Financial Results
For the Nine Months Ended September 30, 2008—Consolidated

October 31, 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 Nine Months Ended September 30, 2008 (January 1, 2008 – September 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	%
Nine months ended September 30, 2008	306,572	(7.6)	9,066	44.5	6,534	72.0	14,286	—
Nine months ended September 30, 2007	331,802	3.7	6,273	60.3	3,798	75.5	(1,191)	—
Year ended December 31, 2007	449,011		12,362		8,118		5,508	

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended September 30, 2008	36.44	34.93
Nine months ended September 30, 2007	(3.05)	—
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
Nine months ended September 30, 2008	512,959	129,304	25.2	329.17
Nine months ended September 30, 2007	562,806	121,611	21.6	309.90
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
Nine months ended September 30, 2008	25,206	26,011	(40,945)	15,914
Nine months ended September 30, 2007	33,212	(17,056)	(19,194)	5,227
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
Full year	426,300	(5.1)	13,500	9.2	9,200	13.3	12,800	132.4	32.65

No change has been made to the earnings forecast for the year ending December 31, 2008 released on August 5, 2008.

3. Other

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

(2) Adoption of simplified accounting methods: Yes

(3) Change in accounting methods from the last fiscal year: Yes

Appropriate Use of Earnings Forecasts and Other Important Information

The earnings forecast stated herein are based on information currently available and certain assumptions for factors which may affect business results. Actual results may differ from the forecasts due to a range of factors.

1. Operating Results

1. Analysis of Operating Results

a) Results for the Nine Months Ended September 30, 2008

Net sales for the nine months ended September 30, 2008, were down ¥25.2 billion, or 8% year over year, to ¥306.5 billion. Operating income increased by ¥2.7 billion, or 45% year over year, to ¥9.0 billion, while the Group recorded ordinary profit of ¥6.5 billion, a year-over-year increase of ¥2.7 billion, or 72%. Although net sales were negatively impacted by a decline in sales volume in the Japanese Alcoholic Beverages business and the review of unprofitable sales accounts in the Soft Drinks business, advertising and sales promotion expenses decreased along with other costs as the Group continued to pursue low-cost operations. Net income improved to ¥14.2 billion, an increase of ¥15.4 billion compared to the same period last year. This was mainly attributable to a gain on the sale of a 15% co-ownership stake in Yebisu Garden Place during the period.

1) Segment Information

Alcoholic Beverages (Japan)

Net sales in the Japanese Alcoholic Beverages business were down ¥13.1 billion, or 6% year over year, to ¥218.2 billion, while operating income amounted to ¥4.2 billion, an improvement of ¥3.0 billion, or 245%, compared to the same period last year.

Total demand in the Japanese beer and beer-type beverages market during the first three quarters of the year was down 2.5% compared to the same period last year, largely due to the fact that consumers increasingly shifted into belt-tightening mode in response to an overall increase in food prices as well as higher prices for many other consumer goods.

Against this backdrop, sales of our core brands of canned beer and commercial-use kegs, such as Sapporo Black Label and Yebisu, were strong, and sales increased following improvements to our product mix. In the new-genre category, Mugi to Hop was launched this June and sales have been firm, which has boosted new product sales. However, this was not enough to offset the drop in demand in the happoshu market and the decline in sales of existing new-genre products. As a result, total sales of beer and beer-type beverages during the period were down 7% year over year.

Wine sales were up 4% compared to the same period last year. While total demand for both domestic and imported wines moved sideways year over year, domestic wine sales volume was helped by strong sales of the Aroma Mutenka line and large-volume wines, while price increases on imported wines also supported the increase in total wine sales.

Shochu sales also grew, up 12.5% year over year. The increase was attributable to the penetration of Waramugi, Karariimo, and other singly distilled shochu into the commercial-use market, as well as the launch of new product Triangle Smooth and solid sales of large-volume products.

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 overhead expenses and other costs. As result of such initiatives to improve its earnings structure, the Japanese Alcoholic Beverages business achieved significantly higher operating income compared to the same period last year.

