

**Financial Results
for the six months ended June 30, 2020 — Consolidated
(Based on IFRS)**

August 6, 2020

Company name **Sapporo Holdings Limited**
 Security code 2501
 Listed on Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
 URL <https://www.sapporoholdings.jp/en/>
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 Scheduled dates:

Filing of quarterly financial report August 13, 2020
 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, 2020
(January 1 – June 30, 2020)**

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

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2020	199,983	(12.4)	(5,082)	-	(9,398)	-	(6,564)	-
Six months ended June 30, 2019	228,207	-	(1,290)	-	136	-	(1,133)	-

	Profit attributable 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, 2020	(6,429)	-	(14,627)	-	(82.53)	(82.53)
Six months ended June 30, 2019	(810)	-	4,618	-	(10.41)	(10.41)

Note: Profit before tax

Six months ended June 30, 2020: (9,929) million yen

Six months ended June 30, 2019: (335) million yen

Note: Core Operating Profit is a proprietary profit indicator that measures the performance consistency of our business. Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

Note: The profit and loss of the North American soft drinks business has been classified under discontinued operations because all of the shares in Country Pure Foods, Inc. since previous consolidated fiscal year.

The periods half quarter consolidated cumulative have also been rearranged in the same manner, these year-on-year changes are not stated.

(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, 2020	616,696	156,612	156,336	25.4
December 31, 2019	638,722	174,524	174,071	27.3

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, 2019	—	0.00	—	42.00	42.00
Year ended December 31, 2020	—	0.00			
Year ending December 31, 2020 (forecast)			—	42.00	42.00

Note: Changes were made to dividends forecasts in the six months ended June 30, 2020: None

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2020 (January 1 – December 31, 2020)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attribute to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2020	444,500	(9.6)	1,000	(91.5)	(7,900)	—	(6,500)	—	(6,500)	—	(83.44)

Note: Changes were made to earnings forecasts in the Six months ended June 30, 2020: Yes

4. Other

(1) Changes to scope of consolidation: None

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

Newly consolidated: - Newly excluded: -

(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, 2020: 78,794,298 shares

December 31, 2019: 78,794,298 shares

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

June 30, 2020: 895,910 shares

December 31, 2019: 898,162 shares

3) Average number of outstanding share during the period:

Six months ended June 30, 2020: 77,897,171 shares

Six months ended June 30, 2019: 77,887,873 shares

*Quarterly review status

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

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. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "1. Analysis of Operating Results and Financial Condition (4) Consolidated Earnings Forecast" on page 8-9.

1. Analysis of Operating Results and Financial Condition

(1) Operating Results

In the first half of 2020 (January 1 – June 30, 2020), uncertainty in the global economy further increased as the novel coronavirus outbreak and the rise in COVID-19 cases continued unabated. The Japanese economy also continued to be weighed on by uncertainties as the Japanese government's state of emergency declaration made in response to the domestic spread of the novel coronavirus reduced consumption activity with people refraining from outings and many businesses temporarily closing.

In this environment, the Sapporo Group saw sales of its commercial-use beer and soft drinks sold via vending machines fall sharply year on year in April and May, particularly in Japan. In addition, the Alcoholic Beverages and Food & Soft Drinks segments' results were negatively affected when nearly all the restaurants they operate were forced to reduce operating hours or temporarily close while the state of emergency remained in effect.

After the state of emergency was lifted, we began to see signs of a recovery in sales of commercial-use beer and vending machine beverages as restaurants and other businesses resumed operations and corporate activity and personal consumption began to rebound. The Group's restaurants are resuming operations while thoroughly implementing the measures for infectious disease prevention and hygiene management set forth in the government's guidelines for restaurant business continuity based on its Basic Policies for Novel Coronavirus Disease Control, and sales have been recovering moderately since June.

As a result, consolidated revenues totaled ¥200.0 billion (down ¥28.2 billion or 12% year on year), and core operating loss* was ¥5.1 billion (compared with a loss of ¥1.3 billion a year earlier) and operating loss was ¥9.4 billion (compared with a profit of ¥0.1 billion a year earlier). The net loss attributable to owners of parent came to ¥6.4 billion (compared with a net loss of ¥0.8 billion a year earlier).

