Financial Results
for the Six Months Ended June 30, 2015 — Consolidated
(Based on Japanese GAAP)

August 5, 2015

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 13, 2015
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, 2015 (January 1 – June 30, 2015)

(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, 2015	245,884	2.5	(1,291)	-	(1,469)	-	1,164	-
Six months ended June 30, 2014	239,862	3.7	1,007	114.2	272	(18.8)%	(10,928)	-

Note: Accumulated other comprehensive income

Six months ended June 30, 2015 5,627 million yen
Six months ended June 30, 2014 (9,946) million yen

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2015	2.99	-
Six months ended June 30, 2014	(28.02)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
June 30, 2015	621,102	161,927	25.1	400.21
December 31, 2014	625,439	160,004	25.0	401.17

Note: Shareholders' equity
June 30, 2015: 155,923 million yen
December 31, 2014: 156,303 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, 2014	—	0.00	—	7.00	7.00
Year ending December 31, 2015	—	0.00			
Year ending December 31, 2015 (forecast)			—	7.00	7.00

Note: No changes were made to dividend forecasts in the six months ended June 30, 2015.

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2015 (January 1 – December 31, 2015)

(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, 2015	545,700	5.2	16,300	10.7	15,200	4.4	8,000	2,252.8	20.53

Note: Changes were made to earnings forecasts in the six months ended June 30, 2015: None

4. Other

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

(1) Changes in significant subsidiaries during the six months ended June 30, 2015: 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: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

Note: For details, see (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement, in section “2. Other 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, 2015: 393,971,493 shares
December 31, 2014: 393,971,493 shares

2) Number of shares held in treasury at end of period:
June 30, 2015: 4,369,421 shares
December 31, 2014: 4,348,456 shares

3) Average number of outstanding shares during the period:
Six months ended June 30, 2015: 389,610,837 shares
Six months ended June 30, 2014: 390,021,090 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, 2015

In the first half of 2015 (January 1 – June 30), the Japanese economy remained on a moderate recovery track, supported by the government's economic stimulus measures. Personal consumption has been rebounding moderately reflecting improvement in the consumer mindset supported by the uptick in the stock market, low crude oil prices, and improving employment conditions.

Amid this environment, the SAPPORO Group posted a year-on-year increase in sales, despite a decline in in shipments of beer and beer-type beverages at the core Japanese Alcoholic Beverages business. Sales growth during the quarter was driven by the Food & Soft Drinks business, which achieved year-on-year gains for shipments of its food and beverage products, and the International Business, where revenues increased on a change in the accounting period of one overseas subsidiary and the inclusion of another in the accounts for the first time.

Operating income, however, was lower than in the previous fiscal year primarily owing to the decline in shipments at the Japanese Alcoholic Beverages business and to lower rental revenues at the Real Estate business as a result of the sale of some real estate property holdings and a temporary drop in the occupancy rate at others following the exit of a large tenant at the expiration of the lease contract.

As a result of the above factors, the SAPPORO Group posted consolidated sales of ¥245.8 billion (up ¥6.0 billion or 3% year over year), an operating loss of ¥1.2 billion (compared with operating income of ¥1.0 billion a year earlier), and an ordinary loss of ¥1.4 billion (compared with ordinary income of ¥0.2 billion a year earlier).

However, the Group posted net income of ¥1.1 billion in the first half of 2015 (compared with a ¥10.9 billion loss a year earlier), owing to the realization of a gain on the sale of trust beneficiary rights in the Shibuya Sakuragaoka Square office building in February.

Segment information is outlined below. Consolidated subsidiary New Sanko Inc., which was included in the Japanese Alcoholic Beverages segment last year, has been moved to the Restaurants segment from the first quarter of 2015.

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 2015 was less than in the same period of the previous year.

Under such market conditions, the Japanese Alcoholic Beverages business continued its efforts to realize further growth by constantly providing customers with a unique value proposal. These efforts continued to center on implementing management's vision of "Seek No.1 by accumulating one-of-a-kind products" while also adhering to the campaign slogan, "Bringing more cheer to your 'Cheers'!".

