Financial Results
for the Six Months Ended June 30, 2012 — Consolidated
(Based on Japanese GAAP)

August 7, 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	August 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 Six Months Ended June 30, 2012 (January 1 – June 30, 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	%
Six months ended June 30, 2012	223,043	16.0	(1,726)	-	(2,461)	-	(2,901)	-
Six months ended June 30, 2011	192,214	8.5	3,005	149.2	2,017	375.1	(2,965)	-

Note: Accumulated other comprehensive income

Six months ended June 30, 2012 (558) million yen

Six months ended June 30, 2011 (3,281) million yen

	Net income per share	Diluted net income per share
	Yen	yen
Six months ended June 30, 2012	(7.41)	-
Six months ended June 30, 2011	(7.57)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2012	591,894	122,872	20.3	306.63
December 31, 2011	550,784	124,775	22.4	314.87

Note: Shareholders' equity
June 30, 2012: 120,062 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	—	0.00			
Year ending December 31, 2012 (forecast)			—	7.00	7.00

Note: No changes were made to dividend forecasts in the six months ended June 30, 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
Year ending December 31, 2012	493,000	9.7	16,000	(15.3)	13,000	(22.7)	3,600	13.8	9.19

Note: Changes were made to earnings forecasts in the six months ended June 30, 2012.

4. Other

*For details, see "2. Other" on page 12.

(1) Changes to scope of consolidation: None
*Changes affecting the status of significant subsidiaries (scope of consolidation)

(2) Simplified accounting: Yes

*Use of simplified accounting methods and/or accounting methods specific to quarterly consolidated financial statements

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

1) Changes in accordance with amendments to accounting standards etc.: Yes
2) Changes other than 1) above: Yes
3) Changes in accounting estimates: Yes
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 12 in the accompanying material.

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

1) Number of shares issued at end of period (treasury stock included):
June 30, 2012: 393,971,493 shares
December 31, 2011: 393,971,493 shares

2) Number of shares held in treasury at end of period:
June 30, 2012: 2,411,431 shares
December 31, 2011: 2,400,991 shares

3) Average number of outstanding shares during the period:
Six months ended June 30, 2012: 391,564,686 shares
Six months ended June 30, 2011: 391,585,911 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

(1) Consolidated Financial Results for the Six Months ended June 30, 2012

In the first half of 2012 (January 1 – June 30), the Japanese economy remained on a moderate recovery trajectory as consumer spending rebounded in line with earthquake-recovery efforts and improving corporate profits. However, these positives were accompanied by renewed yen appreciation and lingering concerns about such issues as the European debt crisis and Japan's electricity supply problems. As a result, the outlook for a full-fledged economic recovery remains clouded with uncertainty.

In this environment, the Sapporo Group achieved solid gains in sales in the first half of the year. Sales in the Japanese Alcoholic Beverages and the Restaurants businesses were higher than in the first half of 2011, when sales in both businesses were directly negatively affected by the impact of the earthquake and tsunami disaster. International Business posted higher sales largely owing to the inclusion in the Group's consolidated income statement of Silver Springs Citrus, the largest maker of private-brand chilled drinks in the United States from April 2012. The Food & Soft Drinks business also posted year-over-year sales gains as the inclusion in the Group's consolidated income statement consolidation of the POKKA Group from April 2011 boosted first-quarter sales and contributed to sales over the entire first half of 2012.

Group operating income declined year over year. Profits were boosted by gains in the Restaurants business and the inclusion of revenues and earnings from Yebisu Garden Place in the Group's consolidated income statement from March, following the Real Estate segment's acquisition of the 15% interest in trust beneficiary rights in Yebisu Garden Place held by the former joint holder in the complex. These positive factors, however, were outweighed by a number of profit-reducing factors, including an aggressive year-over-year increase in marketing expenses by both the Japanese Alcoholic Beverage business and the Food & Soft Drinks business, expenditures by the International Business to open new markets in Vietnam, increased goodwill amortization in the Food & Soft Drinks segment, and a first-quarter operating loss at the POKKA Group.

