Financial Results
Year Ended December 31, 2008—Consolidated

February 13, 2009

Company name	**Sapporo Holdings Limited**
Security code	2501
Listings	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Takao Murakami, President and Group CEO
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Scheduled dates:

Annual general meeting of shareholders	March 27, 2009
Commencement of dividend payments	March 30, 2009
Submission of financial statements	March 30, 2009

1. Consolidated Financial Results for the Year Ended December 31, 2008 (January 1, 2008 – December 31, 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	%
Year Ended December 31, 2008	414,558	(7.7)	14,685	18.8	10,526	29.7	7,640	38.7
Year ended December 31, 2007	449,011	3.2	12,362	43.5	8,118	38.6	5,508	135.6

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended December 31, 2008	19.49	18.89	6.3	1.9	3.5
Year ended December 31, 2007	14.10	13.76	4.6	1.4	2.8

Note: Equity method investment gains or losses:
Year ended December 31, 2008: (1) million yen
Year ended December 31, 2007: (132) million yen

(2) Financial Position

(amounts rounded down to the nearest million yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2008	527,286	116,862	22.1	297.60
December 31, 2007	561,858	125,189	22.3	319.07

Note: Shareholders equity:
December 31, 2008: 116,636 million yen
December 31, 2007: 125,135 million yen

(3) Cash Flows

(amounts rounded down to the nearest million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2008	22,291	16,856	(22,207)	(22,217)
Year ended December 31, 2007	30,690	(13,495)	(19,568)	5,881

2. Dividends

(amounts in millions rounded down to the nearest million yen)

Record date	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2007	—	—	—	5.00	5.00	1,960	35.5	1.6
Year ended December 31, 2008	—	—	—	7.00	7.00	2,743	35.9	2.3
Year ended December 31, 2009 (forecast)	—	—	—	7.00	7.00	—	91.4	—

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2009 (January 1, 2009 – December 31, 2009)

(amounts in millions rounded down to the nearest million yen; 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
Six months ending June 30, 2009	188,800	(2.4)	(2,000)	—	(3,200)	—	(3,700)	—	—
Full year	408,300	(1.5)	12,000	(18.3)	8,500	(19.3)	3,000	(60.7)	7.65

4. Other

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

(2) Changes in accounting principles, procedures, and method of presentation used in the preparation of financial results:
1) Changes in accordance with amendments to accounting standards: Yes
2) Changes other than the above: Yes

(Accounting method for sales)

From the fiscal year ending December 31, 2008, the Company has adopted a new accounting method for consolidated sales, and now deducts sales incentives paid to clients (wholesalers and retailers) from net sales. The value of sales incentives depends on the sales prices of soft drinks and other non-alcoholic beverages, and these incentives were previously recorded under selling, general and administrative expenses.

As competition in the retail market intensifies due to consolidation in the wholesale and retail sectors over recent years, demands for price discounts have increased, and sales incentives paid to clients based on sales prices—which means that they are effectively discounts on sales prices—have remained constant.

To calculate breakdowns of aggregate sales incentives by client, product, and other categories, the Company built an invoice management system and instituted a framework for distinguishing between amounts attributable to sales price discounts and amounts attributable to selling expenses.

To ensure the proper categorization of profit and loss accounts after the introduction of this system, from the fiscal year ending December 31, 2008, the Company adopted an accounting method whereby the portion of sales incentives attributable to sales price discounts is deducted from net sales.

Due to this change, net sales and operating expenses were each ¥6,629 million lower than the amounts that would have resulted with the previous method, but there was no effect on operating income.

For details of the impact of this change on segment information, refer to the notes in " 4.Segment Information."

(Accounting method for liabilities arising from gift vouchers etc.)

In the past, unredeemed gift vouchers issued more than a certain time in the past were recorded as income. However, the Japanese Institute of Certified Public Accountants recently released a position statement on the auditing treatment of reserves stipulated in the Special Tax Measures Act, statutory allowances or reserves, and reserves for directors' retirement benefits (Auditing and Assurance Practice Committee No. 42, April 13, 2007). Accordingly, from the fiscal year ending December 31, 2008, for gift vouchers issued more than a certain time in the past, the Company has started setting aside allowances for the estimated value of those gift vouchers that will be redeemed.

Due to this change, a provision for gift voucher redemptions of ¥746 million was recorded under extraordinary losses.

(Method for translating the revenue and expenses of foreign subsidiaries)

From the fiscal year ending December 31, 2008, the Company has adopted a new accounting method that uses the average exchange rate during the relevant fiscal period when translating the revenue and expenses of foreign subsidiaries to Japanese yen. Under the previous method, the exchange rate on fiscal period book closing date (December 31, 2008) would have been used for the period under review.

This change was made to ensure that the method used to translate figures to Japanese yen presents a truer picture of the Company's operating results and financial position because the significance of foreign subsidiaries to the Company's operations has increased and because exchange rate fluctuations mean that the use of exchange rates prevailing on fiscal period book closing dates may not result in a true picture of the Company. The average exchange rate is used because it is not affected by individual exchange rate movements.

Due to this change, net sales were ¥5,207 million higher, operating income was ¥198 million higher, ordinary income was ¥335 million higher, income before income taxes and minority interests was ¥324 million lower, and net income was ¥392 million lower than the corresponding amounts that would have resulted with the previous method.

For details of the impact of this change on segment information, refer to the notes in "4. Segment Information."

