



Sapporo Group 2007 Results Presentation

February 18, 2008

Sapporo Holdings Ltd.

URL <http://www.sapporoholdings.co.jp/>

Agenda

- ◇ 2006–2008 Medium-Term Management Plan Overview
- ◇ Sapporo Group's New Management Framework
- ◇ Sapporo Group's 2008–2009 Management Plan
 - Management goals
 - Measures toward achieving sustainable growth
 1. Create high-value-added products and services
 2. Form strategic alliances
 3. Promote international expansion
 4. Expand group synergies



Overview of Previous Medium-Term Plan (2006–2008)

Progress towards quantitative targets

	2006 actual	2007 actual	Medium-term plan Final target (2008)
Consolidated net sales (inclusive of liquor tax)	¥435.0 bn	¥449.0 bn	¥520.0 bn
Consolidated operating income	¥8.6 bn	¥12.3 bn	¥28.0 bn
Balance of financial liabilities	¥236.0 bn	¥212.4 bn	¥180.0 bn
D/E ratio	2.1 times	1.7 times	1.5 times
ROE	2.1%	4.6%	10%



Overview of Previous Medium-Term Plan (2006–2008)

Performance by Segment

		2006 actual	2007 actual	Medium-term plan Final target (2008)
Net sales	Alcoholic Beverages (Japan)	¥321.1 bn	¥315.8 bn	¥380.0 bn*
	Alcoholic Beverages (Overseas)	¥5.3 bn	¥27.7 bn	—
	Soft Drinks	¥58.7 bn	¥52.2 bn	¥80.0 bn
	Restaurants	¥26.9 bn	¥28.9 bn	¥35.0 bn
	Real Estate	¥22.8 bn	¥24.1 bn	¥24.5 bn
Operating income	Alcoholic Beverages (Japan)	¥3.8 bn	¥6.1 bn	¥20.0 bn*
	Alcoholic Beverages (Overseas)	¥0.3 bn	¥1.6 bn	—
	Soft Drinks	(¥0.4 bn)	(¥0.8 bn)	¥2.5 bn
	Restaurants	¥0.4 bn	¥0.6 bn	¥1.5 bn
	Real Estate	¥6.4 bn	¥7.0 bn	¥7.0 bn
	Group total	(¥2.0 bn)	(¥2.3 bn)	(¥3.0 bn)

*Final 2008 targets for the Japanese Alcoholic Beverages business include figures for Sapporo Breweries' former Overseas Alcoholic Beverages business.



Overview of Previous Medium-Term Plan (2006–2008)

Overview of previous medium-term plan

Progress towards major targets

○ Quantitative targets

- Targets not achieved for the Alcoholic Beverages and Soft Drinks businesses >> consolidated 2007 results short of targets

○ Reduce costs by ¥10.0 bn (compared to 2005) over three years: Progressing as planned

- Costs reduced by around ¥7.5 bn by 2007, and decision made to halt the Osaka plant (effectively reducing costs by ¥1.2 bn per year)

○ ¥70.0 bn in strategic and capital investment over three years: Progressing as planned

- Execute around ¥46.0 bn in strategic investments over 2006–2007, including acquisition of Sleeman Breweries (Canada) and shochu business interests

○ Bolster Group strengths in joint research and product development

- Commercialized outcomes of Group-wide joint R&D efforts (Group-K), such as the Hop Kenkyusho line of water beverages

◇ Issues with product development and marketing progress in the Alcoholic Beverages and Soft Drinks businesses

◇ Insufficient progress in building earnings base to form foundation for strategic expansion

◇ Executing growth strategies that utilize M&As and strategic alliances currently under way will be crucial

Crucial issues for the new management plan

◇ Accelerate efforts to build solid earnings base to provide stable earnings amid changing market conditions

◇ Implement initiatives to draw sustained growth from M&As and strategic alliances

◇ Aggressively execute measures aimed at further business expansion and qualitative growth