*Core operating profit (loss) is the Company's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses from revenue.

Results by segment are outlined below. From this fiscal year, the logistics business, which used to be included in "Other" business, is now included in the Alcoholic Beverages segment. To enable year-on-year comparisons, segment figures for the previous fiscal year have been adjusted to reflect this change.

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

Sapporo Breweries set forth its new vision for 2026 as "To be somebody's first company, somebody's first shining star that enriches the lives of people from around the world, by bringing new and unique connections to them with alcoholic beverages. Focus on two positions: Premium & Reasonable values. Have global vision & reach while respecting local perspectives". Along with continuously honing the quality of our premium value offerings that only we can provide, we aim to achieve growth through continuous provision of reasonable value offerings by delivering high quality products for less.

(Japan & Asia)

In the beer markets in Japan and Asia, the commercial-use market is being significantly impacted by the novel coronavirus outbreak. Total demand in Japan for beer and beer-type beverages has fallen significantly since March, driving total demand in the six months to end-June down 10.0% year on

year.

In the beer category, while commercial-use beer sales declined, sales of canned Sapporo Draft Beer Black Label have been strong, expanding 7% year on year, based on our “beer revival declaration” business policy. In the new genre category, Sapporo Gold Star, a new product launched in February, has been well-received, helping drive total sales volume of new genre products up 36% year on year. Overall, total sales of beer and beer-type beverages decreased 7% year on year in the first half, as strong sales of home-use products could not fill the void created by the decline in sales in the commercial-use beer market.

In the RTD*1 category, sales of core collaborative RTD product Otoko Ume Sour were strong, but category revenue declined year on year partly due to sluggish growth of the core Sapporo Chuhai 99.99 (Four Nines) brand products.

In the wine category, we stepped up marketing of fine wines*2, including the imported wine Penfolds, Taittinger champagne, and our domestic Grande Polaire wines. However, weak sales of our everyday wines*2 and sluggish growth in demand for commercial-use products led to revenue for the wine category being below that of the previous year.

Our spirits business also saw revenue fall below the previous year’s level, as sales of core brands, such as Dewar’s, were depressed by weak demand from the commercial-use market.

Our Japanese liquor business, however, posted a year-on-year increase in revenue with solid sales of Kokuimo brand, Japan’s best-selling*3 blended imo shochu, as well as Koime no Lemon Sour no Moto, which was launched in October 2019.

In Asia, in the Vietnam market we are continuing our efforts to establish sales channels capable of generating profit growth while the business faces tightened restrictions against alcoholic beverages and the impact of the novel coronavirus outbreak.

(North America)

In the North American beer market, demand in the commercial-use market has been affected significantly by the novel coronavirus outbreak. We estimate that total beer demand declined markedly year on year in both the US and Canada.

In this environment, our North American alcoholic beverages business worked to strengthen its mainstay brands, primarily premium beer brands, and enhance the portfolio for each brand.

In Canada, although weakness in the commercial-use market had an impact, our subsidiary Sleeman Breweries saw sales of its medium- and low-priced canned beers increase in the home-use market. Overall, Sleeman’s beer sales volume (excluding Sapporo brand beer) increased slightly year on year.

In the US, Sapporo USA continued with its sales promotion activities for Sapporo brands targeting the general population as well as Asian Americans, but US sales of Sapporo brand beers fell sharply owing to the severe impact on the commercial-use market caused by the closure of restaurants in the US. Meanwhile, Anchor Brewing Company worked to bolster sales synergies with Sapporo USA and implemented structural reforms in an effort to overcome the challenging business environment created by the continued decline in demand for craft beer in its home market in the San Francisco area and the contraction of the commercial-use market.

(Restaurants)

In Japan’s domestic restaurant market, the spread of the novel coronavirus and the resulting state of emergency declarations by the national and local governments has created an extremely severe business environment. Forced to shorten their business hours or temporarily close their premises, and dealing with a slow rebound in customer traffic since the lifting of the emergency declarations, many restaurant operators and outlets have adapted their business models, including the offering of take-out meals.

