Financial Results
for the six months ended June 30, 2019 — Consolidated
(Based on IFRS)

August 6, 2019

Company name	**Sapporo Holdings Limited**
Security code	2501
Listed on	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	https://www.sapporoholdings.jp/en/
Representative	Masaki Oga, President and Representative Director
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Scheduled dates:	

Filing of quarterly financial report	August 13, 2019
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, 2019 (January 1 – June 30, 2019)

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2019	242,903	0.5	(128)	_	(798)	_	(1,133)	_
Six months ended June 30, 2018	241,740	(3.6)	(3,043)	_	(3,641)	_	(2,909)	_

	Profit attribute to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	yen
Six months ended June 30, 2019	(810)	_	4,618	_	(10.41)	(10.41)
Six months ended June 30, 2018	(2,516)	_	(10,966)	_	(32.30)	(32.30)

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity ratio attributable to owners of parent
	million yen	million yen	million yen	%
Six months ended June 30, 2019	639,320	165,731	163,210	25.5
December 31, 2018	639,692	164,735	161,501	25.2

2. Dividends

	Dividend per share				
Record date or period	End Q1	End Q2	End Q3	Year-end	Full year
	Yen	yen	yen	yen	yen
Year ended December 31, 2018	—	0.00	—	42.00	42.00
Year ended December 31, 2019	—	0.00			
Year ending December 31, 2019 (forecast)			—	42.00	42.00

Note: Changes were made to dividends forecasts in the six months ended June 30, 2019: None

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2019 (January 1 – December 31, 2019)

(Percentage figures represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit attribute to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2019	548,800	5.2	12,600	16.4	11,300	19.0	8,700	2.1	111.70

Note: Changes were made to earnings forecasts in the Six months ended June 30, 2019: None

4. Other

(1) Changes to scope of consolidation: Yes

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

Newly consolidated: - Newly excluded: Sapporo International Inc.

(Note)

Sapporo International Inc. was dissolved in an absorption-type merger with Sapporo Breweries LTD. on January 1, 2019.

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

1) Changes in accounting policies required by IFRS: None

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

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

1) Number of shares issued at end of period (treasury stock included):
June 30, 2019: 78,794,298 shares
December 31, 2018: 78,794,298 shares

2) Number of shares held in treasury at end of period:
June 30, 2019: 896,016 shares
December 31, 2018: 907,931 shares

3) Average number of outstanding share during the period:
Six months ended June 30, 2019: 77,887,873 shares
Six months ended June 30, 2018: 77,892,030 shares

*Quarterly review status

The quarterly financial results are not subject to quarterly reviews pursuant to the Financial Instruments and Exchange Act.

<u>Appropriate Use of Earnings Forecasts and Other Important Information</u>

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 and Financial Condition

(1) Operating Results

In the first half of 2019 (January 1 – June 30, 2019), the Japanese economy held firm mainly on the back of favorable employment and income conditions. However, the global economy remained clouded owing to heightened trade frictions and other geopolitical risks.

In this economic environment, despite a year-on-year sales volume decline for happoshu and new genre categories in the Alcoholic Beverages segment, the Sapporo Group recorded a year-on-year increase in revenue owing to brisk sales of Sapporo Draft Beer Black Label, RTD*1 offerings, and the Sapporo brand in North America.

The Group's operating loss contracted mainly due to cost controls in alcoholic beverages in Japan and Asia and the booking of gains on the sale of investment property.

As a result, first-half 2019 consolidated revenue totaled ¥242.9 billion (up ¥1.2 billion, or less than 1% year on year). The Group posted a first-half operating loss of ¥0.1 billion (compared to a ¥3.0 billion loss a year earlier), while loss attributable to owners of parent came to ¥0.8 billion (compared with a net loss of ¥2.5 billion a year earlier).

Results by segment are outlined below. From this year, in order to further strengthen management oversight of each business, the five reportable segments used up until now have been reorganized into three reportable segments. To enable year-on-year comparisons, figures for the previous fiscal year have been adjusted to reflect the new reportable segments.

Seasonal Factors

The Group's operating results are affected by substantial seasonal variation in demand in the Alcoholic Beverages and Food & Soft Drinks businesses. As a result, revenue in the first quarter, which falls within the first half of the fiscal year, tends to be lower than revenue in the other quarters.

Alcoholic Beverages

(Japan & Asia)

We estimate that total domestic demand for beer and beer-type beverages fell 1% year on year in the first half of 2019.

