

**Financial Results**  
**For the Three Months Ended March 31, 2008—Consolidated**

April 30, 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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**1. Consolidated Financial Results for the Three Months Ended March 31, 2008**  
**(January 1, 2008 – March 31, 2008)**

**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	%
Three months ended March 31, 2008	91,652	1.6	(1,300)	—	(2,541)	—	(3,344)	—
Three months ended March 31, 2007	90,196	5.7	(4,771)	—	(5,847)	—	(3,981)	—
Year ended December 31, 2007	449,011		12,362		8,118		5,508	

	Net income per share	Diluted net income per share
	yen	yen
Three months ended March 31, 2008	(8.53)	—
Three months ended March 31, 2007	(10.30)	—
Year ended December 31, 2007	14.10	13.76

**2) Financial Position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Three months ended March 31, 2008	545,282	113,659	20.8	289.08
Three months ended March 31, 2007	569,303	116,822	20.5	297.71
Year ended December 31, 2007	561,858	125,189	22.3	319.07

### 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
Three months ended March 31, 2008	(4,285)	(8,105)	15,326	8,569
Three months ended March 31, 2007	2,440	(4,826)	2,199	8,087
Year ended December 31, 2007	30,690	(13,495)	(19,568)	5,881

## 2. 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

Note: Forecast of business results stated above has not been changed from the forecast disclosed on February 15, 2008.

### 3. Others

- 1) Changes affecting the status of significant subsidiaries (scope of consolidation): None
- 2) Use of simplified accounting methods: Yes
- 3) Changes in accounting policies from previous period: Yes

Note: For details, see page 8 under subsection 4, “Other Matters”, of the “Results of Operations and Financial Statements” section below.

#### 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 forecasts depending on various factors. For the Company’s earnings forecasts, please refer to page 8 under subsection 3, “Consolidated Outlook for the Fiscal Year Ending December 31, 2008”, of the “Results of Operations and Financial Statements” section below.

## Results of Operations and Financial Statements

### 1. Review of Consolidated Results of Operations

Net sales for the first quarter (January 1, 2008 – March 31, 2008) were up ¥1.4 billion, or 2% year over year, to ¥91.6 billion, while we recorded an operating loss of ¥1.3 billion (last year's first-quarter operating loss was ¥4.7 billion). We also recorded an ordinary loss of ¥2.5 billion (¥5.8 billion loss in the first quarter last year) and a net loss for the quarter of ¥3.3 billion (¥3.9 billion loss in the first quarter last year).

Although sales volume declined from the previous year in the Soft Drinks business, where we implemented reforms to the cost structure, net sales in the Japanese Alcoholic Beverages business exceeded last year's, and performance was strong in the Overseas Alcoholic Beverages, Restaurants, and Real Estate businesses.

#### 1) Segment Information

##### *Impact of Seasonal Factors*

The Group's operating results vary significantly by season, owing to the fact that demand in the Alcoholic Beverages, Soft Drinks, and Restaurants businesses are highest during the summer months. As a result, first quarter net sales tend to be lower than net sales in other quarters.

##### *Alcoholic Beverages (Japan)*

Net sales in the Japanese Alcoholic Beverages business increased by ¥3.3 billion, or 5% year over year, to ¥66.0 billion, while the business recorded an operating loss of ¥1.4 billion (last year's first-quarter operating loss was ¥4.3 billion).

Total demand in the Japanese beer market during the first quarter was limited to an estimated 98.7% compared to the same period last year. This reflected sales-price hikes by industry competitors in February and March, prompted by a rise in prices in the food sector that began at the start of the year.

Against this backdrop, demand for Yebisu brand products, our premium beer offering in the Japanese alcoholic beverages market, rose 12% compared with the first quarter last year. Along with the launch of a new product, Beer Fine, sales of commercial-use kegs increased 9% year over year. These factors combined with the re-launch of our flagship product, Draft One, in the new genre category, allowing us to outperform total demand.