As a result of the above factors, the Sapporo Group posted consolidated sales of ¥223.0 billion (up ¥30.8 billion, or 16%, year over year). Despite higher sales, the Group posted an operating loss of ¥1.7 billion (compared with a ¥3.0 billion profit a year earlier) and an ordinary loss of ¥2.4 billion (compared with a ¥2.0 billion profit a year earlier). As a result, the Sapporo Group recorded a first-half net loss of ¥2.9 billion (compared with a loss of ¥2.9 billion a year earlier). We have changed accounting methods from the first quarter ended March 31, 2012 and applied the new methods retroactively to enable period-over-period comparisons and analysis.

Segment information is outlined below. On March 30, Pokka Sapporo Food & Beverage Ltd. was established to oversee the integration of Sapporo Beverage Co., Ltd., and the POKKA Group. The newly established company is readying a new business strategy in preparation for the launch of integrated business operations in January 2013.

As of the first quarter of fiscal 2012, the names of reportable business segments have been changed 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". To enable year-over-year comparisons in this document, figures for the year-earlier period have been changed to reflect the new segmentation. The main changes from the previous fiscal year are summarized in the note on changes in segment classification at the end of this document.

Seasonal Factors

The Group's operating results exhibit substantial seasonal variation in demand for the products and services offered by the Japanese Alcoholic Beverages, International Business, Food & Soft Drinks, and Restaurant segments. In particular, sales in the first quarter tend to be lower than sales in the other three quarters.

Japanese Alcoholic Beverages

We estimate that total domestic demand for beer and beer-type beverages in the first half of 2012 increased 1% year over year, a slight recovery from the unstable demand seen a year earlier in the aftermath of the Great East Japan Earthquake. Beer sales volume increased while sales of happoshu declined. 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 launched a renewal version of its popular new-genre beer Mugi to Hop in January and then unveiled the Mugi to Hop Black in March to the support of customers who found its flavor indistinguishable from black beer. In addition, in May and June it brought back two seasonal offerings that were successful in 2011—Hop-batake no Kaori and Ice Lager Seven. As a result, first-half sales of our beer and beer-type beverages increased 2% year over year, boosting our market share.

In the nonalcoholic beer category, we launched a renewed Sapporo Premium Alcohol Free in February and then unveiled the world's first nonalcoholic black canned beer, Sapporo Premium Alcohol Free Black in May. The new products helped drive 30% year-over-year growth in sales volume in this category.

In the low-alcohol or ready-to-drink (RTD) category, our tie-up with South Korea's No.1 foods maker CJ CheilJedang led to the January launch of the jointly developed CJ Oishii

Makgeolli Pink Grapefruits. In April, we launched two new beverages jointly developed with Bacardi, the world's No.1 seller of rum. Both Bacardi Mojito and Bacardi Cuba Libre were well received by customers in Japan. In March, we launched a renewed version of Sapporo Nectar Sour Peach Sparkling. We also continued to develop and market a variety of limited-volume RTD beverages with seasonally flavors, part of Sapporo's unceasing effort to bring new products to the market that satisfy customer demand for beverages suitable for a wide range of occasions. As a result, we achieved 74% year-over-year growth in unit sales of our RTD beverages.

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. As a result, the wine and liquor business enjoyed growth in both sales and profits. Our western spirits business saw its sales volume increase thanks to strong contributions from Bacardi products.

The shochu business achieved its sales volume targets and recorded year-over-year gains in both sales and profits, in part thanks to the good market reception for the March launch of *Imo Shochu Kokuimo*, a blended shochu.

Overall, the Japanese Alcoholic Beverages business posted sales of ¥122.6 billion (up ¥4.4 billion, or 4%, year over year) in the first half of 2012. The higher sales were accompanied by aggressive spending on marketing as we diversified product offerings. As result, the business posted an operating loss of ¥2.6 billion, compared with the breakeven figure achieved in the first half of 2011.

