Financial Results
for the Six Months Ended June 30, 2016 — Consolidated
(Based on Japanese GAAP)

August 3, 2016

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, Representative Director and Group CEO
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Scheduled dates:

Filing of quarterly financial report	August 10, 2016
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, 2016 (January 1 – June 30, 2016)

(Amounts in million yen rounded down to the nearest million yen)

<Note>
On July 1, 2016, the Company carried out a share consolidation at a ratio of 1 share for 5 shares of the Company’s common stock. Accordingly, values for the items noted below have been recalculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year.

・Net income per share
・Diluted net income per share
・Number of shares issued at end of period (treasury stock included)
・Number of shares held in treasury at end of period
・Average number of outstanding shares during the period

In addition, the following forecast per-share values for the fiscal year ending December 31, 2016 take into account the share consolidation.

・Dividend per share
・Net income per share

(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, 2016	248,959	1.3	3,048	-	2,620	-	465	(60.0)
Six months ended June 30, 2015	245,884	2.5	(1,291)	-	(1,469)	-	1,164	-

Note: Accumulated other comprehensive income

Six months ended June 30, 2016 (9,728) million yen
Six months ended June 30, 2015 5,627 million yen

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2016	5.98	-
Six months ended June 30, 2015	14.95	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
June 30, 2016	594,879	151,320	24.6
December 31, 2015	620,388	163,822	25.5

Note: Shareholders' equity
June 30, 2016: 146,193 million yen
December 31, 2015: 157,928 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, 2015	—	0.00	—	7.00	7.00
Year ending December 31, 2016	—	0.00	—		
Year ending December 31, 2016 (forecast)			—	35.00	35.00

Note: No changes were made to dividend forecasts in the six months ended June 30, 2016.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2016 (January 1 – December 31, 2016)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2016	565,400	5.9	21,100	51.3	20,200	52.9	10,500	71.9	134.78

Note: Changes were made to earnings forecasts in the six months ended June 30, 2016: None

4. Other

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

(1) Changes in significant subsidiaries during the six months ended June 30, 2016: None

(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 Information” on page 11 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, 2016: 78,794,298 shares
December 31, 2015: 78,794,298 shares

2) Number of shares held in treasury at end of period:
June 30, 2016: 891,933 shares
December 31, 2015: 890,305 shares

3) Average number of outstanding shares during the period:
Six months ended June 30, 2016: 77,903,021 shares
Six months ended June 30, 2015: 77,922,167 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, 2016

In the first half of 2016 (January 1 – June 30, 2016), the Japanese economy stagnated, in part reflecting the impact of slowdowns in overseas economies, especially in the emerging Asian economies. Personal consumption and income levels in Japan have also lost momentum, casting clouds over the second-half outlook.

Despite the lackluster economic environment, the SAPPORO Group posted a year-on-year increase in sales. The key growth drivers included (1) year-on-year growth in shipments of beer and beer-type beverages at the Japanese Alcoholic Beverage business, (2) the contribution from an International Business subsidiary that was consolidated in February 2015, and (3) the contribution from the soymilk business acquired by the Food & Soft Drinks business in October 2015.

First-half Group profits also improved from a year ago, as (1) shipments of beer and beer-type beverages in the Japanese Alcoholic Beverage business increased, (2) the Real Estate business maintained high occupancy rates at its rental properties and therefore increased rental income, and (3) cost reductions and operating efficiency improvements were seen in all business segments.

As a result of the above factors, in the first half of 2016 the SAPPORO Group posted consolidated sales of ¥248.9 billion (up ¥3.0 billion or 1% year over year), operating income of ¥3.0 billion (compared with a ¥1.2 billion loss a year earlier), an ordinary income of ¥2.6 billion (compared with a ¥1.4 billion loss a year earlier), and net income attributable to owners of the parent of ¥ 0.4 billion (down ¥0.6 billion or 60% year over year).

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 Restaurants businesses. As a result, sales in the first quarter, which affect the first half results, 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 2016 fell 2% from the level seen in the first half of 2015.

Amid such market conditions, the Japanese Alcoholic Beverage business continued its efforts to realize management's vision of "Seek to be No.1 by accumulating one-of-a-kind products" and achieve further growth by constantly providing customers with a unique value proposal and by investing aggressively in the beer business during 2016, which has been designated as the "first year of a new period of growth in the beer business."