Net sales in the wine category increased year over year, supported by firm growth in total demand for domestic and imported wines, the strong debut of Aroma Rouge and Aroma Blanc, new domestic wine products, as well as the effects of price increases on imported wines.

The *shochu* category saw 14% year over year growth in revenues, underpinned by solid sales of the Triangle brand and large-volume products.

With regard to costs, although increases in the prices of materials and raw ingredients—primarily imported malt and aluminum cans—placed upward pressure on the cost of goods sold, efforts to curtail advertising and sales promotion expenses, as well as initiatives to reduce equipment costs and other expenses resulted in year-over-year growth in operating income.

#### *Alcoholic Beverages (Overseas)*

Sales volume in the Overseas Alcoholic Beverages business was firm, but the appreciation of the yen against the U.S. dollar had a negative impact on post yen-conversion amounts. Net sales declined ¥0.1 billion, or 3% year over year, to ¥4.9 billion, and the business recorded an operating loss of ¥0.2 billion (last year's first-quarter operating loss was ¥0.1 billion).

In the North American beer market, estimates call for total demand to grow slightly, so overall competition in the market is intensifying. Still, demand for certain premium category products, such as domestic craft beers, is growing firmly. However, the U.S. economy has been experiencing a slowdown since last year triggered by the subprime mortgage crisis, and there are concerns that this will impact consumer spending going forward. Meanwhile, the beer market is growing overall in Asian countries and other markets outside North America.

Against this backdrop, we engaged in aggressive sales efforts in the premium market and other markets exhibiting growth. This year we launched sales of Yebisu beer in the U.S. high-end market. As a result, Canada's Sleeman Breweries' sales volume was 107% of last year's first-quarter levels, while Sapporo USA performed firmly with sales volume at 103% of last year's first-quarter levels. Sales volume from exports to other countries also rose to 154% of last year's first-quarter levels.

### *Soft Drinks*

Net sales in the Soft Drink business declined ¥2.4 billion, or 24% year over year, to ¥7.9 billion, and the business recorded an operating loss of ¥0.7 billion (last year's first-quarter operating loss was ¥1.0 billion).

As in the previous year, the soft drinks industry was led by strong sales of carbonated beverages and mineral water products, with total demand estimated to be around 101% of last year's first-quarter levels.

In this environment, to improve our cost structure and ensure that sales efforts are geared toward earnings, we began employing a select-and-focus strategy, which includes the review of unprofitable accounts. As a result, sales volumes were lower than in the previous year. However, with the aim of building high value-added brands, we launched both Hop Kenkyujo Areru Smooth, which uses our own special ingredients, and the Ocean Spray Cranberry series, which expanded our customer reach and firmly established our presence in the market. We also carried out a nationwide launch of the canned coffee brand Kissui, which performed strongly in test marketing campaigns run in Hokkaido beginning last year, and sales for this product have been firm.

We also accelerated efforts to comprehensively restructure our business toward making us more competitive in the future, and pushed further ahead with the shift to a more stable earnings structure through initiatives to reduce fixed costs by revising our organizational structure and personnel system, working to efficiently use sales promotion expenses, and reducing vending machine costs.

### *Restaurants*

Net sales in the Restaurants business rose ¥0.4 billion, or 8% year over year, to ¥6.6 billion, while the business recorded an operating loss of ¥0.1 billion (last year's first-quarter operating loss was ¥0.3 billion).

In the restaurant industry, cases of contaminated ingredients in Chinese frozen food products emerged just as the public was already becoming increasingly concerned about food safety, and this has heavily impacted the family restaurant segment. Year-over-year growth in the fast food segment has also run its course, causing the slowdown to intensify.

In this environment, we took initiatives in our restaurants business to improve the quality of our food and service based on the three key ideas of safety, peace of mind, and authentic food, and we also made efforts to keep costs down.

