Financial Results
For the Year Ended December 31, 2007—Consolidated

February 15, 2008

Company name **Sapporo Holdings Limited**

Security code 2501
Listings Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL http://www.sapporoholdings.jp/english/
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Scheduled dates:
Annual general meeting of shareholders March 28, 2008
Commencement of dividend payments March 31, 2008
Submission of financial statements March 31, 2008

1. Consolidated Financial Results for the Year Ended December 31, 2007 (January 1, 2007 – December 31, 2007)

1) Operating Results

(amounts rounded down to the nearest million yen; percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2007	449,011	3.2	12,362	43.5	8,118	38.6	5,508	135.6
Year ended December 31, 2006	435,090	(4.1)	8,612	(16.4)	5,857	(11.3)	2,338	(35.6)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended December 31, 2007	14.10	13.76	4.6	1.4	2.8
Year ended December 31, 2006	6.38	5.88	2.1	1.0	2.0

Note: Equity method investment gains or losses:
Year ended December 31, 2007: (132) million yen
Year ended December 31, 2006: (49) million yen

2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended December 31, 2007	561,858	125,189	22.3	319.07
Year ended December 31, 2006	589,597	113,495	19.2	300.13

Note: Shareholders' equity
Year ended December 31, 2007: 125,135 million yen
Year ended December 31, 2006: 113,493 million yen

3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2007	30,690	(13,495)	(19,568)	5,881
Year ended December 31, 2006	28,588	(54,414)	9,351	8,282

2. Dividends

Record date	Dividend per share			Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Interim	Year-end	Annual			
	yen	yen	yen	million yen	%	%
Year ended December 31, 2006	—	5.00	5.00	1,890	78.3	1.7
Year ended December 31, 2007	—	5.00	5.00	1,960	35.5	1.6
Year ending December 31, 2008 (forecast)	—	7.00	7.00	—	21.4	—

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2008 (January 1, 2008 – December 31, 2008)

(percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Interim	208,000	(1.6)	(1,000)	—	(2,700)	—	6,900	—	17.59
Full year	449,200	0.0	13,500	9.2	9,200	13.3	12,800	132.4	32.64

4. Others

1) Changes affecting the status of significant subsidiaries (scope of consolidation): None

2) Changes in accounting principles, procedures, and method of disclosure used to prepare the financial results

(1) Changes in accordance with amendments to accounting standards: Yes
(2) Changes other than the above: None

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

(1) Number of shares issued and outstanding at end of period (treasury stock included):

Year ended December 31, 2007: 393,971,493 shares
Year ended December 31, 2006: 379,617,498 shares

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

Year ended December 31, 2007: 1,785,996 shares
Year ended December 31, 2006: 1,458,776 shares

For reference: Overview of Financial Results on Non-Consolidated Basis

1. Non-Consolidated Financial Results for the Year Ended December 31, 2007 (January 1, 2007 – December 31, 2007)

1) Operating Results

(percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2007	5,462	9.3	1,906	0.0	2,970	(8.7)	2,019	—
Year ended December 31, 2006	5,000	58.0	1,906	135.4	3,252	43.1	(958)	—

	Net income per share	Diluted net income per share
	yen	yen
Year ended December 31, 2007	5.17	—
Year ended December 31, 2006	(2.62)	—

2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended December 31, 2007	342,614	129,558	37.8	330.35
Year ended December 31, 2006	357,713	123,185	34.4	325.75

Note: Shareholders' equity
Year ended December 31, 2007: 129,558 million yen
Year ended December 31, 2006: 123,185 million yen

Appropriate Use of Earnings Forecasts and Other Important Information

For the assumptions underlying the forecasts given above and other relevant information, refer to pages 12 to 16 of the attached document.

Results of Operations and Financial Statements

1. Results of Operations

1) Analysis of Results of Operations

a) Review of the Fiscal Year Ended December 31, 2007

(1) Overview

(millions of yen, except percentages)

	Net sales	Operating income	Ordinary income	Net income
2007	449,011	12,362	8,118	5,508
2006	435,090	8,612	5,857	2,338
Change (%)	3.2	43.5	38.6	135.6

Although corporate performance in Japan was relatively strong through fiscal 2007, growth in personal spending eased off, and signs of a slowdown in economic activity have spread. The impact of the subprime mortgage crisis in the US was felt during the second half of the year, and the future remains uncertain as sharp fluctuations occur in exchange rates, stock prices, oil prices, and other indicators.

The discovery of numerous cases of false food labeling has affected the alcoholic beverages, soft drinks, and restaurants industries, in which Sapporo Group companies operate, and the stance of companies in these industries toward the safety and reliability of food has come under increased scrutiny. Intensifying competition between companies amid floundering aggregate demand, in addition to the rising trend in the cost of raw ingredients and materials, is putting a squeeze on corporate earnings.

In the real estate industry, however, demand for offices in central Tokyo is vibrant and rents remain on an upward trend, but disparities between areas are widening as excess supply emerges in regional areas.

Under these circumstances, during the second year of the Group's medium-term management plan, embarked on in 2006, we focused on accelerating reforms to the Group's earnings structure and promoting sustained growth toward the future.

With regard to earnings structure reforms, following on from last year we revised all aspects of our cost structure, and we successfully minimized the impact of the rising cost of raw ingredients and materials through concerted corporate effort.

To promote sustained growth into the future, we launched high value-added products in our Alcoholic Beverages and Soft Drink businesses, and performance was strong in the *shochu* business—in which 2007 marked our second year—as well as in the Alcoholic Beverages business in Canada. In the Real Estate business, the development of properties held by the Group is progressing favorably, and we are cultivating promising growth opportunities in many other areas as well.

The following presents a review of the Group's consolidated performance for fiscal 2007.

Net Sales

Consolidated net sales were up ¥13.9 billion, or 3%, year over year to ¥449.0 billion. This results reflects the following..

