Financial Results
for the Three Months Ended March 31, 2012 — Consolidated
(Based on Japanese GAAP)

May 9, 2012

Company name	**Sapporo Holdings Limited**
Security code	2501
Listings	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Tsutomu Kamijo, President and Representative Director, Group CEO
Contact	Tatsuya Komatsu, Director of the Corporate Communications Department
Telephone	+81-3-5423-7407

Scheduled dates:

Filing of quarterly financial report	May 14, 2012
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, 2012 (January 1 – March 31, 2012)

(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, 2012	97,388	(35.1)	(5,581)	-	(5,864)	-	(4,126)	-
Three months ended March 31, 2011	72,064	(6.6)	(3,338)	-	(4,098)	-	(6,291)	-

Note: Accumulated other comprehensive income

Three months ended March 31, 2012 (891) million yen

Three months ended March 31, 2011 (6,127) million yen

	Net income per share	Diluted net income per share
	yen	yen
Three months ended March 31, 2012	(10.54)	-
Three months ended March 31, 2011	(16.07)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
March 31, 2012	581,927	122,537	20.6	305.71
December 31, 2011	550,784	124,775	22.4	314.87

Note: Shareholders' equity
March 31, 2012: 119,705 million yen
December 31, 2011: 123,293 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, 2011	—	0.00	—	7.00	7.00
Year ending December 31, 2012	—				
Year ending December 31, 2012 (forecast)		0.00	—	7.00	7.00

Note: No changes were made to dividend forecasts in the three months ended March 31, 2012.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2012 (January 1 – December 31, 2012)

(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
Six months ending June 30, 2012	230,000	19.7	1,300	(56.7)	100	(95.0)	(1,500)	-	-
Full year	510,000	13.5	20,000	5.9	17,000	1.1	6,300	99.1	16.09

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

4. Other

*For details, see "2. Other" on page 11.

(1) Changes to scope of consolidation: None

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

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards etc.: None

2) Changes other than 1) above: Yes

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, see (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement, in section "2. Other" on page 11 in the accompanying material.

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

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

March 31, 2012: 393,971,493 shares
December 31, 2011: 393,971,493 shares

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

March 31, 2012: 2,405,696 shares
December 31, 2011: 2,400,991 shares

3) Average number of outstanding shares during the period:

Three months ended March 31, 2012: 391,568,096 shares
Three months ended March 31, 2011: 391,590,749 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, 2012

In the first quarter of 2012 (January 1 – March 31, 2012), the Japanese economy moved onto a moderate recovery trajectory as consumer spending rebounded in line with earthquake-recovery efforts, corporate profits improved as a result of the strong yen readjustment and concerns about the European debt crisis receded. These positives were, however, countered somewhat by concerns about rising crude oil prices and ongoing electricity supply problems. As a result, the outlook for a full-fledged economic recovery remains clouded with uncertainty.

In this environment, the Sapporo Group posted a sharp gain in sales as the Japanese Alcoholic Beverages and the Restaurants businesses boosted sales over the previous year, when both were directly negatively affected by the impact of the earthquake and tsunami disaster. In addition, the Food & Soft Drinks business' consolidation of the POKKA Group from April 2011 contributed directly to year-over-year sales growth during the recently ended first quarter.

Group operating income was down year over year, as profit gains in the Restaurants business were offset by negative factors elsewhere, including a year-over-year increase in marketing costs at the Japanese Alcoholic Beverage business, as costs were brought forward; rising costs in the International Business segment due to its efforts to build business in the Vietnamese market; an increase in goodwill amortization at the Food & Soft Drinks business; a first-quarter operating loss at the POKKA Group; and a decrease in real estate sales at the Real Estate business.