Existing establishments performed strongly during the period. Japanese restaurants such as Kakoiya and Irimoya enjoyed strong growth through February, as the weather was colder than normal. Subsequently, warmer temperatures in March resulted in higher sales in the beer hall segment.

Toward the end of March, we opened J's Table Ginza 8-Chome, the second establishment of its type, in a popular entertainment district of Tokyo. Meanwhile, we closed three establishments during the period, including Ginza Komatsu, which had been open for 35 years, in conjunction with the rebuilding of the building in which it was located. At the end of the period, we had 199 establishments in operation.

We held cost of goods sold to levels on par with the previous year by using a Web ordering system to pursue the advantages of scale and offset the continuing rise in prices of food ingredients. We also improved the personnel cost ratio and expense ratios.

### *Real Estate*

Net revenue in the Real Estate business rose by ¥0.2 billion, or 4% year over year, to ¥6.0 billion, while operating income grew by ¥0.2 billion, or 15% year over year, to ¥1.9 billion.

Within the real estate sector, conditions have become increasingly tough in the

housing market and in regional cities as it gradually becomes clear that the economy is slowing down. However, the office rental market remains firm as vacancy rates, particularly in central Tokyo, remain low, and rent levels continue to improve even though there has been a slight cooling off.

Against this backdrop, we maintained high occupancy rates and succeeded in raising rents in Yebisu Garden Place and other existing properties primarily in the Tokyo area. Additionally, commercial rental property facilities around Sapporo Garden Park in Sapporo City (which opened last year) contributed to the increase in net revenue. Moreover, although energy costs increased, costs decreased as a result of a decline in depreciation expenses and other factors.

## **2. Financial Condition**

### **1) Assets, Liabilities, and Net Assets**

Total consolidated assets at the end of the first quarter were down ¥24.0 billion compared with the end of the first quarter last year to ¥545.2 billion, reflecting a decline in fixed assets due to a once-off depreciation charge on Sapporo Breweries' Osaka plant and lower unrealized capital gains on investment securities.

Liabilities stood at ¥431.6 billion, a year-over-year decline of ¥20.8 billion. Although bonds increased due to the issuance of bonds, the decline is attributable to a decrease in short-term bank loans and the current portion of long-term debt as well as a decrease in liquor tax payable and trade accounts payable, owing to the last day of the first quarter being a bank trading day.

The balance of net assets was ¥113.6 billion, a year-over-year decline of ¥3.1 billion. Although retained earnings increased, the decline is attributable to a decrease in both the unrealized holding gain on securities and foreign currency translation adjustments.

### **2) Cash Flows**

The consolidated balance of cash and cash equivalents at the end of the first quarter stood at ¥8.5 billion

The following presents consolidated cash flow figures for the first quarter together with an overview of factors that affected each category.

*Cash Flows from Operating Activities*

Net cash used in operating activities was ¥4.2 billion. This is mainly due to a quarterly loss before income taxes and minority interests of ¥5.0 billion and a decrease in notes and accounts receivable of ¥14.1 billion, which were offset by a ¥14.6 billion decrease in liquor tax payable.

*Cash Flows from Investing Activities*

Net cash used in investing activities was ¥8.1 billion. This primarily reflects outflows of ¥6.2 billion for the acquisition of property, plant and equipment and ¥1.7 billion for the purchase of intangibles.

*Cash Flows from Financing Activities*

Net cash provided by financing activities was ¥15.3 billion. This primarily reflects a ¥15.9 billion increase in short-term bank loans and ¥3.8 billion in proceeds from the issuance of bonds.

### **3. Consolidated Outlook for the Fiscal Year Ending December 31, 2008**

Performance forecasts for the fiscal year ending December 31, 2008, remain unchanged from those released on February 15, 2008.