In the domestic Alcoholic Beverages business, *happoshu* sales volume declined, but growth in the Overseas Alcoholic Beverages business, including the contribution to sales from Canada's Sleeman Breweries, which was included in consolidated results as of fiscal 2007, meant that net sales increased. In the Soft Drink business, on the other hand, the large decline in sales volume for Fujiya brand beverage products resulted in a sizeable drop in earnings. Finally, solid performance was exhibited by the Restaurants and Real Estate businesses.

Operating Income

Consolidated operating income rose ¥3.7 billion, or 44%, year over year to ¥12.3 billion. This results reflects the following.

Sales volumes declined in the domestic alcoholic beverages market, and the impact of the rising cost of raw ingredients and materials was also felt, but production streamlining and efforts to reduce costs, with a focus on sales promotion expenses, saw us successfully realize income growth. And the addition of Sleeman Breweries' earnings in the Overseas Alcoholic Beverages business resulted in substantial income growth for the Alcoholic Beverages business as a whole.

In the Soft Drink business, we worked to improve earnings by reducing costs, such as transportation expenses and sales promotion expenses, and reviewing sales deals but were unable to cover the decline in sales volumes and increases in the cost of raw ingredients and materials, resulting in a decline in income.

In the Restaurants business, although we shouldered increased costs associated with the opening of new establishments and a rise in personnel expenses due to the difficulty of recruiting new staff, growth in revenue from new establishments in addition to continuing favorable performance of existing restaurants resulted in higher earnings.

Earnings in the Real Estate business were also up owing to the maintenance of high occupancy rates and revised rents for properties in the Tokyo area and the contributions to revenue of properties developed during fiscal years 2006 and 2007.

Ordinary Income

Consolidated ordinary income came to ¥8.1 billion, representing year-over-year growth of ¥2.2 billion, or 39%.

A rise in borrowings during the year in conjunction with M&As and increases in interest rates on funds borrowed resulted in an increase in financial expenses of ¥1.1 billion.

Net Income

Consolidated net income was up ¥3.1 billion, or 136%, year over year to ¥5.5 billion.

We recorded a once-off depreciation charge in the Alcoholic Beverages business, made in conjunction with the decision to stop production at the Osaka plant, as well as an impairment loss in the Real Estate business in conjunction with the decision to transfer the Sapporo Factory facility and its business to a newly formed company. These items were offset, however, by the deferral of income taxes.

ROE

Although equity capital rose owing to the exercise of conversion rights on yen-dominated convertible bonds issued in 2004, the 136% year-over-year rise in net income saw ROE rise to 4.6% from the previous year’s 2.1%.

(2) Segment Information

(millions of yen ,except percentages)

	Net sales			Operating income		
	2007	2006	Change (%)	2007	2006	Change (%)
Alcoholic Beverages	343,670	326,419	5.3	7,854	4,183	87.7
(Japan)	315,892	321,128	(1.6)	6,189	3,798	62.9
(Overseas)	27,777	5,291	424.9	1,664	385	332.3
Soft Drinks	52,239	58,730	(11.1)	(839)	(426)	—
Restaurants	28,954	26,995	7.3	656	457	43.4
Real Estate	24,147	22,827	5.8	7,073	6,413	10.3

<u>Alcoholic Beverages</u>

Alcoholic Beverages (Japan)

Despite net sales in the Japanese Alcoholic Beverages business declining ¥5.2 billion, or 2%, year over year to ¥315.8 billion, operating income advanced ¥2.3 billion, or 63%, to ¥6.1 billion.

Although a large number of new products were launched by companies operating in the Japanese beer market, total demand was stagnant through the first three quarters. Following a comeback during the fourth quarter, however, it is estimated that total annual demand recovered to 99.7% of its previous level.

Against this backdrop, demand for Yebisu brand products, our premium beer offering in the Japanese alcoholic beverages market, rose 18% year over year, cementing the brand's leading share in this category. Strong results were also realized with commercial-use kegs, allowing us to outperform total demand.

Net sales in the wine category exceeded the previous year's, assisted by strong growth in total demand for domestic and imported wines and the effects of price increases on imported wines.

The *shochu* category, in which we marked our second year, enjoyed growth in revenues of ¥2.5 billion owing to net increases in sales during the first quarter and strong sales performance throughout the second half of the year.

The significant decline in sales volume in the *happoshu* category, however, combined with our inability to attain sales volume targets in the new genre category, owing to changes in the market environment, meant that net sales in the Japanese Alcoholic Beverages business as a whole fell below those of the previous year.

With regard to costs, however, although increases in prices of materials—primarily consisting of aluminum cans—and raw ingredients put upward pressure on the cost of goods sold, the implementation of measures on factory production lines to reduce initial costs, efforts to curtail advertising and sales promotion expenses, and other cost-reduction initiatives in all areas of our operations saw operating income outperform the previous year's figure.

Alcoholic Beverages (Overseas)

Net sales in the Overseas Alcoholic Beverages business surged ¥22.4 billion, or 425%, year over year to ¥27.7 billion. As a result, operating income in the Overseas Alcoholic Beverages business also increased, jumping ¥1.2 billion, or 332%, to ¥1.6 billion.

With regard to the North American beer market, amid estimates that total demand is growing slightly, competition in the market as a whole is intensifying. However, demand remains solid and continues to grow for certain premium category products, such as imported beers and craft beers. The beer market overall is also expanding in Asian countries and other markets outside of North America.

Against this backdrop, we engaged in aggressive sales efforts in the premium market and other markets exhibiting growth. In the fiscal year under review, we incorporated Canada's Sleeman Breweries results into our consolidated accounts for the first time, Sapporo USA turned in a solid performance with sales volume at 108% of the previous year's level, and sales volume from exports to other countries also rose to 117% of the previous year's level.

Soft Drinks

Net sales in the Soft Drink business declined ¥6.4 billion, or 11%, year over year to ¥52.2 billion, and we realized an operating loss of ¥0.8 billion, representing a year-over-year decline in income of ¥0.4 billion.