As a result of the above factors, the Sapporo Group posted consolidated sales of ¥97.3 billion, a 35% increase from ¥25.3 billion in the first quarter of fiscal 2011. Despite higher sales, the Group posted an operating loss of ¥5.5 billion (compared with a ¥3.3 billion loss a year earlier) and an ordinary loss of ¥5.8 billion (compared with a ¥4.0 billion loss a year earlier). As a result, the first quarter of fiscal 2012 produced a net loss of ¥4.1 billion (versus a ¥6.2 billion loss a year earlier).

On January 31, we acquired 51% of the outstanding shares of Silver Springs Citrus, the largest maker of private-brand chilled drinks in the United States, from the Toyota Tsusho Group. The company becomes a consolidated subsidiary of the Sapporo Group, with its business results added to the balance sheet from the first quarter of fiscal 2012 and to the income statement from the second quarter. On March 1, the Sapporo Group acquired trust beneficiary rights that amounted to a 15% interest in Yebisu Garden Place held by the joint holder in the complex. The additional 15% ownership share is reflected in our consolidated balance sheet for the first quarter of fiscal 2011, but income items were added to the consolidated income statement only from March. Regarding the management integration with the POKKA Corporation, on March 30 we established POKKA SAPPORO FOOD & BEVERAGE LTD. to prepare for and execute the integration of Sapporo Beverage and POKKA Corporation in January 2013.

Segment information is outlined below. As of the first quarter of fiscal 2012, we have changed the names of reportable business segments as follows: “International Alcoholic Beverages” is now “International Business” and the Soft Drinks segment and the POKKA Group have been merged into a single segment, which we call “Food & Soft Drinks”. The main changes from the previous fiscal year are summarized below in (Notes).

Seasonal Factors

The Group’s operating results exhibit substantial seasonal variation because demand for the products and services offered by the Japanese Alcoholic Beverages, International Business, Food & Soft Drinks, and Restaurant businesses tends to be concentrated in the summer months. Sales and profits consequently tend to be lower in the first quarter than in the other three quarters.

Japanese Alcoholic Beverages

Total domestic demand for beer and beer-type beverages in the first quarter of 2012 is estimated to have increased by 2% year over year in reaction to the unsettled demand environment following the Great East Japan Earthquake in March 2011. Sales volume of beer increased while sales of happoshu fell. New-genre beer sales volume growth slowed but demand continued to surpass the previous year’s level.

In this market environment, our Japanese Alcoholic Beverages business poured its resources into the marketing of its three core brands—Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop—while seeking sources of growth in the nonalcoholic beer and low-alcohol beverage categories. We also strengthened our wine and liquor business, as well as our shochu business. Throughout the segment, we pursued measures to raise our brand value by diversifying product offerings and “inspire excitement and joy in our customers”.

In the beer and beer-type beverages category, we launched a renewed Mugi to Hop in January and followed this up with the launch of Mugi to Hop Black in March. The latter received strong support from many customers who described its flavor as indistinguishable from black beer. As a result of the above, total sales of our beer and beer-flavored beverages expanded by 3% year over year, and sales growth stronger than the overall growth in demand noted above.

In the nonalcoholic beer category, we launched a renewed Sapporo Premium Alcohol Free in February to favorable review from many beer-drinking customers.

In the low-alcohol or ready-to-drink (RTD) category, our tie-up with South Korea’s No.1 Food maker CJ (CheilJedang) Group led to the January launch of the jointly developed “CJ Oishii Makgeolli Pink Grapefruits,” which has proven to be a big hit with women in particular. In February, we launched the limited volume Sparkling Cassis and Peach version of our Sapporo Nectar Sour beverage, and in March we launched a renewed version of Sapporo Nectar Sour Peach Sparkling and introduced the new Sapporo Nectar Sour Mix Sparkling. In addition, we introduced Sapporo

Triangle Ginger Highball Strong in February. These new product launches demonstrate our relentless effort to satisfy customers demand for a wide variety of alcoholic beverages. As a result, we achieved year-over-year growth in sales.

In the wine and liquor business, demand for our everyday imported and domestic wines continued to grow, as did sales of our premium domestic wine Grand Polaire. Overall, the wine and liquor business achieved growth in both sales and profits. Our western spirits business also achieved higher sales volumes for products offered under our tie-up with Bacardi, the world's No.1 seller of rum.