(3) Number of shares issued (common stock)

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

December 31, 2008:	393,971,493 shares
December 31, 2007:	393,971,493 shares

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

December 31, 2008: 2,045,360 shares
December 31, 2007: 1,785,996 shares

Reference

Non-consolidated Financial Results for the Year Ended December 31, 2008
(January 1, 2008 – December 31, 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	%
Year Ended December 31, 2008	10,318	88.9	7,974	318.3	8,970	202.0	4,362	116.0
Year ended December 31, 2007	5,462	9.3	1,906	0.0	2,970	(8.7)	2,019	—

	Net income per share	Diluted net income per share
	yen	yen
Year ended December 31, 2008	11.13	10.93
Year ended December 31, 2007	5.17	—

(2) Financial Position

(amounts in millions rounded down to the nearest million yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2008	314,401	129,931	41.3	331.52
December31, 2007	342,614	129,558	37.8	330.35

Note: Shareholders equity:
Year ended December 31, 2008: 129,931 million yen
Year ended December 31, 2007: 129,558 million yen

1. Operating results

(1) Analysis of operating results

a) Review of the Fiscal Year Ended December 31, 2008

(1) Overview

Millions of yen, except percent changes

	Net sales	Operating income	Ordinary income	Net income
2008	414,558	14,685	10,526	7,640
2007	449,011	12,362	8,118	5,508
Change (%)	(7.7)	18.8	29.7	38.7

In 2008, the financial market turmoil triggered by U.S. subprime mortgage woes broadened into a global financial crisis, the repercussions of which tipped much of the world into recession.

Against such a backdrop, the Japanese economy experienced a slowdown in consumer spending in the first half of the year amid extreme volatility in international commodity prices, soaring grain and crude oil prices, and resurgent consumer price inflation. In the second half, corporate sentiment deteriorated sharply in the wake of an equity market downturn, precipitous yen appreciation, and a falloff in demand in key industries such as autos and electrical machinery. This turn of events further dampened consumer confidence also.

In the alcoholic beverage, soft drink, and restaurant industries in which the Group operates, earnings remained under pressure from input-cost inflation.

Additionally, public confidence in the food supply chain was shaken by a series of food contamination incidents. Companies’ social responsibility for food safety consequently came under scrutiny.

Real estate market conditions, which had been holding up relatively well, likewise deteriorated in response to the financial market turmoil. This downturn triggered downward revisions of future cash flow projections and increases in risk premium, exacerbating downward pressure on the real estate investment market.

Faced with such an environment in the inaugural year of a two-year Management Plan based on the Sapporo Group's New Management Framework, the Group endeavored to strengthen its earnings base in pursuit of sustained growth.

To strengthen its earnings base, the Group further lowered its breakeven sales level by tightening cost controls in response to sales fluctuations and sharp increases in input costs.

To ensure sustained future growth, the Group variously laid the groundwork for attaining the Management Plan's targets. In the Alcoholic Beverages business, the Group boosted capacity utilization by closing down the Osaka Brewery and debuted high-value-added products produced with small-lot production systems. Elsewhere, the Group proceeded apace with rebuilding the Soft Drinks business, expanded the Real Estate business's property portfolio, and launched new initiatives in the food business.

The Group's 2008 consolidated results are summarized as follows.

Net Sales
Consolidated net sales decreased in 2008 to ¥414.5 billion, down ¥34.4 billion, or 8%, versus 2007. The decrease was attributable to multiple factors, including a decline in the Japanese Alcoholic Beverages business's unit sales, reviews of unprofitable sales accounts in the Soft Drink business, changes in accounting policies, and reduction of the Real Estate business's revenues due to the sale of the 15% co-ownership stake in Yebisu Garden Place.

Operating Income
Consolidated operating income grew to ¥14.6 billion, up ¥2.3 billion, or 19%, versus 2007.
In the domestic Alcoholic Beverages business, unit sales declined while raw ingredients and materials prices increased. However, these negatives were more than offset by some positive factors including successful lifting of beer and beer-type beverage prices, enhanced productivity and reductions in sales promotion and other expenses.
Operating income was down in the Overseas Alcoholic Beverages business despite growth in unit sales, however, due to ingredients and raw materials price inflation and adverse currency-translation effects.
The Soft Drinks business returned to profitability at the operating level helped by accelerated implementation of the restructuring measures. The Restaurant business’s operating income was down due to a fall in fiscal-fourth-quarter sales attributable to the sharp economic contraction.
The Real Estate business maintained high occupancy rates in central Tokyo, raised rents, and cut costs. These and other factors covered the decline in profit due to the sale of 15% co-ownership stake in Yebisu Garden Place, and saw the business achieve operating income growth.

Ordinary Income
Consolidated ordinary income grew to ¥10.5 billion, up ¥2.4 billion, or 30%, versus 2007. Despite an increase in the average interest rate on borrowings, net interest expense decreased ¥0.5 billion due to a reduction in debt.

Net Income
Consolidated net income increased to ¥7.6 billion, up ¥2.1 billion, or 39%, versus 2007 by virtue of a gain on the sale of the 15% co-ownership stake in Yebisu Garden Place, although we recorded impairment charges on part of goodwill in our Canadian subsidiary.

ROE
ROE increased to 6.4% from 4.6% in 2007 in parallel with net income's 39% growth.