Sapporo Group's 2008–2009 Management Plan

**Roadmap to
Bolstering Earnings Base and
Creating Value**



Sapporo Group's New Management Framework

Medium- to long-term management policy with a view to 2016— 140th year since Group's founding

(announced October 2007)

Fundamental Strategy

(1) Business domains

- Creation of Value in Food
- Creation of Comfortable Surroundings

(2) Group strategies for growth

- Focus management resources toward building competitive advantage through the creation of high levels of value-added
- Form strategic alliances aimed at building competitive advantage and expanding business
- Actively promote international expansion

(3) Overall strategy

CSR strategy; Corporate governance; Human resources strategy; Financial strategy

Prioritized Allocation of Management Resources

- ◎ **Pursuit of potential growth**
 - Promote international expansion in the Alcoholic Beverages and other food products areas
 - Expand activities in the Real Estate business

- ◎ **Expand profitability**
 - Move towards high-value-added products and services in all businesses

Accelerate growth through bold revisions to the allocation of management resources

Objectives in Sight (Tentative Goals for 2016)

Consolidated net sales: ¥600.0 billion (incl. liquor tax),
¥450.0 billion (excl. liquor tax)

Consolidated operating income: ¥40.0 bn; Operating margin: 9% (excl. liquor tax)

ROE: 8% or more D/E ratio: approx. 1:1

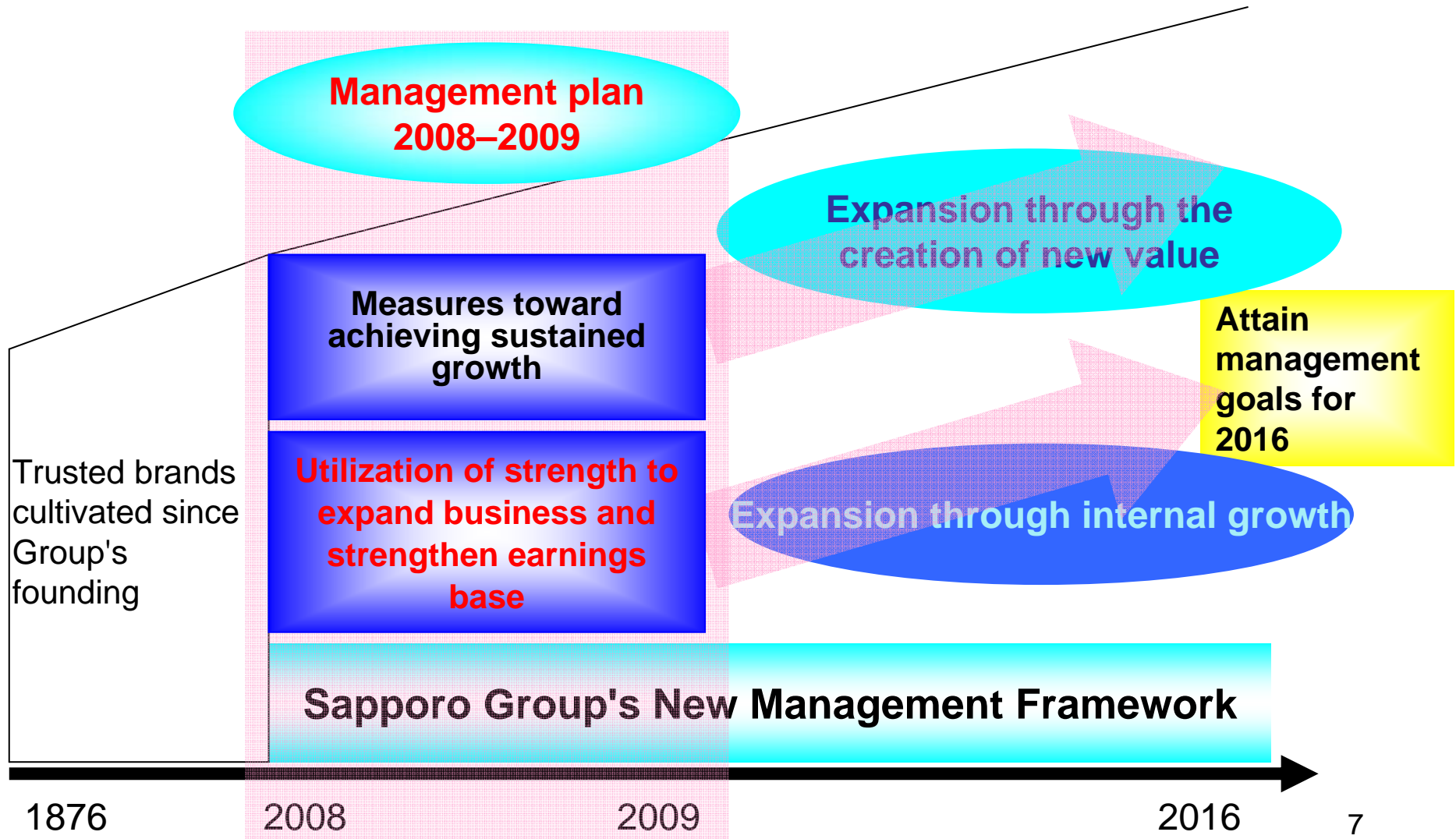
Increase Corporate Value

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Sapporo Group's 2008–2009 Management Plan

Overview and Objectives of Management Plan





Sapporo Group's 2008–2009 Management Plan

Crucial management plan themes

Targets and objectives

◇ Measures toward achieving sustainable growth

- Create high-value-added products and services
- Form strategic alliances
- Promote international expansion
- Expand group synergies

- Execute concrete measures towards growth: expand business domains, develop new business, etc.

◇ Utilization of strength to expand business and strengthen earnings base

