Financial Results
for the Six Months Ended June 30, 2008—Consolidated

August 5, 2008

Company name **Sapporo Holdings Limited**

Security code 2501
Listings Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
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1. Consolidated Financial Results for the Six Months Ended June 30, 2008 (January 1 – June 30, 2008)

(1) Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2008	193,486	(8.5)	1,157	-	(790)	-	9,594	-
Six months ended June 30, 2007	211,458	5.7	(1,234)	-	(2,829)	-	(5,543)	-
Year ended December 31, 2007	449,011		12,362		8,118		5,508	

	Net income per share	Diluted net income per share
	yen	yen
Six months ended June 30, 2008	24.47	23.46
Six months ended June 30, 2007	(14.24)	-
Year ended December 31, 2007	14.10	13.76

Note: Equity method investment gains or losses:
Six months ended June 30, 2008: (46) million yen
Six months ended June 30, 2007: 18 million yen
Year ended December 31, 2007: (132) million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended June 30, 2008	521,104	128,095	24.5	326.02
Six months ended June 30, 2007	582,107	117,280	20.1	298.83
Year ended December 31, 2007	561,858	125,189	22.3	319.07

Note: Shareholders' equity

Six months ended June 30, 2008:	127,823 million yen
Six months ended June 30, 2007:	117,228 million yen
Year ended December 31, 2007:	125,135 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
Six months ended June 30, 2008	887	31,553	(29,411)	8,768
Six months ended June 30, 2007	11,435	(10,173)	(2,158)	7,437
Year ended December 31, 2007	30,690	(13,495)	(19,568)	5,881

2. Dividends

Record date	Dividend per share		
	Interim	Year-end	Annual
	yen	yen	yen
Year ended December 31, 2007	—	5.00	5.00
Year ended December 31, 2008 (result)	—	—	
Year ended December 31, 2008 (forecast)	—	7.00	7.00

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

(percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	426,300	(5.1)	13,500	9.2	9,200	13.3	12,800	132.4	32.65

4. Others

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

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

1) Changes in accordance with amendments to accounting standards: Yes
2) Changes other than the above: Yes
①Accounting method for sales
Effective from the accounting period under review, the Company has adopted a new accounting method for the calculation of sales, and now deducts sales incentives paid to clients from net sales. The value of sales incentives depends on the sales prices of soft drinks and other non-alcoholic beverages.
②Accounting method for calculating revenue and expenses of foreign subsidiaries
Effective from the accounting period under review, the Company has adopted a new accounting method that uses the average exchange rate during the period when calculating the revenue and expenses of foreign subsidiaries.

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

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

Six months ended June 30, 2008: 393,971,493 shares
Six months ended June 30, 2007: 393,971,493 shares
Year ended December 31, 2007: 393,971,493 shares

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

Six months ended June 30, 2008: 1,898,226 shares
Six months ended June 30, 2007: 1,674,611 shares
Year ended December 31, 2007: 1,785,996 shares

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

1. Non-Consolidated Financial Results for the Six Months Ended June 30, 2008
(January 1 – June 30, 2008)

(1) Operating Results

(percentage figures represent year-over-year changes)

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2008	5,112	70.2	3,872	236.7	4,477	163.0	(131)	—
Six months ended June 30, 2007	3,003	14.0	1,150	0.6	1,702	(10.0)	1,272	(19.6)
Year ended December 31, 2007	5,462		1,906		2,970		2,019	

	Net income per share
	yen
Six months ended June 30, 2008	(0.34)
Six months ended June 30, 2007	3.27
Year ended December 31, 2007	5.17

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended June 30, 2008	303,936	126,911	41.8	323.69
Six months ended June 30, 2007	357,905	130,431	36.4	332.48
Year ended December 31, 2007	342,614	129,558	37.8	330.35

Note: Shareholders' equity
Six months ended June 30, 2008: 126,911 million yen
Six months ended June 30, 2007: 130,431 million yen
Year ended December 31, 2007: 129,558 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 8 to 10 of the accompanying document.

1.Operating Results

1. Analysis of Operating Results

a) Interim Results for the First Half of the Year Ending December 31, 2008

Net sales for the first half of 2008 (January 1 – June 30, 2008) were down ¥17.9 billion, or 8%, year over year to ¥193.4 billion. Operating income improved ¥2.3 billion to ¥1.1 billion, while the Group recorded an ordinary loss of ¥0.7 billion, a year-over-year improvement of ¥2.0 billion. Although advertising and sales promotion expenses decreased along with other costs as the Group continued to pursue low-cost operations, net sales were impacted by a decline in sales volume in the Japanese Alcoholic Beverage business and the review of unprofitable sales accounts in the Soft Drinks business.