The Soft Drink business, assisted by the effects of favorable weather, enjoyed strong levels of product shipments from the beginning of the year, which continued throughout. Although no new large products were launched, demand for mineral water products, both domestic and imported, continued on the previous year's growth track. The addition of product items under major brands in each of the carbonated beverages and tea drinks categories also contributed, and total demand is now estimated to be at around 104% of the previous year's level.

Against this backdrop, we worked to develop and strengthen our Ebisu Sabo and Gabunomi product lines, core brands in the Soft Drink business, and strived to reach more customers. With regard to differentiated products, we released the Hop Kenkyusho series of beverages, which represent the results of joint development efforts with Sapporo Breweries. We also worked to cement the market presence of products through initiatives led by the release of Cranberry Original as a key item in the health product category. However, the large decline in demand for Fujiya brand beverage products resulted in sales volume underperforming the previous year's figure.

With regard to costs, although we worked to reduce transportation expenses, sales promotion expenses, and vending machine costs, we were unable to cover the decline in gross profit due to lower sales and the rising cost of raw ingredients and materials.

<u>Restaurants</u>

Net sales in the Restaurants business rose ¥1.9 billion, or 7%, year over year to ¥28.9 billion, and operating income advanced ¥0.1 billion, or 43%, to ¥0.6 billion.

Year-over-year performance growth in the Restaurants business continued throughout the beginning of the year, led by fast food establishments, but a stream of false food labeling incidents and price hike announcements in the second half of the year produced concerns that consumers may be turning away from the restaurant market, and signs of a slowdown intensified. With regard to the *izakaya* dining format, although small businesses continue to be driven out of the industry and numbers of large *izakaya* chain stores are rising, the trend is toward existing stores consistently underperforming year over year.

Against this backdrop, our Restaurants segment worked to differentiate itself in terms of cuisine and service, and achieved growth in net sales by aggressively opening new establishments.

With regard to existing establishments, the strong performance of beer halls combined with high rates of growth in sales at existing new-format stores, such as Kakoiya, to produce a fourth consecutive year of growth in net sales.

We also opened 12 restaurants with floor areas of around 4,575 m^2, the largest of any new restaurants opened in the past 10 yeas. The costs associated with these openings resulted in increases in expense accounts. Conversely, we closed six aging restaurants for which we did not perceive the possibility of recovery through refurbishment or reformatting. At the end of the year, therefore, we had 201 establishments in operation.

Real Estate

Net revenue in the Real Estate business rose ¥1.3 billion, or 6%, year over year to ¥24.1 billion, and operating income was up ¥0.6 billion, or 10%, to ¥7.0 billion.

Vacancy rates and rent levels for office buildings, particularly in central Tokyo, continued to improve, and the office leasing market performed favorably.

Against this backdrop, we maintained high occupancy rates at Yebisu Garden Place and other existing lease properties in the Tokyo area, and we also succeeded in raising rents for resident tenants. Development properties that went into operation during the second half of 2006 (such as Strata Ginza and the Frontier building within the Sapporo Factory facility) and those that opened their doors during 2007 (student-targeted rental condominiums in Sendai and Fukuoka and commercial rental property facilities around Sapporo Garden Park in Sapporo City) contributed greatly to the increase in net revenue.

b) Outlook for the Year Ending December 31, 2008

(1) Overview

(millions of yen, except percentages)

	Net sales	Operating income	Ordinary income	Net income
Forecast for 2008	449,200	13,500	9,200	12,800
2007	449,011	12,362	8,118	5,508
Change (%)	0.0	9.2	13.3	132.4

The four Group strategies for growth set out in the *Sapporo Group's New Management Framework*, released in 2007, will form the underlying basis of our operations in 2008. In the Restaurants and Real Estate businesses, in particular, we plan to utilize the know-how offered by strategic partners with whom we formed alliances during 2007 to enhance Group strengths and complement our own capabilities as we strive to enhance the value of our operations.

With regard to the Japanese Alcoholic Beverages market, we are committed to pursuing flavor as well as safety and reliability in all of our processes through efforts focusing primarily on 100% cooperative contract production of malt and hops, and we will be employing our unique technologies to provide consumers with new value.

Net Sales

The Group anticipates net sales of ¥449.2 billion, representing a year-over-year increase of ¥0.1 billion. This outlook is based on the following.

With regard to the Alcoholic Beverages business, we will be aiming to raise earnings in the Japanese market, primarily through the unique value offered by the Sapporo Group. Overseas, in addition to sales growth at Canada's Sleeman Breweries, we will be working towards further expanding revenue in the US market. In the Restaurants business, we plan to raise earnings by working to further invigorate existing establishments and opening additional large stores. In the Soft Drink business, however, we expect sales fall as changes to accounting methods take effect and we place a priority on restructuring operations together with strategic alliance partners. We also expect lower revenues in the Real Estate business in connection with the divestiture of some assets.

Operating Income

The Group anticipates consolidated operating income ¥13.5 billion, representing a year-over-year increase of ¥1.1 billion, or 9%.

With regard to the Alcoholic Beverages business, the rising cost of raw ingredients and materials is affecting both the Japanese and overseas markets. However, we anticipate revenue growth on the back of price revisions in the Japanese beer and beer-type beverages market as well as higher profit margins, resulting from improvements in the product mix, and efforts to further reduce costs. In the Soft Drink business, we will be promoting efforts aimed at the early improvement of our earnings ratio. In the Restaurants business, we expect earnings to rise owing to anticipated increases in net sales and efforts to limit cost increases. In the Real Estate business, the revision of rents on existing properties and efforts to streamline costs are expected to cover the reduction in revenue resulting from the divestiture of some assets, and we therefore anticipate higher earnings for the segment.

Ordinary Income

With the expected increase in operating income, we anticipate consolidated ordinary income of ¥9.2 billion, a year-over-year increase of ¥1.0 billion, or 13%.