- Clarifying business mission and bolster Group and brand strengths to execute strategies
 - Alcoholic Beverages (Japan): Shift toward high value-added; Promote structural business reforms
 - Alcoholic Beverages (Overseas): Bolster Alcoholic Beverages business in North America; Develop new business
 - Soft Drinks: Implement structural business reforms to lift profitability and execute growth strategies
 - Restaurants: Strengthen unique position in Restaurants business and expand business
 - Real Estate: Raise value of properties held; Expand through acquisition of new properties

- Drive through earnings structure reforms towards building a stable operating base

- Achieve management goals for 2008–2009



Management Goals (Consolidated Targets)

	2007 actual	2008 target	2009 target	New management framework goals (2016)
Consolidated net sales (incl. liquor tax)	¥449.0 bn	¥449.2 bn	¥451.0 bn	¥600.0 bn
Consolidated net sales (excl. liquor tax)	¥309.8 bn	¥311.1 bn	¥314.0 bn	¥450.0 bn
Consolidated operating income	¥12.3 bn	¥13.5 bn	¥15.5 bn	¥40.0 bn
Operating margin (excl. liquor tax)	4.0%	4.3%	4.9%	9%
D/E ratio	1.7 times	1.3 times	1.3 times	around 1:1
ROE	4.6%	9.8%*	3.6%	8% or above

* Target ROE for 2008 reflects the gain on partial sale of the Yebisu Garden Place property in accordance with a strategic alliance.



Management Goals (Targets by Segment)

		2007 actual	2008 target	2009 target	New management framework goals (2016)
Net sales	Alcoholic Beverages (Japan)	¥315.8 bn	¥323.2 bn	¥321.0 bn	¥350.0 bn
	Alcoholic Beverages (Overseas)	¥27.7 bn	¥28.6 bn	¥30.0 bn	¥42.0 bn
	Soft Drinks	¥52.2 bn	¥43.6 bn	¥43.0 bn	¥70.0 bn
	Restaurants	¥28.9 bn	¥30.1 bn	¥32.0 bn	¥50.0 bn
	Real Estate	¥24.1 bn	¥23.7 bn	¥25.0 bn	¥50.0 bn
Operating income	Alcoholic Beverages (Japan)	¥6.1 bn	¥7.5 bn	¥8.0 bn	¥15.0 bn
	Alcoholic Beverages (Overseas)	¥1.6 bn	¥1.2 bn	¥1.4 bn	¥5.0 bn
	Soft Drinks	(¥0.8 bn)	(¥0.5 bn)	¥0.1 bn	¥2.0 bn
	Restaurants	¥0.6 bn	¥0.8 bn	¥1.0 bn	¥2.5 bn
	Real Estate	¥7.0 bn	¥7.4 bn	¥8.4 bn	¥15.0 bn
	Group total	(¥2.3 bn)	(¥2.9 bn)	(¥3.4 bn)	(¥2.5 bn)