Net income improved ¥15.1 billion yen year over year to ¥9.5 billion. This was mainly attributable to a gain on the sale of a 15% co-ownership stake in Yebisu Garden Palace and the absence of last year's one-time depreciation charge due to the decision to stop production at the Osaka plant.

1) Segment Information

Impact of Seasonal Factors
The Group's operating results are subject to substantial seasonal variability because demand in the Alcoholic Beverages, Soft Drinks, and Restaurants businesses is concentrated disproportionately in the summer months. As a result, first-half net sales and income tend to be lower than in the second half.

Alcoholic Beverages (Japan)
Net sales in the Japanese Alcoholic Beverages Business were down ¥11.2 billion, or 8%, to ¥137.1 billion, and the business incurred an operating loss of ¥1.0 billion, an improvement of ¥1.9 billion compared to the same period last year.

Total demand in the Japanese beer and beer-type beverages market was down an estimated 4% year over year, largely in response to two factors. First, companies industry wide raised sales prices of beer and beer-type beverages amid extensive media coverage of food and beverage price hikes since last year. Second, consumers increasingly shifted into belt-tightening mode in response to increases in consumer prices across the board.

Against this backdrop, sales of our core brands of canned beer and commercial-use kegs, such as Sapporo Black Label and Yebisu, were strong. We launched two new beers targeted at health-conscious consumers, Beer Fine and Viva Life, but they have failed to gain sufficient notoriety so far. In the new-genre category, Mugi to Hop was launched in early June, too late to contribute appreciably to first-half sales. Total first-half sales of beer and beer-type beverages were down 9% year over year.

Wine sales were up year over year, buoyed by solid growth in total demand for both domestic and imported wines, buoyant sales of the new Aroma Mutenka line of domestic wines, and price increases on imported wines.

Shochu sales also grew, up 1% year over year, by virtue of solid sales of large-volume products and the launch of Triangle Smooth, a new product.

Cost-wise, rising prices of ingredients and materials, particularly imported malt, barley, and aluminum cans, exerted upward pressure on cost of sales. In response, we raised prices on beer and beer-type beverages from April, clamped down on advertising and sales promotion expenses, and cut general overheads and other costs. As result of such initiatives to improve its earnings structure, the domestic Alcoholic Beverage business substantially reduced its operating loss relative to the same period last year.

Alcoholic Beverages (Overseas)
Despite solid sales volumes, net sales in the Overseas Alcoholic Beverage business fell ¥1.0 billion, or 8% year over year, to ¥12.4 billion due to adverse exchange rate movements and other factors. Operating income was negligible, down ¥0.7 billion, or 91%, year over year.

In the North American beer market, competition is intensifying against a backdrop of meager growth in estimated total demand, but demand is growing solidly in certain premium categories, such as domestic craft beers. However, the U.S. economy is in the midst of a slowdown triggered by subprime mortgage woes dating back to last year, and the impact on consumer spending is beginning to show. Meanwhile, the market for beer appears to be growing in Asian countries and other markets outside of North America.

Amid this environment, we engaged in aggressive sales activities in the premium market, where Sapporo is particularly strong. In 2008, we launched Yebisu Beer as a high-end brand in the U.S. As a result of these efforts, first-half sales volume was up 8% year over year at Sapporo USA and 5% year over year at Canadian subsidiary Sleeman Breweries. Export sales volume was also up 22% year over year.

The Overseas Alcoholic Beverage business faced cost pressures from rising prices of ingredients and materials, mainly malt and aluminum cans. It also ramped up marketing investments relative to the same period last year.

Soft Drinks
Net sales in the Soft Drink business were down ¥6.0 billion, or 25%, year over year to ¥18.1 billion, reflecting changes to accounting policies and other factors. The business recorded an operating loss of ¥0.3 billion, a ¥0.7 billion year-over-year improvement.

In the Japanese soft drink market, estimated total demand remained at around the same level year over year, supported by robust sales of carbonated beverages and domestic mineral water.

Against this background, the Group is implementing a rapid restructuring of its Soft Drink business through a select-and-focus strategy to the stabilize earnings structure and bolster competitiveness going forward. Specific measures include organizational restructuring and the redeployment of personnel, reviews of unprofitable sales accounts, the efficient use of sales promotion expenditures, and the reduction of vending machine costs.