Net Income

We expect to post an extraordinary gain due to the divestiture of certain assets held by our Real Estate operations. We therefore anticipate consolidated net income of ¥12.8 billion, representing year-over-year growth of ¥7.2 billion, or 132%.

ROE

Given the anticipated rise in net income, we expect ROE to improve from 4.6% for the year under review to 9.8%.

(2) Outlook by Segment

(millions of yen, except percentages)

	Net sales			Operating income		
	2008	2007	Change (%)	2008	2007	Change (%)
Alcoholic Beverages	351,800	343,670	2.4	8,700	7,854	10.8
(Japan)	323,200	315,892	2.3	7,500	6,189	21.2
(Overseas)	28,600	27,777	3.0	1,200	1,664	(27.9)
Soft Drinks	43,600	52,239	(16.5)	(500)	(839)	—
Restaurants	30,100	28,954	4.0	800	656	22.0
Real Estate	23,700	24,147	(1.9)	7,400	7,073	4.6

Alcoholic Beverages

Alcoholic Beverages (Japan)

With sluggish growth in total demand for alcoholic beverages in Japan expected, owing to a decline in the drinking-age population and the impact of price increases, competition between product categories should intensify.

In the beer and beer-type beverages market, although a decline in total demand and changes in the composition of demand across categories due to the impact of prices increases are expected, the market for functional beverages and premium beers should continue to expand.

Against this backdrop, we will be implementing marketing efforts geared to respond to changes in the market environment and diversifying customer needs, and aiming to increase earnings by providing value that is uniquely characteristic of Sapporo. In practical terms, we will be working to bolster the Yebisu brand, the premier name in the premium category, and to enhance the brand strengths of Draft One in the low-price category. We will also be releasing new functional products in response to increased health awareness, and overall, we aim to achieve sales volumes that exceed total demand. We will also continue to place priority on the safety and reliability of foods, working under the slogan (translated from Japanese): “Flavor and confidence; Sapporo Breweries is committed to pure quality.”

With regard to costs, we expect the cost of raw ingredients and materials to continue to rise. However, in addition to revising prices of beer and beer-type beverages in April, we will be terminating production at the Osaka plant in March and further reviewing our production systems as well as streamlining the use of sales promotion expenses and implementing other internal measure. Through these efforts, we aim to achieve operating income that exceeds the previous year's result.

Alcoholic Beverages (Overseas)

In the alcoholic beverages market overseas, we anticipate the cost of goods sold to rise owing to the impact of the global surge in raw materials prices, and the US dollar is expected to be weaker, in comparison to the previous year, against both the yen and the Canadian dollar owing to the impact of the subprime mortgage crisis. Against this backdrop, total demand is expected to be flat or rise only slightly in the North American beer market, our main focus in the segment. However, we will continue utilizing our strengths in the premium category to further cement our position in this market.

In the Canadian market, Sleeman Breweries will be executing aggressive marketing investments to maintain and enhance the value of its core premium brands—Sleeman, Unibroue, and Okanagan Spring—and aiming to achieve sales volumes that exceed total demand.

In the US market, building on our efforts to expand the Sapporo brand thus far, led primarily by Sapporo USA, this year we will begin exporting Yebisu beer, targeting sales in the high-end market. Through these efforts we aim to achieved sales volumes that exceed total demand.

With regard to exports to other countries and local production, we aim to increase sales through the aggressive introduction of keg beers while bolstering our operating base and further developing our business in the Overseas Alcoholic Beverages segment with a view to expanding into new regions.

<u>Soft Drinks</u>

In the Soft Drink business, we will be switching to a brand strategy that aims to create high-value-added brands that manifest our meticulous approach to ingredients, one of the Group's key strengths, and working to establish a meaningful presence in the market. In addition to more rigorously focusing our product lineups, we will also be working to harness the underlying strength of fruit juices in particular, offering new value through functional fruit juice beverages.

With regard to costs, although we anticipate increases due to rising prices of raw ingredients and materials, we aim to improve operating income by driving through earnings structure reforms and streamlining measures as part of our operating strategy, and pursuing low-cost operations.

Restaurants

In the Restaurants business, we will be aimed to achieve a fifth consecutive year of net sales growth through efforts to differentiate existing establishment by improving quality and to raise spending per customer. Nasu Mori no Beer En, a huge new restaurant facility in Nasu, will open its door in April, and we will also be working to expand net sales through other new store openings with a focus on the Tokyo area. We also aim to improve our earnings ratios by working to limit increases in expenses attributable to new store openings during the period.

Real Estate

The real estate industry is expected to remain stable, led by the office leasing market. With regard to our Real Estate operations, Sapporo Toshi Kaihatsu Co., Ltd., a new company formed with capital investments from local companies in Hokkaido, will open its doors in March and our business alliance with the Morgan Stanley Group pertaining to the Yebisu Garden Place facility will begin in April. Working on this basis, we will continue working to maintain high occupancy rates and raise rents on existing rental properties while also bolstering efforts to acquire and develop new properties from outside the group and to enhance the value of our existing business.

2) Financial Condition

a) Assets, Liabilities, and Net Assets

The balance of total consolidated assets at the end of 2007 was ¥561.8 billion, ¥27.7 billion lower than a year prior. The decline was attributable to a reduction in cash and deposits, a reduction in notes and accounts receivable, and a decline in fixed assets due to depreciation and impairment losses.

Liabilities stood at ¥436.6 billion, a year-over-year fall of ¥39.4 billion attributable to a reduction in short-term bank loans and the current portion of long-term debt as well as a decline in long-term debt.

The balance of net assets was ¥125.1 billion, a year-over-year increase of ¥11.6 billion attributable to a rise in paid-in capital and capital surplus, due to the exercise of conversion rights on convertible bonds, as well as an increase in retained earnings.

b) Cash Flows

The consolidated balance of cash and cash equivalents at the end of 2007 stood at ¥5.8 billion, a year-on-year decline of ¥2.4 billion. Although we made payments for the purchase of property, plant and equipment, these were covered with cash flows from operating activities. The repayment of long-term debt also had a notable effect.