In this environment, Sapporo Breweries continues to work towards realizing its corporate vision—Seek to be No.1 by accumulating one-of-a-kind products—and achieving further growth by constantly providing unique, new value to customers.

In the beer category, based on our "beer revival declaration" business policy, sales of Sapporo Draft Beer Black Label remain brisk. For the Yebisu brand, the new Yebisu Premium Ale has been well received with sales volume for cans increasing year on year. However, total sales volume for beer and beer-type beverages decreased 4% year on year due to considerably lower sales in the new genre category mainly owing to increasingly intense competition and the impact of a pullback in sales of new products launched last year.

In the RTD*1 category, revenue increased significantly year on year with consumers favorably receiving both Sapporo Chuhai 99.99 (Four Nines), launched in August last year, and Sapporo - Lemon the Rich, which went on sale in April this year. These two items have become core RTD products alongside the likes of Otoko Ume Sour, Ai no Skal White Sour, and Kireto Lemon Sour.

In the wine category, we stepped up marketing of our fine wines*2, including the imported wine Penfolds, Taittinger champagne, and domestic Grande Polaire wines. However, weak sales of our everyday wines*2 led to a slight year-on-year revenue decline in this category.

Our spirits business achieved year-on-year revenue growth, driven by strong sales of products from major overseas brands, such as Bacardi and Dewars.

Our Japanese liquor business posted a year-on-year decline in revenue, despite solid sales of Kokuimo, Japan's best-selling*3 blended imo shochu.

In Asia, in the Vietnam market we continued our efforts to establish sales channels capable of generating profit growth.

(North America)

We estimate that total demand in the North American beer market declined year on year in both the U.S. and Canada, partially due to the impact of the record cold snap. In this environment, we worked to strengthen our mainstay brands, primarily premium beer, and strengthen the portfolio of each brand.

In Canada, our subsidiary Sleeman Breweries continued to invest in the marketing of its core premium brands, but the drop in total demand stemming from inclement weather resulted in a slight year-on-year decline in beer sales volume (excluding Sapporo brand beer).

In the U.S., Sapporo USA's sales volume of Sapporo brand beers grew significantly year on year due to the company's sales promotion activities for Sapporo brands targeting the general population as well as Asian Americans. Meanwhile, Anchor Brewing Company worked to bolster sales synergies with Sapporo USA amid the challenging business environment created by the continued decline in demand for craft beer in its home market in the San Francisco area.

(Restaurants)

Japan's restaurant industry as a whole continues to enjoy year-on-year growth in revenues, but the operating environment remained challenging in the first half of 2019, highlighted by rising hiring costs owing to labor shortages and increasing raw material procurement prices.

In this environment, based on the philosophy of "Enhancing the Joy of Living," Sapporo Lion worked to deliver safe and sound products to customers while also striving to create restaurants that deliver 100% satisfaction to customers.

In Japan, our existing restaurants performed well, posting year-on-year increases in revenue for the sixth straight month since the start of the year. In March we opened the third Sobaemon format restaurant in Kawasaki. It has earned rave reviews from local customers and continues to perform well. In January we renovated and switched the format of the Shinjuku store to reopen it as Kakoiya. Meanwhile, we closed 11 restaurants during the first two quarters due to the expiration of contracts, unprofitability, and other factors. As a result, we had 185 outlets open for business as of the end of June. Going forward, we will continue to aggressively expand our restaurant chains, opening new stores, remodeling existing stores, and changing formats when and where desirable.

In Singapore, we continue to promote the spread of beer hall culture.

As a result, revenue in the Alcoholic Beverages segment in the first half of 2019 came to ¥149.8 billion, down ¥1.2 billion, or 1% year on year, while the segment posted an operating loss of ¥0.6 billion, compared to a loss of ¥2.7 billion a year earlier.

*1) RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol 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 or more per bottle), while everyday wines are low-priced wines (less than ¥1,500 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 September 2017 to April 2019.

Food & Soft Drinks

(Japan & Asia)

We estimate that overall demand for soft drinks in Japan declined by 1% year on year in the first half of 2019.

In this market environment, POKKA SAPPORO leveraged the strengths of each brand lineup and continued to provide customers with value unique to the Sapporo Group.

In the domestic soft drinks business, we launched our new LEMON MADE brand with the aim of using lemon-based drinks to spread lemonade culture. The first product in this series, Original Lemonade, was well received by consumers. We continued to enhance our lineup of unique products in the TOCHI & CRAFT domestic unsweetened tea series with the launch of the new Hokkaido Yasashii Umacha. We also endeavored to strengthen our marketing activities by redesigning the packaging on our Kireto Lemon and Kireto Lemon Sparkling drinks and revamping television commercials. However, total sales volume of soft drinks fell year on year owing to the impact of a decline in sales of coffee drinks.