### **4. Other Matters**

- 1) Changes affecting the status of significant subsidiaries (scope of consolidation)

N/A

- 2) Use of simplified accounting methods

- Available-for-sale securities were valued at market value at the end of March, but impairment losses have not been recognized.
- Depreciation expenses represent the portion attributable to the first quarter of depreciation expenses expected over the fiscal year.



3) Changes in accounting policies from previous consolidated accounting period

*Accounting method for net sales*

Sales incentives and commissions on soft drinks were previously accounted for under selling, general and administrative expenses. However, we have now established an invoice management system for soft drinks that enables us to display sales amounts with sales incentives and commissions directly deducted on invoices, and a portion of sales incentives and commissions are therefore deducted from sales before they are recorded in the accounts.

The effect of this change in accounting method was to reduce both net sales and selling, general and administrative expenses by ¥137.2 billion compared to what they would have been with the previous method, but the change does not impact operating income, ordinary income, or income before income taxes and minority interests.

The impact on segment information is discussed below subsection 5, “Segment Information”.

## 5 Consolidated financial statement

### 1. Consolidated Balance Sheets

(in millions of yen, except percentages)

	As of March 31, 2007 (A)		As of March 31, 2008 (B)		(B) - (A)	As of December 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
<b>Assets</b>							
I Current assets							
1 Cash and cash equivalents	8,087		8,569		482	6,511	
2 Notes and accounts receivable - trade	54,336		54,842		506	69,685	
3 Inventories	26,518		22,699		(3,818)	24,041	
4 Other current assets	17,681		25,995		8,274	17,754	
5 Allowance for doubtful receivables	(210)		(228)		(17)	(275)	
Total current assets	106,412	18.7	111,838	20.5	5,426	117,717	21.0
II Fixed assets							
1 Property, plant and equipment	355,641		340,083		(15,558)	338,504	
2 Intangible assets	33,094		30,748		(2,345)	33,368	
3 Investments and other assets	74,155		62,611		(11,543)	72,267	
Total fixed assets	462,890	81.3	433,443	79.5	(29,446)	444,141	79.0
Total assets	569,303	100.0	545,282	100.0	(24,020)	561,858	100.0
<b>Liabilities</b>							
I Current liabilities							
1 Notes and accounts payable	25,901		21,453		(4,448)	26,121	
2 Short-term bank loans and current portion of long-term debt	104,938		79,644		(25,293)	64,415	
3 Liquor taxes payable	28,008		23,389		(4,619)	38,140	
4 Other	90,017		89,369		(647)	94,824	
Total current liabilities	248,866	43.7	213,857	39.2	(35,009)	223,501	39.8
II Long-term liabilities							
1 Bonds	49,720		73,553		23,833	69,710	
2 Long-term bank loans	77,531		74,679		(2,851)	74,339	
3 Employees' retirement benefits	15,626		14,399		(1,227)	15,135	
4 Other	60,737		55,133		(5,603)	53,984	
Total long-term liabilities	203,614	35.8	217,765	40.0	14,150	213,168	37.9
Total liabilities	452,480	79.5	431,622	79.2	(20,858)	436,669	77.7
<b>Net Assets</b>							
I Shareholders' equity							
1 Common stock	53,881	9.5	53,886	9.9	5	53,886	9.6
2 Capital surplus	46,301	8.1	46,313	8.5	11	46,310	8.2
3 Retained earnings	4,599	0.8	8,987	1.7	4,387	14,292	2.5
4 Treasury stock, at cost	(656)	(0.1)	(873)	(0.2)	(216)	(848)	(0.1)
Total shareholders' equity	104,126	18.3	108,313	19.9	4,187	113,641	20.2
II Valuation and translation adjustments							
1 Unrealized holding gain on securities	13,089	2.3	6,733	1.2	(6,355)	9,640	1.7
2 Foreign currency translation adjustments	(393)	(0.1)	(1,683)	(0.3)	(1,290)	1,853	0.4
Total valuation and translation adjustments	12,695	2.2	5,050	0.9	(7,645)	11,493	2.1
III Minority Interests	—	—	295	0.0	295	53	0.0
Total net assets	116,822	20.5	113,659	20.8	(3,162)	125,189	22.3
Total liabilities and net assets	569,303	100.0	545,282	100.0	(24,020)	561,858	100.0