Segment Information

Millions of yen, except percent changes

	Net sales			Operating income		
	2008	2007	Change (%)	2008	2007	Change (%)
Alcoholic Beverages	324,720	343,670	(5.5)	8,610	7,854	9.6
Japan	*299,698*	*315,892*	*(5.1)*	*7,709*	*6,189*	*24.6*
Overseas	*25,021*	*27,777*	*(9.9)*	*901*	*1,664*	*(45.9)*
Soft Drinks	36,848	52,239	(29.5)	220	(839)	–
Restaurants	29,537	28,954	2.0	550	656	(16.1)
Real Estate	23,451	24,147	(2.9)	7,612	7,073	7.6

Alcoholic Beverages (Japan)

In 2008, net sales in the Japanese alcoholic beverages business were ¥299.6 billion, down ¥16.1 billion, or 5%, versus 2007, and operating income was ¥7.7 billion, up ¥1.5 billion, or 25%, versus 2007.

Total demand in the Japanese beer and beer-type beverages market in 2008 was down 2.5% compared with 2007, largely due to consumers increasingly shifting into belt-tightening mode in response to an overall increase in food prices as well as higher prices for many other consumer goods, brewers across the board revising prices in response to surging prices of raw ingredients and materials, and the impact of the sudden onset of global economic recession during the second half of 2008.

Against this backdrop, sales of our core Sapporo Black Label Beer and commercial-use kegs were solid. Although sales of Yebisu brand products declined, the decline stayed largely in line with the decline in total demand. Meanwhile, sales of *Mugi to Hop*, a new product launched in June, were strong and greatly outstripped initial projections. 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, sales of beer and beer-type beverages in 2008 were down 8.5% compared to 2007.

Wine sales volume was up in 2008 compared with 2007. With total demand for both domestic and imported wines on par with 2007 levels, domestic wine sales volume was largely in line with 2007 on the back of strong sales of the Aroma Mutenka line and large-volume wines. Among imported wines, we enjoyed robust sales of our core Yellow Tail range of wines as well as strong sales of the Santa Rita range, which we began stocking again in September. As a result, net sales were up 1% in 2008 compared with 2007.

Shochu sales also grew, up 12.6% in 2008 versus 2007. 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 products Triangle Smooth and Tsunto and solid sales of large-volume products.

Cost-wise, however, 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 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 in 2008 compared with 2007.

Alcoholic Beverages (Overseas)

Despite solid sales volumes in 2008, net sales in the Overseas Alcoholic Beverages business fell ¥2.7 billion, or 10%, versus 2007 to ¥25.0 billion, due to adverse exchange rate movements and other factors. Operating income declined ¥0.7 billion, or 46%, versus 2007 to ¥0.9 billion.
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, that has intensified markedly since last fall.
Amid this environment, we engaged in proactive 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, 2008 sales volume was up 6% versus 2007 at Canadian subsidiary Sleeman Breweries and 9% at Sapporo USA. Export sales volume was also up 11% compared with 2007.
The Overseas Alcoholic Beverage business faced cost pressures from rising prices of ingredients and materials, mainly malt and materials for beverage cans. It also ramped up marketing investments relative to 2007.

Soft Drinks

Net sales in the Soft Drink business in 2008 were down ¥15.3 billion, or 29%, versus 2007 to ¥36.8 billion, reflecting changes to accounting policies and other factors. As business restructuring was carried out ahead of schedule, operating income turned positive, totaling ¥0.2 billion, a ¥1.0 billion improvement versus 2007.
Total demand in the Japanese soft drink market was estimated to have contracted in 2008, slipping by around 1% versus 2007.
Against this background, the Group is building 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 19% in 2008 versus 2007. However, we strengthened efforts vis-à-vis Kissui, a new brand of canned coffee, the Gerolsteiner naturally carbonated water product line, and functional fruit juice product lines such as

Karada ni Oishi Ume and Ocean Spray Cranberry. This steadily expanded customer contact points and reinforced our presence in the market.

Restaurants

Net sales in the Restaurant business in 2008 were up ¥0.5 billion, or 2%, versus 2007 to ¥29.5 billion, but operating income fell ¥0.1 billion, or 16%, versus 2007 to ¥0.5 billion as cost cutting efforts were unable to keep up with the rapid decline in sales during the fourth quarter.

The restaurant industry was challenged by substantial increases in gasoline and food prices during the first half of 2008, in particular heavily impacting family restaurant operators whose core business is in suburban restaurants. The economic climate experienced a deep and rapid downturn in response to global financial malaise in the second half of 2008, resulting in lower sales at dinner restaurants and other establishments that generate high spending-per-customer. Izakaya-format restaurants, chiefly those in the high spending-per-customer category, also saw sales wane as companies cut back on expenses and consumers increasingly shifting into belt-tightening mode.

Amid this environment, the Restaurant business worked to boost earnings by improving menus and quality of service, based on a commitment to safety, peace of mind, and authenticity.

Existing establishments sales edged up slightly in 2008 versus 2007. Beer halls in the Tokyo area turned in a strong performance that made up for lower sales versus 2007 at Japanese-style restaurants, where pre-booked group events that generate relatively high spending-per-customer account for a large proportion of business. However, sales for almost all restaurant formats were lower year over year toward the end of the 2008 as corporate sentiment dropped sharply.

We opened eight new establishments in 2008, totaling just under 6,500 square meters, including a large all-you-can-eat buffet restaurant within the *Nasu Mori no Beer En* facility located in Nasu, Tochigi prefecture. We closed five restaurants in 2008, including restaurants operated under contract at golf clubs, so the total number of restaurants in operation at the end of 2008 was 204.