The shochu business also posted year-over-year gains in both sales and profits, as it strengthened its product lineup with the launch in March of Imo Shochu Kokuimo into the blended shochu market.

Overall, the Japanese Alcoholic Beverages business posted sales of ¥51.7 billion (up ¥2.5 billion, or 5%, year over year) in the first quarter of 2012. The higher sales were accompanied by increased spending on marketing as we diversified product offerings. As result, the business posted an operating loss of ¥4.8 billion (versus a ¥4.0 billion loss posted in the first quarter of 2011).

International Business

In North America, many uncertainties continue to cloud the prospects for a full-fledged recovery, and we assume that total demand in the North American beer market was largely flat during the first quarter of 2012. The Asian beer market, meanwhile, continues to grow steadily, supported by fast-growing economies in the region.

In this environment, our International Business segment continued marketing activities targeting the premium beer market, where it has core strengths. Canadian subsidiary SLEEMAN BREWERIES achieved a 10% year-over-year increase in unit sales (excluding outsourced production of Sapporo brand products), extending its growth streak to six years. Sapporo USA, however, saw its sales of Sapporo brand beers fall 14% year over year, largely reflecting a reversal of the gains made a year earlier when an April price hike triggered a demand rush in the first quarter. We made a full-scale entry into the North American soft drinks market at the end of January, when we took a 51% equity stake in the United States' largest maker of private-brand drinks, Silver Springs Citrus, Inc.

In Vietnam, our local subsidiary SAPPORO VIETNAM started production of locally produced beer at its new brewery in Long An, which the company completed in November. The Vietnam subsidiary is beginning a full-scale entry into the local market as it seeks to build the market recognition for the Sapporo Premium brand. From April, it launched a full-fledged marketing campaign, including TV commercials. In Korea at the end of January, we took a 15% equity stake in a company established by our local partner, Maeil Dairies Co., Ltd. The resulting joint venture provides the structure needed to accelerate sales of Sapporo brand beers to the household and commercial markets in South Korea. In Oceania, we worked at strengthening sales via a brewing and sales licensing agreement entered into back in October 2011 with CoopersBrewery of Australia. In Singapore, we continue to work with the POKKA Group to expand sales channels in the local household market. Thanks to the efforts outlined above, we achieved 95% growth in volume sales of beer in Asia and other markets outside the United States.

As a result of the above activities, the International Business segment achieved solid sales gains on local-currency bases and managed to overcome the dilutive impact of yen appreciation to post sales of ¥5.8 billion (up ¥0.4 billion, or 7%, year over year). The segment's operating loss, however, expanded to ¥0.4 billion (versus ¥0.1 billion a year earlier), owing to expenses to establish a presence in the Vietnamese market.

Food & Soft Drinks

Sapporo Beverage Co., Ltd.

Domestic demand for soft drinks declined year over year in January but was up in both February and March. The soft drinks market was brisk in March, even after discounting the rebound from last year's post-disaster lull. The major drink makers that suffered the most in the post-disaster market all posted solid gains, and we estimate that total domestic demand increased by 7% year over year in March alone and 4% in the first quarter of 2012.

In this environment, our Soft Drinks business continued to adhere to its policy of "growth accompanied by earnings quality" while concentrating management resources on growing and strengthening key brands in order to strengthen its foundations ahead of the creation of the new integrated company. It also stepped up efforts under the select-and-focus approach (i.e., selectively focusing resources on key areas) to lower operating costs by implementing thorough cost reductions designed to strengthen profitability.

