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Company name Sapporo Holdings Limited  
Representative Takao Murakami, President and  
Representative Director  
Stock code 2501  
Listed on Tokyo Stock Exchange, Sapporo  
Securities Exchange  
Inquiries Tsutomu Kamijo, Director, Corporate  
Planning Department  
Tel: 81-3-5423-7404

## **Sapporo Announces New Management Framework**

— Creating New Value at Sapporo —

Sapporo Holdings Limited ("the Company") announced today that it has formulated a new long-term management plan for the Sapporo Group ("the Group"), entitled *Sapporo Group's New Management Framework* ("the New Management Framework"). This plan, which was approved at the meeting of the board of directors held earlier today, is described below.

Going forward, the Company will formulate and implement a new business plan based on the New Management Framework while implementing measures aimed at enhancing the corporate value of the Sapporo Group.

### **I. Background and Objectives of the New Management Framework**

The Group is currently operating in accordance with its present medium-term management plan (2006 – 2008), which was initiated last year. Following the adoption of the holding company structure in 2003, the objective of the Company's medium-term management plan has been the enhancement of its management base and the creation of a growth engine for enabling sustained growth for the Group.

Over the long-term, however, the environment surrounding the Group is expected to change drastically, both economically and from a demography-based social standpoint, and it is now necessary for the Group to re-examine several significant developments related to the management of the business.

Amid this changing environment, it will be crucial to boldly and rapidly implement strategies that utilize these environmental changes from new perspectives, while clearly specifying the direction to be taken by the Group in the long term and working to maximize the efficiency of management resources.

This will ensure that the Group is able to realize growth and continuously enhance corporate value.

The Group formulated the New Management Framework to act as the basic policy for implementing an aggressive management style under which it plans to review the allocation of management resources and carry out strategic investments to enhance competitiveness, while also putting sound management that focuses on long-term goals into practice.

One target set in the New Management Framework is the year 2016—which will mark 140 years since the Group was founded. The framework clarifies management goals for the Group and basic strategies (scenarios) for achieving them by 2016.

## II. Sapporo Group's New Management Framework

The Sapporo Group's business activities are conducted in accordance with the following management philosophy and fundamental management policy:

### **Management Philosophy**

To make people's lives richer and more enjoyable.

### **Fundamental Management Policy**

The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholder trust, and aims to achieve continuous growth in corporate value.

### 1. Basic Strategy

#### (1) Sapporo Group's Business Domains

The Group has identified two businesses domains: the creation of value in food and the creation of comfortable surroundings. The Group plans to expand its business in these areas through the utilization of the assets and strengths at its disposal.

The Group aims to deepen and expand the scope of the businesses under these domains to realize growth and improvements in profitability.

Furthermore, by unearthing new business opportunities in these two domains and carrying out focused investment, the Group aims to establish new businesses that will sustain its growth through the next generation.

#### (A) Creating Value in Food

The Group plans to develop and expand its business in the broad *food* sector with a focus on the Alcoholic Beverages business, in which it boasts a history of more than 130 years. With an emphasis on safety, security, and health, the Group will promote businesses in Japan and overseas that offer the value that customers seek. The Group will achieve this through revolutionary R&D, manufacturing technologies, and marketing expertise with efforts supported by the contracted cultivation and procurement of raw materials as well as accumulated technology.

#### (B) Creating Comfortable Surroundings

The Group will develop and expand undertakings to offer comfortable surroundings that enrich people's lives as part of overall urban development, including restaurants, commercial facilities,

office buildings, and residences.

To ensure that developments created by the Group provide visitors with rich experiences, the Group will promote the business of creating comfortable surroundings by viewing entire areas containing restaurants, commercial facilities, office buildings, and residences not only as facilities but as complete environments, with careful attention given to factors such as service, convenience, and ambience.

## (2) Group Strategy

### (A) Create High-Value-Added Products and Services

The Group aims to maximize capital efficiency by focusing its management resources on areas that offer the greatest competitive strengths in each of its businesses and building sustainable market advantages. The Group will foster common values that focus on “providing valuable products and services that customers can identify with.”