International Business

In North America, the timing of a full-fledged economic recovery remains unclear, and we therefore believe that total demand in the North American beer market was limited to a slight increase in the first half 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 posted a 9% year-over-year increase in unit sales (excluding outsourced production of Sapporo brand products), extending its growth streak to six years. Sapporo USA managed to boost sales volumes for its Sapporo brand beers by 1% year over year. We took an important step toward a strong foothold in the United States' soft drinks market when we acquired a 51% equity stake in Silver Springs Citrus, Inc., the United States' largest maker of private-brand drinks. The new subsidiary's results since April are included in our consolidated accounts.

In Vietnam, from April we began a full-fledged marketing offensive, including TV commercials, as we seek to build brand recognition for the Sapporo Premium brand. 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., establishing 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 in October 2011 with Australia's Coopers Brewery. In Singapore, we continued to work with the POKKA Group to expand sales channels in the local household market. On the strength of the efforts outlined above, we achieved 58% growth in beer sales volumes in Asia and other markets outside North America.

Overall, the International Business segment saw its existing local operations achieve expansion on local-currency bases. These gains, combined with the addition of Silver Springs Citrus to the Sapporo Group, helped us overcome the dilutive impact of yen appreciation and post first-half sales of ¥16.0 billion (up ¥3.5 billion, or 29%, year over year). The segment's first-half operating loss, however, expanded to ¥0.3 billion (from ¥0.2 billion a year earlier), owing to spending to establish a presence in the Vietnamese market.

Food & Soft Drinks

Sapporo Beverage Co., Ltd.

We estimate that domestic demand for soft drinks increased 4% year over year in the first half of 2012, bolstered by strong sales of some new products and a post-disaster rebound in sales of existing brands.

In this environment, Sapporo Beverage concentrated on growing and strengthening its core brands. Specific measures included a TV ad campaign since April in cooperation with a children's TV program to raise brand recognition for our Ribbon brand. In addition, we launched Yubari Melon Soda in June as the latest addition to the Ribbon lineup. We also conducted a campaign aimed at rejuvenating the *Gabunomi* brand, expanding sales channels, and solidifying its market presence. Sales of Gerolsteiner (naturally carbonated water from Germany) surpassed the previous year's level and our targets, thanks to successful in-store trial offers and repeat purchase promotions. Sales for the *Oishii Tansansui* lineup of bottled soda waters exceeded the level of the previous year and our sales forecasts despite an overall 10% year-over-year decline in first-half sales for Sapporo Beverage, which is attributable to a reversion to the norm after last year's surge in demand for bottled water in the aftermath of the earthquake and tsunami disaster.

On the cost front, we overcame rising material costs by optimizing our production structure and carrying out cost-structure reforms throughout the value chain via a rigorous select-and-focus approach.

POKKA Group

Our estimate of domestic demand trends for soft drinks in the first half of 2012 is as stated at the beginning of the previous section. In addition, we estimate that total demand for lemon-based products (flavorings) increased 1% year over year in the first half while demand for instant soups appears to have declined by 5%.

In this environment, the POKKA Group's Domestic Beverage & Foods 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, but sales declined year over year as sales of drinks in 500ml PET bottles slipped in the wake of some major new product offerings by rival drink makers. POKKA bolstered its Pokka Coffee lineup and came out with promotional canned drinks. It also began marketing Aromax Kyokugen no Kaori Black, a limited edition product sold only in the Tokai region (centered on Nagoya City). In May, POKKA introduced *Yasuragi Kibun no Corn-Cha*, a new unsweetened tea offering made from roasted corn.