Specific measures include collaboration between our Ribbon brand soft drink and Akagi Nyugyo that led to a Ribbon Napolin Ice candy with sales limited to Hokkaido. A TV ad campaign conducted in cooperation with a TV station since April is raising the public's awareness of this new regional offering. We refreshed our *Gabunomi* series in the latter half of March, launching a giveaway campaign with purchases of *Gabunomi* Milk Coffee, helping to expand sales channels and solidify the series market position. Sales of Gerolsteiner (naturally carbonated water from Germany) were strong, surpassing the previous year level and our targets. We plan to use giveaway campaigns from April as we step up trial offers and repeat purchase promotions. Although, on the face of it sales declined 9% year over year due to the dropoff from last year's surge in demand for bottled water following the earthquake and tsunami disaster, the *Oishii Tansansui* lineup of bottled soda waters also turned in a strong sales performance.

On the cost front, our efforts to optimize our production structure, reduce losses from waste and spoilage, and achieve cost-structure reforms throughout the value chain via a rigorous select-and-focus approach progressed as planned despite rising materials procurement costs.

POKKA Group

Our estimate of total domestic demand for soft drinks in 2011 is stated at the beginning of the previous section. In addition, we estimate that total demand for lemon-based products (flavorings) increased 2% year over year while demand for instant soups appears to have declined by 6%.

In this environment, the POKKA Group's Domestic Beverage & Food business endeavored to strengthen and cultivate brand power by focusing investments on core brands and newer growth brands.

POKKA's domestic soft drinks business announced a renewal of the Kireto Lemon lineup and launched a new TV commercial. It also bolstered the Pokka Coffee lineup and announced the release of Aromax Kyokugen no Kaori Black, a limited edition product sold only in the Tokai region (centered on Nagoya City). The investment in the Kireto Lemon TV commercial was started in March in an attempt to expand the usual demand period.

POKKA's domestic Food business worked to expand sales of POKKA Lemon 100 by proposing recipes linked to nutrition education activities and strengthening sales of perishables. It also strengthened the lineups for its Jikkuri Kotokoto soup series and the Kongari Pan series of instant cups of soup. Meanwhile, the Kantanbimi Korean soup lineup was bolstered by enhancing the soup ingredient lineup and marketing two new ingredients, Dashi no Moto and Namuru no Moto.

At Pokka's Domestic Restaurants business, the core Café de Crié coffee shop chain continued to post favorable results by aggressively introducing new menu items on a detailed cyclical basis and by conducting effective store remodeling and new outlet openings.

The Overseas Beverage & Food business posted solid results in the domestic Singapore market and with its exports to other countries. It also made steady progress in improving its COGS ratio and lowering distribution costs.

POKKA's Overseas Restaurants business enjoyed steady growth in Hong Kong, but results in Singapore were stuck at the previous year's level.

POKKA Group Overview

POKKA Group results were added to our consolidated income statement from April 1, 2011. We therefore provide the previous-year data for reference.

As a result of the above, the Food & Soft Drinks segment sales increased to ¥28.7 billion because of the consolidation of the POKKA Group from April 2011, resulting in ayear-over-year increase of ¥22.0 billion or 330%. However, increased goodwill amortization and a first-quarter operating loss at the POKKA Group led to an operating loss of ¥1.2 billion in the first quarter of 2012 (compared with a break-even result a year earlier).

Restaurants

In the first quarter of 2012, Japan's restaurant industry enjoyed a mild recovery as the deterioration in consumer sentiment that took hold following the 2011 disaster began to dissipate. However, consumers continued to cut back on spending and have become increasingly more conscious about Food safety. Overall, the business environment remained quite severe.

In such an environment, our Restaurants business sought to attract customers back to existing stores by holding a Yebisu Beer campaign in February that included declaring February 25 as Yebisu Day. From March, the business stepped up marketing to corporations as part of its effort to awaken demand for reserved parties.

The Restaurants business also continued to revitalize existing outlets by switching them to other formats. During the first quarter, it converted two outlets into Yebisu Bar shops and another into our Betsukai Pub format, a Japanese-style pub officially recognized by and featuring fare from the town of Betsukai in Hokkaido.