Real Estate

Net revenue in the Real Estate business in 2008 was down ¥0.6 billion, or 3%, versus 2007 to ¥23.4 billion, while operating income was up ¥0.5 billion, or 8%, to ¥7.6 billion.

Economic woes have flung the real estate industry into a major period of consolidation. Office vacancy rates in central Tokyo have been on the rise since the start of the year, and although office rents remain high, they flattened out and moved into decline during the second half of 2008.

Amid this environment, we maintained high occupancy rates and worked to increase rents, particularly in central Tokyo properties, including Yebisu Garden Place. Stable occupancy rates saw development properties completed in 2007 make solid contributions to earnings, and we developed properties held in the

Ebisu and Nagoya areas as well as a new development site in the Shinjuku area. We also newly acquired income-generating properties in Tokyo.
Although revenues decreased following the sale of a 15% co-ownership stake in Yebisu Garden Place, operating income increased by virtue of the efforts described above and a decline in depreciation.

b) Outlook for the Fiscal Year Ending December 31, 2009

(1) Overview

Millions of yen, except percent changes

	Net sales	Operating income	Ordinary income	Net income
2009 forecast	408,300	12,000	8,500	3,000
2008	414,558	14,685	10,526	7,640
Change (%)	(1.5)	(18.3)	(19.3)	(60.7)

In 2009, the Group will focus on achieving sustainable growth, strengthening its earnings base, and expanding operations that capitalize on its strengths, in accord with the 2009–2010 Sapporo Group Management Plan, a rolling two-year plan.
More specifically, with the operating environment undergoing drastic change, the Group aims to strengthen its earnings base through further cost structure reform across all businesses. The Group also aims to achieve growth into the future by funneling management resources into businesses that best capitalize on its strengths.

Net Sales
We project 2009 consolidated net sales of ¥408.3 billion, a ¥6.2 billion, or 2%, decrease versus 2008.
In the Alcoholic Beverages business, we anticipate that domestic sales will decrease as a result of growth in new-genre beers' share of unit sales. Overseas, we intend to increase sales through further market penetration in the U.S. and expansion of Sleeman Breweries' share of the Canadian market. In the Soft Drink business, we expect sales to decline as a result of continued weeding-out of unprofitable sales accounts. In the Restaurant business, we aim to increase sales by efficiently opening new locations and revitalizing existing ones. In the Real Estate business, we plan to grow revenues by developing new properties and raising rents at existing properties while maintaining high occupancy rates.

Operating Income
We project consolidated operating income of ¥12.0 billion, a ¥2.6 billion, or 18%, decrease from 2008.
In the Alcoholic Beverages business, we anticipate a decline in operating income from domestic operations as a result of input cost inflation, increased depreciation due to a change in accounting policy, and inventory valuation losses to be booked as an operating expense. Overseas, we will cut costs to offset

adverse currency-translation effects. In the Soft Drink business, we expect to increase operating income through continued efforts to rapidly improve profit margins. In the Restaurant business, we project operating income growth by virtue of sales growth coupled with cost containment. In the Real Estate business, we project operating income growth from acquisition of new properties and rent increases at existing properties.

Ordinary Income
Although inventory valuation losses will be booked as an operating expense, we expect ordinary income to decline in conjunction with the projected decrease in operating income. We project consolidated ordinary income of ¥8.5 billion, a ¥2.0 billion, or 19%, decrease versus 2008.

Net Income
We project consolidated net income of ¥3.0 billion, a ¥4.6 billion, or 61%, decrease versus 2008, reflecting an anticipated decline in extraordinary income (e.g., gains on sale of fixed assets).

ROE
As a result of the projected decline in net income, we expect ROE to fall to 2.6% in 2009 from 6.3% in 2008.

(2) Outlook by Segment

Millions of yen, except percent changes

	Net sales			Operating income		
	2009	2008	Change (%)	2009	2008	Change (%)
Alcoholic Beverages	317,700	324,720	(2.2)	6,500	8,610	(24.5)
Japan	*295,600*	*299,698*	*(1.4)*	*5,600*	*7,709*	*(27.4)*
Overseas	*22,100*	*25,021*	*(11.7)*	*900*	*901*	*(0.1)*
Soft Drinks	35,500	36,848	(3.7)	300	220	36.0
Restaurants	30,500	29,537	3.3	700	550	27.1
Real Estate	24,600	23,451	4.9	7,700	7,612	1.2

Alcoholic Beverages (Japan)

With overall domestic demand for alcoholic beverages expected to languish in the wake of the ongoing economic slump and shrinkage of the drinking population, we anticipate further shifts in the competitive landscape across product categories.
In the beer market, demand is expected to continue to migrate to new-genre beers as consumers increasingly seek to maintain their standard of living through thrift. The high-end beer market's growth trend of recent years is likely to level off or turn downward in 2009, but we expect that price-insensitive epicurean consumers that purchase products in accord with their own tastes will steadily increase over the medium to long term.

In response to such major changes in the market environment and further diversification of consumer preferences, we will conduct marketing activities targeted at these trends again in 2009 in the aim of boosting profits by offering distinctive Sapporo value.
Specifically, we aim to further enhance the Yebisu brand's value proposition in the high-end market segment. In the rapidly growing new-genre market segment, we intend to grow sales by strengthening our core Draft One and *Mugi to Hop* brands and launching new products that offer fresh gusto to beer drinkers, with the ultimate aim of boosting market share.
In response to consumers' recent scrutiny of food safety, we will utilize advertising copy that specifically emphasizes the quality of our beers' ingredients to impart the confidence to enjoy our products with peace of mind.
Although costs will be impacted by changes in accounting policies, we will continue to implement purchasing policies that effectively smooth out fluctuations in input prices, and we will also endeavor to establish flexible production systems and improve overhead cost-efficiency, particularly with respect to sales promotion expenditures, to strengthen our earnings base.