POKKA's domestic foods business promoted sales of its POKKA Lemon 100 by proposing recipes linked to its nutrition education activities and conducting cross-merchandising. It strengthened the lineups for its *Jikkuri Kotokoto* soup series and the *Kongari Pan* series of instant cups of soup. Seeking to stimulate new demand for its canned soups, POKKA introduced *Tsumetai Potage*, a canned cold potato soup. The Kantanbimi Korean soup lineup was bolstered by the addition of two new flavors—*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 finely defined cyclical basis and by conducting effective store remodeling and new outlet openings. The coffee shop chain also moved aggressively into new markets, for example by opening a store in April at the Hamamatsu service area of the New Tomei Expressway that allows customers to bring their pets into the shop.

The Overseas Beverage & Foods business posted solid overall results as its operations in Singapore are developing ahead of plan. It also made steady progress in improving its COGS ratio and lowering distribution costs.

POKKA's Overseas Restaurants business as a whole generated first-half results similar to those in 2011. The Hong Kong operations struggled after the lunar new year celebrations amid a generally tepid market from February onwards. Results were better in Singapore, however, as the company revised menus to match customer preferences at individual store locations and increased sales of pastries.

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

As a result of the above business activities and the consolidation of the POKKA Group from April 2011, Food & Soft Drinks segment sales in the first half of 2012 totaled ¥60.8 billion, a year-over-year increase of ¥21.3 billion or 54%. However, the segment posted a first-half operating loss of ¥1.1 billion (compared with a profit of ¥1.2 billion a year earlier), owing to aggressive spending to expand sales, increased goodwill amortization, and a first-quarter operating loss at the POKKA Group.

Restaurants

In the first half 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. That said, consumers continued to cut back on spending and became 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 draft beer campaigns and strengthening 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 half. It converted two outlets into YEBISU Bar, one into the Betsukai Pub format, a Japanese-style pub officially recognized by and featuring fare from the town of Betsukai in Hokkaido, and one more into the Rumoi Marche format, a seafood restaurant officially recognized by and featuring fare from the Hokkaido town of Rumoi.

New outlet openings in the first half included YEBISU Bar outlets in Akasaka and the Kurobei Yokocho dining area in 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. The opening of a *Suruga Maru* seafood and tempura rice bowl shop in the Shizuoka Service Area of the New Tomei Expressway is representative of our efforts to venture into new types of locations. We also opened an Oshamambe Japanese pub/restaurant (officially recognized by Hokkaido's Oshamambe Town) in Ginza and took over management of restaurant operations at a golf club. In total, our Restaurants business opened 11 new outlets during the first half of 2012 while closing six outlets, bringing the total number of outlets operating at the end of the first half to 196.

The Restaurants business also achieved cost reductions and profit structure reforms by using a distribution system with a single center for serving the Tokyo metropolitan logistics network. The center began operations last year.

As a result of the above, the Restaurants business recorded first-half sales of ¥11.8 billion (up ¥1.2 billion, or 12%, year over year) and posted an operating loss of ¥0.3 billion, cutting in half the ¥0.6 billion loss recorded in the first half of 2011.

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. On a more positive note, however, office rents have beg un to bottom out.

In this environment, our Real Estate business has managed to maintain high occupancy rates at its multipurpose Yebisu Garden Place complex and other properties concentrated in the Tokyo Metropolitan area.

In January 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 leve ls at Group properties.

The Real Estate business got a solid profit contribution from Yebisu Garden Place, for which we reacquired 100% ownership in March when we bought trust beneficiary rights amounting to a 15% interest in the property. We now are able to accelerate efforts to enhance the value of the property, including by raising the convenience of offices in the multipurpose complex.

Our real estate development business is focusing on developments in the Ebisu area. As such, we started the redevelop ment of the Seiwa Yebisu Building, with completion scheduled for 2014.

Overall, Real Estate segment sales in the first half of 2012 totaled ¥ 11.2 billion, up ¥0.2 billion or 2% year over year, as the increased revenue contribution from the acquisition of the 15% in trust beneficiary rights to Yebisu Garden Place was offset by a decline in property sales. Operating income totaled ¥4.4 billion (up ¥0.1 billion or 4%).