In addition, the Restaurants business continued efforts to improve its profit structure. In the first quarter of 2012 it achieved cost reductions through the use of a distribution system with a single center for serving the Tokyo metropolitan logistics network and by strengthening shift management to control personnel costs.

Meanwhile, we opened new Yebisu Bar outlets in Akasaka and the Kurobei Yokocho dining section of Tokyo Station. We also opened the first outlet of a new restaurant format specializing in roast beef—The Kitchen Ginza Lion—in the Lumine Ikebukuro complex.

Including taking over the management of a Food service operation in a research facility, our Restaurants business opened six new outlets during the first quarter of 2012 while closing five outlets, bringing the total number of outlets operating at the end of the first quarter to 192.

As a result of the above, the Restaurants business recorded first-quarter sales of ¥5.4 billion (up ¥0.6 billion, or 14%, year over year). The segment's operating loss of ¥0.2 billion is smaller than the ¥0.7 billion loss recorded a year earlier.

Real Estate business

Conditions in Japan's real estate industry remain challenging, with a large increase of new office supply in the Tokyo rental office market contributing to high vacancy rates and a continued decline, albeit moderate, in office rents.

Amid this environment, on January 1, 2012, we changed the name of our consolidated real estate subsidiary Yebisu Garden Place Co., Ltd., to Sapporo Real Estate Co., Ltd., as part of our plan to raise the Sapporo brand value and strengthen Group synergies while continuing efforts to raise occupancy rates and rent levels at Group properties.

In March, we acquired the trust beneficiary rights amounting to a 15% interest in Yebisu Garden Place held by the joint holder in the complex, giving us 100% ownership. We will now be able to accelerate efforts to enhance the value of the property and are considering a renewal project before the complex's 20th anniversary in 2014.

Among recently acquired properties, the Storia Shirokanedai rental apartment building in Tokyo's Minato Ward, which we acquired in February 2011, is contributing to segment profits from the start of this fiscal year.

As result of the above and a year-over-year decrease in property sales, Real Estate segment sales in the first quarter of 2012 totaled ¥5.3 billion (down ¥0.3 billion or 6% year over year). Operating income came to ¥2.0 billion (down ¥0.2 billion or 11%).

(2) Review of Consolidated Financial Condition

Consolidated assets as of the end of the first quarter on March 31, 2012, totaled ¥581.9 billion, a ¥31.1 billion increase from the end of the previous fiscal year on December 31, 2011. The increase is attributable to an increase in land holdings accompanying the acquisition of an additional 15% equity interest in Yebisu Garden Place, which more than offset a decrease in notes and accounts receivable.

Consolidated liabilities totaled ¥459.3 billion, a ¥33.3 billion increase from December 31, 2011, reflecting increases in long-term bank loans and the issuance of corporate bonds and commercial paper, which were partially offset by decreases in liquor taxes payable and notes and accounts payable.

Consolidated net assets totaled ¥122.5 billion, a ¥2.2 billion decline from December 31, 2011. The decline is largely attributable to the distribution of year-end dividends for the previous fiscal year and the booking of a net loss for the first quarter. These asset-reducing factors were partially offset by increases in unrealized gains on securities and in the foreign currency translation adjustment account.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year to December 31, 2012, is unchanged from the forecast announced by the Company on February 10, 2012.

2. Other

Use of 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, 2012, and then multiplying income (loss) before taxes and minority interests by this estimated effective tax rate.

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
(Changes in accordance with amendments to accounting standards, etc.)

(Method of accounting for sales)

Sapporo Beverage Co., Ltd., and Pokka Corporation, both subsidiaries of the Company, are to be merged on January 1, 2013.

In line with this merger, the reportable segments for Soft Drinks and POKKA Group presented in the consolidated accounts for the fiscal year ending December 31, 2011, have been integrated into a single segment called “Food & Soft Drinks” from the first quarter of the fiscal year ending December 31, 2012. In addition, a portion of the sales incentives paid to business partners (wholesalers and retail outlets) on the sales price of flavored-water drinks and food products, which to date have been accounted for under selling, general and administrative expenses, are excluded from reported sales from the first quarter of the fiscal year ending December 31, 2012.