Exchange rate conversions: 2007 USD / JPY115; 2008–2009 USD and CAD both JPY110



Measures Toward Achieving Sustainable Growth



1-1 Creation of High-Value-Added Products and Services Transition to high value-added in the Japanese Alcoholic Beverages business

Goals for the Organization under the New Management Plan

- ◇ To achieve sustained growth, evolve to become a **creator of alcoholic beverages culture**
 - Transition to a business model of creating high levels of value-added so as to continuously offer customers with products and services they value highly
 - Build a solid operating base to facilitate the ability to respond to changes and the capacity to execute strategies



Efforts for 2008–2009

Focus management resources on strengths

- Focus management resources on major brands
- Enhance / expand organization and bolster product development systems through joint development with other companies
- Expand earnings through strategy of focusing on quality in shochu, wine, and RTD beverages

Reform cost structure

- Bolster capacity to respond to change by further reducing overheads / fixed costs
- Promote efforts to further reduce prime cost



1-2 Creation of High-Value-Added Products and Services Enhance Value with a Focus on Group Properties in the Real Estate Business

Goals for the Organization under the New Management Framework

Efforts for 2008–2009

Establish a strong competitive foundation for the Real Estate business

- ◇ Maximize the value of Group properties exhibiting high real-estate values
 - Unique real-estate value of properties held by the Group
 - Relationships with local areas built on a long history
 - Excellent locations as commercial sites
 - Fairly large scale operations; therefore also able to engage in independent development projects
- ◇ Expand business by acquiring new properties
 - Utilize accumulated know-how to enhance value
 - Harness results of strategic alliances

Reinforce foundations with a view toward business expansion

- ◇ Efforts to enhance the value of Group-held properties
 - Examine and execute efforts to maximize the value of Group-held properties, such as the former Osaka plant site
 - Implement measures to enhance value through renovation, redevelopment, etc.

- ◇ Expand property portfolio
 - Acquire new properties (Tokyo area, Hokkaido area, etc.)
 - Redevelop properties and employ asset management / property management functions to enhance value



1-3 Creation of High-Value-Added Products and Services Strengthen loyalty to unique brands in the Restaurants business

Goals for the Organization under the New Management Framework

Efforts for 2008–2009

Expand business by strengthening unique brands

- ◇ Strength brand loyalty to Sapporo Lion's **unique, vintage-yet-new value**, based on the concept of "Tradition, Safety, Reliability, Satisfaction"
 - Maximize the brand value of large beer halls with long histories
 - Offer new dining formats that preempt contemporary demands

- ◇ Group efforts to expand the Restaurants business
 - Expand the Restaurants business, manifesting clear value and competitive advantages

Reinforce foundations with a view toward business expansion

- ◇ Expand sales / earnings from existing establishments
 - Enhance levels of service and value, and harness the unique character of each individual store, highlighting the stories and history behind them
- ◇ Growth in new dining formats
 - Create new dining formats, such as the favorably performing new Japanese-style chains like Tomru, Kakoiya, and Irimoya
 - Open the new, large-scale Nasu Mori no Beer En facility (April 2008)

- ◇ Efforts toward business expansion
 - Execute M&As with emphasis on uniqueness and differentiating characteristics of the businesses