In the beer and beer-type beverages category, sales of our core Yebisu brand were stimulated by the release of two popular limited volume versions—Kaori Hanayagu Yebisu in February and Yebisu Royal Selection in March. In April, we launched a new version of our canned Sapporo Draft Beer Black Label and strengthened marketing for the product to the household-use market. As a result, sales of canned beers were higher than in the previous year. In the happoshu category, in March we launched a new version of our zero purine bodies and zero carbohydrate Goku Zero, which offers new value as a beverage using zero artificial sweeteners. In the new-genre category, in February we launched a new version of the popular Mugi to Hop The Gold, featuring further refinement of the beverage's characteristic rich flavor. Despite these efforts, shipments of our beer and beer-type beverages fell short of the previous year's level amid intense competition in the happoshu and the new-genre functional beverage market. In the nonalcoholic beer category, in May we launched SAPPORO+ (plus), our first product in the nonalcoholic beer market to be certified as a food for specified health uses (FOSHU), producing a substantial market buzz.

In the RTD* category, we supplemented the popular Sapporo Otoko Ume Sour lineup by introducing Cho (Ultra) Otoko Ume Sour in June as a limited-time release and saw favorable sales of the new product. Overall, however, sales of our RTD beverages declined.

In the wine category, sales fell below the previous-year level on weak demand for domestic mass-produced wines. However, shipments of our domestic flagship wine Grande Polaire expanded sharply amid a wave of popularity for Japanese wines. In the imported wine subcategory, we expanded our offerings in the growing market for mid- and high-price range products when we entered into new strategic partnerships with Treasury Wine Estates and world-renowned champagne maker Taittinger.

The spirits business saw sales fall slightly below its first-half results of 2014 despite growth in shipments of major brands, such as Dewar's, Cutty Sark, and Martini. Our Japanese liquor business, however, posted a sales gain, driven by Imo Shochu Kokuimo, Japan's top-selling blended *imo* shochu**, and Aka Umeshu, an umeshu (Japanese plum wine) with additional functional content.

As a result of the above, the Japanese Alcoholic Beverages business posted first-half sales of ¥121.6 billion, down ¥5.1 billion or 4% year over year. Despite continued efforts to control costs, the business posted a first-half operating loss of ¥0.6 billion, compared with an operating income of ¥1.3 billion a year ago.

* RTD, or ready-to-drink, beverages are already-mixed, low-alcohol content cocktail-like beverages that can be consumed as is immediately after opening.
** Based on Intage SRI market research on combined blended *imo* shochu sales in the supermarket, convenience store, and discount liquor store channels from January 2013 to December 2014.

International Business

In North America, the falling price of crude oil appears to have had a negative impact on the Canadian economy while stimulating personal consumption in the United States. As for the beer market, we estimate that total demand in both the U.S. and Canadian markets was largely even with the levels seen in the first half of 2014. In Asia, meanwhile, the beer market appears to be continuing its recent steady growth, supported by growing populations and firm 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 concentrating its resources and efforts.

In Canada, SLEEMAN BREWERIES's continued aggressive spending on marketing of its premium brands led to a 3% year-over-year gain in shipments (excluding Sapporo brand beer). In the US market, Sapporo USA's expansion of its marketing efforts targeting the Japanese-American market segment to the wider Asian-American and general population market segments supported a 4% increase in its shipments of Sapporo brand beers. In the U.S. soft drinks business, Silver Springs Citrus was adversely affected by the persistently high prices of oranges used to produce its juices, but the addition of Country Pure Foods Inc. as a consolidated subsidiary in February strengthened our position in the U.S. drink market.

The Vietnam business continued its aggressive marketing efforts to establish the Sapporo brand in the local market, including large-scale promotional events and placement of product displays at the entrance to bars and restaurants. However, first-half shipments fell below the previous-year level owing to intensified competition in the premium beer market. In South Korea, continued efforts to strengthen sales of beer to both the household and commercial markets by leveraging our local partner's sales network yielded a significant year-over-year increase in shipments during the first half of 2015. In Singapore, cooperative efforts with our local subsidiary are expanding our sales channels to that country's household market. In Oceania, where our business centers on licensing agreements with local brewing partners, continued efforts to strengthen marketing contributed to a solid year-over-year increase in sales volumes. These efforts of our overseas subsidiaries in various nations enabled the International Business to achieve a solid 13% year-over-year increase in shipments of Sapporo brand products in overseas markets.

In addition, we changed Silver Springs Citrus's accounting period included in the Group's consolidated accounts and started to include Country Pure Foods in the consolidated accounts from February.