The Japanese Alcoholic Beverage business' efforts in the first half produced a 6% year-on-year increase in beer shipments in Japan, led by strong sales of canned versions of Sapporo Draft Beer Black Label and Yebisu Beer. In the happoshu category, shipments of Goku Zero slipped below the previous year's level, but continued strong sales of Mugi to Hop The gold and the successful release of Mugi to Hop Platinum Clear bolstered sales of our new-genre beer beverages. Overall, first-half shipments of our beer and beer-type beverages products increased 1% year on year.

In the RTD* category, the high-value-added collaboration products Sapporo Otoko Ume Sour and the Nectar Sour, as well as Kireto Lemon Sour, all continued to sell well and achieved year-on-year sales growth.

In the wine category, strengthened marketing of domestic and imported fine wines[*2] led to higher sales of Penfolds, an imported wine from Treasury Wine Estates, champagne from Taittinger, and our Grande Polaire series of domestic wines. However, overall net sales of our imported and domestic wines were about the same as in the first half of fiscal 2015.

Our spirits business saw its sales rise above the previous year's first-half result, led by strong sales of products from major overseas brands, such as Bacardi and Dewars.

Our Japanese liquor business also achieved sales growth during the first half, led by continued strong sales of Imo Shochu Kokuimo, Japan's No. 1 selling[*3] blended *imo* shochu, and a favorable response to the newly introduced Kokuimo Red.

Overall, the Japanese Alcoholic Beverages business posted first-half sales of ¥125.7 billion, up ¥4.0 billion or 3% year on year. The segment posted first-half operating income of ¥1.4 billion, marking a rebound from an operating loss of ¥0.6 billion a year earlier.

*1) RTD, or ready-to-drink, beverages are already-mixed, low-alcohol content cocktail-like beverages that can be consumed as is immediately after opening.

*2) Fine wines are wines priced in the mid- to high-price range (¥1,500 and higher per bottle).

*3) Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and direct sales channels from January 2013 to December 2015.

International Business

In the North American beer market in the first half of 2016, we estimate that total demand for beer in the United States increased year on year, with the main driver being demand for imported beers. In Canada, demand appears to have been on par with the first half of 2015. In Asia, demand appears to be staying on the growth track formed by growing populations and relatively stable economic growth.

In this environment, our International Business continued aggressive marketing activities targeting the premium beer markets in North America and Southeast Asia, the two regions where the business is focusing its marketing efforts. In addition, we expanded our sales channel in the US fruit juice market.

Our Canadian subsidiary SLEEMAN BREWERIES continued to invest in the marketing of its core premium brands. As a result, its overall beer sales volume (excluding Sapporo brand beer) held level with the previous year's first-half result. In the U.S. market, where Sapporo USA continues its effort to expand its core target customer markets from Japanese Americans to the wider Asian-American and general population market segments, first-half shipments of Sapporo brand beers were down 1% year on year. At our U.S. soft drinks business, Silver Springs Citrus and Country Pure Foods opened up new sales channels, but sales fell below the previous year's first-half result owing to stiffer competition from rival drink makers.

In Southeast Asia, the new versions of Sapporo Premium Beer in bottles and cans introduced in the Vietnam market in November 2015 continued to sell well, driving overall sales volumes in Vietnam above the level achieved a year earlier. In Singapore, we achieved growth in sales volume, thanks to cooperative efforts with our local subsidiary to expand sales channels to that country's household and commercial markets.

Elsewhere in the region, we increased beer sales volumes in South Korea by leveraging our local partner's sales network to strengthen sales to both the household and commercial markets. In Oceania, continued efforts to strengthen sales via licensing agreements with local brewing partners produced a year-on-year gain in beer sales volumes.

As a result of the efforts noted above, the International Business's shipments of Sapporo brand products in overseas markets during the first half of 2016 were 3% higher than the volume recorded in the first half of 2015.

However, due to adverse currency-translation effects, International Business's first-half sales totaled ¥31.6 billion, down ¥3.1 billion or 9% year on year. The segment's operating loss came to ¥0.3 billion, compared with a loss of ¥0.7 billion in the first half of fiscal 2015.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan increased 3% year on year in the first half of 2016, with sales boosted by favorable weather conditions.

In this market environment, the Food & Soft Drinks business increased its efforts to develop new brands while continuing efforts to strengthen and nurture its core brands.

In the domestic soft drinks business, Kireto Lemon brand put up solid numbers in the first half of 2016. We continue to challenge new product areas, as indicated by our recent introduction of Açaí-based drinks from SAMBAZON, the United States No. 1 Açaí brand[*1], and our takeover of the Maca no Genki brand from Meiji Co., Ltd. In addition, our domestic soft drinks business strengthened its Nippon Oolong brand of oolong tea made from domestic tea leaves only by launching Organic Nippon Oolong. Meanwhile, sales of coffee drinks fell slightly in the first half, as we held off on the launch of new products, and overall shipments by the domestic soft drinks business were on par with the first half of 2015.