The following presents consolidated cash flow figures for the fiscal year under review together with an overview of factors that affected each category.

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥30.6 billion. This result is primarily attributable to income before income taxes and minority interests of ¥0.2 billion, depreciation and amortization of ¥24.5 billion, a once-off depreciation charge on fixed assets of ¥6.5 billion, impairment losses of ¥6.9 billion, and a decrease in notes and accounts receivable of ¥4.3 billion, which were offset by a ¥3.0 billion reduction in notes and accounts payable and a ¥3.1 billion decline in deposits received.

Cash Flows from Investing Activities
Net cash used in investing activities was ¥13.4 billion. This primarily reflects outflows of ¥17.8 billion for the acquisition of property, plant and equipment and ¥2.0 billion for the purchase of intangibles, which were offset by income of ¥7.2 billion on the disposal of property, plant and equipment and ¥2.8 billion on the sale of investment securities.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥19.5 billion. This primarily reflects outflows of ¥50.3.billion for repayment of long-term debt and ¥10.0 billion for the redemption of bonds, which were offset by ¥24.0 billion in proceeds from long-term debt and ¥19.9 billion in proceeds from the issuance of bonds.

Cash Flow Indicators

	Year end:		
	2005	2006	2007
Equity ratio (%)	19.8	19.2	22.1
Equity ratio based on market capitalization (%)	42.8	43.5	62.3
Cash flow to interest-bearing debt (%)	652	943	796
Interest coverage ratio (times)	10.9	9.1	7.2

Equity ratio: Equity capital / Total assets
Equity ratio based market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payments

Notes:

1. All indicators above are base on consolidated figures.
2. Market capitalization is based on the number of shares issued and outstanding (i.e., excluding treasury stock).
3. Operating cash flow is used as the figure for cash flow.
4. Interest-bearing debt refers to all debts recorded on the consolidated balance sheets that incur interest payments.

3) Dividend Policy and Dividends for 2007 and 2008

The Sapporo Group views the appropriate return of profits to shareholders as a key management policy. When setting dividend levels, our basic policy is to maintain a stable dividend payment with due consideration given to operating performance and financial condition.

In accordance with the Group’s new management plan, internal reserves will be allocated to strategic investments with the potential to produce new growth as well as efforts to strengthen the Group’s financial base, the ultimate objective being to maximize corporate value.

Dividends for 2007 and 2008

	Interim	Year-end	Total
2007	—	5.0	5.0
2008	—	7.0	7.0

2. Management Policy

1) Fundamental Management Policy of the Sapporo Group

The Sapporo Group's management philosophy is "to make people's lives richer and more enjoyable," and its business activities are based on the following 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."

2) Performance Indicator Targets

The *Sapporo Group's New Management Framework* sets out the following management goals to be achieved by the plan's target year of 2016 (for reference, 2007 figures are given in parentheses):

- Consolidated net sales: ¥600.0 billion (2007: ¥449.0 billion)
- Consolidated operating income: ¥40.0 billion (2007: ¥12.3 billion)
- D/E ratio: 1:1 (2007: 1.7 times)
- ROE: above 8% (2007: 4.6%)

3) Medium- to Long-Term Group Management Strategy

In October of last year, the Sapporo Group announced a new plan, titled the *Sapporo Group's New Management Framework*, which sets out a target year of 2016—a year that will mark 140 years since the Group was founded.

The *New Management Framework* specifies two business domains for the Group to develop its activities through the utilization of the assets and strengths at its disposal: (i) the creation of value in food, and (ii) the creation of comfortable surroundings. In addition to pursuing further growth and improved profitability, the Group will strive to unearth new business opportunities in these two domains and create new business that will sustain growth through the next generation.

We will also be implementing a number of Group strategies for growth, including the creation of high-value-added products and services, the formation of strategic alliances, the promotion of international expansion, and the expansion of Group synergies.

Moving forward, based on the *Sapporo Group's New Management Framework*, we will strive enhance the Group's corporate value through the implementation of an aggressive management style under which we plan to review the allocation of management resources and carry out strategic investments to enhance competitiveness, while also engaging in sound management that focuses on long-term goals.

4) Issues to be Addressed

The basic strategies set out in the *Sapporo Group's New Management Framework* are as follows:

a) Group strategies for growth

(1) 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 while also building sustainable market advantages in each of its businesses. The Group will foster common values that focus on "providing valuable products and services that customers can identify with," while also working to create high levels of value-added.

(2) 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.

(3) Promote International Expansion
The Group will work to expand not only the Alcoholic Beverages business but the Soft Drinks and Food Products businesses, as well as, in overseas markets. The Group will also be implementing efforts aimed at building brands in overseas markets by utilizing technological capabilities and business alliances.

(4) Expand Group Synergies
The Group will pursue further synergies among businesses by promoting flexible collaboration and cooperation that is unconstrained by existing organizational and Group company boundaries. The Group aims to maximize synergies, addressing them from two separate perspectives: synergies in business strategies and operational synergies.

b) Overall Strategy to Enhance the Sapporo Group's Corporate Value

(1) CSR Strategy

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.

(2) 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.

(3) Human Resources Strategy

Sapporo will foster interaction and exchange among people within and external to the Group 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.

(4) 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 financial foundations that support the Group's future business activities and enable it to respond and adapt to changes in the market 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.