(2) Review of Consolidated Financial Condition

Consolidated financial condition

Consolidat ed assets as of the end of the first half of fiscal 2012 on June 30, 2012, totaled ¥591.8 billion, a ¥41. 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 accompan ying the acquisition of an additional 15% equity interest in the Yebisu Garden Place complex, which more than offset a decrease in notes and accounts receivable.

Consolidated liabilities totaled ¥46 9.0 billion, a ¥43.0 billion increase from December 31, 2011, reflecting increases in bank loans and other financial liabilities, which were partially offset by decreases in liquor taxes payable and income taxes payable.

Consolidated net assets totaled ¥122.8 billion, a ¥1.9 billion decline from December 31, 20 11. 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 half of the current fiscal year. These asset-reducing factors were partially offset by increases in unrealized gains on securities and in the foreign currency translation adjustment account.

Consolidated Cash Flows

Consolidated cash flows for the six months ended June 30, 2012 were as follows.

Operating activities provided net cash of ¥10.7 billion. The major sources of operating cash were depreciation and amortization of ¥12.7 billion, a decrease in notes and accounts receivable (¥6.3 billion), and an increase in notes and accounts payable (¥2.7 billion). Cash inflows from these sources were offset by a net loss before income taxes and minority interests (¥3.9 billion), an increase in inventories (¥5.4 billion), and a decrease in liquor taxes payable (¥2.2 billion).

Investing activities used net cash of ¥50.6 billion. The major investment outflows included purchases of property, plant and equipment (¥45.6 billion), purchases of subsidiaries' shares resulting in changes in the scope of consolidation (¥1.6 billion), and purchases of intangible assets (¥1.2 billion).

Financing activities provided net cash of ¥38.5 billion. The major financing inflows were from proceeds from long-term bank loans (¥20.9 billion), net increase of commercial paper (¥15.0 billion), issuance of corporate bonds (¥9.9 billion) and a net increase in short-term bank loans (¥6.1 billion). The major outflows included repayment of long-term bank loans (¥8.8 billion), cash dividends paid (¥2.7 billion), and repayment of finance lease obligations (¥1.9 billion).

As a result of the above cash flows, cash and cash equivalents totaled ¥7.8 billion as of June 30, 2012.

(3) Consolidated Earnings Forecast

The Japanese economy remains on a moderate recovery trajectory as consumer spending rebounds in line with earthquake-recovery efforts and improving corporate profits. On the other hand, lingering concerns about yen appreciation, the European debt crisis, and Japan's electricity supply problems continue to cloud the outlook for a full-fledged economic recovery.

The Sapporo Group continues to face a challenging operating environment but is steadily implementing various measures in each business segment targeted at securing Group profits.

Our consolidated earnings forecast for the full fiscal year to December 31, 2012, have been revised as shown below from the forecast announced by the Company on February 10, 2012.

・Consolidated Forecasts							(millions of yen)
	Revised Forecast for Year ending December 31, 2012	Previous Forecast for Year ending December 31, 2012	Change	Change (%)	Year ended December 31, 2011	Change	Change (%)
Japanese Alcoholic Beverages	277,500	288,000	(10,500)	(3.6)%	268,189	9,310	3.5%
International Business	37,300	37,300	-	-	25,888	11,411	44.1%
Food & Soft Drinks	128,100	134,600	(6,500)	(4.8)%	108,060	20,039	18.5%
Restaurants	24,900	24,900	-	-	24,091	808	3.4%
Real Estate	24,400	24,400	-	-	22,468	1,931	8.6%
Other	800	800	-	-	755	44	5.9%
Net sales	493,000	510,000	(17,000)	(3.4)%	449,452	43,547	9.7%
Japanese Alcoholic Beverages	9,000	10,500	(1,500)	(14.3)%	9,304	(304)	(3.3)%
International Business	0	0	-	-	378	(378)	—
Food & Soft Drinks	200	3,000	(2,800)	(93.3)%	3,690	(3,490)	(94.6)%
Restaurants	600	600	-	-	219	380	173.8%
Real Estate	9,300	9,300	-	-	8,552	747	8.7%
Other	(400)	(400)	-	-	(643)	243	—
General corporate and intercompany eliminations	(2,700)	(3,000)	300	-	(2,618)	(81)	—
Operating income	16,000	20,000	(4,000)	(20.0)%	18,883	(2,883)	(15.3)%
Ordinary income	13,000	17,000	(4,000)	(23.5)%	16,807	(3,807)	(22.7)%
Net income	3,600	6,300	(2,700)	(42.9)%	3,164	435	13.8%