Lemon-based food product sales expanded 7% year on year, supported in part by higher selling prices following the September 2015 price increase for Pokka Lemon 100 brand products.

In the instant soup category, we strengthened the lineup of our Jikkuri Kotokoto Kongari Pan series and introduced two new brands—Spice World and Karaou. Nonetheless, first-half sales of instant soups slipped 2% year on year.

Following up on our start of sales of soy milk drinks in October 2015, in April we strengthened our SOYAFARM Oishisa Sukkiri lineup of soy milk drinks by launching two new products—Zunda and Ōmugi Wakaba.

At the domestic restaurants business, the Café de Crié coffee shop achieved a year-on-year increase in chainwide sales as a new seasonal menu contributed to steady sales and customer traffic at pre-existing stores and overall chain size was expanded by the opening of new outlets.

The overseas soft drinks business carried out Chinese new year's sales campaigns in Singapore and neighboring countries as part of its effort to further penetrate the Southeast Asian market with its POKKA brand products, especially its tea drinks and non-chilled fruit juice beverages, both of which have already secured top market shares in Singapore*[2].

Overall, the Food & Soft Drinks business recorded sales of ¥64.9 billion in the first half, up ¥1.0 billion or 2% year on year. The first-half operating loss came to ¥0.8 billion, less than the ¥1.4 billion loss posted a year earlier.

*1) Based on SPINS LLC's Category Overview Report 2014/10/05–2015/10/04 FRUITS JUICES (NON-ORANGE), RF FUNCTIONAL JUICES & BEVERAGES, FROZEN FRUITS & VEGETABLES

*2) Based on data from Nielsen Singapore Market Track March 2016 (Copyright 2016, The Nielsen Company)

Restaurants

Japan's restaurant market stayed on the recovery track in the first half of 2016 despite grappling with a difficult operating environment complicated by rising labor costs and food material procurement prices.

In this environment, the Restaurants business continued to pursue the fulfillment of its philosophy of "Enhancing the Joy of Living" through constant efforts to deliver safe and sound food and service to customers while also striving to create restaurants that "deliver 100% satisfaction to customers."

In Japan, we opened seven new restaurants, with chain expansion focused on moves into new geographical areas and new store formats. Noteworthy openings included two April openings—a core brand Ginza Lion pub/restaurant in Hakata, and a Garden Terrace Lion outlet inside the Asahiyama Zoo in Asahikawa. The latter is our first outlet located inside a zoo. Also, in June we opened CRAFT BEER KOYOEN, a new format shop in Nagoya. Looking ahead, the Restaurant business should get a boost from the reopening of two large flagship stores that have been shut down for an extended period of time due to building redevelopment projects. It also plans to continue expanding the number of outlets.

Also, from June, the Restaurant business's list of consolidated subsidiaries includes Marushinkawamura Inc., an operator of 18 restaurants, including the Kushiro and Sapporo Ginrin chains, located primarily in Sapporo. Meanwhile, three unprofitable outlets were closed in the first half of 2016, bringing the number of outlets operating as of end-June 2016 to 200.

The Restaurant business also has 14 shops operating in Singapore as of end-June. In addition to opening the first Tonkichi Ginza Shokudo outlet in November 2015, we continue to create a chain of locally popular restaurants in Singapore that are spreading the reputation of our Ginza Lion brand to the world.

Overall, in the first half of 2016 the Restaurants business posted sales of ¥12.6 billion, down ¥0.1 billion or 1% year on year, and an operating loss of ¥0.0 billion , compared with a loss of ¥0.2 billion in the first half of 2015.

Real Estate

Japan's real estate industry continued to benefit from solid demand in the Greater Tokyo office leasing market, which has helped to keep vacancy rates at low levels and sustain a moderate recovery in rent levels.

In this environment, our real estate leasing business was able to maintain high occupancy rates at its properties in the Tokyo Metropolitan area, including Yebisu Garden Place Tower, the business' core source of earnings. In addition, the high occupancy rates provided a solid platform for more assertive efforts to increase rents of existing tenants.