## 2.Consolidated Statements of Income

(in millions of yen except percentages)

	Three months ended March 31, 2007 (A)			Three months ended March 31, 2008 (B)			(B)-(A)	Fiscal year ended December 31, 2007		
	Amount		% of total	Amount		% of total		Amount		% of total
I Net sales		90,196	100.0		91,652	100.0	1,456		449,011	100.0
II Cost of sales		62,787	69.6		65,922	71.9	3,086		305,078	67.9
Gross profit		27,408	30.4		25,729	28.1	(1,630)		143,933	32.1
III Selling, general and administrative expenses		32,179	35.7		27,029	29.5	(5,101)		131,570	29.3
Operating income (loss)		(4,771)	(5.3)		(1,300)	(1.4)	3,470		12,362	2.8
IV Non-operating income										
1 Interest and dividend income	165			138				1,026		
2 Other	164	329	0.4	318	457	0.5	127	1,280	2,306	0.5
V Non-operating expenses										
1 Interest expense	1,053			1,066				4,280		
2 Loss on disposal of inventories	93			148				858		
3 Equity in loss of affiliates	114			21				132		
4 Other	145	1,406	1.6	461	1,697	1.9	291	1,280	6,550	1.5
Ordinary income (loss)		(5,847)	(6.5)		(2,541)	(2.8)	3,306		8,118	1.8
VI Extraordinary gains										
1 Gain on sales of property, plant and equipment	5			55				6,769		
2 Gain on sales of investment securities	19			1				766		
3 Reversal of provision for doubtful receivables	—			78				27		
4 Other	—	25	0.0	—	134	0.1	109	32	7,596	1.7
VII Extraordinary losses										
1 Loss on disposal of property, plant and equipment	179			478				1,300		
2 Loss on impairment of property, plant and equipment	—			—				6,939		
3 Depreciation expenses resulting from revision of residual value	—			—				6,583		
4 Provision for gift voucher redemptions	—			746				—		
5 Other	0	179	0.2	1,458	2,683	2.9	2,504	670	15,493	3.5
Income (loss) before income taxes and minority interests		(6,001)	(6.7)		(5,090)	(5.6)	911		221	0.0
Current income taxes	90			23				3,349		
Income tax adjustment	(2,107)	(2,017)	(2.3)	(1,761)	(1,737)	(1.9)	279	(8,634)	(5,285)	(1.2)
Minority loss		2	0.0		7	0.0	5		1	0.0
Net income (loss)		(3,981)	(4.4)		(3,344)	(3.7)	637		5,508	1.2

### 3.Statement of Changes in Shareholders' Capital

Three Months Ended March 31, 2007

(January 1, 2007 - March 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	3,815	3,815			7,630
Cash dividends			(1,890)		(1,890)
Net income			(3,981)		(3,981)
Purchase of treasury stock				(86)	(86)
Disposition of treasury stock		1		1	3
Net change in items other than shareholders' capital during period					
Total changes during period	3,815	3,817	(5,872)	(84)	1,674
Balance as of March 31, 2007	53,881	46,301	4,599	(656)	104,126

	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					7,630
Cash dividends					(1,890)
Net income					(3,981)
Purchase of treasury stock					(86)
Disposition of treasury stock					3
Net change in items other than shareholders' capital during period	1,771	(116)	1,654	(2)	1,651
Total changes during period	1,771	(116)	1,654	(2)	3,326
Balance as of March 31, 2007	13,089	(393)	12,695	—	116,822

# Statement of Changes in Shareholders' Capital

Three Months Ended March 31, 2008

(January 1, 2008 - March 31, 2008)