2-1 Engage in Strategic Alliances

Restructure the Soft Drinks business toward establishing a stable earnings base

Objective and details of strategic alliances

Re-engineer the business based on new frameworks

- Enhance profitability through business restructuring
 - Highest priority on executing comprehensive structural reforms
 - Transition to operating and sales framework that emphasizes earnings
- Create high-value-added brands with strong market presences
 - Strengthen product develop capabilities, utilize alliances, etc., to strategically expand high-value-added brands

Future efforts utilizing strategic alliances

Toward being a major presence in the **creation of value in food** in the non-alcoholic segment

- ◇ Build solid operating base by creating high-value-added brands
 - Develop high-value-added brands, such as functional fruit juice beverages brands
 - Utilize alliances to bolster brand lineups
- ◇ Efforts utilizing Group synergies
 - Promote joint research in the Alcoholic Beverages business
 - Offer new products with key strengths such as the use natural ingredients, new functionality, etc.



2-2 Engage in Strategic Alliances

Expand business domain of the Real Estate business

Objective and details of strategic alliances

Future efforts utilizing strategic alliances

Strategic alliance with the Morgan Stanley Group

- ◇ Establish framework for joint ownership of the Yebisu Garden Place property
- ◇ Cooperation in real estate management and new property acquisition

Establish real estate business entity in Hokkaido

- ◇ Establish new company: Sapporo Toshi Kaihatsu Co., Ltd.
 - Strengthen foundations of the Real Estate business in the Hokkaido area

- ◇ Rapid implementation with a view to realizing the benefits of alliances
 - Enhance earnings capacity of Yebisu Garden Place
 - Promote the acquisition of new properties
 - Acquire know-how relevant to enhancing real estate value
- ◇ Harness synergies on a Group-wide basis

- ◇ Launch Sapporo Factory leasing operations at the new company from March 2008
- ◇ Harness alliances with investing companies and other entities to (i) enhance earnings capacity of the Sapporo Factory leasing operations and (ii) promote business expansion through the acquisition of new properties in the Hokkaido area



3. Promote International Expansion

International expansion in alcoholic beverages, soft drink, and foods

Efforts in expanding areas (North American market)

- ◇ Aiming to expand superiority in the premium beer genre in the Canadian market, execute focused marketing investment in major premium brands
- ◇ In the US market, bolster efforts to push products at chain-stores, and to push commercial-use through kegs and the Yebisu Beer brand

Efforts in developing areas (Asian markets)

- ◇ Start surveys in search of tangible business opportunities in Asia as a joint effort between Sapporo International Inc. and Sapporo Holdings
- ◇ Bolster frameworks to allow rapid mobilization of business development efforts when opportunities are discovered

Develop and expand new businesses

- ◇ Actively seek out business opportunities
 - Utilize the Group's technology and brands, etc., and enter businesses where synergies are perceived
 - Implement efforts to ensure rapid development, including alliances and business tie-ups, etc.



4. Expand group synergies

Reform Group frameworks toward the maximization of Group corporate value

Harness Group synergies in research and development

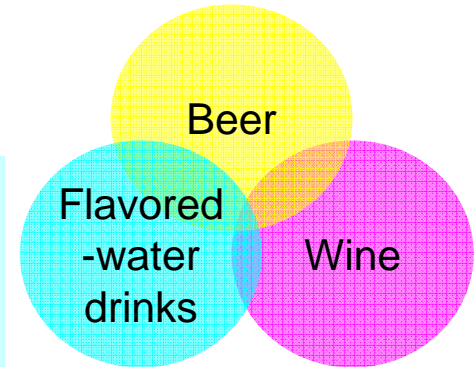
- Organic collaboration through R&D frameworks (Group-K)
 - Promote R&D that fosters synergies and advancement at the Group-wide level

Core technical competencies

- Expertise to extract the full potential of ingredients • Pursuit of flavor
- Contribution to health • Refinement of ingredients
- Future technologies • Production support • Guarantee of quality