The real estate leasing business also continued to enhance the value of its Yebisu Garden Place commercial complex through its unceasing efforts to strengthen the property's brand appeal and raise convenience levels as a landmark of the stylish and sophisticated Ebisu area. In the complex's commercial area, renovation work on the restaurant floor at the top of the Yebisu Garden Place Tower began in May, with a renewal opening planned for this autumn. Our other core property in the Ebisu area, the new Ebisu First Square, which opened in October 2014, has won high praise from tenants as a highly competitive office building with superior safety features, comfort levels, and environmental performance. The property has maintained full occupancy since opening and is contributing significantly to the segment's strong earnings growth thus far in fiscal 2016.

At the real estate development business, construction of the GINZA PLACE, a redeveloped commercial complex located at the busy Ginza 4-chome intersection, was completed on schedule in June, and we are now preparing for its grand opening in September. We aim to make this complex a center for the dissemination of various information from Tokyo's world-famous Ginza to the world and envision it becoming a "landmark that gives birth to the Ginza of tomorrow".

As a result of the efforts outlined above, the Real Estate business posted first-half sales of ¥10.9 billion, up ¥1.0 billion or 11% year on year, and operating income of ¥5.1 billion, a year-on-year increase of ¥1.4 billion or 38%.

(2) Review of Consolidated Financial Condition

Consolidated Financial Condition

Consolidated assets as of the end of the first half on June 30, 2016, totaled ¥594.8 billion, a ¥25.5 billion decrease from the end of the previous fiscal year (December 31, 2015). The decline is mainly attributable to decreases in trade notes and accounts receivable and in investment securities, which more than offset an increase in merchandise and finished products.

Consolidated liabilities totaled ¥443.5 billion, a ¥13.0 billion reduction from December 31, 2015, primarily owing to decreases in short-term bank loans, income taxes payable, and liquor taxes payable, which combined outweighed an increase in current portion of bonds.

Consolidated net assets totaled ¥151.3 billion, ¥12.5 billion less than on December 31, 2015. The contraction in net assets primarily reflects decreases in unrealized holding gain on securities and in foreign currency translation adjustments.

Consolidated Cash Flows

Consolidated cash flows for the six months ended June 30, 2016, were as follows.

Operating activities provided net cash of ¥14.8 billion. Cash flow positives, such as a ¥16.1 billion decrease in notes and accounts receivable, depreciation and amortization of ¥10.9 billion, and an ¥8.5 billion increase in other current liabilities strongly outweighed the cash flow negatives, which mainly consisted of a ¥12.1 billion decrease in liquor taxes payable, ¥8.0 billion in income taxes paid, and a ¥4.0 billion increase in inventories.

Investing activities used net cash of ¥14.0 billion. Net cash inflows were generated by proceeds from sales of property, plant and equipment (¥0.2 billion), while the major outflows were for purchases of property, plant and equipment (¥8.7 billion), payments for transfer of business (¥1.5 billion), and purchases of intangibles (¥1.2 billion).

Financing activities provided net cash of ¥1.3 billion. Major inflows included ¥13.2 billion from long-term bank loans and ¥9.9 billion from the issuance of bonds. Major outflows were ¥19.6 billion in the repayment of long-term bank loans and ¥2.7 billion for cash dividends paid.

As a result of the above cash flows, cash and cash equivalents as of June 30, 2016, totaled ¥12.3 billion.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2016 is unchanged from the forecast announced by the Company on February 10, 2016.

2. Other Information

(1) Changes in significant subsidiaries during the six months ended June 30, 2016

Not applicable

(2) Application of accounting methods specific to the preparation of 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 for the fiscal year, which encompasses the Six months ended June 30, 2016, and then multiplying income (loss) before income taxes by this estimated effective tax rate.

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(Changes in accounting policies)

The following changes to accounting policies were applied from the first quarter of fiscal year 2016: Accounting Standard for Business Combinations (Accounting Standards Board of Japan - ASBJ - Statement No. 21 of September 13, 2013); Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013); and Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013). Accordingly, in cases where the parent company continues to have control, differences arising from changes in the Company's ownership interests in subsidiaries are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of fiscal year 2016, any change to the allocation of the acquisition cost arising from confirmation of the provisional accounting treatment must now be reflected in the consolidated financial statements for the quarter in which the business combination occurred. In addition, the presentation of the net income category has been revised and minority interests has been changed to non-controlling interests. Consolidated financial statements for the first-half of the previous fiscal year and for the entire previous fiscal year have been restated in order to reflect this change in presentation.

In the first-half consolidated statements of cash flows, cash flows related to the purchase or sales of subsidiaries' shares not resulting in change in scope of consolidation are included in "Cash flows from financing activities". Cash flows related to expenses incurred in the purchase of subsidiaries' shares resulting in change in scope of consolidation as well as cash flows related to expenses incurred in connection with the purchase or sales of subsidiaries' shares not resulting in change in scope of consolidation are included in "Cash flows from operating activities".