In this environment, Sapporo Lion was forced to temporarily close nearly all of its stores during the state of emergency in April and May. The operating environment has remained difficult even after

restaurants reopened, as corporations' shift to remote work and pursue the establishment of a "new normal" and other factors have resulted in a smaller-than-expected rebound in people dining out. Sales at our restaurants are down sharply since the resumption of business owing to the deterioration in consumer sentiment caused by the ongoing spread of novel coronavirus infections, especially in the heavily populated urban areas where our outlets are concentrated. Since the lifting of the state of emergency, our restaurant operations have prioritized safety and security measures as we seek to prevent the infection of our customers and employees. In addition to revamping menus at each outlet to enhance take-out and delivery offerings, our effort to accommodate the "new normal" has included offering an all-you-can-drink course for individual customers. We also stepped up efforts to thoroughly reduce costs, including revising store hours and store holidays and negotiating rent reductions with landlords. Meanwhile, during the first half of 2020 we opened three new stores and two renovated outlets, while also closing nine locations based on the expiration of lease contracts, unprofitability, and other factors. As a result, our domestic restaurant business had 189 outlets open for business at the end of June.

To support our new take-out and delivery business, we completed construction and started operations at a backup kitchen in June. We plan to further expand this new aspect of our restaurant business.

As a result of the above factors, revenue in the Alcoholic Beverages segment in the first half of 2020 came to ¥130.4 billion (down ¥22.3 billion or 15% year on year), while the segment posted a core operating loss of ¥3.8 billion (compared with a loss of ¥0.6 billion in the first half of 2019) and an operating loss of ¥7.8 billion (compared with a loss of ¥0.8 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 of ¥1,500 or more per bottle, while everyday wines are those priced at 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 October 2018 to June 2020.

Food & Soft Drinks

In the Japanese domestic food and soft drinks market, commercial-use market demand and vending machine sales declined in the first half of 2020 owing to the impact of the novel coronavirus outbreak. We estimate that overall demand for soft drinks in Japan fell 8% year on year in the first six months of the year.

In this difficult market environment, POKKA SAPPORO posted favorable sales of Kireto Lemon Muto Sparkling, a new product launched during the first half in response to the growing demand for sugar-free beverages in Japan in recent years. Meanwhile, sales of Pokka Sapporo's mainstay Kireto Lemon and other lemon-based drinks continued to perform well, supported by Japanese consumers' heightened health consciousness. However, these positive trends were offset by weak sales through the vending machine channel, and as a result Pokka Sapporo's total soft drink sales volume was largely in line with total market demand.

In the domestic food business, we launched the first chilled Western-style cup-based soup from the Jikkuri Kotokoto brand, thereby expanding our lineup of nutritious chilled soups that are easy to consume during the hot summer months. Supported by the stay-at-home demand, sales volumes of our box- and cup-based soups were solid, expanding 8% year on year during the first six months of 2020. Among our lemon-based food products, Pokka Lemon 100 fared well, supported by a diverse customer base. Our lemon-based cocktail mixes also enjoyed significant year-on-year sales growth. In May, we launched Lemon Museum, a website that provides comprehensive and easy-to-understand information about lemons and their benefits that we have accumulated over the years as well as our lemon-related activities. Such initiatives have resulted in a 15% year-on-year increase in sales volume for our lemon-based food products. In the soy beans and chilled products category, we endeavored to win new users of our soymilk yogurt by launching a sales campaign in April that offered full refunds to customers who found our soymilk yogurt less than delicious. The campaign also

helped promote a better understanding of soymilk yogurt to a wider customer base. A renewed Almond Breeze also contributed to sales, boosting category sales volume above the previous year's level.

Pokka Create, which operates the Café de Crié coffee shop chain, saw its revenue decline year on year as the coronavirus pandemic forced it to temporarily close some shops or reduce operating hours, especially at its outlets in urban areas.