3.Consolidated Balance Sheets

(amounts in millions of yen)

	As of December 31, 2006			As of December 31, 2007			Year on year
	Amount		% of total	Amount		% of total	Amount
Assets							
I Current assets							
1 Cash and cash equivalents		8,916			6,511		(2,404)
2 Notes and accounts receivable-trade		73,615			69,685		(3,930)
3 Marketable securities		62			13		(49)
4 Inventories		24,403			24,041		(361)
5 Deferred tax assets		2,068			2,290		222
6 Refundable income taxes		45			133		87
7 Other current assets		19,084			15,317		(3,766)
8 Allowance for doubtful receivables		(224)			(275)		(51)
Total current assets		127,972	21.7		117,717	21.0	(10,254)
II Fixed assets							
(1) Property, plant and equipment							
1 Buildings and structures	402,617			399,169			
Accumulated depreciation	(181,947)	220,669		(192,925)	206,244		(14,425)
2 Machinery and vehicles	212,681			209,050			
Accumulated depreciation	(157,171)	55,510		(157,096)	51,954		(3,556)
3 Land		71,332			71,153		(179)
4 Construction in progress		4,442			4,694		252
5 Other	21,982			21,723			
Accumulated depreciation	(17,209)	4,772		(17,265)	4,458		(314)
Total property, plant and equipment		356,727	60.5		338,504	60.2	(18,223)
(2) Intangible assets							
1 Goodwill (including consolidation adjustments)		—			27,614		27,614
2 Goodwill		9,899			—		(9,899)
3 Other		23,450			5,754		(17,695)
Total intangible assets		33,349	5.7		33,368	5.9	18
(3) Investments and other assets							
1 Investment securities		42,082			37,393		(4,689)
2 Long-term loans receivable		10,450			10,229		(221)
3 Deferred tax assets		1,675			7,541		5,866
4 Other investments and other assets		19,940			19,339		(601)
5 Allowance for doubtful receivables		(2,602)			(2,235)		366
Total investments and other assets		71,547	12.1		72,267	12.9	720
Total fixed assets		461,624	78.3		444,141	79.0	(17,483)
Total assets		589,597	100.0		561,858	100.0	(27,738)

	As of December 31, 2006		As of December 31, 2007		Year on year
	Amount	% of total	Amount	% of total	Amount
Liabilities					
I Current liabilities					
1 Notes and accounts payable	28,929		26,121		(2,808)
2 Short-term bank loans and current portion of long-term debt	104,007		64,415		(39,592)
3 Liquor taxes payable	38,276		38,140		(136)
4 Income taxes payable	1,525		2,749		1,223
5 Accrued bonuses	764		1,056		292
6 Deferred tax liabilities	—		0		0
7 Deposits received	52,147		48,725		(3,422)
8 Other	43,233		42,292		(940)
Total current liabilities	268,885	45.6	223,501	39.8	(45,384)
II Long-term liabilities					
1 Bonds	49,720		69,710		19,990
2 Long-term bank loans	82,305		74,339		(7,966)
3 Deferred tax liabilities	9,984		6,182		(3,802)
4 Employees' retirement benefits	16,301		15,135		(1,166)
5 Directors' and corporate auditors' severance benefits	118		115		(2)
6 Dealers' deposits for guarantees	33,657		31,903		(1,753)
7 Other	15,128		15,782		653
Total long-term liabilities	207,216	35.2	213,168	37.9	5,952
Total liabilities	476,101	80.8	436,669	77.7	(39,432)

	As of December 31, 2006		As of December 31, 2007		Year on year
	Amount	% of total	Amount	% of total	Amount
Net Assets					
I Shareholders' equity					
1 Common stock	50,066	8.5	53,886	9.6	3,820
2 Capital surplus	42,484	7.2	46,310	8.2	3,825
3 Retained earnings	10,472	1.8	14,292	2.5	3,820
4 Treasury stock, at cost	(571)	(0.1)	(848)	(0.1)	(277)
Total shareholders' equity	102,451	17.4	113,641	20.2	11,189
II Valuation and translation adjustments					
1 Unrealized holding gain on securities	11,318	1.9	9,640	1.7	(1,677)
2 Foreign currency translation adjustments	(276)	(0.1)	1,853	0.4	2,129
Total valuation and translation adjustments	11,041	1.8	11,493	2.1	452
III Minority Interests	2	0.0	53	0.0	51
Total net assets	113,495	19.2	125,189	22.3	11,693
Total liabilities and net assets	589,597	100.0	561,858	100.0	(27,738)

Consolidated Statements of Income

(amounts in millions of yen)

	Fiscal year ended December 31, 2006			Fiscal year ended December 31, 2007			Year on year
	Amount		% of total	Amount		% of total	Amount
I Net sales		435,090	100.0		449,011	100.0	13,921
II Cost of sales		300,121	69.0		305,078	67.9	4,956
Gross profit		134,968	31.0		143,933	32.1	8,964
III Selling, general and administrative expenses							
1 Sales incentives and commissions	36,837			35,862			
2 Advertising and promotion expenses	18,832			17,371			
3 Provision for doubtful receivables	24			—			
4 Salaries	16,964			19,973			
5 Provision for accrued bonuses	441			688			
6 Retirement benefit expenses	2,808			2,869			
7 Other	50,446	126,355	29.0	54,805	131,570	29.3	5,215
Operating income		8,612	2.0		12,362	2.8	3,749
IV Non-operating income							
1 Interest income	398			431			
2 Dividend income	516			594			
3 Rental income	383			387			
4 Foreign exchange gain	—			304			
5 Gain (loss) on transactions related to gift coupon	211			—			
6 Other	885	2,396	0.5	587	2,306	0.5	(89)
V Non-operating expenses							
1 Interest expense	3,041			4,280			
2 Loss on disposal of inventories	951			858			
3 Equity in loss of affiliates	49			132			
4 Other	1,109	5,151	1.2	1,280	6,550	1.5	1,399
Ordinary income		5,857	1.3		8,118	1.8	2,261