As a result, the International Business posted sales of ¥34.7 billion, up ¥11.0 billion, or

46%, year over year. The segment's first-half operating loss amounted to ¥0.7 billion, compared with a loss of ¥0.5 billion a year earlier.

Food & Soft Drinks

We estimate that overall demand for soft drinks in Japan in the first half of 2015 was about the same as in the first half of 2014. In addition, we estimate that total demand for lemon-based products (flavorings) expanded from the previous year’s level while the market for instant soups (including soups in a cup) was largely the same as in the first half of 2014.

In this environment, the Sapporo Group’s Food & Soft Drinks business began its third year of integrated operations as POKKA SAPPORO Food & Beverage Ltd. The subsidiary is concentrating investments on core brands, with a focus on its soup and lemon-based product lineups, as it endeavors to strengthen and nurture its various brands.

The segment’s domestic soft drinks business enhanced its lineup of lemon-based products with the March introduction of an energy drink, ENERGIE, from our core Kireto Lemon brand. The product is creating a new market for energy drinks targeted at adult women and has been strongly received by its target market. Meanwhile, Kireto Lemon (in bottles) and Kireto Lemon Sparkling continued to do well, and the Kireto Lemon brand as whole enjoyed strong sales growth. In the coffee drink category, we raised prices on some products in April, resulted in recovery from a continued downward trend. During the term, we launched Nippon Oolong, an oolong tea made from domestic tea leaves, and Tsubu Tappuri Zeitaku Mikan, a pulp-rich juice drink made from Japanese tangerines. The new products received favorable reviews as the latest in the line of POKKA SAPPORO’s distinctive and unique drink products, contributing to a 3% year-over-year increase in domestic shipments of the subsidiary's soft drink products.

Shipments of our lemon-based products (flavorings) expanded 6% year-over-year, beating the growth in total market demand. Our core Pokka Lemon 100 brand continues to do well and we enhanced the brand's lineup with the introduction of Pokka Lemon Premium Sicilian Straight Lemon Juice for various uses and Shio Lemon, a salted preserved lemon–based flavoring capable of expanding a cook's repertoire of lemon-flavored dishes.

In the instant soup category, we continued to add new flavors to the Jikkuri Kotokoto Kongari Pan series with the introduction of Jikkuri Kotokoto Kongari Pan Karamucho Soup and other new offerings. As a result, sales volume of our instant soups increased 19%.

In the domestic restaurants business, the Café de Crié coffee shop chain overcame rising costs, including procurement costs and personnel expenses, and achieved a large year-on-year increase in sales. The result reflects a rebound in comparable-store sales fueled by detailed seasonal menu revisions.

The segment’s overseas soft drinks business added to its top share in Singapore's tea drinks market when its POKKA brand became the No.1 selling brand in the non-chilled fruit juice beverages category.*** Seeking to solidify its position in an Indonesian market expected to see dynamic growth in the future, POKKA CORPORATION (Singapore) Pte. Ltd. formed a joint venture with PT DIMA INDONESIA to manufacture and sell soft drinks in the nation. In June, the new joint venture began construction of a plant, which it plans to start up in 2016.

One last factor affecting the segment's first-half results is the sale of its Hong Kong restaurant business in December 2014.

As a result of above, the Food & Soft Drinks segment recorded first-half sales of ¥63.9 billion, up ¥1.1 billion or 2% year over year. The segment's operating loss was ¥1.4 billion (compared with a ¥1.8 billion loss a year earlier).

***Market shares are based on data from Nielsen Singapore MarketTrack March 2015 (Copyright 2015, The Nielsen Company)

Restaurants

Japan's restaurant industry continues to face a difficult operating environment, with procurement costs and labor costs on an upward trend.

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 the first half of 2015, the Restaurants Business endeavored to raise profitability by aggressively changing store formats. In April, it opened the first Hokkaido outlet of its popular Yebisu Bar chain, and a branch of its Rumoi Marche chain of seafood restaurants officially endorsed by the Hokkaido city of Rumoi was opened in Shinagawa East One Tower.

Also in April, we opened the Garden Terrace Lion at Ritsumeikan University's Ibaraki campus in Osaka Prefecture's Ibaraki City. As part of its integrated profit structure reform, the Restaurants Business closed 12 outlets, including some unprofitable stores, in the first six months of 2015. As a result, the number of outlets operating at period-end was 174.