Meanwhile, Yasuma Co., Ltd., which operates a spice and herb business recorded growth in sales volume and revenue after becoming a consolidated subsidiary in February 2019.

As a result of the above factors, revenue in the Food & Soft Drink segment in the first half of 2020 came to ¥58.1 billion (down ¥5.4 billion or 9% year on year). The segment posted a core operating loss of ¥2.6 billion (compared with a loss of ¥1.6 billion in the first half of 2019) and an operating loss of ¥2.9 billion (compared with a loss of ¥1.9 billion a year earlier).

Real Estate

Japan's real estate industry also was impacted by the spread of the novel coronavirus, with vacancy rates in the Greater Tokyo office leasing market rising slightly from June onward. However, vacancy rates in newer office buildings remain at a low level. As a result, rents remained on a moderate upward trend.

In this environment, Sapporo Real Estate Co., Ltd maintained high occupancy rates at its properties in the Greater Tokyo Area, including Yebisu Garden Place Tower, the business' core source of earnings. However, the novel coronavirus outbreak has led to a decline in revenue from commercial facilities.

We continue to enhance the asset value of Yebisu Garden Place commercial complex—a landmark in the Ebisu district of Tokyo, which is marking its 25th anniversary—by enhancing convenience and strengthening the property's brand appeal. We maintained our constant efforts to provide tenants and visitors with enjoyable experiences in comfortable, pleasant, and sophisticated surroundings, while also responding to recent changes in society and people's values in the “new normal”.

At the Sapporo Factory commercial complex, the number of visitors decreased significantly due to requests from the governments of Hokkaido Prefecture and Sapporo City for people to refrain from outings on weekends, and the national government's declaration of a state of emergency. Hotel Clubby Sapporo experienced a decline in business and tourist guest numbers for the same reason. Although revenue declined year on year as a result, the real estate development business proceeded with the renovation of the Sapporo Factory commercial complex as part of Sapporo City's urban redevelopment program focused on the area on the east side of the Sosei River. Amid the changing environs surrounding the complex, we are contributing to the development of the area by proposing new lifestyles and enhanced convenience.

To enhance the overall value of our Real Estate business, we will also continue to strategically review and revise our property portfolio from a long-term perspective. We continue to invest for growth by acquiring rental properties in the Ebisu area and raising the value of properties in the area. We also are making equity investments in private-placement funds.

As a result of efforts outlined above, revenue in the Real Estate business came to ¥11.5 billion (down ¥0.6 billion or 5% year on year), while the segment's core operating profit was ¥4.6 billion (up ¥0.2 billion or 3%) and operating profit was ¥4.3 billion (down ¥2.1 billion or 33%).

(2) Consolidated Financial Condition

Consolidated assets as of June 30, 2020, totaled ¥616.7 billion, ¥22.0 billion less than at the end of the previous fiscal year (December 31, 2019). The decline is mainly due to decreases in trade and other receivables, and other financial assets (non-current), which more than offset an increase in cash and cash equivalents made in anticipation of the tightening of the fund procurement environment due to the novel coronavirus outbreak.

Consolidated total liabilities totaled ¥460.1 billion, ¥4.1 billion less than on December 31, 2019, primarily owing to decreases in other current liabilities, bonds and borrowings (noncurrent), and deferred tax liabilities, which helped to offset the increase in bonds and borrowings (current) resulting from additional issuance of commercial papers in anticipation of the tightening of the fund procurement environment due to the novel coronavirus outbreak.

Consolidated total equity totaled ¥156.6 billion, down ¥17.9 billion from December 31, 2019. This decline is due to the posting of a net loss attributable to owners of parent, the payment of year-end dividends, and a decline in other components of equity.

(3) Consolidated Cash Flows

Cash and cash equivalents (collectively “cash”) totaled ¥23.8 billion as of June 30, 2020, ¥8.6 billion or 56% more than at the end of the previous fiscal year (December 31, 2019).