Alcoholic Beverages (Overseas)

The overseas Alcoholic Beverages business is at risk of adverse repercussions from the global economic slowdown triggered by the U.S. financial crisis. In the North American beer market, where our overseas operations are concentrated, overall demand is expected to stagnate or contract slightly in 2009, but we intend to solidify our position in the North American market by continuing to capitalize on our strengths in the premium beer category.
In the Canadian market, subsidiary Sleeman Breweries will continue to invest in marketing to maintain and enhance the brand value of its core premium brands, Sleeman, Unibroue, and Okanagan Spring. Sleeman Breweries aims to achieve unit sales growth in excess of the Canadian beer market's total demand growth rate inclusive of the growing value-brand segment.
In the U.S. market, where Sapporo USA is our core subsidiary, we aim to solidify Yebisu Beer's foothold in the high-end market segment in addition to expanding the Sapporo brand's presence. By strengthening our presence beyond the ethnic Japanese market segment, we aim to achieve unit sales growth in excess of growth in total demand.
In export and overseas production operations, we aim to increase sales through aggressive expansion into growth markets, while also looking for opportunities to cultivate new markets and possibly exiting regions with unfavorable prospects for earnings growth. This strategy aims to further expand the overseas Alcoholic Beverages business and strengthen its foundation.

Soft Drinks

In the Soft Drink business, we will continue to implement a two-pronged strategy of realigning our profit structure to achieve sustained profitability while also pursuing growth by building brands that establish a meaningful market presence. More specifically, we intend to implement marketing strategies focused on cultivating and strengthening existing brands and products. We aim to capture demand with unique product offerings such as functional fruit-juice beverages Ocean Spray Cranberry and *Karada ni Oishii Ume*; Gerolsteiner naturally carbonated water, Germany's top-selling mineral water; and Ribbon Citron, which is slated for brand renewal in 2009 to commemorate its 100th year on the market. Cost-wise, we will strengthen profitability by continuing to select and focus on key soft drink operations for a second consecutive year. We aim to further improve operating income by continuing to rationalize costs throughout the value chain.

Restaurants

In the Restaurant business, we will continue to create establishments that attract strong customer numbers by developing our menus and providing memorable service based on a commitment to safety, peace of mind, and authenticity. We will also promote Sapporo as a trusted brand and draw in customers through events to celebrate the 110th year since our founding. Given the current economic environment, we also intend to develop and open mainly small and mid-sized new format restaurants designed for relatively low spending-per-customer.
We will work to reduce personnel expenses by installing an employee time-keeping system that will make it easy to allocate available personnel among closely located restaurants to meet staffing requirements. We will also endeavor to reduce overheads by controlling Web-based sales promotion expenses, which have been on the rise.

Real Estate

The Japanese real estate market appears to be entering a downturn, largely in response to deterioration in corporate profits.
Amid such a market environment, we will strengthen our Real Estate business's earnings power by raising rents to fair-market levels while maintaining or boosting occupancy rates, capitalizing on the locational advantages of our properties, most notably Yebisu Garden Place. We will also continue to pursue property acquisitions and initiatives to upgrade the value of our existing properties.

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 operating results may differ materially from those expressed or implied by the above forward-looking statements due to various factors.

2) Financial Condition

(a) Assets, Liabilities, and Net Assets

Consolidated assets totaled ¥527.2 billion at December 31, 2008, a decrease of ¥34.5 billion versus December 31, 2007. This mainly reflects a decrease in trade notes and accounts receivable as well as a decrease in fixed assets due to the sale of the 15% co-ownership stake in Yebisu Garden Place, impairment charges on goodwill and other items at Sleeman Breweries Ltd., and lower unrealized capital gains on investment securities. These factors more than offset an increase in cash and cash equivalents.

Consolidated liabilities totaled ¥410.4 billion at December 31, 2008, a decrease of ¥26.2 billion versus December 31, 2007. This mainly reflects a decrease in bonds and a decrease in the allowance for employees' retirement benefits due to revisions to the retirement benefits plan.

The balance of consolidated net assets was ¥116.8 billion at December 31, 2008, a decrease of ¥8.3 billion versus December 31, 2007. This mainly reflects a decrease in unrealized holding gains on securities, due to lower unrealized gains on investment securities, and a decrease in foreign currency translation adjustments due to the strength of the yen at the end of 2008 against local currencies in locations where overseas subsidiaries operate.

(b) Cash Flows

Consolidated cash and cash equivalents ("cash") at December 31, 2008, were ¥22.2 billion, an increase of ¥16.3 billion, or 278%, versus December 31, 2007. This mainly 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 2008 together with an overview of factors that affected each category.

Cash flows from operating activities

Net cash provided by operating activities in 2008 was ¥22.2 billion, a decrease of ¥8.3 billion, or 27%, compared with 2007. This was mainly due to positive factors such as income before income taxes and minority interests of ¥17.9 billion, depreciation and amortization of ¥21.6 billion, and impairment charges of ¥8.2 billion, which were somewhat offset by a ¥25.8 billion gain on the sale of property, plant and equipment.