Application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the first quarter of fiscal year 2016, in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

These changes in accounting policy had no effect on the quarterly operating income, ordinary income, and income before income taxes reported for the first-half of fiscal 2016.

(Changes to accounting policies difficult to distinguish from changes in accounting estimates)

The SAPPORO Group has in the past applied the declining-balance method for depreciation of property, plant and equipment (however, the straight-line method was applied to property, plant and equipment of the Hokkaido Brewery, rental properties acquired since January 1988, Yebisu Garden Place, Sapporo Factory, buildings (excluding fixtures and equipment) acquired since April 1, 1998, Kyushu Hita Brewery, the Gunma Brewery's Japanese liquor manufacturing equipment, and Nasu Brewery). However, from fiscal year 2016 all property, plant and equipment will be depreciated using the straight-line method.

Group companies Sapporo Breweries Ltd. and POKKA SAPPORO Food & Beverage Ltd. have carried out aggressive capital investments on the assumption that growth in total demand would deliver early returns on those investments. However, in recognition of the maturation of our markets and operating environment, we are now prioritizing stable supply from existing facilities. In the current fiscal year, we plan to invest in new manufacturing facilities and the renewal of existing facilities to secure additional stable supplies of core products. In preparation for the drafting of the next long-term plan to be implemented from January 2017, we have examined the current state of usage of the Group's property, plant, and equipment and plans for future capital investments. This examination indicates that we will be able to maintain stable utilization of such domestic property, plant and equipment, which in turn has led to the decision that using the straight-line method to evenly distribute the acquisition cost of these assets over their useful lives will lead to more appropriate calculations of profit and loss in each reporting period.

The change from the declining-balance method to the straight-line method of depreciation reduced depreciation expense by ¥851 million, had a ¥784 million positive impact on operating income, and added ¥790 million to ordinary income and to income before income taxes in the first-half of fiscal 2016.

(4) Additional information

(Board Benefit Trust (BBT) for directors, group operating officers of the Company, and some directors of the Company's subsidiaries)

Following the approval of shareholders of a resolution at the 92nd Ordinary General Meeting of Shareholders, the Company on May 31, 2016, introduced a new stock-based compensation system (Board Benefit Trust, or BBT) (hereinafter referred to as the "System"), for directors, group operating officers of the Company, and some of the directors of the Company's subsidiaries (excluding outside directors, hereinafter referred to as the "Group Target Officers"). The new System is designed to increase Group Target Officers' awareness of their contributions to improving the performance of the Company over the longer term and to enhancing corporate value.

1. Overview of System

   The Company shall grant points to the Group Target Officers according to their respective positions and performance achievements. The BBT will then provide the Company's shares to Group Target Officers who meet certain conditions in proportion to the points granted to them. In principle, Group Target Officers will receive the Company's shares when they retire. The shares to be awarded to Group Target Officers, including shares for future allocation, shall be purchased using money contributed by the Company at the time of the System's establishment, and shall be managed separately as Trust property.

2. Company shares remaining in the Trust

   Upon the introduction of the System during the second quarter of the current fiscal year, Trust & Custody Services Bank, Ltd. (Trust Account E) has acquired shares 754,600 shares of the Company. The book value (excluding incidental costs) of the Company shares now held by the Trust are accounted for as treasury stock in the net assets section of the Company's balance sheet. As of the end of the second quarter of fiscal 2016, the book value and total number of treasury shares held by the Trust are, respectively, ¥445 million and 754,600 shares.

   With an effective date of July 1, 2016, the Company implemented a consolidation of shares at a ratio of 1 share for each 5 shares of the Company's common shares. Following this share consolidation, the number of shares held by the Trust totaled 150,920.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2015	June 30, 2016
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	10,430	12,474
2 Notes and accounts receivable - trade	92,335	74,802
3 Merchandise and finished products	24,912	28,825
4 Raw materials and supplies	13,722	12,286
5 Other	15,028	16,836
6 Allowance for doubtful receivables	(64)	(48)
Total current assets	156,364	145,176
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	383,087	387,131
Accumulated depreciation	(213,567)	(215,423)
Buildings and structures, net	169,519	171,708
(2) Machinery and vehicles	227,534	224,177
Accumulated depreciation	(183,165)	(181,915)
Machinery and vehicles, net	44,368	42,261
(3) Land	105,121	105,334
(4) Construction in progress	6,637	3,347
(5) Other	33,985	32,357
Accumulated depreciation	(22,589)	(21,054)
Other, net	11,395	11,302
Total property, plant and equipment	337,042	333,955
2 Intangible assets		
(1) Goodwill	30,235	28,868
(2) Other	10,743	10,283
Total intangible assets	40,978	39,151
3 Investments and other assets		
(1) Investment securities	61,848	53,123
(2) Long-term loans receivable	9,016	8,802
(3) Other	16,372	15,885
(4) Allowance for doubtful receivables	(1,234)	(1,216)
Total investments and other assets	86,002	76,595
Total fixed assets	464,023	449,702
Total assets	620,388	594,879