Consolidated cash flows for the six months ended June 30, 2020, and the main factors affecting those flows were as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥4.3 billion, ¥9.3 billion or 68% less than in the first half of the previous fiscal year. The main positive contributors to inflows were a ¥24.8 billion decrease in trade and other receivables and ¥13.3 billion from depreciation and amortization. These were partially offset by a ¥13.6 billion decrease in liquor taxes payable.

(Cash flows from investing activities)

Investing activities used net cash of ¥11.8 billion, ¥3.0 billion or 20% less than in the first half of the previous fiscal year. The main outflows were ¥6.3 billion for purchases of property, plant and equipment and ¥3.2 billion for purchases of investment property.

(Cash flows from financing activities)

Financing activities provided net cash of ¥15.5 billion, compared with ¥0.1 billion in the first half of the previous fiscal year. The main inflows were from financing procured in anticipation of tightening of the fund procurement environment due to the novel coronavirus outbreak. This included ¥18.5 billion in proceeds from long-term bank loans and an ¥18.0 billion increase in commercial paper. These were partially offset by ¥13.8 billion for repayment of long-term bank loans.

(4) Consolidated Earnings Forecast

The Company opted earlier in the year to omit the full-year consolidated earnings forecast owing to the difficulty in making a reasonable assessment of the impact from the novel coronavirus pandemic. However, we have now calculated and released forecast figures based on information and forecasts currently available, taking into consideration the recent business environment and trends seen since the lifting of Japan’s state of emergency and the resumption of economic activities in other countries.

Although our business activities and performance have been recovering since June 2020 after bottoming out in April and May owing to the impact from the coronavirus pandemic, concerns about the impact from a second wave of infections continue to cloud the outlook for the economy and consumer spending. Accordingly, the Company’s forecast for the year ending December 31, 2020, as shown below, was determined based on the assumption that the pandemic will continue to impact earnings, primarily in the Alcoholic Beverages and the Food & Soft Drinks businesses.

Revision of consolidated full-year earnings forecast for the fiscal year ended December 31, 2020
 (January 1 to December 31, 2020)

(millions of yen, except percentages and per-share data)

	Revenue	Core operating profit	Operating profit	Profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	-	-	-	-	-	-
Current forecast (B)	444,500	1,000	(7,900)	(6,500)	(6,500)	(83.44)
Change (B-A)	-	-	-	-	-	-
Percent change	-	-	-	-	-	-
For reference: Results for the fiscal year ended December 31, 2019	491,896	11,724	12,208	3,820	4,356	55.92

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2019	June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	15,215	23,801
Trade and other receivables	92,529	67,146
Inventories	36,528	39,892
Other financial assets	5,403	4,445
Other current assets	6,090	9,169
Total current assets	155,765	144,454
Non-current assets		
Property, plant and equipment	147,014	143,096
Investment property	219,589	219,469
Goodwill	18,358	18,260
Intangible assets	8,844	9,238
Investments accounted for using equity method	428	436
Other financial assets	78,728	70,873
Other non-current assets	7,445	6,332
Deferred tax assets	2,551	4,539
Total non-current assets	482,957	472,242
Total assets	638,722	616,696

(Millions of yen)

	December 31, 2019	June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	34,475	32,130
Bonds and borrowings	72,121	110,092
Lease liabilities	6,538	6,271
Income taxes payable	2,414	1,008
Other financial liabilities	33,021	35,350
Other current liabilities	61,903	41,303
Total current liabilities	<u>210,472</u>	<u>226,153</u>
Non-current liabilities		
Bonds and borrowings	155,220	139,550
Lease liabilities	23,921	23,194
Other financial liabilities	46,624	46,260
Retirement benefit liability	5,007	6,761
Other non-current liabilities	2,828	2,787
Deferred tax liabilities	20,125	15,379
Total non-current liabilities	<u>253,725</u>	<u>233,931</u>
Total liabilities	464,197	460,084
Equity		
Share capital	53,887	53,887
Capital surplus	40,958	40,944
Treasury shares	(1,792)	(1,785)
Retained earnings	51,521	40,437
Other components of equity	29,497	22,854
Total equity attributable to owners of parent	<u>174,071</u>	<u>156,336</u>
Non-controlling interests	454	276
Total equity	<u>174,524</u>	<u>156,612</u>
Total liabilities and equity	<u><u>638,722</u></u>	<u><u>616,696</u></u>