Cash flows from investing activities
Net cash provided by investing activities in 2008 was ¥16.8 billion, in contrast with the ¥13.4 billion used in investing activities in 2007. This mainly reflects outflows of ¥22.7 billion for the acquisition of property, plant and equipment being more than offset by proceeds of ¥49.0 billion from the sale of property, plant and equipment.

Cash flows from financing activities
Net cash used in financing activities in 2008 was ¥22.2 billion. The Group used ¥19.5 billion in financing activities in 2007. This mainly reflects a ¥48.0 billion decrease in short-term bank loans and ¥35.6 billion in repayments of long-term debt, which more than offset proceeds from long-term debt of ¥20.3 billion.

Cash flow indicators

	As at December 31,				
	2004	2005	2006	2007	2008
Equity ratio (%)	15.3	19.8	19.2	22.3	22.1
Equity ratio based on market capitalization (%)	28.6	42.8	43.5	62.8	41.5
Cash flow to interest-bearing debt (years)	10.1	6.5	9.4	8.0	9.9
Interest coverage ratio (%)	6.3	10.9	9.1	7.2	6.0

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
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 (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 and 2009

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 accord with the above, the Group intends to pay a total annual dividend of ¥7 per share.
In 2009, the Sapporo Group intends to maintain a total annual dividend payment of ¥7 yen per share by steadily executing its management plan while undertaking strategic investments and working to strengthen the Group's financial base.

Dividends for 2008 and 2009 (yen per share)

Fiscal year ending December 31,	Interim	Year-end	Annual total
2008	–	7.0	7.0
2009	–	7.0	7.0

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

Consolidated net sales	¥600.0 billion	(2008: ¥414.5 billion)
Consolidated operating income	¥40.0 billion	(2008: ¥14.6 billion)
D/E ratio	around 1:1	(2008: 1.6 times)
ROE	above 8%	(2008: 6.3%)

3) Medium- to Long-Term Group Management Strategy

In October 2007, 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 basic strategies set out in the *Sapporo Group's New Management Framework* are as follows:

(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 the Alcoholic Beverages business as well as the Soft Drinks and Food Products 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.

4) Issues to be Addressed

Our efforts to achieve management goals under the 2008–2009 Sapporo Group Management Plan reflect two crucial themes.
We formulated the 2009–2010 Sapporo Group Management Plan, a rolling two-year plan that draws on the 2008–2009 Sapporo Group Management Plan, which we announced last year as an action plan based on the Sapporo Group's New Management Framework.

(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.

The Sapporo Group views CSR-focused management as a key strategy for supporting the sustained growth of the Group. We will engage in efforts geared toward addressing, in particular, the issue of consumer confidence in food safety, drunken driving and other alcohol-related problems, and global warming and other environmental issues. At the same time, we will continue to build on our CSR and compliance frameworks, the fundamental standards of corporate behavior to which we consistently hold ourselves, and conduct in-house education to ensure that these frameworks take firm root within the Sapporo Group.

3.Consolidated Financial Statement

(1)Consolidated Balance Sheets

(in millions of yen, except percentages)

	December 31, 2007 (A)			December 31, 2008 (B)			(B) - (A)
	Amount		% of total	Amount		% of total	Amount
Assets							
I Current assets							
1 Cash and cash equivalents		6,511			22,494		15,982
2 Notes and accounts receivable - trade		69,685			62,258		(7,426)
3 Marketable securities		13			39		26
4 Inventories		24,041			21,409		(2,632)
5 Deferred tax assets		2,290			6,267		3,976
6 Refundable income taxes		133			2,969		2,836
7 Other		15,317			14,147		(1,170)
8 Allowance for doubtful receivables		(275)			(167)		108
Total current assets		117,717	21.0		129,418	24.5	11,700
II Fixed assets							
1 Property, plant and equipment							
(1) Buildings and structures	399,169			358,590			
Accumulated depreciation	(192,925)	206,244		(177,716)	180,873		(25,370)
(2) Machinery and vehicles	209,050			180,772			
Accumulated depreciation	(157,096)	51,954		(134,476)	46,296		(5,658)
(3) Land		71,153			78,893		7,740
(4) Construction in progress		4,694			9,145		4,450
(5) Other	21,723			20,045			
Accumulated depreciation	(17,265)	4,458		(16,047)	3,998		(459)
Total property, plant and equipment		338,504	60.2		319,207	60.5	(19,296)
2 Intangible assets							
(1) Goodwill		27,614			17,018		(10,595)
(2) Other		5,754			3,948		(1,805)
Total intangible assets		33,368	5.9		20,966	4.0	(12,401)
3 Investments and other assets							
(1) Investment securities		37,393			26,460		(10,933)
(2) Long-term loans receivable		10,229			10,480		250
(3) Deferred tax assets		7,541			5,039		(2,502)
(4) Other		19,339			17,523		(1,815)
(5) Allowance for doubtful receivables		(2,235)			(1,809)		426
Total investments and other assets		72,267	12.9		57,693	11.0	(14,574)
Total fixed assets		444,141	79.0		397,868	75.5	(46,272)
Total assets		561,858	100.0		527,286	100.0	(34,572)
Liabilities							
I Current liabilities							
1 Notes and accounts payable		26,121			23,829		(2,292)
2 Short-term bank loans and current portion of long-term debt		64,415			63,516		(898)
3 Liquor taxes payable		38,140			35,585		(2,554)
4 Income taxes payable		2,749			724		(2,025)
5 Accrued bonuses		1,056			1,350		294
6 Deferred tax liabilities		0			—		(0)
7 Deposits received		48,725			46,835		(1,890)
8 Other		42,292			41,361		(930)
Total current liabilities		223,501	39.8		213,203	40.4	(10,297)
II Long-term liabilities							
1 Bonds		69,710			53,843		(15,866)
2 Long-term bank loans		74,339			71,892		(2,446)
3 Deferred tax liabilities		6,182			12,303		6,121
4 Employees' retirement benefits		15,135			7,531		(7,603)
5 Directors' and corporate auditors' severance benefits		115			52		(62)
6 Dealers' deposits for guarantees		31,903			32,023		119
7 Other		15,782			19,573		3,791
Total long-term liabilities		213,168	37.9		197,220	37.4	(15,947)
Total liabilities		436,669	77.7		410,424	77.8	(26,245)
Net Assets							
I Shareholders' equity							
1 Common stock		53,886	9.6		53,886	10.2	—
2 Capital surplus		46,310	8.2		46,325	8.8	15
3 Retained earnings		14,292	2.5		19,972	3.8	5,679
4 Treasury stock, at cost		(848)	(0.1)		(1,058)	(0.2)	(209)
Total shareholders' equity		113,641	20.2		119,126	22.6	5,485
II Valuation and translation adjustments							
1 Unrealized holding gain on securities		9,640	1.7		3,046	0.6	(6,594)
2 Foreign currency translation adjustments		1,853	0.4		(5,536)	(1.0)	(7,389)
Total valuation and translation adjustments		11,493	2.1		(2,490)	(0.4)	(13,984)
III Minority Interests		53	0.0		226	0.0	172
Total net assets		125,189	22.3		116,862	22.2	(8,326)
Total liabilities and net assets		561,858	100.0		527,286	100.0	(34,572)