- In the domestic Alcoholic Beverages business, the Group will allocate business resources with a focus on high-value-added products by leveraging its superior brand power. The Sapporo Group is committed to maintaining its leadership in the high-value-added product segment by developing and offering products that meet the diversified requirements of customers. The Group also plans to expand the international Alcoholic Beverages business by leveraging its strengths in North American markets.
- In the Restaurant business, while continuously improving sales at existing restaurants by exploiting the dominant strength of the Ginza Lion brand, the Group will continue opening restaurants based on its highly acclaimed new formats in dominant areas, primarily in the metropolitan area.
- In the Real Estate business, the Group will actively pursue business expansion with a focus on the acquisition of new buildings and the redevelopment of properties currently owned, and it is committed to further improving profitability from both asset management and property management perspectives.

#### \* Dominant store opening

Dominant store opening denotes the policy of concentrating the opening of new outlets in specific areas so as to gain a high market share. This policy is expected to lead to advantages such as (1) cost reduction through the concentration of outlets, (2) marketing impact by spreading the brand, and (3) the sharing of human resources among outlets.

#### \* Asset management

The operation, administration, and management of real estate from the standpoint of a real estate owner. It is aimed at maximizing profits, etc., through the implementation of comprehensive management including of the purchase and sale of assets, assessments and investment planning.

#### \* Property management

Property management refers to real estate management services outsourced by real estate owners. It is aimed at raising investment efficiency by improving asset value through activities such as the ordering of maintenance of buildings and facilities, tenant management, cost management, and consultation services for renovation.

#### (B) Form Strategic Alliances

Rather than focusing solely on its own operations, the Group plans to promote strategic alliances with powerful partners that will enable it to enhance Group strengths, complement its capabilities, and acquire know-how, so as to rapidly develop competitive advantages on a large scale.

#### (C) Promote International Expansion

Expand the Soft Drinks and Food Products businesses, as well as the Alcoholic Beverages business, in overseas markets. Aim to build brands in overseas markets by utilizing technological capabilities and business alliances.

- The Group aims to further expand its businesses to realize growth and improved profits, primarily in North America where it can exploit the competitive advantages afforded by its existing assets and operating base.
- The Group will develop the Alcoholic Beverages and Soft Drinks businesses in Asia, working towards the next stage of growth.

#### (D) Expand Synergies Among Group Companies

The Group will promote flexible collaboration and cooperation, unconstrained by existing organizational boundaries, to create new value and adapt to changes in the environment, and pursue synergies among businesses. The Group aims to maximize synergies by addressing them from perspectives on business strategies (development and deployment of new products and services, and the development of new businesses) and operations (complementing functions within the value chain, and the utilization of human resources, information, and know-how).

- The Group will promote efforts that enable organic collaboration between businesses, such as Group-wide R&D efforts (Group-K).
- The Group plans to establish Sapporo Pro Assist Co., Ltd., to consolidate the current support functions of Group companies and improve the quality of operations and cost-efficiency.
- The Group will flexibly allocate personnel within the Group to meet business development requirements and to ensure that human resources, which constitute a common Group resource, are utilized more effectively.

#### \* Group-K

Group-K is a team established in 2006 which conducts Group-wide research and development activities. Group-K promotes and manages multiple research and development projects that extend across Group companies while working to strengthen the Group's seven fundamental technology domains: expertise to extract the full potential of ingredients, contribution to health, pursuit of flavor, refinement of ingredients, future technologies, production support, pursuit of safety and security. In 2007, these efforts led to the launch of the *Hop Kenkyu-sho* series of products, which is based on "an extract containing hop flavonol (HF31)." This is a new functional material

extracted from hop that was developed jointly by the Soft Drinks and Alcoholic Beverages businesses.

\* Sapporo Pro Assist Co., Ltd.

Sapporo Pro Assist Co., Ltd. is a shared service subsidiary established to perform operations outsourced to it from Group companies. It will consolidate support functions that are common across the entire Group, such as general affairs, accounting, human resources, and sales support, in order to further improve the efficiency and quality of operations. The company is scheduled to begin full-fledged operations in January 2008.