First-half sales volume was down 14.2% year over year. However, with the aim of building high-value-added brands, we launched Hop Kenkyujo Arelsmooth, strengthened the Ocean Spray Cranberry product line, and launched the renewed Gerolsteiner naturally carbonated water, a differentiated imported beverage. We also rolled out Kissui brand canned coffee nationwide following successful test marketing in Hokkaido last year, and sales for this product have been strong.

Restaurants

Net sales in the Restaurant business were up ¥0.5 billion, or 4%, year over year to ¥14.0 billion. The business posted a negligible operating loss, in contrast with the ¥0.1 operating billion loss in the same period last year.

The restaurant industry faces an increasingly adverse operating environment, marked by continued substantial increases in food prices and surging gasoline prices, which weighs heavily on the performance of suburban restaurants.

Amid this environment, the Restaurant business worked to differentiate itself by improving the quality of food and service it offers, based on a commitment to safety, peace of mind, and authenticity.

Existing establishments achieved year-over-year sales growth, as the Kakoiya, Irimoya, and Tomoru formats, which tend to be largely pre-booked, performed well. Beer halls and restaurants in regional areas also turned in a solid performance.

We opened six new establishments, including the Nasu Mori no Beer En, a huge new restaurant facility in Nasu, adjacent to the Nasu plant on April 15. We also closed three restaurants for various reasons, including the reconstruction of a building in which a restaurant was located. At the end of June 2008, we had 204 establishments in operation.

The Restaurant business's cost-of-sales ratio was roughly flat year over year, partly because we raised prices in April in response to the rising cost of inputs such as foodstuffs and beer, and also because we streamlined food sourcing with a Web-based ordering system. The personnel cost ratio rose slightly, reflecting a tight labor market. The overhead expense ratio, however, improved due to a decrease in new store opening costs.

Real Estate

Net revenue in the Real Estate business was down ¥0.1 billion, or 1%, year over year, to ¥11.7 billion, while operating income was up ¥0.3 billion, or 10%, to ¥3.7 billion.

In the real estate market, vacancy rates in central Tokyo remain low, although they have recently been slowly drifting upward, and office rents have been holding firm.

In Hokkaido, Sapporo Urban Development Co., Ltd., a new company formed with capital investments from local companies in Hokkaido, commenced operations in March. From April, we began co-managing the Yebisu Garden Palace property with the Morgan Stanley Group. Meanwhile, we continue striving to maintain high occupancy rates and boost income from existing rental properties. In February, we acquired a new property in Tokyo's Shinjuku Ward with the aim of redeveloping it to increase its income.

The aforementioned sale of a 15% interest in the Yebisu Garden Palace detracted from the Real Estate business's income on a year over year basis, but operating income nonetheless grew as rent increases and a decrease in depreciation offset this effect.

b) Full-Year Outlook for the Year Ending December 31, 2008

Alcoholic Beverages (Japan)
We project full-year net sales in the Alcoholic Beverage business at ¥307.5 billion, a year-over-year decline of ¥8.4 billion, or 3%.

To boost operating income, in response to falling sales and soaring prices of ingredients and raw materials, we will reduce manufacturing costs and make further fixed-cost cuts, mainly focused on sales promotion expenses.

As a result of these efforts, we project the domestic Alcoholic Beverage business's full-year operating income at ¥7.5 billion, a ¥1.3 billion, or 21%, year-over-year increase.

Based on first-half data, we estimate that total demand for beer and beer-type products will fall by around 5% year over year in 2008 as a whole.

We will continue providing safe, reliable products under the slogan (translated from Japanese): "Flavor and confidence; Sapporo Breweries is committed to pure quality." We will also demonstrate our commitment to being an environmentally friendly company through initiatives such as life-cycle assessment and carbon footprint reduction. We intend to aggressively market our flagship Sapporo Black Label brand and other core brands, focusing mainly on keg sales. For the Yebisu brand, we will endeavor to gain a competitive advantage through sales promotions. We also aim to revitalize our new-genre product line with the new brisk-selling Mugi to Hop brand.

In the *shochu* business, Triangle Smooth will contribute to sales for the entire year in 2008. In the wine business, we project sales growth driven by the popular Aroma Mutenka line and imported wines newly added to our product line.

Alcoholic Beverages (Overseas)
We project full-year net sales in the Overseas Alcoholic Beverage business at ¥27.2 billion, a ¥0.6 billion, or 2%, year-over-year decline. We project operating income of ¥1.2 billion, a ¥0.5 billion, or 28%, decline.