	December 31, 2015	June 30, 2016
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	36,772	37,878
2 Short-term bank loans	65,822	59,829
3 Commercial Paper	17,000	15,000
4 Current portion of bonds	10,000	20,000
5 Liquor taxes payable	33,903	21,642
6 Income taxes payable	6,114	1,845
7 Accrued bonuses	2,219	1,795
8 Deposits received	8,824	8,544
9 Other	52,986	55,660
Total current liabilities	233,643	222,197
II Long-term liabilities		
1 Bonds	50,000	50,228
2 Long-term bank loans	91,919	93,730
3 Net defined benefit liability	7,636	6,946
4 Dealers' deposits for guarantees	32,833	33,137
5 Other	40,533	37,317
Total long-term liabilities	222,921	221,361
Total liabilities	456,565	443,558
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,913	46,089
3 Retained earnings	35,189	32,895
4 Treasury stock, at cost	(1,595)	(1,776)
Total shareholders' equity	133,394	131,096
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	23,926	18,293
2 Deferred hedge gains	(11)	(29)
3 Foreign currency translation adjustments	(1,255)	(4,919)
4 Remeasurements of defined benefit plans	1,874	1,752
Total accumulated other comprehensive income	24,533	15,097
III Non-controlling Interests	5,894	5,127
Total net assets	163,822	151,320
Total liabilities and net assets	620,388	594,879

(2) Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
	Amount	Amount
I Net sales	245,884	248,959
II Cost of sales	164,323	163,238
Gross profit	81,560	85,721
III Selling, general and administrative expenses		
1 Sales incentives and commissions	16,298	17,646
2 Advertising and promotion expenses	12,041	10,682
3 Salaries	15,848	15,781
4 Provision for bonuses	918	1,040
5 Retirement benefit expenses	1,366	402
6 Other	36,378	37,120
Total selling, general and administrative expenses	82,852	82,672
Operating income (loss)	(1,291)	3,048
IV Non-operating income		
1 Interest income	107	122
2 Dividend income	777	716
3 Equity in income of affiliates	35	8
4 Gain on valuation of derivatives	59	42
5 Other	586	398
Total non-operating income	1,567	1,287
V Non-operating expenses		
1 Interest expense	1,153	1,059
2 Foreign exchange losses	193	412
3 Other	397	244
Total non-operating expenses	1,745	1,715
Ordinary income (loss)	(1,469)	2,620
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	7,377	22
2 Gain on sales of investment securities	27	5
3 Gain on sales of consolidated subsidiaries	72	-
4 Subsidy income	322	-
Total extraordinary gains	7,801	27
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	550	564
2 Loss on sales of property, plant and equipment	1	5
3 Impairment loss	1,595	108
4 Loss on devaluation of investment securities	163	22
5 Compensation expenses	140	224
Total extraordinary losses	2,450	925
Income before income taxes	3,880	1,722
Income taxes	2,822	1,266
Net income	1,058	456
Loss attributable to Non-controlling interests	(106)	(9)
Net income attributable to owners of the parent	1,164	465