2. Other

(1)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 six months ended June 30, 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-half 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-half of the fiscal year ending on December 31, 2011, have each been reduced by ¥2,213 million from the amounts reported before the retroactive application of the new accounting method. Operating income is unaffected by the change.

(Changes in accounting principles hard to distinguish from changes in accounting estimates)

In response to Japan's recent corporate tax law amendments and effective from the second quarter of the fiscal year ending December 31, 2012, the method which some Group domestic consolidated subsidiaries use for depreciation of property, plant, and equipment acquired on or after April 1, 2012 will be adjusted to reflect the revised corporate tax code. The impact of this change on the Group's first-half consolidated operating loss, ordinary loss, and the loss before income taxes is negligible.

(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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2011	June 30, 2012
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,204	7,956
2 Notes and accounts receivable - trade	79,340	73,722
3 Merchandize and finished products	17,113	24,110
4 Raw materials and supplies	10,948	11,359
5 Other	12,798	15,313
6 Allowance for doubtful receivables	(386)	(311)
Total current assets	129,018	132,151
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	376,200	387,823
Accumulated depreciation	(201,765)	(205,645)
Buildings and structures, net	174,435	182,178
(2) Machinery and vehicles	203,307	208,807
Accumulated depreciation	(163,080)	(168,847)
Machinery and vehicles, net	40,226	39,960
(3) Land	83,826	115,278
(4) Construction in progress	2,058	2,795
(5) Other	39,300	39,282
Accumulated depreciation	(25,467)	(25,501)
Other, net	13,832	13,781
Total property, plant and equipment	314,379	353,994
2 Intangible assets		
(1) Goodwill	40,147	39,131
(2) Other	8,844	8,087
Total intangible assets	48,992	47,219
3 Investments and other assets		
(1) Investment securities	31,208	33,100
(2) Long-term loans receivable	10,142	9,875
(3) Other	18,454	16,975
(4) Allowance for doubtful receivables	(1,411)	(1,422)
Total investments and other assets	58,394	58,528
Total fixed assets	421,766	459,742
Total assets	550,784	591,894

	(millions of yen)	(millions of yen)
	December 31, 2011	June 30, 2012
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	32,354	35,792
2 Short-term bank loans	57,370	71,533
3 Current portion of long-term debt	10,000	20,000
4 Liquor taxes payable	32,535	30,251
5 Income taxes payable	2,985	1,318
6 Accrued bonuses	2,118	1,755
7 Deposits received	15,301	14,240
8 Other	59,923	75,179
Total current liabilities	212,589	250,070
II Long-term liabilities		
1 Bonds	32,000	32,000
2 Long-term bank loans	106,798	112,256
3 Employees' retirement benefits	7,452	7,414
4 Directors’ and corporate auditors’ severance benefits	53	30
5 Dealers' deposits for guarantees	32,623	32,904
6 Other	34,492	34,343
Total long-term liabilities	213,418	218,950
Total liabilities	426,008	469,021
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,310	46,309
3 Retained earnings	28,741	23,140
4 Treasury stock, at cost	(1,197)	(1,199)
Total shareholders' equity	127,741	122,137
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	1,993	4,002
2 Deferred hedge gains (losses)	(8)	(6)
3 Foreign currency translation adjustments	(6,432)	(6,070)
Total accumulated other comprehensive income	(4,447)	(2,074)
III Minority Interests	1,482	2,809
Total net assets	124,775	122,872
Total liabilities and net assets	550,784	591,894