### (3) Overall Strategy to Improve the Sapporo Group's Corporate Value

By implementing the following measures, Sapporo aims to promote efforts to unite Group companies under the common goal of improving corporate value and pursuing the optimal Group-wide utilization of business resources.

#### (A) CSR-Focused Management

- CSR-focused management is positioned as one of the key strategies for supporting the sustained growth of the Sapporo Group. And based on the *Sapporo Group CSR Policy*, the Group will work to ensure continuous understanding of and adherence to the rationale, objectives, and practices that CSR-focused management entails within the Group, and implement concrete measures that meet the requirements of the business.

#### (B) Corporate Governance

- Adhering to the Group's basic policy on the development of a group governance framework, Sapporo will bolster management monitoring functions to improve transparency and achieve management goals with the aim of continuously enhancing the corporate value of the entire Group.
- Sapporo will develop new internal control systems to act as the fundamental basis for Group governance and establish them firmly within the organization.

#### (C) Human Resources Strategy

- Sapporo will foster interaction and exchange between Group personnel and provide career-development support with the aim of developing human resources able to contribute to the creation of value.
- Towards the creation of value, Sapporo will work to instill vibrancy and abundant motivation into the organization by providing opportunities for Group personnel to utilize and experience the skills and abilities they have acquired.

#### (D) Financial Strategy

- The Group plans to execute strategic investments in areas of potential future growth, with due consideration given to the business domain and basic strategies.
- To build solid foundations that support the Group's future business activities and enable it to respond and adapt to changes in the environment, such as future interest rate fluctuations, Sapporo will work to reduce financial liabilities and strengthen the capital base with the aim of raising the Group's market valuation.

## 2. Management Goals

### (1) Financial Goals

#### (A) Consolidated basis

(billions of yen, except where otherwise specified)

	Target for 2016	Forecast for 2007
Consolidated net sales (inc. liquor taxes)	¥600.0	¥458.0
Consolidated net sales (exc. liquor taxes)	450.0	315.0
Consolidated operating income	40.0	12.5
Consolidated operating income margin (exc. liquor taxes)	9%	4.0%
ROE	> 8%	2.4%
D/E ratio	around 1.:1	1.7 times

#### (B) By segment

(billions of yen)

Net sales	Target for 2016	Forecast for 2007
Alcoholic Beverages (domestic)	¥350.0	¥322.9
Alcoholic Beverages (international)	42.0	25.8
Soft Drinks	70.0	55.6
Restaurants	50.0	29.1
Real estate	50.0	24.6
New businesses	38.0	—

(billions of yen)

Operating income	Target for 2016	Forecast for 2007
Alcoholic Beverages (domestic)	¥15.0	¥5.6
Alcoholic Beverages (international)	5.0	2.0
Soft Drinks	2.0	(0.6)
Restaurants	2.5	0.8
Real Estate	15.0	6.9
New businesses	3.0	—

\* The 2007 forecast figures above were announced along with interim results.

## (2) Policy on the Distribution of Profits to Shareholders

### Basic Policy

Sapporo aims to maximize the Group's corporate value by implementing strategies and measures based on the New Management Framework. Its objective is to increase retained earnings, focus on strategic investment in growth areas, and strengthen the Group's financial base. The Group is also committed to providing a stable distribution of profits to shareholders.

- The Company intends to increase dividends by improving Group performance.
- The Company will consider acquiring treasury stock in consideration of factors such as financial condition and share price movements.

## **III. Procedure for Implementation of the New Management Framework**

The Company plans to review the contents of the current medium term-management plan (2006–2008) in accordance with the New Management Framework.

Going forward, the Company will formulate a new management plan based on the New Management Framework and the specific measures it calls for, and swiftly carry out any required measures, including new schemes such as those for strategic investment and business alliances.

The management plan for 2008 onwards will be announced in February 2008.

The Sapporo Group is committed to promptly implementing measures set out by the New Management Framework while aiming to continuously enhance corporate value.

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\* These materials contain forward-looking statements regarding but not limited to future earnings and future actions, circumstances, and occurrences. These statements are based on information available when these materials were prepared and are subject to risks and uncertainties. Actual results and financial performance may therefore differ significantly from the future outlook described by forward-looking statements presented in these materials.