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

Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Continuing operations		
Revenue	228,207	199,983
Cost of sales	157,733	140,340
Gross profit	70,475	59,643
Selling, general and administrative expenses	71,765	64,725
Other operating income	2,857	647
Other operating expenses	1,431	4,963
Operating profit (loss)	136	(9,398)
Finance income	681	630
Finance costs	1,164	1,169
Share of profit of investments accounted for using equity method	12	8
Loss before tax	(335)	(9,929)
Income tax expense	435	(3,365)
Loss from continuing operations	(771)	(6,564)
Discontinued operations		
Loss from discontinued operations	(362)	—
Loss	(1,133)	(6,564)
Loss attributable to		
Owners of parent	(810)	(6,429)
Non-controlling interests	(322)	(134)
Loss	(1,133)	(6,564)
Basic earnings (loss) per share		
Continuing operations	(8.28)	(82.53)
Discontinued operations	(2.12)	—
Basic loss per share	(10.41)	(82.53)
Diluted earnings (loss) per share		
Continuing operations	(8.28)	(82.53)
Discontinued operations	(2.12)	—
Diluted loss per share	(10.41)	(82.53)

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Loss	(1,133)	(6,564)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,987	(5,615)
Remeasurements of defined benefit plans	3,983	(1,029)
Total of items that will not be reclassified to profit or loss	5,970	(6,644)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(106)	(1,367)
Effective portion of net change in fair value of cash flow hedges	(113)	(52)
Total of items that may be reclassified to profit or loss	(219)	(1,419)
Other comprehensive income, net of tax	5,751	(8,063)
Comprehensive income	4,618	(14,627)
Comprehensive income attributable to		
Owners of parent	4,999	(14,451)
Non-controlling interests	(381)	(176)
Comprehensive income	4,618	(14,627)

(4) 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 cash flow hedges
Balance as of January 1, 2019	53,887	40,998	(1,822)	46,065	(1,485)	(188)
Loss				(810)		
Other comprehensive income	-	-	-	-	(89)	(73)
Comprehensive income	-	-	-	(810)	(89)	(73)
Purchase of treasury shares			(3)			
Disposal of treasury shares		0	39			
Dividends				(3,277)		
Changes due to sale of consolidated subsidiaries						
Share-based remuneration transactions		(48)				
Transfer from other components of equity 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
Loss			-	(810)	(322)	(1,133)
Other comprehensive income	1,987	3,983	5,809	5,809	(58)	5,751
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)
Changes due to sale of consolidated subsidiaries			-	-	(320)	(320)
Share-based remuneration transactions			-	(48)	-	(48)
Transfer from other components of equity 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

(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 cash flow hedges
Balance as of January 1, 2020	53,887	40,958	(1,792)	51,521	(863)	(68)
Loss				(6,429)		
Other comprehensive income	-	-	-	-	(1,325)	(52)
Comprehensive income	-	-	-	(6,429)	(1,325)	(52)
Purchase of treasury shares			(1)			
Disposal of treasury shares		0	8			
Dividends				(3,277)		
Changes in ownership interest in subsidiaries		(2)				
Share-based remuneration transactions		(12)				
Transfer from other components of equity to retained earnings				(1,378)	-	-
Total transactions with owners	-	(14)	7	(4,655)	-	-
Balance as of June 30, 2020	53,887	40,944	(1,785)	40,437	(2,188)	(120)