(millions of yen)

	Shareholders' capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of December 31, 2007	53,886	46,310	14,292	(848)	113,641
Changes during period					
Cash dividends			(1,960)		(1,960)
Net income			(3,344)		(3,344)
Purchase of treasury stock				(28)	(28)
Disposition of treasury stock		2		4	7
Net change in items other than shareholders' capital during period					
Total changes during period	—	2	(5,305)	(24)	(5,327)
Balance as of March 31, 2008	53,886	46,313	8,987	(873)	108,313

	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, 2007	9,640	1,853	11,493	53	125,189
Changes during period					
Issuance of new shares					
Cash dividends					(1,960)
Net income					(3,344)
Purchase of treasury stock					(28)
Disposition of treasury stock					7
Net change in items other than shareholders' capital during period	(2,906)	(3,536)	(6,443)	241	(6,201)
Total changes during period	(2,906)	(3,536)	(6,443)	241	(11,529)
Balance as of December 31, 2008	6,733	(1,683)	5,050	295	113,659

# 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

(in millions of yen, except percentages)

	Three months ended March 31, 2007	Three months ended March 31, 2008	Fiscal year ended December 31, 2007
	Amount	Amount	Amount
I Cash flows from operating activities			
1 Income (loss) before income taxes and minority interests	(6,001)	(5,090)	221
2 Depreciation and amortization	5,757	5,629	24,526
3 Depreciation expenses resulting from revision of residual value	—	—	6,583
4 Loss on impairment of property, plant and equipment	—	—	6,939
5 Decrease in employees' retirement benefits	(675)	(736)	(1,166)
6 Decrease in allowance for doubtful receivables	(11)	(73)	(295)
7 Interest and dividend income	(165)	(138)	(1,026)
8 Interest expense	1,053	1,066	4,280
9 Gain on sales of property, plant and equipment	(5)	(55)	(6,769)
10 Loss on sales and disposal of property, plant and equipment	179	478	1,300
11 Decrease in notes and accounts receivable - trade	19,248	14,152	4,387
12 (Increase) decrease in inventories	(2,137)	715	777
13 Decrease in notes and accounts payable	(3,014)	(4,347)	(3,015)
14 Decrease in liquor taxes payable	(10,263)	(14,645)	(207)
15 Other	204	1,936	(248)
Sub total	4,167	(1,105)	36,288
16 Interest and dividends received	384	383	991
17 Interest paid	(875)	(782)	(4,237)
18 Income taxes paid	(1,236)	(2,781)	(2,350)
Net cash provided by (used in) operating activities	2,440	(4,285)	30,690
II Cash flows from investing activities			
1 Purchases of investment securities	(34)	(588)	(250)
2 Proceeds from sales of investment securities	779	101	2,804
3 Purchases of property, plant and equipment	(4,441)	(6,269)	(17,815)
4 Proceeds from sales of property, plant and equipment	8	60	7,206
5 Purchases of intangibles	(1,210)	(1,726)	(2,067)
6 Increase in long-term loans receivable	(67)	(14)	(74)
7 Collection of long-term loans receivable	104	100	414
8 Other	35	230	(3,711)
Net cash provided by (used in) investing activities	(4,826)	(8,105)	(13,495)
III Cash flows from financing activities			
1 Increase (decrease) in short-term bank loans	22,779	15,979	(4,999)
2 Proceeds from long-term debt	4,000	10,000	24,001
3 Repayment of long-term debt	(22,952)	(9,064)	(50,335)
4 Proceeds from issuance of bonds	—	3,843	19,925
5 Redemption of bonds	—	—	(10,000)
6 Net increase (decrease) in commercial paper	—	(4,000)	4,000
7 Cash dividends paid	(1,544)	(1,660)	(1,888)
8 Other	(83)	228	(271)
Net cash provided by (used in) financing activities	2,199	15,326	(19,568)
IV Effect of exchange rate changes on cash and cash equivalents	(9)	(248)	(43)
V Net increase (decrease) in cash and cash equivalents	(195)	2,687	(2,416)
VI Cash and cash equivalents at beginning of year	8,282	5,881	8,282
VII Cash and cash equivalents of additional consolidated subsidiaries	—	—	15
VIII Cash and cash equivalents at end of year	8,087	8,569	5,881