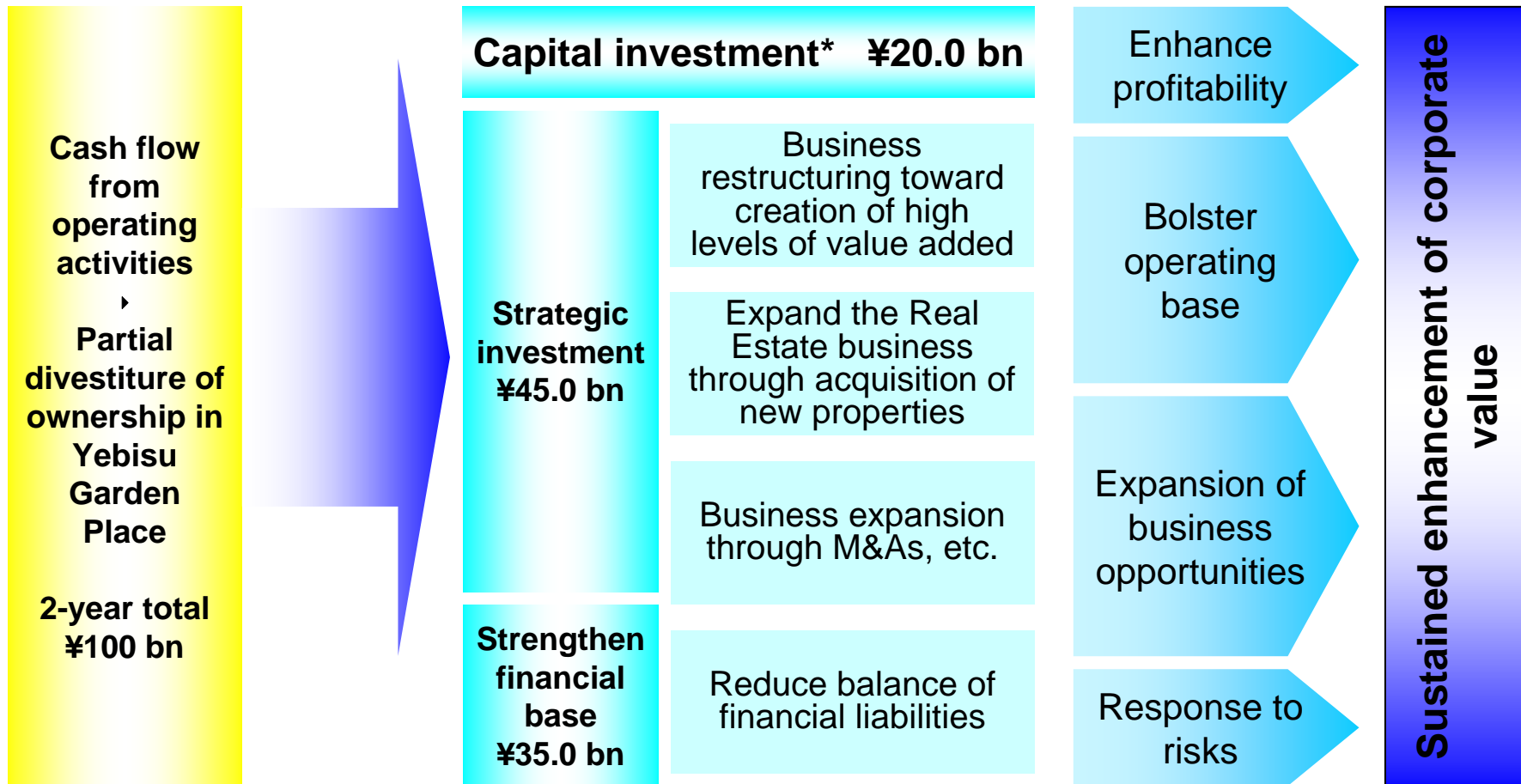
- Results: New products commercialized during the 1st half of 2008
 - Hop Kenkyusho Arelsmooth—a flavored-water drink containing malt-derived lactic bacterium (launch: February 4)
 - Sapporo Beer Fine—low-sugar beer (launch: February 27)
 - Sapporo Aroma Rouge / Blanc—Antioxidant-Additive Free (launch: March 5)





Basic Approach to Strategic Investment 2008–2009

Over the two years, execute ¥45.0 bn in strategic investment,
reduce financial liabilities by ¥35.0 bn



* Real estate investment is included in strategic investments.