	Fiscal year ended December 31, 2006			Fiscal year ended December 31, 2007			Year on year
	Amount		% of total	Amount		% of total	Amount
VI Extraordinary gains							
1 Gain on sales of property, plant and equipment	69			6,769			
2 Gain on sales of investment securities	2,221			766			
3 Reversal of provision for doubtful receivables	66			27			
4 Gain on sale of consolidated subsidiary	101			—			
5 Subsidy for installation of vending machine	88			32			
6 Adjustments of gain on sales of property, plant and equipment for prior periods	95	2,642	0.6	—	7,596	1.7	4,953
VII Extraordinary losses							
1 Loss on disposal of property, plant and equipment	2,519			1,300			
2 Loss on impairment of property, plant and equipment	1,785			6,939			
3 Depreciation expenses resulting from revision of residual value	—			6,583			
4 Amortization of goodwill	—			276			
5 Devaluation of marketable securities and investments	217	4,522	1.0	393	15,493	3.5	10,970
Income before income taxes and minority interests		3,977	0.9		221	0.0	(3,756)
Current income taxes	1,728			3,040			
Reversal of prior period income taxes	—			308			
Deferred income taxes	(86)	1,641	0.4	(8,634)	(5,285)	(1.2)	(6,927)
Minority interests		2	0.0		1	0.0	(0)
Net income		2,338	0.5		5,508	1.2	3,170

Statement of Changes in Shareholders' Capital

Year ended December 31, 2006 (January 1, 2006 – December 31, 2006)

(millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of December 31, 2005	46,595	39,010	9,962	(461)	95,107
Changes during period					
Issuance of new shares	3,470	3,470			6,940
Cash dividends*			(1,826)		(1,826)
Decrease in retained earnings due to increase in number of consolidated subsidiaries			(1)		(1)
Net income			2,338		2,338
Purchase of treasury stock				(117)	(117)
Disposition of treasury stock		4		6	11
Net change in items other than shareholders' capital during period					
Total changes during period	3,470	3,474	509	(110)	7,344
Balance as of December 31, 2006	50,066	42,484	10,472	(571)	102,451

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains (losses) on other securities	Foreign currency adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2005	16,502	(198)	16,303	—	111,410
Changes during period					
Issuance of new shares					6,940
Cash dividends*					(1,826)
Decrease in retained earnings due to increase in number of consolidated subsidiaries					(1)
Net income					2,338
Purchase of treasury stock					(117)
Disposition of treasury stock					11
Net change in items other than shareholders' capital during period	(5,184)	(77)	(5,261)	2	(5,259)
Total changes during period	(5,184)	(77)	(5,261)	2	2,084
Balance as of December 31, 2006	11,318	(276)	11,041	2	113,495

* Appropriation approved by the annual shareholders' meeting held in March 2006.

Statement of Changes in Shareholders' Capital

Year ended December 31, 2007 (January 1, 2007 – December 31, 2007)

(millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of December 31, 2006	50,066	42,484	10,472	(571)	102,451
Changes during period					
Issuance of new shares	3,820	3,820			7,640
Cash dividends			(1,890)		(1,890)
Increase in retained earnings due to increase in number of consolidated subsidiaries			202		202
Net income			5,508		5,508
Purchase of treasury stock				(284)	(284)
Disposition of treasury stock		5		7	12
Net change in items other than shareholders' capital during period					
Total changes during period	3,820	3,825	3,820	(277)	11,189
Balance as of December 31, 2007	53,886	46,310	14,292	(848)	113,641

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains (losses) on other securities	Foreign currency adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	11,318	(276)	11,041	2	113,495
Changes during period					
Issuance of new shares					7,640
Cash dividends					(1,890)
Increase in retained earnings due to increase in number of consolidated subsidiaries					202
Net income					5,508
Purchase of treasury stock					(284)
Disposition of treasury stock					12
Net change in items other than shareholders' capital during period	(1,677)	2,129	452	51	503
Total changes during period	(1,677)	2,129	452	51	11,693
Balance as of December 31, 2007	9,640	1,853	11,493	53	125,189

Consolidated Statements of Cash Flows

(millions of yen)

	Fiscal year ended December 31, 2006	Fiscal year ended December 31, 2007
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	3,977	221
2 Depreciation and amortization	21,929	24,526
3 Depreciation expenses resulting from revision of residual value	―	6,583
4 Loss on impairment of property, plant and equipment	1,785	6,939
5 Goodwill amortization expense	―	869
6 Amortization of goodwill	―	276
7 Decrease in employees' retirement benefits	(893)	(1,166)
8Decrease in allowance for doubtful receivables	(273)	(295)
9 Interest and dividend income	(915)	(1,026)
10 Interest expense	3,041	4,280
111Gain on sales of property, plant and equipment	(69)	(6,769)
12 Loss on sales and disposal of property, plant and equipment	2,519	1,300
13 Gain on sales of investment securities	(2,221)	(766)
14 Loss on devaluation of investment securities	217	393
15 Gain on sale of consolidated subsidiary	(101)	―
16 Decrease in notes and accounts receivable	1,655	4,387
17 Decrease in inventories	620	777
18 Decrease in notes and accounts payable	(5,264)	(3,015)
19 Decrease in liquor taxes payable	(514)	(207)
20 Increase (decrease) in deposits received	5,237	(3,159)
21 Increase (decrease) in other current liabilities	(1,874)	327
22 Other	124	1,810
Sub total	28,981	36,288
23 Interest and dividends received	882	991
24 Interest paid	(3,152)	(4,237)
25 Income taxes paid	(408)	(2,350)
26 Income taxes refundable	2,285	―
Net cash provided by (used in) operating activities	28,588	30,690
II Cash flows from investing activities		