Net income	1,058	456
Other comprehensive income		
Unrealized holding gain on securities	4,537	(5,634)
Deferred hedge gains (losses)	(12)	(4)
Foreign currency translation adjustments	(526)	(4,423)
Remeasurements of defined benefit plans	570	(121)
Total other comprehensive income	4,568	(10,184)
Comprehensive income	5,627	(9,728)
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,458	(8,971)
Comprehensive income attributable to non-controlling interests	168	(757)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	3,880	1,722
2 Depreciation and amortization	11,832	10,945
3 Loss on impairment of property, plant and equipment	1,595	108
4 Goodwill amortization	2,014	1,943
5 Increase (decrease) in net defined benefit liability	411	(902)
6 Increase (decrease) in allowance for doubtful receivables	(95)	(32)
7 Interest and dividend income	(885)	(838)
8 Interest expense	1,153	1,060
9 (Gain) loss on sales of fixed assets	(7,377)	(22)
10 (Gain) loss on sales and disposal of fixed assets	552	569
11 (Gain) loss on sales of investment securities	(27)	(5)
12 (Gain) loss on revaluation of investment securities	163	22
13 (Increase) decrease in notes and accounts receivable - trade	16,200	16,141
14 (Increase) decrease in inventories	(6,356)	(4,057)
15 Increase (decrease) in notes and accounts payable - trade	1,335	1,645
16 Increase (decrease) in accrued consumption taxes	(5,845)	(3,121)
17 Increase (decrease) in liquor taxes payable	(12,136)	(12,163)
19 Increase (decrease) in other current liabilities	7,326	8,564
20 Other	33	1,376
Sub total	13,774	22,958
21 Interest and dividends received	987	938
22 Interest paid	(1,209)	(1,069)
23 Income taxes paid	(2,054)	(8,023)
24 Income taxes refundable	3,185	18
Net cash provided by (used in) operating activities	14,683	14,823
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(12,621)	(8,766)
2 Proceeds from sales of property, plant and equipment	17,060	294
3 Purchases of intangibles	(895)	(1,279)
4 Payments for purchases of investment securities	(600)	(6)
5 Proceeds from sale and redemption of investment securities	347	6
6 Purchase of affiliates securities	(1,384)	(154)
7 Proceeds from sales of affiliate's securities	1,794	-
8 Purchase of subsidiaries' shares resulting in change in scope of consolidation	(3900)	(660)
9 Collection of sales of subsidiaries' share for prior periods	3,232	26
10 Payments for transfer of business	-	(1,558)
11 Other	(1,897)	(1,960)
Net cash provided by (used in) investing activities	1,136	(14,058)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	3,124	3,882
2 Increase (decrease) in commercial paper	(15,000)	(2,000)
3 Proceeds from long-term bank loans	14,266	13,266
4 Repayment of long-term bank loans	(14,811)	(19,617)
5 Proceeds from issuance of bonds	-	9,960
6 Cash dividends paid	(2,724)	(2,725)
7 Cash dividends paid to minority shareholders	(14)	(10)
8 Repayment of finance lease obligations	(1,532)	(1,446)
9 Proceeds from minority shareholders	1,738	-
10 Purchase of treasury stock	(11)	(451)
11 Proceeds from sale of treasury stock	0	447
Net cash provided by (used in) financing activities	(14,963)	1,305
IV Effect of exchange rate changes on cash and cash equivalents	(97)	(126)
V Net increase (decrease) in cash and cash equivalents	758	1,942
VI Cash and cash equivalents at beginning of period	9,748	10,399
VII Cash and cash equivalents at end of period	10,506	12,342

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

(5) Segment Information
Ⅰ **Six months ended June 30, 2015 (January 1, 2015 – June 30, 2015)**
1. Sales, income, and loss by reportable segment

(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	121,674	34,763	63,917	12,831	9,826	243,012	2,871	245,884	-	245,884
(2) Intra-group sales and transfers	1,337	54	130	1	1,230	2,754	9,316	12,070	(12,070)	-
Total	123,012	34,817	64,047	12,832	11,056	245,767	12,187	257,955	(12,070)	245,884
Segment income (loss)	(602)	(741)	(1,458)	(207)	3,751	742	(0)	741	(2,033)	(1,291)

Notes:
(1) "Other" comprises businesses, such as logistics 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	742
Total other losses	(0)
Unallocated corporate costs	(2,007)
Intra-segment sales	(26)
Operating income on the statement of income	(1,291)

(Significant impairment losses on fixed assets)
In the “Japanese Alcoholic Beverages” business, the book value of the buildings and land has been revalued and lowered to the expected sales price, following the decision to sell off some welfare facilities. As a result, an impairment loss of 1,394 million yen has been recognized in the second quarter of the financial year 2015.

In the “Food & Soft Drinks” business, the profitability has declined following the review of the production system and thus the recovery of investment is expected to be difficult. Consequently, the book value of the buildings and of machinery and equipment has been revalued and lowered to the recoverable amount. Accordingly, 114 million yen impairment loss has been accounted for in the second quarter of 2015.