We expect cost of sales to remain elevated throughout 2008 due to rising material and ingredients prices. Another uncertainty is the risk of earnings fluctuations due to exchange rate movements. On the upside, we expect both Sleeman Breweries and Sapporo USA to maintain sales volume growth rates in excess of their markets' total demand growth rates. We project solid growth in sales volume for Sapporo International's export business, also. We're working to shore up profits by maximally offsetting cost of sales and other negative factors with sales volume growth and improvements in the product mix derived from proactive marketing investment.

Soft Drinks
We project full-year net sales in the Soft Drink business at ¥37.8 billion, a ¥14.4 billion, or 28%, year-over-year decline. We project an operating loss ¥0.5 billion, a ¥0.3 billion improvement over last year.

For the remainder of 2008, the Soft Drink business will continue its rapid business restructuring efforts, pursing a select-and-focus strategy to its stabilize earnings structure and bolster competitiveness going forward.

In terms of marketing strategy, we aim to prioritize sales activities by selectively narrowing down the product line. We intend to strengthen the Kissui, Ocean Spray Cranberry, and Gerolsteiner brands with the aim of building high-value-added brands. We will also expand our offerings of plum soft drinks, a product we have been selling for over three decades.

Restaurants

We project full-year sales in the Restaurants business at ¥30.1 billion, a ¥1.1 billion, or 4%, year over year increase, due to the contribution over the full year of large establishments opened in 2007 in addition to contributions from new establishments opened this year.

We also project improved profitability due to efforts to hold the cost-of-sales ratio in check, clamp down on personnel expenses, and reduce overheads and advertising expenses related to opening new establishments. As a result, we project the Restaurant business's full-year operating income at ¥0.8 billion, a ¥0.1 billion, or 22%, year-over-year increase.

With banquet demand shrinking amid deteriorating corporate earnings and consumers tightening their belts in response to a spate of price increases, we expect 2008 to be the restaurant business's most difficult year in recent memory.

In response to such an adverse operating environment, the Restaurant business will improve the quality of existing restaurants and pursue revitalization by renovating aging establishments. Additionally, three new restaurants are scheduled to open in the second half of 2008.

Real Estate

We project full-year net revenue in the Real Estate business of ¥23.7 billion, a ¥0.4 billion, or 2%, year-over-year decline, and operating income of ¥7.4 billion, a ¥0.3 billion, or 5%, increase.

Although the real estate market environment needs to be closely monitored, we expect the central Tokyo office rental market to continue to hold firm. We intend to maintain high office occupancy rates and to proceed with rent increases.

In terms of development projects, we will move forward with the redevelopment of the Shinjuku property newly acquired in February. We will also pursue additional property acquisitions.

The sale of the 15% stake in the Yebisu Garden Palace property will detract from 2008 income, but we still expect the Real Estate business to achieve operating income growth, with the loss of income offset by rent increases and lower depreciation.

All told, we project full-year consolidated net sales of ¥426.3 billion, a ¥22.7 billion, or 5%, year-over-year decline; consolidated operating income of ¥13.5 billion, a ¥1.1 billion, or 9%, increase; ordinary income of ¥9.2 billion, a ¥1.0 billion, or 13%, increase; and net income of ¥12.8 billion, a ¥7.2 billion, or 132% increase.

Note: The above projections and other forward-looking statements are based on information available to the Company as of the date of the release of this document as well as assumptions, current as of the date of the release of this document, regarding uncertainties that may affect future operating results. Actual results may differ materially from those expressed or implied by the above projections and forward-looking statements due to various factors.

2. Financial Condition

(1) Assets, Liabilities, Net Assets, and Cash Flows

Total consolidated assets at the end of the interim period under review totaled ¥521.1 billion, down ¥61.0 billion compared with the end of the interim period last year. This primarily reflects a decrease in notes and accounts receivable due to the last day of the interim period being a bank trading day, a decrease in property, plant and equipment due to the sale of a 15% co-ownership stake in Yebisu Garden Place, and a decrease in investment securities.

Liabilities totaled ¥393.0 billion, down ¥71.8 billion compared to the end of the interim period last year. This primarily reflects a decrease in notes and accounts payable and a decrease in liquor taxes payable.

The balance of net assets was ¥128.0 billion, up ¥10.8 billion compared to the end of the interim period last year. This reflects an increase in retained earnings despite a decrease in both the unrealized holding gain on securities and foreign currency translation adjustments.

Cash flows for the interim period under review are described below.

Consolidated cash and cash equivalents as of the end of the interim period were ¥8.7 billion, an increase of ¥2.8 billion, or 49.1%, from the end of last fiscal year. This primarily reflects the sale of property, plant and equipment and a positive net cash flow from operating activities, despite repayments on borrowings and other factors.