These changes to accounting methods are applied retroactively to the Company’s financial statements for the first quarter of the fiscal year ending December 31, 2011, and the consolidated financial statements for the full year ending on the same date.

As a result, sales, gross profit, and selling, general and administrative expenses on the revised financial statements for the first quarter of the fiscal year ending on December 31, 2011, have each been reduced by ¥903 million from the amounts reported before the retroactive application of the new accounting method. Operating income is unaffected by the change.

(3) Additional information

(Application of accounting standard for accounting changes and error corrections)

The Company has adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and its associated Guidance on Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) in regards to accounting changes and the revision of errors on past accounts being carried out from the start of the first quarter of the fiscal year ending December 31, 2012.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2011	March 31, 2012
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,204	9,738
2 Notes and accounts receivable - trade	79,340	60,736
3 Merchandize and finished products	17,113	20,779
4 Raw materials and supplies	10,948	11,370
5 Other	12,798	15,984
6 Allowance for doubtful receivables	(386)	(300)
Total current assets	129,018	118,310
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	376,200	387,329
Accumulated depreciation	(201,765)	(203,853)
Buildings and structures, net	174,435	183,476
(2) Machinery and vehicles	203,307	208,298
Accumulated depreciation	(163,080)	(167,074)
Machinery and vehicles, net	40,226	41,224
(3) Land	83,826	115,287
(4) Construction in progress	2,058	2,442
(5) Other	39,300	39,417
Accumulated depreciation	(25,467)	(25,671)
Other, net	13,832	13,746
Total property, plant and equipment	314,379	356,177
2 Intangible assets		
(1) Goodwill	40,147	39,909
(2) Other	8,844	8,403
Total intangible assets	48,992	48,313
3 Investments and other assets		
(1) Investment securities	31,208	34,319
(2) Long-term loans receivable	10,142	9,886
(3) Other	18,454	16,425
(4) Allowance for doubtful receivables	(1,411)	(1,504)
Total investments and other assets	58,394	59,126
Total fixed assets	421,766	463,616
Total assets	550,784	581,927

	(millions of yen)	(millions of yen)
	December 31, 2011	March 31, 2012
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	32,354	30,175
2 Short-term bank loans	57,370	67,651
3 Current portion of long-term debt	10,000	10,000
4 Liquor taxes payable	32,535	21,850
5 Income taxes payable	2,985	1,289
6 Accrued bonuses	2,118	4,402
7 Deposits received	15,301	14,561
8 Other	59,923	79,356
Total current liabilities	212,589	229,287
II Long-term liabilities		
1 Bonds	32,000	42,000
2 Long-term bank loans	106,798	112,697
3 Employees' retirement benefits	7,452	7,396
4 Directors’ and corporate auditors’ severance benefits	53	46
5 Dealers' deposits for guarantees	32,623	33,087
6 Other	34,492	34,874
Total long-term liabilities	213,418	230,102
Total liabilities	426,008	459,389
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,310	46,310
3 Retained earnings	28,741	21,911
4 Treasury stock, at cost	(1,197)	(1,198)
Total shareholders' equity	127,741	120,910
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	1,993	4,242
2 Deferred hedge gains (losses)	(8)	3
3 Foreign currency translation adjustments	(6,432)	(5,451)
Total accumulated other comprehensive income	(4,447)	(1,205)
III Minority Interests	1,482	2,832
Total net assets	124,775	122,537
Total liabilities and net assets	550,784	581,927

(2) Consolidated Statements of Income

(millions of yen)