Overseas, we opened two Rive Gauche cake and patisserie shops in Singapore, bringing the Restaurants Business' total number of overseas outlets to 16 as of end-June 2015. This number includes two Ginza Lion Beer Halls, the second opened in October 2014, and we plan to continue creating eating and drinking establishments that will be popular with local consumers.

Overall, the Restaurants Business' first-half sales came to ¥12.8 billion, up 1% from the first-half of 2014. The segment's operating loss came to ¥0.2 billion (compared with a ¥0.3 billion loss a year earlier).

Real Estate

Japan's real estate industry continued to see a moderate recovery in rent levels during the first half of 2015, as rebounding corporate profits stimulated demand for office relocations, helping to drive down vacancy rates in the Greater Tokyo office leasing market.

Amid such favorable demand conditions, our real estate leasing business, which saw a temporary drop in the occupancy rate at its core Yebisu Garden Place property following the loss of a large tenant at the expiration of its lease contract in May 2014, stepped up efforts to attract new tenants to raise the occupancy rate while also raising rents against a backdrop of strong office demand. Meanwhile, occupancy rates at other properties remain at high levels.

At Yebisu Garden Place, which in 2014 celebrated the 20th anniversary of its opening, we continue to make renovations to enhance the property's value by raising convenience levels and strengthening its brand appeal as we endeavor to provide tenants and visitors with enjoyable experiences in comfortable and pleasant surroundings. This June, we reopened the renovated and remodeled "Glass Square" dining area on the building's B1 floor with the concept of "Quality Daily Life." We welcomed six highly specialized and much-talked-about new restaurant tenants to the floor, including one opening its first store in Japan.

Meanwhile, the new Ebisu First Square, which came on line in October 2014, has won high praise from tenants as a highly competitive office building with superior safety features, comfort levels, and environmental performance. We look forward to the property's first full-year and full-scale contribution to earnings in 2015.

The real estate development business began construction work in March on a new building as part of its Ginza 5-chome Redevelopment Project. The building is scheduled to open for business in summer 2016. We aim to develop a property that becomes the talk of the town and a center of activity suitable for a Ginza landmark.

We are constantly reviewing and revising our property portfolio from a long-term perspective. In December 2014 we sold our entire equity stake in Sapporo Sports Plaza along with several lease properties. Then in February 2015 we sold our trust beneficiary rights in the Shibuya Sakuragaoka Square office building.

As result of the efforts outlined above, the Real Estate business's first-half sales totaled ¥9.8 billion (down ¥1.1 billion or 10%). Operating income was ¥3.7 billion (down ¥0.5 billion or 13%).

(2)Consolidated Financial Condition

Consolidated assets as of the end of the second quarter on June 30, 2015, totaled ¥621.1 billion, a ¥4.3 billion decrease from the end of the previous fiscal year (December 31, 2014). Despite the addition of Country Pure Foods, Inc., to consolidated accounts, overall assets declined owing to a decrease in notes and accounts receivable – trade. The sale of trust beneficiary rights in the Shibuya Sakuragaoka Square also contributed to the decrease in assets.

Consolidated liabilities totaled ¥459.1 billion, a ¥6.2 billion decrease from December 31, 2014, primarily reflecting a decrease in commercial paper and liquor taxes payable, which more than offset increases in short-term bank loans and net defined benefit liabilities.

Consolidated net assets totaled ¥161.9 billion, a ¥1.9 billion increase from December 31, 2014. The gain is primarily owing to increases in unrealized holding gain on securities and minority interests, which combined to offset the negative impact on assets from the application of a revised retirement benefit accounting standard and the decrease in retained earnings due to the distribution of year-end dividends.

Consolidated Cash Flows

Consolidated cash flows for the six months ended June 30, 2015, were as follows.

Operating activities provided net cash of ¥14.6 billion. This was attributable to positive factors, such as a ¥16.2 billion decrease in notes and accounts receivable, depreciation and amortization of ¥11.8 billion and a ¥7.3 billion increase in other current liabilities, and negative factors, such as a ¥12.1 billion decrease in liquor taxes payable, a ¥7.3 billion gain on sales of fixed assets and a ¥6.3 billion increase in inventories.

Investing activities provided net cash of ¥1.1 billion. The major inflow was ¥17.0 billion in proceeds from sales of property, plant and equipment. The major outflows were the ¥12.6 billion used for purchases of property, plant and equipment and ¥3.9 billion used to purchase the shares of subsidiaries due to changes in scope of consolidation.