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

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥0.8 billion, an decrease of ¥10.5 billion, or 92.2%, compared to last year's interim period. This was mainly due to income before income taxes and minority interests of ¥17.4 billion, depreciation and amortization of ¥11.0 billion, and a decrease in accounts receivable of ¥12.2 billion, which were offset by a ¥25.8 billion gain on the sale of property, plant and equipment and a ¥14.4 billion reduction in liquor taxes payable. The Group's cash flows from operating activities are subject to significant seasonal variability due to demand in the Alcoholic Beverages, Soft Drinks, and Restaurants segments being concentrated particularly in the summer months. Cash flows from operating activities therefore tend to be lower in the first half than in the second half of the fiscal year.

Cash Flows from Investing Activities
Net cash provided by investing activities was ¥31.5 billion, in contrast with the ¥10.1 billion used in investing activities in last year's interim period. This primarily reflects outflows of ¥11.5 billion for the acquisition of property, plant and equipment being offset by proceeds of ¥48.9 billion from the sale of property, plant and equipment.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥29.4 billion. The Group used ¥2.1 billion in financing activities in last year's interim period. This primarily reflects a ¥19.1 billion decrease in short-term bank loans and ¥19.1 billion in repayments of long-term debt, which offset proceeds from long-term debt of ¥10.8 billion.

Cash Flow Indicators

	Fiscal year ended December 31, 2004	2005	2006	2007	Six months ended June 30, 2008
Equity ratio (%)	15.3	19.8	19.2	22.3	24.5
Equity ratio based on market capitalization (%)	28.6	42.8	43.5	62.8	55.9
Cash flow to interest-bearing debt (%)	10.1	6.5	9.4	8.0	122.0
Interest coverage ratio (times)	6.3	10.9	9.1	7.2	0.4

Equity ratio: Equity capital / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
(Operating cash flow for the interim period was converted to an annual figure by multiplying it by 2.)
Interest coverage ratio: Cash flow / Interest payments
Notes:
1. All indicators above are based 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 2008

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

In accordance with the Group’s 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.

In accordance with its initial plans as of the start of the fiscal year, the Group will not pay an interim dividend.

The Group intends to pay a year-end dividend of ¥7 per share, an increase of ¥2 compared to last fiscal year.

3. 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, 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 in which the Group will 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.

We formulated the Sapporo Group's 2008–2009 Management Plan to act as a practical roadmap for Group strategy based on the *Sapporo Group's New Management Framework*.

The crucial themes and major management goals under the 2008–2009 Management Plan are as follows:

a) Crucial themes

1) Measures Toward Achieving Sustainable Growth
To forge a path for future growth, take action that will lead to an expansion of business domains, the development of new business, and so on over the medium term.

2) Utilization of strength to expand business and strengthen earnings base
Build a solid operating base that can generate stable earnings amid diverse changes. Accelerate earnings structure reform to ensure that this is achieved.

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.

Consolidated Balance Sheets (in millions of yen, except percentages)