Alcoholic Beverages (Overseas)
Despite solid sales volumes, net sales in the Overseas Alcoholic Beverages business fell ¥1.3 billion, or 6% year over year, to ¥19.6 billion, due to adverse exchange rate movements and other factors. Operating income was ¥0.3 billion, a decline of ¥1.5 billion, or 81%, from the same period last 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 2007, and there is concern about the impact on consumer spending going forward. Meanwhile, the market for beer appears to be generally 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 competitive. In 2008, we began test-marketing of Yebisu Beer in the U.S. to determine acceptance in the high-end beer market. As a result of these efforts, sales volume during the period was up 5% year over year at Canadian subsidiary Sleeman Breweries and 10% year over year at Sapporo USA. Export sales volume was also up 29% compared to the same period last year.

The Overseas Alcoholic Beverages 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 ¥11.1 billion, or 28% year over year, to ¥28.6 billion, reflecting changes to accounting policies and other factors. As business restructuring was carried out ahead of schedule, operating income turned positive, and although remaining below the billion yen mark, still represented a ¥0.8 billion improvement over the same period last year.

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 developing and growing its own unique brands while also rapidly restructuring the Soft Drink business through a select-and-focus approach and pursuing strategies aimed at transitioning to a sustainable earnings structure.

Specifically, this effort involves the development and growth of high value-added products, 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.

Sales volume was down 17% compared to the same period last year. However, we strengthened both the Gerolsteiner naturally carbonated water product line, a key brand that we aim to develop over the medium- to long-term, and the Ocean Spray Cranberry functional fruit juice product line. This expanded customer contact points and reinforced our presence in the market. We also enhanced the Kissui brand canned coffee product line, which has been rolled out nationwide, and sales for this product have been strong.

Restaurants

Net sales in the Restaurant business were up ¥0.7 billion, or 4% year over year, to ¥22.4 billion. Operating income increased ¥92 million, or 28%, compared to the same period last year to ¥0.4 billion.

The restaurant industry continues to face a difficult business environment. With the market on a trend of decline as society ages, the rising cost of food inputs and a decline in consumption due to weak economic conditions are having an adverse effect.

Amid this environment, the Restaurant business worked to achieve steady growth by developing food menus based on a commitment to safety, peace of mind, and authenticity, as well as by raising the quality of service.

Existing establishments achieved year-over-year sales growth, as the strong performance of beer halls made up for sluggishness in restaurants, where pre-booked group events account for a large proportion of business, an area that has been hurt by weak economic conditions.

We opened seven new establishments during the nine-month period ended September 30, 2008, including the Kamuroan food court in the Mitsui Outlet Park facility located at the Port of Sendai, which serves Yamagata soba and Inaniwa udon, two popular traditional Japanese noodle dishes. We closed three restaurants during the first quarter, however, so the total number of restaurants in operation at the end of September 2008 was 205.

The Restaurant business's cost-of-sales ratio was held in check, partly because we raised prices in April in conjunction with the rising cost food inputs, and also because we thereafter streamlined food sourcing and concentrated order volumes 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 compared to the same period last year.

Real Estate

Net revenue in the Real Estate business was down ¥0.4 billion, or 3% year over year, to ¥17.5 billion, while operating income was up ¥0.3 billion, or 6%, to ¥5.7 billion.

In the real estate market, office vacancy rates in central Tokyo have been slowly drifting upward since the start of the year, and office rents remain high, although they are in the process of flattening out.

Amid this environment, we maintained high occupancy rates and increased rents, particularly in central Tokyo properties, including Yebisu Garden Place. Development properties completed last year have exhibited stable occupancy rates and have been contributing to earnings. We are also engaged in real estate development projects, primarily in the Tokyo area, such as the property in Tokyo's Shinjuku Ward that we acquired in February.

Although revenues decreased following the sale of a 15% co-ownership stake in Yebisu Garden Place this April, operating income increased in conjunction with a decline in depreciation and other factors.

2. Consolidated Financial Condition

Total consolidated assets amounted to ¥512.9 billion as of September 30, 2008, a decrease of ¥49.8 billion compared to September 30, 2007. This primarily reflects a decline in unrealized gains on investment securities and a decrease in property, plant and equipment due to the sale of a 15% co-ownership stake in Yebisu Garden Place and other factors.

Liabilities totaled ¥383.6 billion, a decrease of ¥57.5 billion compared to September 30, 2007. This primarily reflects a decrease in short-term bank loans and decreases in liquor taxes payable and accounts payable due to the last day of the quarter under review falling on a bank trading day.