(2) Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
	Amount	Amount
I Net sales	192,214	223,043
II Cost of sales	124,969	142,395
Gross profit	67,245	80,648
III Selling, general and administrative expenses		
1 Sales incentives and commissions	10,254	15,123
2 Advertising and promotion expenses	9,017	11,786
3 Salaries	12,293	15,173
4 Provision for bonuses	984	1,078
5 Retirement benefit expenses	1,583	1,759
6 Other	30,106	37,453
Total selling, general and administrative expenses	64,239	82,375
Operating income(loss)	3,005	(1,726)
IV Non-operating income		
1 Interest income	181	132
2 Dividend income	336	368
3 Equity in earnings of affiliates	-	58
4 Foreign exchange gain	104	94
5 Gain (loss) on gift voucher redemptions	251	246
6 Other	309	520
Total non-operating income	1,183	1,419
V Non-operating expenses		
1 Interest expense	1,798	1,733
2 Equity in loss of affiliates	223	-
3 Other	149	420
Total non-operating expenses	2,171	2,154
Ordinary income (loss)	2,017	(2,461)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	17	6
2 Gain on sales of investment securities	21	16
3 Reversal of provision for doubtful receivables	19	-
4 Gain on change in equity	353	-
5 Settlement received	261	-
Total extraordinary gains	674	23
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	255	272
2 Loss on impairment property, plant and equipment	57	34
3 Loss on devaluation of investment securities	1,076	1,180
4 Loss on sales of investment securities	23	1
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	-
Total extraordinary losses	7,823	1,489
Loss before income taxes and minority interests	(5,132)	(3,927)
Income taxes	(2,240)	(880)
Loss before minority interests	(2,891)	(3,047)
Minority interests in losses	74	(145)
Net loss	(2,965)	(2,901)

Net income before minority interests	(2,891)	(3,047)
Other comprehensive income		
Unrealized holding gain on securities	(755)	2,009
Deferred hedge gains	10	(1)
Foreign currency translation adjustments	451	462
Share of other comprehensive income of associates accounted for using equity method	(95)	18
Total other comprehensive income	(389)	2,489
Comprehensive income	(3,281)	(558)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(3,337)	(528)
Comprehensive income attributable to minority interests	56	(29)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30 2011	Six months ended June 30, 2012
	Amount	Amount
I Cash flows from operating activities		
1 Loss before income taxes and minority interests	(5,132)	(3,927)
2 Depreciation and amortization	11,448	12,798
3 Amortization of goodwill	1,194	1,904
4 Increase (decrease) in employees' retirement benefits	(82)	(49)
5 Increase (decrease) in allowance for doubtful receivables	(148)	59
6 Interest and dividend income	(517)	(501)
7 Interest expense	1,804	1,749
8 (Gain) loss on sales and disposal of fixed assets	237	266
9 (Gain) loss on sales of investment securities	-	(15)
10 (Gain) loss on revaluation of investment securities	1,076	1,180
11 Effect of adoption of new accounting standards for asset retirement obligations	1,084	-
12 (Increase) decrease in notes and accounts receivable - trade	9,187	6,377
13 (Increase) decrease in inventories	(3,320)	(5,404)
14(Increase) decrease in other current assets	2,259	442
15 Increase (decrease) in notes and accounts payable - trade	(95)	2,773
16 Increase (decrease) in liquor taxes payable	(13,977)	(2,279)
17 Increase (decrease) in deposits received	(2,007)	(1,062)
18 Other	3,491	808
Sub total	6,504	15,121
19 Interest and dividends received	660	655
20 Interest paid	(1,864)	(1,763)
21 Income taxes paid	(2,371)	(3,259)
Net cash provided by (used in) operating activities	2,928	10,755
II Cash flows from investing activities		
1 Purchases of investment securities	(771)	(109)
2 Purchases of property, plant and equipment	(6,579)	(45,605)
3 Proceeds from sales of property, plant and equipment	61	86
4 Purchases of intangibles	(769)	(1,248)
5 Purchases of newly consolidated subsidiaries	(18,662)	(1,611)
6 Purchase of subsidiaries' shares	(15,490)	(0)
7 Other	(264)	(2,155)
Net cash provided by (used in) investing activities	(42,475)	(50,643)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	23,894	6,157
2 Proceeds from long-term bank loans	17,580	20,999
3 Repayment of long-term bank loans	(15,870)	(8,859)
4 Issuance of bonds	-	9,960
5 Redemption of bonds	(20,000)	-
6 Increase (decrease) in commercial paper	37,000	15,000
7 Cash dividends paid	(2,728)	(2,731)
8 Payments received from minority shareholders	181	-
9 Repayment of finance lease obligations	(1,017)	(1,974)
10 Other	(8)	(2)
Net cash provided by (used in) financing activities	39,031	38,549
IV Effect of exchange rate changes on cash and cash equivalents	140	89
V Net increase (decrease) in cash and cash equivalents	(375)	(1,249)
VI Cash and cash equivalents at beginning of period	13,270	9,057
VII Cash and cash equivalents at end of period	12,894	7,808