	As of June 30, 2007 (A)		As of June 30, 2008 (B)		(B)-(A)	As of December 31, 2007	
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
Assets							
I Current assets							
1 Cash and cash equivalents	7,437		9,069		1,631	6,511	
2 Notes and accounts receivable - trade	70,336		57,005		(13,331)	69,685	
3 Inventories	28,509		24,888		(3,621)	24,041	
4 Other current assets	20,822		15,349		(5,473)	17,754	
5 Allowance for doubtful receivables	(192)		(244)		(52)	(275)	
Total current assets	126,913	21.8	106,067	20.4	(20,846)	117,717	21.0
II Fixed assets							
1 Property, plant and equipment							
(1)Buildings and structures	215,188		185,018			206,244	
(2)Machinery and vehicles	51,744		50,862			51,954	
(3)Land	71,373		73,009			71,153	
(4)Other	8,731		10,438			9,152	
Total property, plant and equipment	347,038		319,328		(27,710)	338,504	60.2
2 Intangible assets							
(1)Goodwill	28,350		26,110			27,614	
(2)Other	6,138		4,948			5,754	
Total intangible assets	34,489		31,059		(3,429)	33,368	5.9
3 Investments and other assets							
(1)Investment securities	43,405		33,671			37,393	
(2)Other	32,678		32,876			37,110	
(3)Allowance for doubtful receivables	(2,418)		(1,898)			(2,235)	
Total investments and other assets	73,665		64,649		(9,015)	72,267	12.9
Total fixed assets	455,193	78.2	415,036	79.6	(40,156)	444,141	79.0
Total assets	582,107	100.0	521,104	100.0	(61,003)	561,858	100.0
Liabilities							
I Current liabilities							
1 Notes and accounts payable	31,725		24,507		(7,218)	26,121	
2 Short-term bank loans and current portion of long-term debt	84,263		42,116		(42,147)	64,415	
3 Liquor taxes payable	38,385		23,601		(14,783)	38,140	
4 Accrued bonuses	849		802		(47)	1,056	
5 Deposits received	45,685		44,019		(1,665)	48,725	
6 Other	45,920		49,219		3,299	45,042	
Total current liabilities	246,830	42.4	184,267	35.4	(62,562)	223,501	39.8
II Long-term liabilities							
1 Bonds	69,710		73,553		3,843	69,710	
2 Long-term bank loans	70,794		68,359		(2,435)	74,339	
3 Employees' retirement benefits	15,535		7,792		(7,742)	15,135	
4 Directors' and corporate auditors' severance benefits	113		51		(62)	115	
5 Dealers' deposits for guarantees	34,063		32,418		(1,645)	31,903	
6 Other	27,778		26,565		(1,212)	21,964	
Total long-term liabilities	217,995	37.5	208,740	40.0	(9,255)	213,168	37.9
Total liabilities	464,826	79.9	393,008	75.4	(71,817)	436,669	77.7
Net Assets							
I Shareholders' equity							
1 Common stock	53,886	9.3	53,886	10.4	—	53,886	9.6
2 Capital surplus	46,308	7.9	46,314	8.9	6	46,310	8.2
3 Retained earnings	3,240	0.5	21,926	4.2	18,686	14,292	2.5
4 Treasury stock, at cost	(758)	(0.1)	(942)	(0.2)	(184)	(848)	(0.1)
Total shareholders' equity	102,677	17.6	121,185	23.3	18,508	113,641	20.2
II Valuation and translation adjustments							
1 Unrealized holding gain on securities	12,921	2.2	6,901	1.3	(6,019)	9,640	1.7
2 Foreign currency translation adjustments	1,630	0.3	(263)	(0.1)	(1,894)	1,853	0.4
Total valuation and translation adjustments	14,551	2.5	6,637	1.2	(7,913)	11,493	2.1
III Minority Interests	52	0.0	272	0.1	219	53	0.0
Total net assets	117,280	20.1	128,095	24.6	10,814	125,189	22.3
Total liabilities and net assets	582,107	100.0	521,104	100.0	(61,003)	561,858	100.0

Consolidated Statements of Income

(amounts in millions of yen)

	Six months ended June 30, 2007 (A)			Six months ended June 30, 2008 (B)			(B)-(A)	Fiscal year ended December 31, 2007		
	Amount		% of total	Amount		% of total	Amount	Amount		% of total
I Net sales		211,458	100.0		193,486	100.0	(17,971)		449,011	100.0
II Cost of sales		144,006	68.1		135,851	70.2	(8,154)		305,078	67.9
Gross profit		67,452	31.9		57,635	29.8	(9,816)		143,933	32.1
III Selling, general and administrative expenses		68,686	32.5		56,477	29.2	(12,208)		131,570	29.3
Operating income (loss)		(1,234)	(0.6)		1,157	0.6	2,391		12,362	2.8
IV Non-operating income										
1 Interest income	217			204				431		
2 Dividend income	368			336				594		
3 Rental income	194			22				387		
4 Foreign exchange gain	—			41				304		
5 Equity in income of affiliates	18			—				—		
6 Other	346	1,144	0.6	365	970	0.5	(173)	587	2,306	0.5
V Non-operating expenses										
1 Interest expense	2,120			1,959				4,280		
2 Loss on disposal of inventories	243			765				858		
3 Equity in loss of affiliates	—			46				132		
4 Other	375	2,739	1.3	147	2,919	1.5	179	1,280	6,550	1.5
Ordinary income (loss)		(2,829)	(1.3)		(790)	(0.4)	2,038		8,118	1.8
VI Extraordinary gains										
1 Gain on sales of property, plant and equipment	90			25,809				6,769		
2 Gain on sales of investment securities	23			4				766		
3 Reversal of provision for doubtful receivables	146			48				27		
4 Compensation income from store closures	—			111				—		
5 Subsidy for installation of vending machine	32	292	0.1	—	25,973	13.4	25,681	32	7,596	1.7
VII Extraordinary losses										
1 Loss on disposal of property, plant and equipment	631			2,687				1,300		
2 Loss on impairment of property, plant and equipment	570			1,325				6,939		
3 Depreciation expenses resulting from revision of residual value	7,227			—				6,583		
4 Provision for gift voucher redemptions	—			746				—		
5 Loss on revision of retirement benefits plan	—			1,178				—		
6 Early retirement benefits	—			247				—		
7 Business reorganization costs	—			1,441				—		
8 Amortization of goodwill	—			—				276		
9 Devaluation of marketable securities and investments	64	8,494	4.0	85	7,712	4.0	(781)	393	15,493	3.5
Income before income taxes and minority interests		(11,031)	(5.2)		17,469	9.0	28,501		221	0.0
Current income taxes	527			2,146				3,349		
Deferred income taxes	(6,013)	(5,485)	(2.6)	5,760	7,906	4.0	13,391	(8,634)	(5,285)	(1.2)
Minority interests		2	0.0		31	0.0	29		1	0.0
Net income		(5,543)	(2.6)		9,594	5.0	15,138		5,508	1.2