Financing activities resulted in net cash outflows of ¥14.9 billion. The major inflow was ¥14.2 billion in proceeds from long-term bank loans, but this was offset by a ¥15.0 billion net decrease in commercial paper and ¥14.8 billion outflow for the repayment of long-term bank loans.

As a result of the above cash flows, cash and cash equivalents as of June 30, 2015, totaled ¥10.5 billion.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year ending December 31, 2015 is unchanged from the forecast announced by the Company on February 12, 2015.

2. Other Information

(1) Changes in significant subsidiaries during the six months ended June 30, 2015

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 and minority interests for the fiscal year, which encompasses the six months ended June 30, 2015, and then multiplying income (loss) before taxes and minority interests by this estimated effective tax rate.

(3) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement

(Changes in Accounting Policy)

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan - ASBJ - Statement No. 26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) have been applied, effective from the first quarter of the current consolidated financial year ending December 31, 2015, in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits. As a result, the method for calculating retirement benefit obligations and service costs has been revised, and the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis. As to the discount rate, it used to be calculated based on the periods, comparable to employees' average remaining years of service. Under the new accounting standard, however, the method of determining the discount rate has now been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for every such period.

In applying these retirement benefit-related accounting standards, etc. and in accordance with the transitional treatment provided in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in calculation method for retirement benefit obligations and service costs has been recognized by adjusting retained earnings at the beginning of the first quarter of the current financial year ending December 31, 2015.

Consequently, as at the beginning of the first half of the current financial year ending December 31, 2015, net defined benefit liability increased by ¥4,799 million, while retained earnings decreased by ¥3,105 million. Furthermore, during the first half of the current consolidated financial year, operating loss and ordinary loss decreased each by ¥84 million respectively, and income before income taxes and minority interests grew by ¥84 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2014	June 30, 2015
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	9,781	10,539
2 Notes and accounts receivable - trade	89,245	74,569
3 Merchandize and finished products	22,431	30,767
4 Raw materials and supplies	14,108	14,015
5 Other	20,971	14,756
6 Allowance for doubtful receivables	(165)	(83)
Total current assets	156,372	144,565
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	387,644	387,097
Accumulated depreciation	(211,317)	(214,121)
Buildings and structures, net	176,327	172,976
(2) Machinery and vehicles	224,180	230,337
Accumulated depreciation	(180,302)	(185,022)
Machinery and vehicles, net	43,878	45,315
(3) Land	115,290	108,005
(4) Construction in progress	2,617	6,957
(5) Other	36,088	35,864
Accumulated depreciation	(23,606)	(23,527)
Other, net	12,482	12,337
Total property, plant and equipment	350,597	345,592
2 Intangible assets		
(1) Goodwill	29,966	32,777
(2) Other	6,025	11,442
Total intangible assets	35,991	44,220
3 Investments and other assets		
(1) Investment securities	59,968	64,161
(2) Long-term loans receivable	9,150	9,084
(3) Other	14,663	14,743
(4) Allowance for doubtful receivables	(1,305)	(1,264)
Total investments and other assets	82,477	86,724
Total fixed assets	469,066	476,536
Total assets	625,439	621,102

	December 31, 2014	June 30, 2015
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	35,534	38,952
2 Short-term bank loans	31,446	47,214
3 Commercial Paper	30,000	15,000
4 Current portion of bonds	12,000	12,000
5 Liquor taxes payable	33,602	21,426
6 Income taxes payable	724	3,028
7 Accrued bonuses	2,115	1,697
8 Deposits received	9,650	9,405
9 Other	56,696	55,605
Total current liabilities	211,771	204,330
II Long-term liabilities		
1 Bonds	50,000	50,000
2 Long-term bank loans	124,110	119,145
3 Net defined benefit liability	4,510	8,891
4 Dealers' deposits for guarantees	32,336	32,845
5 Other	42,704	43,962
Total long-term liabilities	253,662	254,844
Total liabilities	465,434	459,174
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	45,912	45,912
3 Retained earnings	34,913	30,249
4 Treasury stock, at cost	(1,544)	(1,555)
Total shareholders' equity	133,168	128,493
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	20,112	24,644
2 Deferred hedge gains	(0)	(5)
3 Foreign currency translation adjustments	2,582	1,779
4 Remeasurements of defined benefit plans	440	1,011
Total accumulated other comprehensive income	23,135	27,429
III Minority Interests	3,700	6,004
Total net assets	160,004	161,927
Total liabilities and net assets	625,439	621,102