The balance of net assets was ¥129.3 billion, an increase ¥7.6 billion compared to September 30, 2007. This increase reflects an increase in retained earnings and is despite a decrease in both the unrealized holding gain on securities and foreign currency translation adjustments.

Cash flows for the nine months ended September 30, 2008, were as follows.

Net cash provided by operating activities was ¥25.2 billion. The net inflow was mainly due to income before income taxes and minority interests of ¥24.4 billion and a decrease in accounts receivable of ¥18.0 billion, which were offset by a ¥15.5 billion reduction in liquor taxes payable and other factors.

Net cash provided by investing activities was ¥26.0 billion. This primarily reflects outflows of ¥15.9 billion for the acquisition of property, plant and equipment being offset by proceeds of ¥49.0 billion from the sale of property, plant and equipment.

Net cash used in financing activities was ¥40.9 billion. This primarily reflects a ¥29.0 billion decrease in short-term bank loans and ¥27.1 billion in repayments of long-term debt, which offset proceeds from long-term debt of ¥17.2 billion.

Consolidated cash and cash equivalents as of September 30, 2008, totaled ¥15.9 billion.

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

	As of September 30, 2007 (A)		As of September 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	5,864		16,090		10,226	6,511	
2 Notes and accounts receivable - trade	60,025		51,029		(8,996)	69,685	
3 Inventories	25,585		23,820		(1,765)	24,041	
4 Other current assets	18,000		14,069		(3,930)	17,754	
5 Allowance for doubtful receivables	(172)		(163)		8	(275)	
Total current assets	109,303	19.4	104,845	20.4	(4,458)	117,717	21.0
II Fixed assets							
1 Property, plant and equipment	345,192		316,816		(28,376)	338,504	
2 Intangible assets	34,008		29,935		(4,072)	33,368	
3 Investments and other assets	74,301		61,362		(12,938)	72,267	
Total fixed assets	453,502	80.6	408,114	79.6	(45,388)	444,141	79.0
Total assets	562,806	100.0	512,959	100.0	(49,846)	561,858	100.0
Liabilities							
I Current liabilities							
1 Notes and accounts payable	29,692		24,323		(5,369)	26,121	
2 Short-term bank loans	64,839		26,736		(38,103)	64,415	
3 Liquor taxes payable	37,458		22,461		(14,996)	38,140	
4 Other	93,758		98,830		5,071	94,824	
Total current liabilities	225,749	40.1	172,351	33.6	(53,397)	223,501	39.8
II Long-term liabilities							
1 Bonds	69,710		73,553		3,843	69,710	
2 Long-term bank loans	68,123		71,828		3,704	74,339	
3 Employees' retirement benefits	15,315		7,378		(7,937)	15,135	
4 Other	62,295		58,543		(3,752)	53,984	
Total long-term liabilities	215,445	38.3	211,303	41.2	(4,141)	213,168	37.9
Total liabilities	441,194	78.4	383,655	74.8	(57,539)	436,669	77.7
Net Assets							
I Shareholders' equity							
1 Common stock	53,886	9.6	53,886	10.5	-	53,886	9.6
2 Capital surplus	46,309	8.2	46,318	9.0	9	46,310	8.2
3 Retained earnings	7,592	1.3	26,618	5.2	19,025	14,292	2.5
4 Treasury stock, at cost	(793)	(0.1)	(1,010)	(0.2)	(217)	(848)	(0.1)
Total shareholders' equity	106,994	19.0	125,812	24.5	18,817	113,641	20.2
II Valuation and translation adjustments							
1 Unrealized holding gain on securities	13,186	2.3	4,692	0.9	(8,493)	9,640	1.7
2 Foreign currency translation adjustments	1,377	0.3	(1,475)	(0.3)	(2,853)	1,853	0.4
Total valuation and translation adjustments	14,563	2.6	3,216	0.6	(11,346)	11,493	2.1
III Minority Interests	52	0.0	274	0.1	221	53	0.0
Total net assets	121,611	21.6	129,304	25.2	7,693	125,189	22.3
Total liabilities and net assets	562,806	100.0	512,959	100.0	(49,846)	561,858	100.0

Consolidated Statements of Income (in millions of yen, except percentages)