Consolidated Statements of Cash Flows (in millions of yen, except percentages)

	Six months ended June 30, 2007	Six months ended June 30, 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	(11,031)	17,469	221
2 Depreciation and amortization	12,508	11,055	24,526
3 Depreciation expenses resulting from revision of residual value	7,227	—	6,583
4 Loss on impairment of property, plant and equipment	570	1,325	6,939
5 Amortization of goodwill	—	434	869
6 Decrease in employees' retirement benefits	(766)	(7,342)	(1,166)
7 Decrease in allowance for doubtful receivables	(97)	(364)	(295)
8 Interest and dividend income	(585)	(541)	(1,026)
9 Interest expense	2,120	1,959	4,280
10 Gain on sales of property, plant and equipment	(90)	(25,809)	(6,769)
11 Loss on sales and disposal of property, plant and equipment	631	2,687	1,300
12 Gain on sales of investment securities	(23)	(4)	(766)
13 Loss on devaluation of investment securities	64	85	393
14 Decrease in notes and accounts receivable - trade	3,773	12,271	4,387
15 (Increase) decrease in inventories	(3,693)	(1,222)	777
16 Increase (decrease) in notes and accounts payable	2,572	(1,423)	(3,015)
17 Increase (decrease) in liquor taxes payable	38	(14,476)	(207)
18 Increase in other current liabilities	—	8,996	327
19 Other	949	(143)	(1,072)
Sub total	14,169	4,957	36,288
20 Interest and dividends received	716	709	991
21 Interest paid	(2,053)	(1,980)	(4,237)
22 Income taxes paid	(1,397)	(2,799)	(2,350)
Net cash provided by (used in) operating activities	11,435	887	30,690
II Cash flows from investing activities			
1 Payments for time deposits	—	(298)	(629)
2 Proceeds from time deposits	655	578	607
3 Purchases of investment securities	(39)	(1,135)	(250)
4 Proceeds from sales and redemption of investment securities	1,783	104	2,804
5 Purchases of property, plant and equipment	(9,547)	(11,505)	(17,815)
6 Proceeds from sales of property, plant and equipment	117	48,996	7,206
7 Purchases of intangibles	(1,828)	(2,385)	(2,067)
8 Increase in long-term loans receivable	(73)	(520)	(74)
9 Collection of long-term loans receivable	230	153	414
10 Other	(1,471)	(2,436)	(3,689)
Net cash provided by (used in) investing activities	(10,173)	31,553	(13,495)
III Cash flows from financing activities			
1 Increase (decrease) in short-term bank loans	11,551	(19,168)	(4,999)
2 Proceeds from long-term debt	8,001	10,833	24,001
3 Repayment of long-term debt	(34,570)	(19,122)	(50,335)
4 Proceeds from issuance of bonds	19,925	3,843	19,925
5 Redemption of bonds	(10,000)	—	(10,000)
6 Net increase (decrease) in commercial paper	5,000	(4,000)	4,000
7 Cash dividends paid	(1,883)	(1,957)	(1,888)
8 Other	(183)	160	(271)
Net cash provided by (used in) financing activities	(2,158)	(29,411)	(19,568)
IV Effect of exchange rate changes on cash and cash equivalents	36	(142)	(43)
V Net increase (decrease) in cash and cash equivalents	(860)	2,886	(2,416)
VI Cash and cash equivalents at beginning of perod	8,282	5,881	8,282
VII Cash and cash equivalents of additional consolidated subsidiaries	15	—	15
VIII Cash and cash equivalents at end of period	7,437	8,768	5,881