(2) Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
	Amount	Amount
I Net sales	239,862	245,884
II Cost of sales	155,293	164,323
Gross profit	84,568	81,560
III Selling, general and administrative expenses		
1 Sales incentives and commissions	16,005	16,298
2 Advertising and promotion expenses	11,846	12,041
3 Salaries	16,057	15,848
4 Provision for bonuses	797	918
5 Retirement benefit expenses	1,548	1,366
6 Other	37,305	36,378
Total selling, general and administrative expenses	83,561	82,852
Operating income (loss)	1,007	(1,291)
IV Non-operating income		
1 Interest income	114	107
2 Dividend income	473	777
3 Equity in income of affiliates	82	35
4 Other	502	646
Total non-operating income	1,172	1,567
V Non-operating expenses		
1 Interest expense	1,229	1,153
2 Foreign exchange losses	296	193
3 Other	381	397
Total non-operating expenses	1,907	1,745
Ordinary income (loss)	272	(1,469)
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	57	7,377
2 Gain on sales of investment securities	20	27
3 Gain on sales of consolidated subsidiaries	-	72
4 Subsidy income	-	322
Total extraordinary gains	78	7,801
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,336	550
2 Loss on sales of property, plant and equipment	49	1
3 Loss on impairment of property, plant and equipment	-	1,595
4 Loss on devaluation of investment securities	9	163
5 Loss on sales of investment securities	0	-
6 Compensation expenses	1,618	140
7 Additional liquor tax paid and other	11,684	-
Total extraordinary losses	14,699	2,450
Income (loss) before income taxes and minority interests	(14,348)	3,880
Income taxes	(3,212)	2,822
Income (loss) before minority interests	(11,135)	1,058
Minority interests	(207)	(106)
Net Income (loss)	(10,928)	1,164

Income (loss) before minority interests	(11,135)	1,058
Other comprehensive income		
Unrealized holding gain on securities	1,885	4,537
Deferred hedge gains (losses)	(16)	(12)
Foreign currency translation adjustments	(680)	(526)
Remeasurements of defined benefit plans	-	570
Total other comprehensive income	1,189	4,568
Comprehensive income	(9,946)	5,627
(Breakdown)		
Comprehensive income attributable to owners of the parent	(9,818)	5,458
Comprehensive income attributable to minority interests	(127)	168

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
	Amount	Amount
I Cash flows from operating activities		
1 Income (loss) before income taxes and minority interests	(14,348)	3,880
2 Depreciation and amortization	12,064	11,832
3 Loss on impairment of property, plant and equipment	-	1,595
4 Goodwill amortization	1,877	2,014
5 Increase (decrease) in employees' retirement benefits	(513)	-
6 Increase (decrease) in net defined benefit liability	-	411
7 Increase (decrease) in allowance for doubtful receivables	(23)	(95)
8 Interest and dividend income	(587)	(885)
9 Interest expense	1,242	1,153
10 (Gain) loss on sales of fixed assets	(57)	(7,377)
11 (Gain) loss on sales and disposal of fixed assets	1,386	552
12 (Gain) loss on sales of investment securities	(20)	(27)
13 (Gain) loss on revaluation of investment securities	9	163
14 (Increase) decrease in notes and accounts receivable - trade	17,562	16,200
15 (Increase) decrease in inventories	(3,414)	(6,356)
16 Increase (decrease) in notes and accounts payable - trade	(1,454)	1,335
17 Increase (decrease) in accrued consumption taxes	(534)	(5,845)
18 Increase (decrease) in liquor taxes payable	(10,849)	(12,136)
19 Increase (decrease) in other current liabilities	5,450	7,326
20 Other	(597)	33
Sub total	7,188	13,774
21 Interest and dividends received	708	987
22 Interest paid	(1,266)	(1,209)
23 Income taxes paid	(4,886)	(2,054)
24 Income taxes refundable	79	3,185
Net cash provided by (used in) operating activities	1,823	14,683
II Cash flows from investing activities		
1 Purchases of property, plant and equipment	(8,624)	(12,621)
2 Proceeds from sales of property, plant and equipment	145	17,060
3 Purchases of intangibles	(1,145)	(895)
4 Payments for purchases of investment securities	(263)	(600)
5 Proceeds from sale and redemption of investment securities	29	347
6 Purchase of affiliates securities	(90)	(1,384)
7 Proceeds from sales of affiliates securities	-	1,794
8 Purchase of subsidiaries' shares resulting in change in scope of consolidation	-	(3,900)
9 Collection of sales of subsidiaries' share for prior periods	-	3,232
10 Other	(1,487)	(1,897)
Net cash provided by (used in) investing activities	(11,435)	1,136
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(904)	3,124
2 Increase (decrease) in commercial paper	18,000	(15,000)
3 Proceeds from long-term bank loans	10,000	14,266
4 Repayment of long-term bank loans	(13,615)	(14,811)
5 Cash dividends paid	(2,727)	(2,724)
6 Cash dividends paid to minority shareholders	(14)	(14)
7 Repayment of finance lease obligations	(1,694)	(1,532)
8 Proceeds from minority shareholders	-	1,738
9 Other	(26)	(10)
Net cash provided by (used in) financing activities	9,017	(14,963)
IV Effect of exchange rate changes on cash and cash equivalents	(126)	(97)
V Net increase (decrease) in cash and cash equivalents	(721)	758
VI Cash and cash equivalents at beginning of period	11,518	9,748
Ⅶ Increase(decrease) in Cash and cash equivalents from newly consolidated subsidiaries	9	-
Ⅷ Increase in cash and cash equivalents resulting from merger	46	-
Ⅸ Cash and cash equivalents at end of period	10,852	10,506