Thank you for your attention.

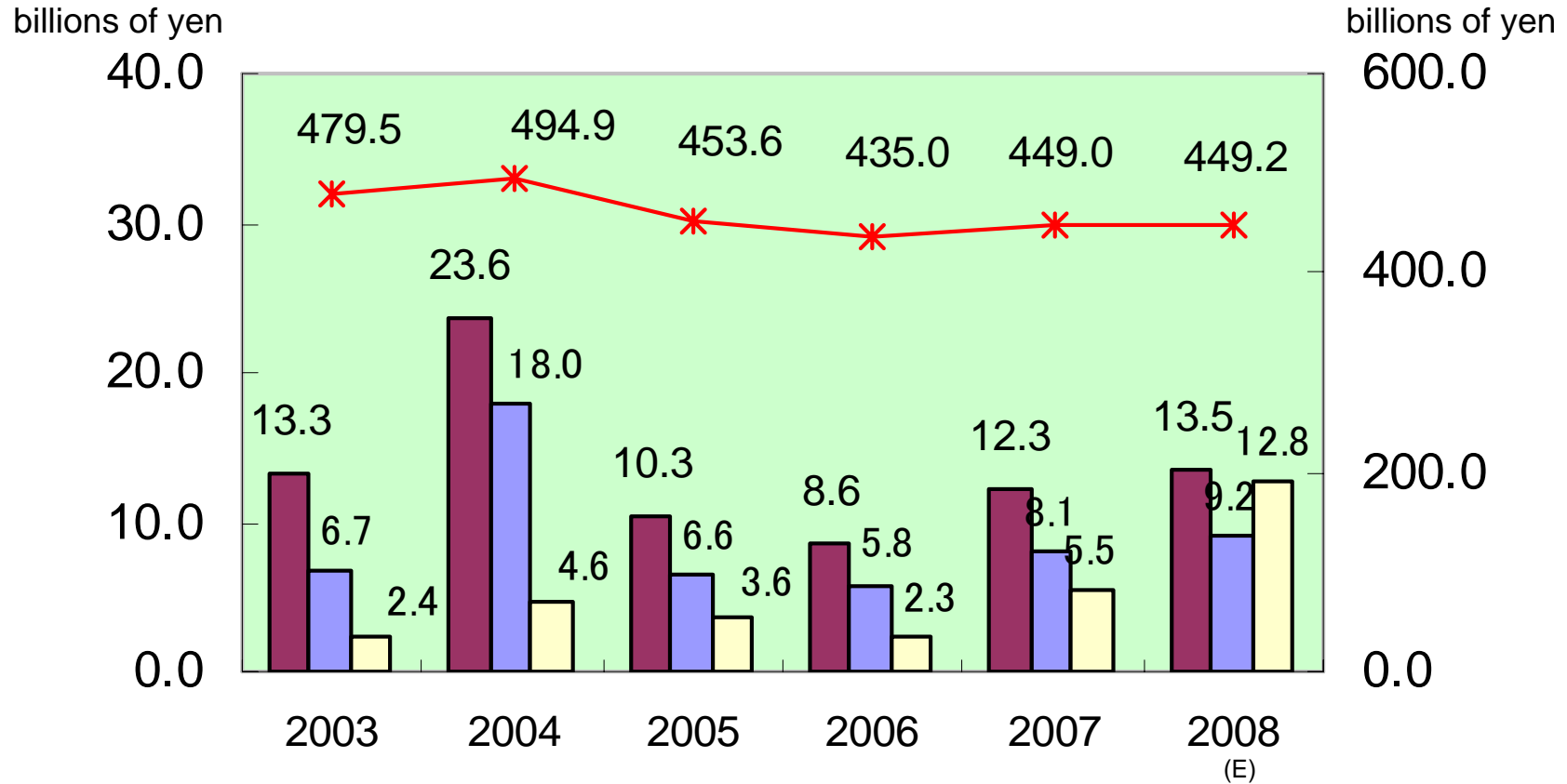
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Actual results and financial performance may therefore differ significantly from the future outlook described by forward-looking statements presented in these materials because of changes in a wide range of factors.