Statement of Changes in Shareholders' Capital

Six months ended June 30, 2007 (January 1, 2007 – June 30, 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
Increase in retained earnings due to increase in number of consolidated subsidiaries			202		202
Cash dividends			(1,890)		(1,890)
Net loss			(5,543)		(5,543)
Purchase of treasury stock				(189)	(189)
Disposition of treasury stock		3		3	6
Net change in items other than shareholders' capital during period					
Total changes during period	3,820	3,823	(7,232)	(186)	225
Balance as of June 30, 2007	53,886	46,308	3,240	(758)	102,677

	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
Increase in retained earnings due to increase in number of consolidated subsidiaries					202
Cash dividends					(1,890)
Net loss					(5,543)
Purchase of treasury stock					(189)
Disposition of treasury stock					6
Net change in items other than shareholders' capital during period	1,603	1,906	3,509	50	3,559
Total changes during period	1,603	1,906	3,509	50	3,785
Balance as of June 30, 2007	12,921	1,630	14,551	52	117,280

Statement of Changes in Shareholders' Capital

Six months ended June 30, 2008 (January 1, 2008 – June 30, 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			9,594		9,594
Purchase of treasury stock				(100)	(100)
Disposition of treasury stock		4		6	11
Net change in items other than shareholders' capital during period					
Total changes during period	–	4	7,633	(94)	7,544
Balance as of June 30, 2008	53,886	46,314	21,926	(942)	121,185

	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					
Cash dividends					(1,960)
Net income					9,594
Purchase of treasury stock					(100)
Disposition of treasury stock					11
Net change in items other than shareholders' capital during period	(2,739)	(2,116)	(4,856)	218	(4,637)
Total changes during period	(2,739)	(2,116)	(4,856)	218	2,906
Balance as of June 30, 2008	6,901	(263)	6,637	272	128,095

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

Segment Information

1. Segment Information by Business

(millions of yen)

	Six months ended June 30, 2007 (January 1, 2007 – June 30, 2007)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
I Net sales and operating expenses							
Net sales							
(1) Operating revenues	161,941	24,194	13,471	11,851	211,458	—	211,458
(2) Intra-group sales and transfers	2,990	112	—	1,306	4,409	(4,409)	—
Total	164,932	24,306	13,471	13,157	215,867	(4,409)	211,458
Operating expenses	167,048	25,442	13,577	9,781	215,849	(3,157)	212,692
Operating income (loss)	(2,116)	(1,135)	(106)	3,375	17	(1,251)	(1,234)

(millions of yen)

	Six months ended June 30, 2008 (January 1, 2008 – June 30, 2008)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
I Net sales and operating expenses							
Net sales							
(1) Operating revenues	149,593	18,112	14,043	11,736	193,486	—	193,486
(2) Intra-group sales and transfers	2,722	117	—	1,179	4,019	(4,019)	—
Total	152,316	18,230	14,043	12,916	197,505	(4,019)	193,486
Operating expenses	153,257	18,601	14,085	9,189	195,133	(2,804)	192,329
Operating income (loss)	(941)	(370)	(42)	3,726	2,372	(1,215)	1,157

(millions of yen)

	Year ended December 31, 2007 (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

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" : 1,306 million yen at June 30, 2007, 1,240 million yen at June 30, 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 – June 30, 2007

No applicable information

January 1, 2008 – June 30, 2008

1) Accounting method for sales

Effective from the accounting period under review, the Company has adopted a new accounting method for the calculation of sales, and now deducts sales incentives paid to clients from net sales. The value of sales incentives depends on the sales prices of soft drinks and other non-alcoholic beverages. Due to this change, net sales and operating expenses in the Soft Drink segment for the period under review were each 3,197 million yen lower than the amounts that would have resulted with the previous method, but there was no effect on operating loss.

2) Accounting method for calculating revenue and expenses of foreign subsidiaries

Effective from the accounting period under review, the Company has adopted a new accounting method that uses the average exchange rate during the period when calculating the revenue and expenses of foreign subsidiaries. Due to this change, in the Alcoholic Beverages segment, operating revenue for the period under review was 158 million yen lower and the operating loss was 0 million yen higher than the amounts that would have resulted with the previous method.

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 six-month periods ended June 30, 2007 and 2008, and for the year ended December 31, 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 six-month periods ended June 30, 2007 and 2008, and for the year ended December 31, 2007.
Accordingly, overseas sales have not been disclosed.