(2)Consolidated Statements of Income

(in millions of yen, except percentages)

	Fiscal year ended December 31, 2007 (A)			Fiscal year ended December 31, 2008 (B)			(B) - (A)
	Amount		% of total	Amount		% of total	Amount
I Net sales		449,011	100.0		414,558	100.0	(34,453)
II Cost of sales		305,078	67.9		288,146	69.5	(16,931)
Gross profit		143,933	32.1		126,411	30.5	(17,521)
III Selling, general and administrative expenses							
1 Sales incentives and commissions	35,862			21,076			
2 Advertising and promotion expenses	17,371			18,236			
3 Salaries	19,973			19,068			
4 Provision for accrued bonuses	688			813			
5 Retirement benefit expenses	2,869			2,718			
6 Other	54,805	131,570	29.3	49,814	111,726	27.0	(19,844)
Operating income		12,362	2.8		14,685	3.5	2,322
IV Non-operating income							
1 Interest income	431			402			
2 Dividend income	594			566			
3 Rental income	387			43			
4 Foreign exchange gain	304			53			
5 Gain (loss) on transactions related to gift coupon	—			93			
6 Other	587	2,306	0.5	570	1,730	0.4	(576)
V Non-operating expenses							
1 Interest expense	4,280			3,714			
2 Loss on disposal of inventories	858			1,102			
3 Equity in loss of affiliates	132			1			
4 Other	1,280	6,550	1.5	1,070	5,888	1.4	(662)
Ordinary income		8,118	1.8		10,526	2.5	2,408
VI Extraordinary gains							
1 Gain on sales of property, plant and equipment	6,769			25,892			
2 Gain on sales of investment securities	766			20			
3 Reversal of provision for doubtful receivables	27			10			
4 Compensation income from store closures	—			111			
5 Subsidy for installation of vending machine	32	7,596	1.7	—	26,035	6.3	18,439
VII Extraordinary losses							
1 Loss on disposal of property, plant and equipment	1,300			5,835			
2 Loss on impairment of property, plant and equipment	6,939			8,206			
3 Depreciation expenses resulting from revision of residual value	6,583			—			
4 Provision for gift voucher redemptions	—			746			
5 Loss on revision of retirement benefit plan	—			1,307			
6 Early retirement benefits	—			305			
7 Business reorganization costs	—			1,443			
8 Amortization of goodwill	276			—			
9 Devaluation of marketable securities and investments	393	15,493	3.5	746	18,592	4.5	3,098
Income before income taxes and minority interests		221	0.0		17,970	4.3	17,748
Current income taxes	3,040			519			
Reversal of prior period income taxes	308			—			
Deferred income taxes	(8,634)	(5,285)	(1.2)	9,835	10,354	2.5	15,640
Minority loss		1	0.0		24	0.0	22
Net income		5,508	1.2		7,640	1.8	2,131

(3)Statement of Changes in Shareholders' Capital

Fiscal 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

Statement of Changes in Shareholders' Capital

Fiscal year ended December 31, 2008 (January 1, 2008 – December 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			7,640		7,640
Purchase of treasury stock				(262)	(262)
Disposition of treasury stock		15		52	68
Net change in items other than shareholders' capital during period					
Total changes during period	-	15	5,679	(209)	5,485
Balance as of December 31, 2008	53,886	46,325	19,972	(1,058)	119,126