## 5. Segment Information

### Segment Information by Business

(millions of yen)

Three months ended March 31, 2007  
(January 1, 2007 – March 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	67,761	10,431	6,161	5,841	90,196	—	90,196
(2) Intra-group sales and transfers	1,356	29	—	649	2,035	(2,035)	—
Total	69,118	10,460	6,161	6,490	92,231	(2,035)	90,196
Operating expenses	73,631	11,541	6,474	4,813	96,461	(1,493)	94,967
Operating income (loss)	(4,513)	(1,080)	(312)	1,677	(4,229)	(541)	(4,771)

(millions of yen)

Three months ended March 31, 2008  
(January 1, 2008 – March 31, 2008)

	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
I Net sales and operating expenses							
Net sales							
(1) Operating revenues	71,011	7,941	6,628	6,072	91,652	—	91,652
(2) Intra-group sales and transfers	1,170	31	—	616	1,817	(1,817)	—
Total	72,181	7,972	6,628	6,688	93,470	(1,817)	91,652
Operating expenses	73,929	8,699	6,772	4,759	94,161	(1,208)	92,952
Operating income (loss)	(1,748)	(727)	(143)	1,928	(690)	(609)	(1,300)



(millions of yen)

Fiscal year ended December 31, 2007  
(January 1, 2007 – December 31, 2007)

	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and elimination	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
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”

569 million yen at March 31, 2007, 621 million yen at March 31, 2008, and 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. Change in accounting methods

January 1, 2007 – March 31, 2007

No applicable information

January 1, 2008 – March 31, 2008

As described under “Changes in accounting policies from previous consolidated accounting period” (subsection 4, “Other Matters”, in the “Results of Operations and Financial Statements” section), we changes our method of accounting for net sales. The effect of this change in accounting method was to reduce both net sales and operating expenses in the Soft Drinks business by ¥137.2 billion compared to what they would have been with the previous method, but the change does not impact operating income.

January 1, 2007 – December 31, 2007

No applicable information

## Consolidated Earnings Report—Supplementary Information

### Condensed Consolidated Results (Three Months Ended March 31, 2008)

#### 1. Condensed Consolidated Statements of Income

(Billions of yen)

	Three months ended March 31, 2007	Three months ended March 31, 2008	Change	Change (%)
Alcoholic beverages	67.7	71.0	3.2	4.8
<i>(Japan)</i>	62.6	66.0	3.3	5.4
<i>(Overseas)</i>	5.0	4.9	(0.1)	(2.6)
Soft drinks	10.4	7.9	(2.4)	(23.9)
Restaurants	6.1	6.6	0.4	7.6
Real estate	5.8	6.0	0.2	4.0
Net sales	90.1	91.6	1.4	1.6
Alcoholic beverages	(4.5)	(1.7)	2.7	—
<i>(Japan)</i>	(4.3)	(1.4)	2.8	—
<i>(Overseas)</i>	(0.1)	(0.2)	(0.1)	—
Soft drinks	(1.0)	(0.7)	0.3	—
Restaurants	(0.3)	(0.1)	0.1	—
Real estate	1.6	1.9	0.2	15.0
General corporate and intercompany eliminations	(0.5)	(0.6)	(0.0)	—
Operating income	(4.7)	(1.3)	3.4	—
Non-operating income	0.3	0.4	0.1	38.5
Non-operating expenses	1.4	1.6	0.2	20.7
Ordinary income	(5.8)	(2.5)	3.3	—
Extraordinary gains	0.0	0.1	0.1	435.5
Extraordinary losses	0.2	2.6	2.5	1,393.7
Income before income taxes and minority interests	(6.0)	(5.0)	0.9	—
Net income	(3.9)	(3.3)	0.6	—