In the domestic food business, sales of soup products were somewhat lackluster due to the impact of the mild winter in the first quarter, but we are planning to aggressively ramp up soup operations in September after the scheduled completion, within the grounds of the Sendai brewery of Sapporo Breweries, of a POKKA SAPPORO plant featuring cup-based soup production facilities, etc. Sales volume of lemon-based food products remained brisk at 112% year on year thanks to our successful development of products that harness the value of lemons, including our mainstay Pokka Lemon 100. Moreover, we made a start on realizing a fully integrated lemon business, from the upstream to downstream sectors, by launching our own lemon-growing business in Hiroshima Prefecture in April. In the soy beans and chilled products business, with our soymilk yogurt production plant coming online, we took steps to expand consumption of our SOYBIO brand products by launching an unsweetened type in large containers in April, as well as a SOYBIO drink product packaged in cups in June.

Revenue in the domestic restaurants business grew year on year with Pokka Create, the company that operates the Café de Crié coffee shop chain, continuing to introduce new menu items reflecting the seasons and latest trends.

In our overseas soft drinks business, although the export business from Singapore was somewhat lackluster, sales remained firm in Singapore, a market in which we maintain the leading share* in the tea drinks category, including a roughly 70% share in the green tea category.

(North America)

In the U.S. soft drinks market, the business environment remained challenging due to the decline in demand for juices owing to the rise of health-conscious consumers. Amid this environment, a management integration of Country Pure Foods and Silver Springs Citrus was carried out in the previous fiscal year in an effort to improve profitability. As a result, total revenue for the two companies increased year on year.

Overall, revenue in the Food & Soft Drinks segment came to ¥78.2 billion, up ¥2.4 billion, or 3% year on year, while the segment posted an operating loss of ¥2.2 billion, compared with a loss of ¥1.7 billion a year earlier.

*Based on data from Nielsen Singapore MarketTrack October 2018 (Copyright 2018, The Nielsen Company)

Real Estate

Japan's real estate industry remains concerned about a sharp increase in supply of new office space negatively affecting conditions in the Greater Tokyo office leasing market, but for now vacancy rates remain low as strong corporate earnings support demand for office space. As a result, rents remain on a moderate upward trend.

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

Meanwhile we continue to enhance the asset value of our Yebisu Garden Place commercial complex—a landmark in the stylish and sophisticated Ebisu district of Tokyo—through constant efforts to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings by enhancing convenience and strengthening the property's brand appeal. In around autumn 2019, one section of Glass Square will be transformed into a multi-use area with co-working spaces. This is expected to create opportunities for people working there to interact with visitors to Yebisu Garden Place.

At the GINZA PLACE commercial complex, we are enhancing the facility's capacity for communicating information in line with its concept as a "base for information dissemination and exchange". In addition to enhancing the property's brand value, this is expected to boost customer footfall and make the Ginza district an even more dynamic and bustling urban center. In July we will refurbish the basement level 1 and open the Sapporo Draft Beer Black Label–THE BAR.

The real estate development business is proceeding with the renovation of the Sapporo Factory commercial complex as part of Sapporo City's urban redevelopment program focused on the nearby area on the east side of the Sosei River. We will continue our efforts to make the new complex an attractive urban space.

To further enhance the value of our real estate business as a whole, we will continue to carry out a strategic restructuring of our property portfolio and pursue urban redevelopment based on a long-term perspective.

As a result of the efforts outlined above, revenue in the Real Estate business came to ¥12.0 billion, down less than ¥1 billion, or less than 1% year on year, while operating profit came to ¥6.3 billion, up ¥1.8 billion, or 39%.

(2) Consolidated Financial Condition

Consolidated assets as of June 30, 2019, totaled ¥639.3 billion, ¥0.4 billion less than at the end of the previous fiscal year (December 31, 2018). The decline owes mainly to a decrease in trade and other receivables, which more than offset an increase in investment property.

Consolidated total liabilities totaled ¥473.6 billion, ¥1.4 billion less than on December 31, 2018, primarily owing to the decrease in other current liabilities, which helped offset an increase in bonds and borrowings (current).