(Reference material)

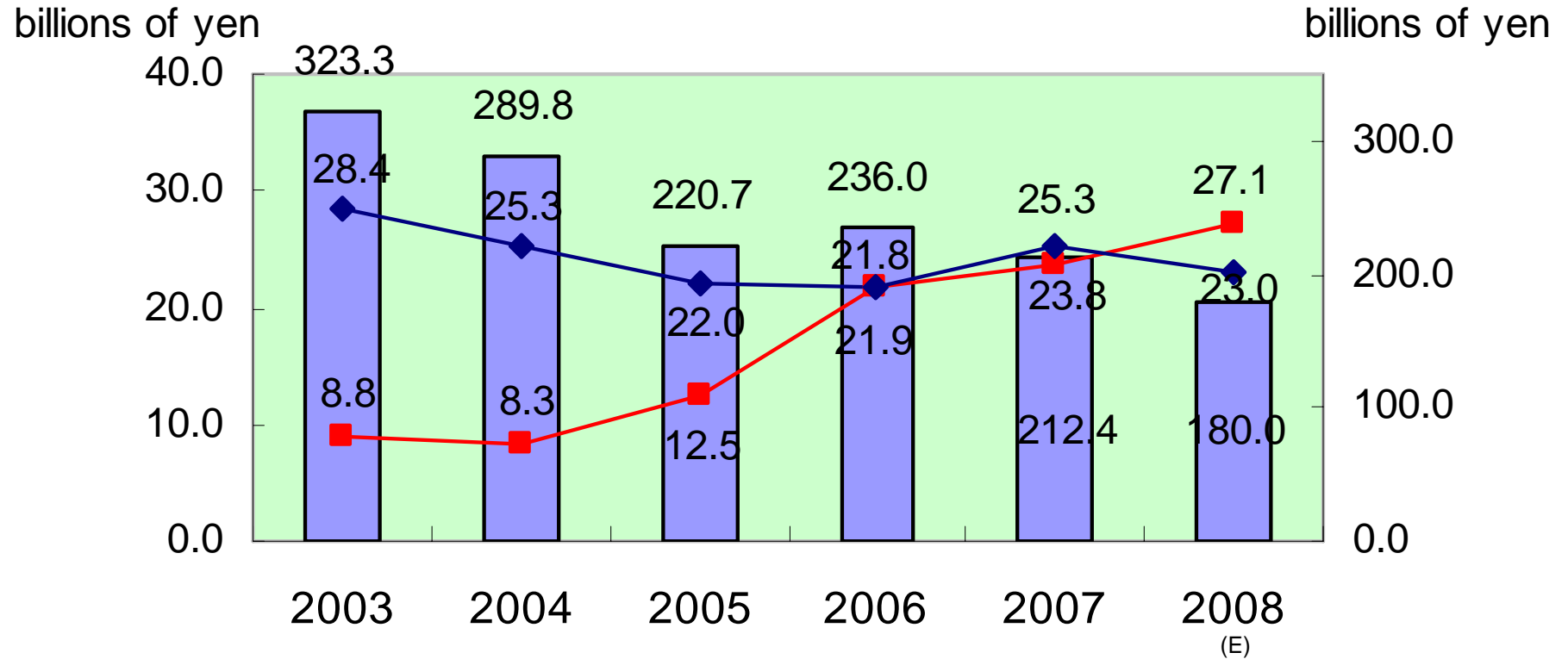
Net sales, operating income, ordinary income, and net income



Operating income
 Ordinary income
 Net income
 * Net sales



(Reference material) Financial liabilities, capital investment, and depreciation and amortization



Financial liabilities Capital investment Depreciation and amortization