	Three months ended March 31, 2011	Three months ended March 31, 2012
	Amount	Amount
I Net sales	72,064	97,388
II Cost of sales	49,382	62,812
Gross profit	22,681	34,576
III Selling, general and administrative expenses		
1 Sales incentives and commissions	3,597	6,927
2 Advertising and promotion expenses	4,758	6,685
3 Salaries	4,077	6,470
4 Provision for bonuses	1,149	1,472
5 Retirement benefit expenses	743	882
6 Other	11,694	17,718
Total selling, general and administrative expenses	26,020	40,157
Operating loss	(3,338)	(5,581)
IV Non-operating income		
1 Interest income	96	69
2 Dividend income	55	35
3 Foreign exchange gain	54	296
4 Gain (loss) on gift voucher redemptions	124	131
5 Other	93	327
Total non-operating income	423	860
V Non-operating expenses		
1 Interest expense	831	860
2 Equity in loss of affiliates	282	14
3 Other	68	269
Total non-operating expenses	1,182	1,143
Ordinary loss	(4,098)	(5,864)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	0	3
2 Gain on sales of investment securities	0	0
3 Reversal of provision for doubtful receivables	26	-
4 Settlement received	261	-
Total extraordinary gains	288	4
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	79	135
2 Loss on impairment property, plant and equipment	-	34
3 Loss on devaluation of investment securities	489	251
4 Effect of adoption of new accounting standards for asset retirement obligations	1,084	-
5 Loss on phased acquisition	566	-
6 Disaster losses	1,907	-
Total extraordinary losses	4,128	420
Loss before income taxes and minority interests	(7,937)	(6,280)
Income taxes	(1,635)	(2,104)
Loss before minority interests	(6,302)	(4,176)
Minority interests in losses	(11)	(49)
Net loss	(6,291)	(4,126)

Net income before minority interests	(6,302)	(4,176)
Other comprehensive income*1		
Unrealized holding gain on securities	(453)	(2,250)
Deferred hedge gains	12	11
Foreign currency translation adjustments	722	1,029
Share of other comprehensive income of associates accounted for usin	(106)	(6)
Total other comprehensive income	174	3,284
Comprehensive income*2	(6,127)	(891)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(6,074)	(884)
Comprehensive income attributable to minority interests	(53)	(7)

(3) Notes on the Going-concern Assumption

Not applicable

(4)Segment Information

1. 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	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	49,251	5,461	6,679	4,760	5,709	71,862	201	72,064	-	72,064
(2) Intra-group sales and transfers	1,039	-	30	-	540	1,611	7	1,618	(1,618)	-
Total	50,291	5,461	6,710	4,760	6,249	73,474	208	73,682	(1,618)	72,064
Segment income (loss)	(4,019)	(147)	88	(723)	2,244	(2,558)	(175)	(2,734)	(604)	(3,338)

Notes:

(1) 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.

(2) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.

(3) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

3. 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 Food&Soft Drinks 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.

Segment Information

1. Sales, income, and loss by reportable segment

Three months ended March 31, 2012 (January 1, 2012 – March 31, 2012)

(millions of yen)

	Reportable segments						Other *1	Total	Adjustments	Amounts reported on the statements of income *2
	Japanese Alcoholic Beverages	International	Food & Soft Drinks	Restaurants	Real Estate	Total				
Net sales										
(1) Operating revenues	51,789	5,868	28,713	5,424	5,368	97,164	223	97,388	-	97,388
(2) Intra-group sales and transfers	1,156	5	36	-	602	1,801	8	1,810	(1,810)	-
Total	52,946	5,873	28,749	5,424	5,971	98,966	232	99,198	(1,810)	(97,388)
Segment income (loss)	(4,877)	(412)	(1,299)	(291)	2,008	(4,872)	(88)	(4,960)	(620)	(5,581)

Notes:

(1) "International Alcoholic Beverages" is renamed "International Business" in fiscal 2012.

(2) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.