Consolidated total equity came to ¥165.7 billion, up ¥1.0 billion from December 31, 2018. This increase was due to a rise in other components of equity, despite the payment of year-end dividends and other factors.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereafter, “cash”) as of June 30, 2019, totaled ¥8.7 billion, a decline of ¥1.2 billion or 12% from December 31, 2018.

Consolidated cash flows for the six months ended June 30, 2019, and the main factors affecting those flows were as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥13.6 billion, ¥2.6 billion or 23% more than in the first half of the previous fiscal year. The main positive contributors to inflows were depreciation and amortization totaling ¥14.0 billion and a ¥12.1 billion decrease in trade and other receivables. These were offset by outflow related to a ¥3.5 billion increase in inventories.

Cash flows from investing activities

Investing activities used net cash of ¥14.9 billion, ¥3.4 billion or 29% more than in the first half of the previous fiscal year. The main outflows were ¥12.4 billion for purchases of investment property and ¥6.5 billion for purchases of property, plant, and equipment, which outweighed inflow of ¥8.6 billion from the sale of trust beneficiary rights (investment property).

Cash flows from financing activities

Financing activities provided net cash of ¥0.1 billion compared to ¥2.1 billion net cash used in the first half of the previous fiscal year. The main inflows were proceeds of ¥15.0 billion from long-term borrowings and a ¥6.5 billion increase in commercial papers, which outweighed outflow of ¥16.3 billion for the repayment of long-term borrowings.

(4) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2019, is unchanged from the forecast announced by Sapporo Holdings on February 13, 2019.

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(millions of yen)

	December 31, 2018	June 30, 2019
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,989	8,746
2 Trade and other receivables	93,340	82,493
3 Inventories	37,109	41,781
4 Other financial assets	4,790	3,879
5 Other current assets	8,316	9,276
Total current assets	153,544	146,175
II Non-current assets		
1 Property, plant and equipment	152,676	154,272
2 Investment property	215,522	220,210
3 Goodwill	21,229	21,888
4 Intangible assets	12,056	11,780
5 Investments accounted for using equity method	410	422
6 Other financial assets	70,205	73,779
7 Other non-current assets	8,526	7,799
8 Deferred tax assets	5,523	2,995
Total non-current assets	486,148	493,145
Total assets	639,692	639,320

	December 31, 2018	June 30, 2019
	Amount	Amount
Liabilities and equity		
Liabilities		
I Current liabilities		
1 Trade and other payables	35,292	36,012
2 Bonds and borrowings	73,863	83,722
3 Lease liabilities	6,743	6,920
4 Income tax payable	1,527	1,087
5 Other financial liabilities	33,905	34,379
6 Other current liabilities	63,260	56,899
Total current liabilities	214,591	219,019
II Non-current liabilities		
1 Bonds and borrowings	154,483	153,009
2 Lease liabilities	24,495	25,161
3 Other financial liabilities	45,733	46,115
4 Retirement benefit liability	11,715	6,523
5 Other non-current liabilities	2,991	2,890
6 Deferred tax liabilities	20,950	20,872
Total non-current liabilities	260,367	254,570
Total liabilities	474,957	473,588
Equity		
1 Share capital	53,887	53,887
2 Capital surplus	40,998	40,950
3 Treasury shares	(1,822)	(1,786)
4 Retained earnings	46,065	45,968
5 Other components of equity	22,373	24,191
Total equity attributable to owners of parent	161,501	163,210
Non-controlling interests	3,234	2,522
Total equity	164,735	165,731
Total liabilities and equity	639,692	639,320

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss (millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
	Amount	Amount
Revenue	241,740	242,903
Cost of sales	169,827	171,663
Gross profit	71,913	71,241
Selling, general and administrative expenses	74,303	72,792
Other operating income	516	2,872
Other operating expenses	1,169	1,448
Operating profit (loss)	(3,043)	(128)
Finance income	656	681
Finance costs	1,263	1,364
Share of profit of investments accounted for using equity method	10	12
Profit (loss) before tax	(3,641)	(798)
Income tax expense	(731)	335
Profit (loss)	(2,909)	(1,133)
Profit (loss) attributable to		
Owners of parent	(2,516)	(810)
Non-controlling interests	(394)	(322)
Total	(2,909)	(1,133)
Basic earnings per share (JPY)	(32.30)	(10.41)
Diluted earnings per share(JPY)	(32.30)	(10.41)