	Fiscal year ended December 31, 2006	Fiscal year ended December 31, 2007
	Amount	Amount
1 Payments for time deposits	(1,253)	(629)
2 Proceeds from time deposits	1,238	607
3 Purchases of investment securities	(947)	(250)
4 Proceeds from sales of investment securities	2,776	2,804
5 Purchases of affiliates securities	(894)	(87)
6 Purchases of newly consolidated subsidiaries	(31,176)	—
7 Purchases of property, plant and equipment	(18,516)	(17,815)
8 Proceeds from sales of property, plant and equipment	69	7,206
9 Purchases of intangibles	(3,299)	(2,067)
10 Increase in long-term loans receivable	(29)	(74)
11 Collection of long-term loans receivable	499	414
12 Other	(2,882)	(3,601)
Net cash provided by (used in) investing activities	(54,414)	(13,495)
III Cash flows from financing activities		
1 Increase (decrease) in short-term bank loans	30,526	(4,999)
2 Proceeds from long-term debt	9,200	24,001
3 Repayment of long-term debt	(48,321)	(50,335)
4 Proceeds from issuance of bonds	29,885	19,925
5 Redemption of bonds	(10,000)	(10,000)
6 Net increase (decrease) in commercial paper	—	4,000
7 Cash dividends paid	(1,831)	(1,888)
8 Purchase of treasury stock	(117)	(284)
9 Proceeds form sales of treasury stock	11	12
Net cash provided by (used in) financing activities	9,351	(19,568)
IV Effect of exchange rate changes on cash and cash equivalents	7	(43)
V Net decrease in cash and cash equivalents	(16,466)	(2,416)
VI Cash and cash equivalents at beginning of year	24,748	8,282
VII Cash and cash equivalents of additional consolidated subsidiaries	0	15
VIII Cash and cash equivalents at end of year	8,282	5,881

4.Segment Information

1. Segment Information by Business (millions of yen)

	Fiscal year ended December 31, 2006 (January 1, 2006 – December 31, 2006)							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate and eliminations	Consolidated
I Net sales and operating expenses								
Net sales								
(1) Operating revenues	326,419	58,730	26,995	22,827	116	435,090	—	435,090
(2) Intra-group sales and transfers	6,129	313	—	2,675	6	9,125	(9,125)	—
Total	332,549	59,044	26,995	25,502	123	444,215	(9,125)	435,090
Operating expenses	328,365	59,471	26,538	19,089	118	433,581	(7,104)	426,477
Operating income (loss)	4,183	(426)	457	6,413	5	10,634	(2,021)	8,612
II Assets, depreciation and amortization, impairment and capital expenditures								
Identifiable assets	350,890	16,590	13,960	192,874	—	574,316	15,280	589,597
Depreciation and amortization	13,472	285	647	7,522	0	21,929	—	21,929
Loss on impairment	1,659	—	125	—	—	1,785	—	1,785
Capital expenditures	20,224	1,019	1,108	8,437	—	30,790	—	30,790

(millions of yen)

	Fiscal year ended December 31, 20 (January 1, 2007 – December 31, 2007)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
I Net sales and operating expenses							
Net sales							
(1) Operating revenues	343,670	52,239	28,954	24,147	449,011	—	449,011
(2) Intra-group sales and transfers	6,323	330	—	2,639	9,293	(9,293)	—
Total	349,993	52,569	28,954	26,787	458,305	(9,293)	449,011
Operating expenses	342,139	53,408	28,298	19,714	443,560	(6,912)	436,648
Operating income (loss)	7,854	(839)	656	7,073	14,744	(2,381)	12,362
II Assets, depreciation and amortization, impairment and capital expenditures							
Identifiable assets	334,827	9,618	14,542	187,815	546,804	15,053	561,858
Depreciation and amortization	15,525	425	799	7,776	24,526	—	24,526
Loss on impairment	204	570	214	5,950	6,939	—	6,939
Capital expenditures	13,988	394	1,706	3,458	19,548	—	19,548

Notes:

(1) Segment classifications reflect the similarity of constituent businesses and take into account standard industry classifications in Japan.

(2) Main products in each segment

Business Segment	Main Products
Alcoholic beverages	Beer, happoshu and other beverages, wine, whiskey, shochu and other products, distribution, brewing equipment, and agribusiness
Soft drinks	Soft drinks and other non-alcoholic beverages
Restaurants	Operation of beer halls and restaurants
Real estate	Real estate leasing, real estate sales, operation of commercial facilities, utility supplies, and fitness clubs

(3) Unallocated operating expenses included in "Corporate and eliminations" : 2,118 million yen at December 31, 2006, 2,477 million yen at December 31, 2007.
These are principally operating expenses incurred by Sapporo Holdings (as parent company) for each of the operating companies.

(4) Unallocated assets included in "Corporate and eliminations" amounted to 21,522 million yen and 21,013 million yen at December 31, 2006 and 2007, respectively, and consisted principally of cash and cash equivalents, marketable securities, long-term investments, and assets of general administration divisions.

(5) Depreciation and amortization, loss on impairment, and capital expenditures include long-term prepaid expenses and the corresponding write-offs.
Depreciation and amortization does not include the 6,583 million yen recorded as "Depreciation expenses resulting from revision of residual value" under extraordinary losses.

(6) Change in accounting methods

January 1, 2006 – December 31, 2006

Under the Medium-Term Management Plan for the period from 2006 to 2008, announced in February 2006, the operating base of the fitness clubs business was to be bolster through the utilization of real estate held by the Group. Accordingly, the fitness clubs business was transferred from the Other segment into the Real Estate as of 2006.
As a result of this change, net sales in the Real Estate segment rose by 709 million yen and operating revenues in that segment by 90 million yen. Consequently, net sales and operating revenues for the Other segment declined by the same amount.

January 1, 2007 – December 31, 2007

No applicable information

2. Segment Information by Geographic Area

Sales and assets in Japan constituted more than 90% of the consolidated sales and assets for each of the years ended December 31, 2006 and 2007. Accordingly, geographical segment information has not been disclosed.

3. Overseas Sales

Overseas sales constituted less than 10% of the consolidated sales for each of the years ended December 31, 2006 and 2007. Accordingly, overseas sales have not been disclosed.

Transactions with related parties

(January 1, 2006 – December 31, 2006)

No applicable information

(January 1, 2007 – December 31, 2007)

No applicable information