(3) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

2. Reconciliation and main components of differences between 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	(4,872)
Total other losses	(88)
Unallocated corporate costs	(647)
Intra-segment sales	27
Operating income on the statement of income	(5,581)

3. Change in reportable segments

Sapporo Beverage Co., Ltd. and POKKA Corporation, Pokka Sapporo Food & Beverage Ltd. were established on March 30, 2012 to promote the scheduled integration of the Company's two consolidated subsidiaries on January 1, 2013.
In conjunction with this, the Company integrated "Soft Drinks" and "POKKA Group" businesses, each of which were individual reportable segment in the fiscal year ended December 31, 2011, and renamed the resulting business the "Food & Soft Drinks" segment effective the first quarter of the fiscal year ending December 31, 2012.
Until now, sales incentives paid to business partners (wholesalers and retailers) have been recorded under sales, general and administrative expenses. Effective the first quarter of the fiscal year ending December 31, 2012, the Company has switched to a new accounting method whereby a certain amount of these sales incentives, whose value depends on the sales price of soft drinks and other non-alcoholic beverages, is deducted from net sales.

Segment Information for the three months ended March 31, 2011 has been adjusted to conform to the current presentation. Net sales from the "Food & Soft Drinks" segment for the three months ended March 31, 2011 was also recalculated to reflect the new segmentation

4. Impairment loss on fixed assets or goodwill by reportable segment
Major impairment losses related to fixed assets
Not applicable

Material change to the amount of goodwill
In the International Business segment, the Company acquired the shares of Silver Springs Citrus, Inc. on January 31, 2012 and made it a consolidated subsidiary. In conjunction with the acquisition, goodwill increased by 421 million yen during the first quarter of the fiscal year ending December 31, 2012.

Material Gain on negative goodwill
Not applicable

5.Notes on Significant Changes in the Amount of Shareholder's Equity

Not applicable

6. Subsequent Events

Not applicable

7. Notes on business combination

Three months ended March 31, 2012 (January 1, 2012 – March 31, 2012)

Business combination through acquisition

1. Overview of business combination

1) Name and business of acquired company

Name: Silver Springs Citrus, Inc.

Business: Manufacturing and sales of PB chilled beverages for major food supermarkets
Commissioned manufacturing of chilled beverages for major beverage manufactures

2) Main reason for the business combination

The goal of the Sapporo Group stated in the "Sapporo Group Management Plan 2011-2012," a two-year rolling plan with the "New Management Framework" covering the period until 2016, which will be the 140th anniversary of Sapporo Holdings, is to solidify the Group's growth trajectory. Under the management plan, Sapporo International ("SI") aims to expand its business area from its International Alcoholic Beverages business to its overall International Business, positioning North America, as an operational base, and fast-growing Asia as a priority area. Through the agreement, SI has acquired a business base for its beverage businesses in North America, where it has a competitive advantage in the Alcoholic Beverages business, and launched business expansion in North America. The agreement enables SI to accumulate the know-how and knowledge to establish a foundation for its beverage businesses in North America, where it already has an operational base for its Alcoholic Beverages business. In addition, by securing steady profit from Silver Springs Citrus, SI aims to stimulate further growth of its international business.

3) Date of business combination

January 31, 2012

4) Legal form of business combination

Cash payment in exchange for shares

5) Name of company after business combination

Silver Springs Citrus, Inc.

6) Percentage of voting rights acquired

Percentage of voting rights held before the business combination: -%

Percentage of voting rights acquired on the date of business combination: 51%

Percentage of voting rights held after the business combination: 51%

7) Primary reason 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. Period for which earnings of the acquired company were included in the quarterly consolidated statements of income

The fiscal year end date of the acquired company is September 30, which is three months different from that of the Company. The Company's consolidated statements of income for the three months ended March 31, 2012 does not include the earnings of the acquired company because the acquisition date is deemed to be January 1, 2012.

3. Acquisition cost and breakdown

Acquisition price: 1,835 million yen

Costs incurred directly in the acquisition: 0 million yen

Acquisition cost: 1,835 million yen

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

1) Amount of goodwill: 421 million yen

2) Reason for its recognition: The acquired company's future business activities are expected to generate profit in excess of its net assets.

3) Amortization method and amortization period: 5 years with the straight-line method