	Nine months ended September 30, 2007 (A)			Nine months ended September 30, 2008 (B)			(B)-(A)	Fiscal year ended December 31, 2007		
	Amount		% of total	Amount		% of total	Amount	Amount		% of total
I Net sales		331,802	100.0		306,572	100.0	(25,230)		449,011	100.0
II Cost of sales		224,504	67.7		213,034	69.5	(11,470)		305,078	67.9
Gross profit		107,298	32.3		93,538	30.5	(13,760)		143,933	32.1
III Selling, general and administrative expenses		101,024	30.4		84,471	27.5	(16,552)		131,570	29.3
Operating income (loss)		6,273	1.9		9,066	3.0	2,792		12,362	2.8
IV Non-operating income										
1 Interest and dividend income	706			737				1,026		
2 Equity in income of affiliates	82			34				—		
3 Other	748	1,537	0.4	619	1,391	0.4	(145)	1,280	2,306	0.5
V Non-operating expenses										
1 Interest expense	3,221			2,846				4,280		
2 Loss on disposal of inventories	314			823				858		
3 Equity in loss of affiliates	—			—				132		
4 Other	476	4,012	1.2	253	3,923	1.3	(89)	1,280	6,550	1.5
Ordinary income		3,798	1.1		6,534	2.1	2,735		8,118	1.8
VI Extraordinary gains										
1 Gain on sales of property, plant and equipment	101			25,811				6,769		
2 Gain on sales of investment securities	407			4				766		
3 Reversal of provision for doubtful receivables	185			32				27		
4 other	32	726	0.2	111	25,960	8.5	25,233	32	7,596	1.7
VII Extraordinary losses										
1 Loss on disposal of property, plant and equipment	780			3,068				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	7,235			—				6,583		
4 Provision for gift voucher redemptions	—			746				—		
5 Loss on revision of retirement benefit 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	8,650	2.5	85	8,093	2.6	(557)	393	15,493	3.5
Income before income taxes and minority interests		(4,125)	(1.2)		24,400	8.0	28,525		221	0.0
Current income taxes	1,960			4,128				3,349		
Deferred income taxes	(4,892)	(2,932)	(0.8)	6,014	10,143	3.3	13,075	(8,634)	(5,285)	(1.2)
Minority interests		1	0.0		29	0.0	27		1	0.0
Net income		(1,191)	(0.4)		14,286	4.7	15,477		5,508	1.2

Statement of Changes in Shareholders' Capital

Nine months ended September 30, 2007 (January 1, 2007 – September 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			(1,191)		(1,191)
Purchase of treasury stock				(227)	(227)
Disposition of treasury stock		4		5	10
Net change in items other than shareholders' capital during period					
Total changes during period	3,820	3,824	(2,879)	(222)	4,543
Balance as of September 30, 2007	53,886	46,309	7,592	(793)	106,994

	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					(1,191)
Purchase of treasury stock					(227)
Disposition of treasury stock					10
Net change in items other than shareholders' capital during period	1,867	1,654	3,522	50	3,572
Total changes during period	1,867	1,654	3,522	50	8,115
Balance as of September 30, 2007	13,186	1,377	14,563	52	121,611

Statement of Changes in Shareholders' Capital

Nine months ended September 30, 2008 (January 1, 2008 – September 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			14,286		14,286
Purchase of treasury stock				(177)	(177)
Disposition of treasury stock		8		15	23
Net change in items other than shareholders' capital during period					
Total changes during period		8	12,325	(162)	12,171
Balance as of September 30, 2008	53,886	46,318	26,618	(1,010)	125,812

	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					14,286
Purchase of treasury stock					(177)
Disposition of treasury stock					23
Net change in items other than shareholders' capital during period	(4,947)	(3,329)	(8,277)	220	(8,056)
Total changes during period	(4,947)	(3,329)	(8,277)	220	(8,056)
Balance as of September 30, 2008	4,692	(1,475)	3,216	274	129,304

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 (amounts in millions of yen)