(Significant changes in the amount of goodwill)
In the “International Business” segment, the shares of Country Pure Foods, Inc. has been acquired as at February 24, 2015, and thereby it has been made as the Company’s consolidated subsidiary. As a result of the consolidation, the amount of goodwill increased by 5,924 million yen in the first quarter of the current consolidated financial year.The amount of goodwill was calculated on a tentative basis.
In the second quarter of 2015, a provisional accounting has been made, however, the amount of goodwill has been revised by 3,855 million yen.

(Material Gain on negative goodwill)
Not Applicable

Ⅱ Six months ended June 30, 2016 (January 1, 2016 – June 30, 2016)

1. Sales, income, and loss by reportable segment

(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	125,755	31,608	64,991	12,650	10,905	245,911	3,048	248,959	-	248,959
(2) Intra-group sales and transfers	1,271	52	129	0	1,248	2,702	9,425	12,127	(12,127)	-
Total	127,027	31,660	65,120	12,650	12,153	248,613	12,474	261,087	(12,127)	248,959
Segment income (loss)	1,474	(390)	(802)	(51)	5,184	5,415	(72)	5,342	(2,293)	3,048

Notes:

(1) "Other" comprises businesses, such as logistics 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	5,415
Total other losses	(72)
Unallocated corporate costs	(2,275)
Intra-segment sales	(18)
Operating losses on the statement of income	3,048

3. Changes in Reportable Segment, etc.

(Change to depreciation method)

As described in “Changes in accounting policies,” the depreciation method for property, plant and equipment has been changed with effect from the first quarter of fiscal year 2016.

This change increases the second quarter segment profit of the Japanese Alcoholic Beverages business by 433 million and the Real Estate business by ¥78 million over the profit that would have been recorded under the previous method. The change also has a positive effect on earnings of other segments, reducing second quarter losses by ¥159 million at the Food and Soft Drinks business, ¥84 million at the Restaurants business, and ¥2 million at the Others segment. The change also reduces Adjustments by ¥26 million.

4. Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

(Significant impairment losses on fixed assets)

At the Japanese Alcoholic Beverages business, the book value of certain machinery and equipment has been lowered to the expected recoverable amount following a revision to the business’ production network that lowered the profitability outlook for the business and made full recovery of related investments unlikely. As a result, an impairment loss of ¥55 million has been recognized on the accounts for the first half of fiscal 2016. In the Food & Soft Drinks business, profitability declines at certain restaurants operated by the business make the recovery of investment in those outlets unlikely. Accordingly, the book value of the buildings and related equipment has been lowered to the expected recoverable amount. As a result, an impairment loss of ¥52 million has been recognized on the accounts for the first half of fiscal 2016.

(Significant changes in 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

(Share Consolidation and change to the number of shares constituting one share unit)
The Company’s Board of Directors at its meeting on February 10, 2016, decided resolved to submit a proposal for the consolidation of shares and a change in the number of shares constituting one share unit to the 92nd Ordinary General Meeting of Shareholders to be held on March 30, 2016. This proposal was approved by shareholders and took effect on July 1, 2016.

1. Purpose of the share consolidation and change in number of shares constituting one share unit
Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units with the aim of unifying the trading units for the common stock of all domestic companies listed on Japanese stock exchanges to 100 shares.
As a company listed on the Tokyo Stock Exchange and the Sapporo Stock Exchange, the Company shall respect this intention, decided to change its trading share unit from 1,000 shares to 100 units. In conjunction with that move, the Company decided to consolidate its common stock at the ratio of 1 share for each 5 shares in order to enhance investment opportunities for individual investors and achieve an appropriate investment unit based on consideration of changes in stock prices in the medium to long term.

2. Details of the share consolidation
a) Type of shares subject to consolidation: Common shares
b) Method and ratio of the consolidation:
Consolidation to be executed on July 1, 2016, at a ratio of 1 share for each 5 shares owned by shareholders of record in the latest shareholder register as of the close of the last day of June 2016.
c) Share reduction resulting from the consolidation
Total number of outstanding shares before consolidation (as of the last day of June 2016) 393,971,493 shares
Share decrease due to consolidation 315,177,195 shares
Shares outstanding after consolidation 78,794,298 shares

3. Treatment when there is less than one share
If the share consolidation results in fractional shares of less than one share, such shares shall be subject to a bulk sale in accordance with the provisions of the Companies Act, or the Company shall purchase them as treasury stock. The proceeds of the said sale, etc. shall be distributed to the target shareholders in proportion to their respective shareholdings.

4. Details of the change in number of shares constituting one share unit
As of July 1, 2016, the number of the Company’s shares that constitute one trading unit was changed from 1,000 to 100.

5. Impact on per-share information
The impact on per-share information is presented in the relevant section.