	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, 2007	9,640	1,853	11,493	53	125,189
Changes during period					
Cash dividends					(1,960)
Net income					7,640
Purchase of treasury stock					(262)
Disposition of treasury stock					68
Net change in items other than shareholders' capital during period	(6,594)	(7,389)	(13,984)	172	(13,811)
Total changes during period	(6,594)	(7,389)	(13,984)	172	(8,326)
Balance as of December 31, 2008	3,046	(5,536)	(2,490)	226	116,862

(4)Consolidated Statements of Cash Flows (in millions of yen)

	Fiscal year ended December 31, 2007	Fiscal year ended December 31, 2008
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	221	17,970
2 Depreciation and amortization	24,526	21,604
3 Depreciation expenses resulting from revision of residual value	6,583	—
4 Loss on impairment of property, plant and equipment	6,939	8,206
5 Goodwill amortization expense	869	867
6 Amortization of goodwill	276	—
7 Decrease in employees' retirement benefits	(1,166)	(7,603)
8 Decrease in allowance for doubtful receivables	(295)	(523)
9 Interest and dividend income	(1,026)	(969)
10 Interest expense	4,280	3,714
11 Gain on sales of property, plant and equipment	(6,769)	(25,892)
12 Loss on sales and disposal of property, plant and equipment	1,300	5,835
13 Gain on sales of investment securities	(766)	(20)
14 Loss on devaluation of investment securities	393	746
15 Decrease in notes and accounts receivable - trade	4,387	5,760
16 Decrease in inventories	777	1,056
17 Decrease in notes and accounts payable	(3,015)	(1,447)
18 Decrease in liquor taxes payable	(207)	(2,287)
19 Decrease in deposits received	(3,159)	(1,854)
20 Increase in other current liabilities	327	4,805
21 Other	1,810	253
Sub total	36,288	30,225
22 Interest and dividends received	991	974
23 Interest paid	(4,237)	(3,743)
24 Income taxes paid	(2,350)	(5,164)
Net cash provided by (used in) operating activities	30,690	22,291
II Cash flows from investing activities		
1 Payments for time deposits	(629)	(593)
2 Proceeds from time deposits	607	866
3 Purchases of investment securities	(250)	(1,166)
4 Proceeds from redemption and sale of investment securities	2,804	152
5 Purchases of affiliates securities	(87)	(52)
6 Purchases of property, plant and equipment	(17,815)	(22,791)
7 Proceeds from sales of property, plant and equipment	7,206	49,082
8 Purchases of intangibles	(2,067)	(4,551)
9 Increase in long-term loans receivable	(74)	(525)
10 Collection of long-term loans receivable	414	251
11 Other	(3,601)	(3,816)
Net cash provided by (used in) investing activities	(13,495)	16,856
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(4,999)	(4,816)
2 Proceeds from long-term debt	24,001	20,357
3 Repayment of long-term debt	(50,335)	(35,684)
4 Proceeds from issuance of bonds	19,925	3,843
5 Redemption of bonds	(10,000)	—
6 Net increase (decrease) in commercial paper	4,000	(4,000)
7 Cash dividends paid	(1,888)	(1,963)
8 Purchase of treasury stock	(284)	(262)
9 Proceeds form sales of treasury stock	12	68
10 Proceeds from minority shareholders	—	250
Net cash provided by (used in) financing activities	(19,568)	(22,207)
IV Effect of exchange rate changes on cash and cash equivalents	(43)	(604)
V Net increase (decrease) in cash and cash equivalents	(2,416)	16,335
VI Cash and cash equivalents at beginning of period	8,282	5,881
VII Cash and cash equivalents of additional consolidated subsidiaries	15	—
VIII Cash and cash equivalents at end of period	5,881	22,217

4.Segment Information

1. Segment Information by Business

(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 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

(millions of yen)

	Fiscal year ended December 31, 2008 (January 1, 2008 – December 31, 2008)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Operating revenues	324,720	36,848	29,537	23,451	414,558	—	414,558
(2) Intra-group sales and transfers	6,263	321	—	2,373	8,958	(8,958)	—
Total	330,983	37,170	29,537	25,824	423,516	(8,958)	414,558
Operating expenses	322,373	36,950	28,987	18,212	406,522	(6,649)	399,872
Operating income (loss)	8,610	220	550	7,612	16,993	(2,308)	14,685
II Assets, depreciation and amortization, impairment and capital expenditures							
Identifiable assets	307,517	17,536	14,738	172,563	512,355	14,930	527,286
Depreciation and amortization	14,125	272	779	6,427	21,603	1	21,604
Loss on impairment	6,619	1,250	320	16	8,206	—	8,206
Capital expenditures	15,099	998	856	12,419	29,374	4	29,378

Notes:

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

(2) Main products in each segment

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

(3) Unallocated operating expenses included in "Corporate and Eliminations": 2,477 million yen at December 31, 2007, and 2,344 million yen at December 31, 2008.These are operating expenses incurred by Sapporo Holdings (as parent company).

(4) Unallocated assets included in "Corporate and Eliminations" amounted to 21,013 million yen and 29,131 million yen at December 31, 2007 and 2008, respectively, and consisted principally of cash and cash equivalents and marketable securities, long-term investments, and assets of general administration divisions.

(5) Depreciation and amortization, loss on impairment, and capital expenditures include long-term prepaid expenses and their write-offs. Depreciation and amortization for the year ended December 31, 2007, does not include 6,583 million yen in depreciation expenses, resulting from revision of residual value, that were recorded in extraordinary losses.

(6) Change in accounting methods
(January 1 to December 31, 2007)
Not applicable