Consolidated Statement of Comprehensive Income

	Six months ended June 30, 2018	Six months ended June 30, 2019
	Amount	Amount
Profit (loss)	(2,909)	(1,133)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(4,677)	1,987
Remeasurements of defined benefit plans	(1,200)	3,983
Total of items that will not be reclassified to profit or loss	(5,876)	5,970
Items that may be reclassified to profit		
Exchange differences on translation of foreign operations	(2,317)	(106)
Effective portion of net change in fair value of cash flow hedges	137	(113)
Total of items that may be reclassified to profit or loss	(2,180)	(219)
Other comprehensive income, net of tax	(8,057)	5,751
Comprehensive income	(10,966)	4,618

Comprehensive income attributable to		
Owners of parent	(10,462)	4,999
Non-controlling interests	(505)	(381)
Comprehensive income	(10,966)	4,618

(3)Consolidated Statement of Changes in Equity

(millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges
Balance as of January 1, 2018	53,887	40,825	(1,807)	44,491	1,137	(191)
Profit (loss)				(2,516)		
Other comprehensive income					(2,184)	113
Total comprehensive income	-	-	-	(2,516)	(2,184)	113
Purchase of treasury shares			(4)			
Disposal of treasury shares		0	4			
Issuance of convertible bonds with share acquisition rights		182				
Dividends				(3,122)		
Transfer to retained earnings				(1,274)		
Total transactions with owners	-	182	(0)	(4,396)	-	-
Balance as of June 30, 2018	53,887	41,007	(1,807)	37,579	(1,046)	(77)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2018	33,712	-	34,659	172,055	3,655	175,710
Profit (loss)			-	(2,516)	(394)	(2,909)
Other comprehensive income, net of taxes	(4,676)	(1,200)	(7,946)	(7,946)	(111)	(8,057)
Total comprehensive income	(4,676)	(1,200)	(7,946)	(10,462)	(505)	(10,966)
Purchase of treasury shares			-	(4)	-	(4)
Issuance of convertible bonds with share acquisition rights			-	4	-	4
Disposal of treasury shares			-	182	-	182
Dividends			-	(3,122)	(9)	(3,130)
Transfer to retained earnings	74	1,200	1,274	-	-	-
Total transactions with owners	74	1,200	1,274	(2,940)	(9)	(2,948)
Balance as of June 30, 2018	29,111	-	27,987	158,653	3,142	161,796

(millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of neti change in fair value of cash flow hedges
Balance as of January 1, 2019	53,887	40,998	(1,822)	46,065	(1,485)	(188)
Profit (loss)				(810)		
Other comprehensive income					(89)	(73)
Total comprehensive income	-	-	-	(810)	(89)	(73)
Purchase of treasury shares			(3)			
Disposal of treasury shares		0	39			
Dividends				(3,277)		
Disposal of subsidiaries						
Share-based payment transactions		(48)				
Transfer to retained earnings				3,991	-	-
Total transactions with owners	-	(48)	36	714	-	-
Balance as of June 30, 2019	53,887	40,950	(1,786)	45,968	(1,573)	(261)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2019	24,046	-	22,373	161,501	3,234	164,735
Profit (loss)			-	(810)	(322)	(1,133)
Other comprehensive income	1,987	3,983	5,809	5,809	(58)	5,751
Total comprehensive income	1,987	3,983	5,809	4,999	(381)	4,618
Purchase of treasury shares			-	(3)	-	(3)
Disposal of treasury shares			-	39	-	39
Dividends			-	(3,277)	(12)	(3,289)
Disposal of subsidiaries			-	-	(320)	(320)
Share-based payment transactions			-	(48)	-	(48)
Transfer to retained earnings	(8)	(3,983)	(3,991)	-	-	-
Total transactions with owners	(8)	(3,983)	(3,991)	(3,290)	(332)	(3,622)
Balance as of June 30, 2019	26,025	-	24,191	163,210	2,522	165,731