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

(5) Segment Information

Ⅰ **Six months ended June 30, 2014 (January 1, 2014 – June 30, 2014)**
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	126,809	23,737	62,757	12,735	10,930	236,970	2,891	239,862	-	239,862
(2) Intra-group sales and transfers	1,181	47	136	2	1,287	2,654	9,285	11,939	(11,939)	-
Total	127,990	23,784	62,893	12,738	12,217	239,624	12,177	251,802	(11,939)	239,862
Segment income (loss)	1,310	(582)	(1,833)	(332)	4,317	2,879	111	2,990	(1,983)	1,007

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	2,879
Total other income	111
Unallocated corporate costs	(1,894)
Intra-segment sales	(89)
Operating income on the statement of income	1,007

3. Impairment loss on fixed assets or goodwill by reportable segment
(Significant impairment losses on fixed assets)
Not applicable

(Significant changes in the amount of goodwill)
Not applicable

(Material Gain on negative goodwill)
Not applicable

Ⅱ 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)

3. Changes in Reportable Segment, etc.

(Changes in Reportable Segment)

Following the share transfer between the consolidated subsidiaries, the segment classification of New Sanko Inc., which formerly used to be classified in the “Japanese Alcoholic Beverages” segment, has now been changed to the “Restaurants” segment, effective from the first quarter of the current consolidated financial year.

The segment information for the second quarter of the previous consolidated financial year has been restated, reflecting this segment change.

(Application of Accounting Standard for Retirement Benefits, etc.)

In accordance with the revision of the method for calculating retirement benefit obligations and service costs, as per the above Changes in Accounting Policy, effective from the first quarter of the current consolidated financial year, the calculation method for retirement benefit obligations and service costs in each business segment has been revised accordingly.

As a result, compared to the old calculation method, a segment loss of the “Japanese Alcoholic Beverages” was reduced by 80 million yen in the second quarter of 2015. The effect of the said revision on the segment income or loss in other segments than the “Japanese Alcoholic Beverages is immaterial.

(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

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

(7) Notes on Business Combinations

[Initial Allocation of Acquisition Cost]
Details of Revision and Restated Amount at the time of a Significant Revision Made in the Initial Allocation of Acquisition Cost

In the first quarter of the consolidated financial year 2015, the acquisition cost allocation of COUNTRY PURE FOODS, INC. was reported based on the provisional accounting using the then reasonably obtainable information as at the time of completion of the consolidated financial statements.
In the second quarter of 2015, a provisional accounting has also been made, however, the amount of goodwill has been revised as stated below, following the revised acquisition cost and the revised allocation amount:

Revised Amount of Goodwill
Goodwill (prior to the revision) 5,924 million yen
Intangible Assets （3,053）million yen
Deferred Tax Liabilities 1,063 million yen
Other Adjustments in Acquisition Cost (79) million yen
Total Amount Revised (2,069) million yen
Goodwill (post revision) 3,855 million yen

(8)Subsequent Events
Not applicable