	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, 2020	30,428	-	29,497	174,071	454	174,524
Loss			-	(6,429)	(134)	(6,564)
Other comprehensive income	(5,615)	(1,029)	(8,021)	(8,021)	(42)	(8,063)
Comprehensive income	(5,615)	(1,029)	(8,021)	(14,451)	(176)	(14,627)
Purchase of treasury shares			-	(1)	-	(1)
Disposal of treasury shares			-	8	-	8
Dividends			-	(3,277)	-	(3,277)
Changes in ownership interest in subsidiaries				(2)	(1)	(3)
Share-based remuneration transactions				(12)		(12)
Transfer from other components of equity to retained earnings	348	1,029	1,378	-	-	-
Total transactions with owners	348	1,029	1,378	(3,285)	(1)	(3,286)
Balance as of June 30, 2020	25,162	-	22,854	156,336	276	156,612

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Loss before tax	(335)	(9,929)
Loss before tax from discontinued operations	(463)	—
Depreciation and amortization	13,968	13,315
Impairment losses	179	97
Interest and dividend income	(678)	(622)
Interest expenses	1,148	909
Share of loss (profit) of investments accounted for using equity method	(12)	(8)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(1,711)	129
Decrease (increase) in trade and other receivables	12,059	24,840
Decrease (increase) in inventories	(3,473)	(3,798)
Increase (decrease) in trade and other payables	(295)	(1,784)
Increase (decrease) in accrued alcohol tax	(2,659)	(13,645)
Other	(2,310)	(552)
Subtotal	15,419	8,952
Interest and dividends received	705	647
Interest paid	(1,089)	(852)
Income taxes paid	(1,410)	(4,424)
Net cash provided by (used in) operating activities	13,624	4,323
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,521)	(6,334)
Proceeds from sale of property, plant and equipment	206	106
Purchase of investment property	(12,366)	(3,191)
Purchase of intangible assets	(1,951)	(1,077)
Purchase of investment securities	(1,104)	(532)
Proceeds from sale of investment securities	324	133
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,305)	—
Payment for sale of shares of subsidiary resulting in change in scope of consolidation	(504)	—
Proceeds from sale of trust beneficiary right (investment property)	8,586	—
Payments for loans receivable	(35)	(61)
Collection of loans receivable	67	14
Other	(284)	(902)
Net cash provided by (used in) investing activities	(14,889)	(11,843)

	(Millions of yen)	
	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,632	(634)
Net increase (decrease) in commercial papers	6,500	18,000
Proceeds from long-term borrowings	15,000	18,500
Repayments of long-term borrowings	(16,348)	(13,782)
Redemption of bonds	(7)	(7)
Dividends paid	(3,285)	(3,268)
Repayments of lease liabilities	(3,401)	(3,283)
Other	36	7
Net cash provided by (used in) financing activities	127	15,532
Effect of exchange rate changes on cash and cash equivalents	(105)	574
Net increase (decrease) in cash and cash equivalents	(1,243)	8,586
Cash and cash equivalents at beginning of period	9,989	15,215
Cash and cash equivalents	8,746	23,801

(6) Notes on the Going-concern Assumption

Not applicable

(7) 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

From this year, the logistics business, which used to be listed under "other business," is classified under "Alcoholic Beverages." To enable year-on-year comparisons, figures for the previous fiscal year have been adjusted to reflect the new reportable segments.

The profit and loss of the North American soft drinks business has been classified under discontinued operations in 2019. Therefore, the amount of continuing operations excluding the amount of discontinued operations from related items is shown.

2. Revenue, profit (or loss)

(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	152,629	63,468	12,039	72	228,207	-	228,207
Inter-segment revenue	4,633	122	1,333	0	6,088	(6,088)	-
Total	157,262	63,590	13,371	72	234,295	(6,088)	228,207
Operating profit (loss)	(790)	(1,932)	6,348	3	3,629	(3,493)	136

(millions of yen)

	Six months ended June 30, 2020 (January 1, 2020 – June 30, 2020)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	130,375	58,059	11,469	80	199,983	-	199,983
Inter-segment revenue	5,457	252	1,275	0	6,984	(6,984)	-
Total	135,832	58,310	12,744	81	206,967	(6,984)	199,983
Operating profit (loss)	(7,771)	(2,896)	4,262	(4)	(6,409)	(2,989)	(9,398)

*1: "Other" comprises businesses, such as health food business, etc., that are not included in reportable segments.