(4) Consolidated Statement of Cash Flows

(millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
	Amount	Amount
I Cash flows from operating activities		
1 Profit (loss) before taxes	(3,641)	(798)
2 Depreciation and amortization	14,266	13,968
3 Impairment losses	557	179
4 Interest and dividend income	(641)	(678)
5 Interest expenses	1,188	1,148
6 Share of loss (profit) of investments accounted for using equity method	(10)	(12)
7 Loss(gain) on sale and retirement of property, plant and equipment, and intangible assets	286	(1,711)
8 (Increase) decrease in trade and other receivables	16,251	12,059
9 (Increase) decrease in inventories	(2,806)	(3,473)
10 Increase (decrease) in trade and other payables	(361)	(295)
11 Increase (decrease) in accured alcohol tax	(5,244)	(2,659)
12 Other	(830)	(2,310)
Sub total	19,015	15,419
13 Interest and dividends received	692	705
14 Interest paid	(1,102)	(1,089)
15 Income taxes paid	(7,541)	(1,410)
Net cash provided by (used in) operating activities	11,064	13,624
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(5,961)	(6,521)
2 Proceeds from sales of property, plant and equipment	1,692	206
3 Purchase of investment property	(2,699)	(12,366)
4 Purchases of intangible assets	(1,202)	(1,951)
5 Purchases of investment securities	(6,339)	(1,104)
6 Proceeds from sale of investment securities	109	324
7 Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(1,305)
8 Payments for sales of subsidiaries' shares resulting in change in scope of consolidation	-	(504)
9 Proceeds from sale of trust beneficiary right (investment property)	-	8,586
10 Payments for loans receivable	(46)	(35)
11 Collection of loans receivable	4,016	67
12 Other	(1,076)	(284)
Net cash provided by (used in) investing activities	(11,505)	(14,889)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term borrowings	1,897	1,632
2 Net increase (decrease) in commercial papers	3,000	6,500
3 Proceeds from long-term borrowings	7,000	15,000
4 Repayment of long-term borrowings	(17,300)	(16,348)
5 Proceeds from issuance of bonds	20,021	–
6 Redemption of bonds	(10,062)	(7)
7 Dividends paid	(3,129)	(3,285)
8 Repayment of lease liabilities	(3,503)	(3,401)
9 Other	(0)	36
Net cash provided by (used in) financing activities	(2,076)	127
IV Effect of exchange rate changes on cash and cash equivalents	(217)	(105)
V Net increase (decrease) in cash and cash equivalents	(2,734)	(1,243)
VI Cash and cash equivalents at beginning of period	12,537	9,989
VII Cash and cash equivalents at end of period	9,803	8,746

(5)Notes on the Going-concern Assumption

Not applicable

(6)Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

Under the Company, which is a pure holding company, Group companies carry out business activities and formulate strategies for the products and services they offer and for the sales markets they cover.

The Group's businesses are segmented mainly based on the products, services and sales markets of Group companies and their affiliate companies. The Company's three reportable segments are Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

The Alcoholic Beverages segment produces and sells alcoholic beverages and operates restaurants of various styles.

The Food & Soft Drinks segment produces and sells foods and soft drinks.

The Real Estate segment's activities include leasing and development of real estate.

Changes to Reportable Segments

Based on the revised management structure launched in January 2017 and in line with The First Medium-Term Management Plan of the Long-Term Management Vision SPEED150 announced in November 2016, the Company has determined to strategically reallocate managerial resources to promote continuous group growth, and to implement structural reforms and promote segment management in an effort to strengthen platform functions.

In the Company's efforts to maintain steady growth by growing and strengthening its brands, the five previous business segments have recently been reorganized into three new segments to better develop international operations as a core business by enhancing Company management. From the first quarter of 2019, the five previous business segments of Japanese Alcoholic Beverages, International, Food & Soft Drinks, Restaurants, and Real Estate have been reorganized into the three new segments of Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

In conjunction with these changes, the former International segment was split and incorporated into the Alcoholic Beverages and Food & Soft Drinks segments, respectively. In addition, the former Restaurants segment has been incorporated into the Alcoholic Beverages segment, and the food business which was part of the former Other segment has been incorporated into the Food & Soft Drinks segment.

Segment information for the first half of 2019 has been prepared based on the new reportable segments following the changes.

2. Revenue, profit (or loss)

(millions of yen)

	Six months ended June 30, 2018 (January 1, 2018 – June 30, 2018)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	151,008	75,757	12,066	2,909	241,740	-	241,740
Inter-segment revenue	216	117	1,354	9,991	11,678	(11,678)	-
Total	151,224	75,874	13,420	12,900	253,419	(11,678)	241,740
Operating profit (loss)	(2,700)	(1,733)	4,553	14	134	(3,177)	(3,043)

(millions of yen)

	Six months ended June 30, 2019 (January 1, 2019 – June 30, 2019)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	149,820	78,164	12,039	2,881	242,903	-	242,903
Inter-segment revenue	300	122	1,333	10,269	12,023	(12,023)	-
Total	150,119	78,286	13,371	13,150	254,926	(12,023)	242,903
Operating profit (loss)	(619)	(2,196)	6,348	(169)	3,365	(3,493)	(128)

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