Consolidated	Three months ended March 31, 2007	Three months ended March 31, 2008	Change	Change (%)
Financial liabilities	232.1	227.8	(4.3)	(1.9)
Capital expenditures (cash basis)	5.6	7.9	2.3	41.5
Depreciation and amortization	5.7	5.6	(0.1)	(2.2)

#### Breakdown of Selling, General and Administrative Expenses

(Billions of yen)

	Three months ended March 31, 2007	Three months ended March 31, 2008	Change	Change (%)
Total selling, general and administrative expense	32.1	27.0	(5.1)	(16.0)
Sales incentives and commissions	7.5	4.2	(3.2)	(43.3)
Advertising and promotion expenses	5.7	4.7	(1.0)	(18.2)
Salaries and bonuses	5.1	5.0	(0.0)	(1.8)
Retirement benefit expenses	0.7	0.7	0.0	0.9
Other	12.9	12.2	(0.7)	(5.6)

## Consolidated Results (Three Months Ended March 31, 2008)

### 2. Consolidated Statements of Income

#### Breakdown of Key Changes

(Figures in parentheses are negative)

(Billions of yen)

	Details	Three months ended March 31, 2007	Three months ended March 31, 2008	Change
Beer and related products		(4.1)	(1.4)	2.6
Marginal profit	Sub total			(0.5)
	Increase (decrease) in volume / Product mix			0.6
	Increase in cost of raw ingredients and materials			(0.5)
	Transportation expenses			(0.2)
	Other			(0.4)
Fixed and other costs	Sub total			3.1
	Decrease in sales promotion costs			3.1
	Other			0.0
Wine and spirits		(0.1)	0.1	0.2
	Increase (decrease) in volume / Product mix			0.1
	Decrease in sales promotion costs / Other cost reductions			0.1
Other		(0.1)	(0.1)	0.0
Alcoholic beverages (Japan)		(4.3)	(1.4)	2.8
	Increase in volume / Product mix			0.1
	Other			(0.2)
Alcoholic beverages (Overseas)		(0.1)	(0.2)	(0.1)
	Decrease in volume / Product mix			(0.3)
	Increase in cost of raw ingredients and materials			(0.0)
	Other cost reductions			0.6
Soft drinks		(1.0)	(0.7)	0.3
	Existing stores / New stores / Refurbished stores			0.1
Restaurants		(0.3)	(0.1)	0.1
	Rent	1.6	1.9	0.2
Real estate		1.6	1.9	0.2
General corporate and intercompany eliminations		(0.5)	(0.6)	(0.0)
<b>Change in operating income</b>		<b>(4.7)</b>	<b>(1.3)</b>	<b>3.4</b>
	Financial income (expense)	(0.9)	(0.9)	(0.0)
	Other	(0.1)	(0.3)	(0.2)
Non-operating income and expenses		(1.0)	(1.2)	(0.2)
<b>Change in ordinary income</b>		<b>(5.8)</b>	<b>(2.5)</b>	<b>3.3</b>
	Extraordinary gains	0.0	0.1	0.1
	Loss on disposal of property, plant and equipment	(0.2)	(0.5)	(0.3)
	Provision for gift voucher redemptions	—	(0.7)	(0.7)
	Other extraordinary losses	(0.0)	(1.4)	(1.4)
Extraordinary gains and losses		(0.2)	(2.5)	(2.3)
<b>Change in income before income taxes and minority interests</b>		<b>(6.0)</b>	<b>(5.0)</b>	<b>0.9</b>
Change in income taxes		2.0	1.7	(0.3)
<b>Change in net income</b>		<b>(3.9)</b>	<b>(3.3)</b>	<b>0.6</b>