(4) Notes on the Going-concern Assumption
Not applicable

(5-1)Segment Information

1. Sales, income, and loss by reportable segment

Six months ended June 30, 2011 (January 1, 2011 – June 30, 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	118,219	12,447	39,455	10,581	11,078	191,782	432	192,214	-	192,214
(2) Intra-group sales and transfers	2,635	7	211	-	1,078	3,932	15	3,948	(3,948)	-
Total	120,855	12,455	39,666	10,581	12,156	195,715	448	196,163	(3,948)	192,214
Segment income (loss)	74	(217)	1,256	(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.

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	4,704
Total other losses	(312)
Unallocated corporate costs	(1,326)
Intra-segment sales	(59)
Operating income on the statement of income	3,005

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 April 28, 2011, the Company additionally acquired Sapporo Beverage's shares for the Food & 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.

(5-2)Segment Information

1. Sales, income, and loss by reportable segment

Six months ended June 30, 2012 (January 1, 2012 – June 30, 2012)

(millions of yen)

	Reportable segments									
	Japanese Alcoholic Beverages	International*1	Food & Soft Drinks	Restaurants	Real Estate	Total	Other *2	Total	Adjustments	Amounts reported on the statements of income *3
Net sales										
(1) Operating revenues	122,619	16,010	60,843	11,820	11,293	222,586	457	223,043	-	223,043
(2) Intra-group sales and transfers	2,725	12	242	-	1,186	4,165	20	4,186	(4,186)	-
Total	125,344	16,022	61,085	11,820	12,479	226,752	477	227,230	(4,186)	223,043
Segment income (loss)	(2,640)	(350)	(1,188)	(315)	4,440	(55)	(179)	(234)	(1,492)	(1,726)

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	(55)
Total other losses	(179)
Unallocated corporate costs	(1,505)
Intra-segment sales	13
Operating loss on the statement of income	(1,726)

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, an 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 six months ended June 30, 2011 has been adjusted to conform to the current presentation.
Net sales from the "Food & Soft Drinks" segment for the six months ended June 30, 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
Not applicable

Material Gain on negative goodwill
Not applicable

(6)Notes on Significant Changes in the Amount of Shareholder’s Equity
Not applicable

(7)Subsequent Events
Not applicable