement obligations and "disaster losses" of ¥4.7 billion booked in relation to the earthquake/tsunami disaster. As a result, net profit for the first nine months of 2011 was ¥0.5 billion (¥2.7 billion, or 83%, less than in the first nine months of 2010).

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.

#### **Japanese Alcoholic Beverages**

Domestic demand for beer and beer-type beverages in March fell about 13% year over year in the aftermath of the Great East Japan Earthquake and tsunami disaster. Despite a gradual rebound in demand in subsequent months, total demand for beer and beer-type beverages during

the first nine months of 2011 appears to have been at around 94–95% of the year-earlier level.

Our Japanese Alcoholic Beverage business suffered some quake damage to buildings, equipment, and distribution facilities at its Sendai Brewery (Natori City, Miyagi Prefecture) and Chiba Brewery (Funabashi City, Chiba Prefecture). Some product losses also were sustained. These damages forced the shutdown of the two breweries and the halt of product shipments.

Operations were resumed in stages, but product supply shortages in the weeks immediately after the disaster cut into sales, and the Japanese Alcoholic Beverage business had to limit production to certain core brands and delay the launch of new products. It also refrained from advertising and in-store marketing activities.

During the third quarter, we continued to see a gradual recovery from the post-disaster business slump, but sales failed to rebound fully to levels seen in past years. As a result, cumulative unit sales of our beer products during the nine months of the year were down about 7% year over year.

In the low-alcohol category, in April we launched a new and improved version of Sapporo Nectar Sour Sparkling Peach, a year-round cocktail-style drink. That launch was supplemented by the introduction of several limited volume, seasonal versions of our Sapporo Nectar Sour cocktails, including mango- and La France pear-flavored versions, which were warmly received by customers.

In the nonalcoholic beer category, we introduced Sapporo Premium Alcohol Free on March 16, and sales have exceeded 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, and sales have been trending in line with that more bullish target.

The wine and liquor business has enjoyed solid demand for domestic and imported wines, enabling it to achieve unit sales above levels seen in the first nine months of 2010. As a result, sales and income during the first nine months both show year-over-year gains.

In the shochu business, the Triangle Ginger Highball canned cocktail launched in May and the Sasainata shochu introduced nationwide in September helped boost sales and profits.

Overall, the Japanese Alcoholic Beverages business posted cumulative sales of ¥191.5 billion (down ¥9.7 billion, or 5%, year over year) in the first nine months of the year. Despite the drop in sales, the business posted operating income of ¥5.0 billion (a slight decrease compared with the same period a year earlier).

### **International Alcoholic Beverages**

North American beer demand remained sluggish despite signs of a recovery in consumer spending. Industrywide demand appears to have contracted 1–2% compared with demand in the first nine months of 2010. The Asian beer market has continued 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 LTD. achieved a 7% year-over-year increase in unit sales (excluding outsourced production of Sapporo

brand products), sustaining its five-year growth streak. Sapporo USA, meanwhile, expanded its unit sales of Sapporo brand beers by 5% over the volume seen in the first nine months of 2010. Sales outside of North America, which are concentrated mainly in Asia, continued to grow briskly, with unit sales up 53% year over year.

In Vietnam, we began preparing for the start of production at a new brewery under construction. In August, we began stocking ingredients and have steadily proceeded with preparations for the fermentation and aging processes. The new plant is scheduled for completion on November 24, and we look forward to the start of sales of locally brewed Sapporo Beer. In other overseas markets, we pursued various growth strategies. For example, in Singapore we are working with the POKKA Group on expanding sales channels in the local household market, while in South Korea we began selling Sapporo brand beers to the household and commercial markets via an alliance with Maeil Dairies Co., Ltd. In Oceania, we signed a licensing agreement with Australian beer maker Coopers Brewery in July, and the Australian brewer started brewing and selling Sapporo-brand beer from October.

As a result of the above activities, our International Alcoholic Beverages business achieved solid sales gains on local-currency bases. Yen appreciation, however, diluted the gains in yen terms, which show sales for the first nine months of 2011 reaching ¥19.4 billion (a slight decrease compared with the same period a year earlier). The business managed to post operating income of ¥0.5 billion (up slightly compared with the same period a year earlier), despite startup investments totaling ¥0.5 billion in Vietnam.

## **Soft Drinks**

We estimate that domestic demand for soft drinks in the first nine months of 2011 was largely flat year over year, as the high hurdle created by the hot summer of 2010 proved insurmountable despite expanded demand for mineral water.

In this environment, the Soft Drinks business continued to strengthen and cultivate its brands 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).

For example, we implemented the “Tie Together with Ribbon Hokkaido Project” for our core Ribbon soft drink brand, which helped keep Ribbon sales during the first nine months of 2011 at 99% of the previous-year level. Meanwhile, we achieved solid growth (7% year over year increase) in sales of the Gabunomi series thanks to a marketing tie-up with a new movie release and to efforts to broaden sales points and solidify the products’ market presence. We aim to further expand sales points through sales campaigns planned from this fall through next spring. Sales of Gerolsteiner, naturally carbonated water from Germany, increased 5% 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.



