	Nine months ended September 30, 2007	Nine months ended September 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	(4,125)	24,400	221
2 Depreciation and amortization	18,583	16,295	24,526
3 Depreciation expenses resulting from revision of residual value	7,235	—	6,583
4 Loss on impairment of property, plant and equipment	570	1,325	6,939
5 Amortization of goodwill	—	651	869
6 Decrease in employees' retirement benefits	(985)	(7,756)	(1,166)
7 Decrease in allowance for doubtful receivables	(351)	(431)	(295)
8 Interest and dividend income	(706)	(737)	(1,026)
9 Interest expense	3,221	2,846	4,280
10 Gain on sales of property, plant and equipment	(101)	(25,811)	(6,769)
11 Loss on sales and disposal of property, plant and equipment	780	3,068	1,300
12 Decrease in notes and accounts receivable - trade	14,013	18,022	4,387
13 (Increase) decrease in inventories	(799)	(392)	777
14 Increase (decrease) in notes and accounts payable	570	(1,480)	(3,015)
15 Decrease in liquor taxes payable	(883)	(15,575)	(207)
16 Increase in other current liabilities	—	9,636	327
17 Other	375	7,973	(1,445)
Sub total	37,397	32,035	36,288
18 Interest and dividends received	758	829	991
19 Interest paid	(2,987)	(2,618)	(4,237)
20 Income taxes paid	(1,955)	(5,039)	(2,350)
Net cash provided by (used in) operating activities	33,212	25,206	30,690
II Cash flows from investing activities			
1 Purchases of investment securities	(93)	(1,164)	(250)
2 Proceeds from sales and redemption of investment securities	1,796	104	2,804
3 Purchases of property, plant and equipment	(14,377)	(15,904)	(17,815)
4 Proceeds from sales of property, plant and equipment	134	49,000	7,206
5 Purchases of intangibles	(2,321)	(2,995)	(2,067)
6 Increase in long-term loans receivable	(74)	(520)	(74)
7 Collection of long-term loans receivable	280	198	414
8 Other	(2,400)	(2,706)	(3,711)
Net cash provided by (used in) investing activities	(17,056)	26,011	(13,495)
III Cash flows from financing activities			
1 Decrease in short-term bank loans	(2,914)	(29,037)	(4,999)
2 Proceeds from long-term debt	9,001	17,274	24,001
3 Repayment of long-term debt	(43,102)	(27,161)	(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	10,000	(4,000)	4,000
7 Cash dividends paid	(1,886)	(1,961)	(1,888)
8 Other	(217)	96	(271)
Net cash provided by (used in) financing activities	(19,194)	(40,945)	(19,568)
IV Effect of exchange rate changes on cash and cash equivalents	(32)	(239)	(43)
V Net increase (decrease) in cash and cash equivalents	(3,070)	10,032	(2,416)
VI Cash and cash equivalents at beginning of period	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	5,227	15,914	5,881

Segment Information

1. Segment Information by Business

(millions of yen)

	Nine months ended September 30, 2007 (January 1, 2007 – September 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	252,392	39,747	21,613	18,049	331,802	—	331,802
(2) Intra-group sales and transfers	4,800	216	—	2,000	7,017	(7,017)	—
Total	257,193	39,963	21,613	20,049	338,820	(7,017)	331,802
Operating expenses	254,038	40,724	21,277	14,649	330,689	(5,160)	325,529
Operating income (loss)	3,154	(760)	336	5,400	8,130	(1,856)	6,273

(millions of yen)

	Nine months ended September 30, 2008 (January 1, 2008 – September 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	237,947	28,638	22,407	17,577	306,572	—	306,572
(2) Intra-group sales and transfers	4,443	221	—	1,775	6,440	(6,440)	—
Total	242,391	28,860	22,407	19,353	313,013	(6,440)	306,572
Operating expenses	237,791	28,803	21,978	13,629	302,202	(4,696)	297,506
Operating income (loss)	4,600	57	429	5,723	10,810	(1,744)	9,066

(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 income (loss)							
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, wine, Western liquors, shochu, 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" : 1,861 million yen at September 30, 2007, 1,779 million yen at September 30, 2008 and 2,477 million yen at December 31, 2007.
These are operating expenses incurred by Sapporo Holdings (as holdings company).

(4) Change in accounting methods

January 1, 2007 – September 30, 2007

No applicable information

January 1, 2008 – September 30, 2008

1) Accounting method for sales

Effective from the fiscal year ending December 31, 2008, 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 nine months ended September 30, 2008, were each 5,062 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 fiscal year ending December 31, 2008, 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 nine months ended September 30, 2008, was 834 million yen higher and the operating loss was 0 million yen lower than the amounts that would have resulted with the previous method.

January 1, 2007 – December 31, 2007

No applicable information