



SAPPORO

2008

Sapporo Group 2008 Results Presentation

February 16, 2009

Sapporo Holdings Ltd.

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



Agenda

I. Overview of 2008 Business Results and 2009 Earnings Forecasts

1. Overview of 2008 Business Results

Sapporo Group as a whole

By segment

2. 2009 Earnings Forecasts

Sapporo Group as a whole

By segment

II. Sapporo Group 2009-2010 Management Plan

1. Basic policy and goals

2. Strategy by segment

3. Overall strategy

4. Shareholder returns policy

*These materials contain forward-looking statements, which are based on information available when the materials were prepared and are subject to risks and uncertainties. Actual performance may differ materially from the future outlook described for various reasons.



I-1.

Overview of 2008 Business Results

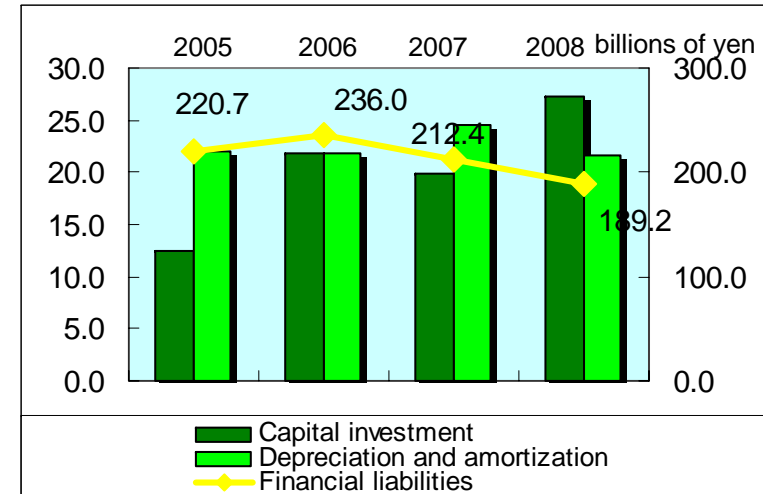
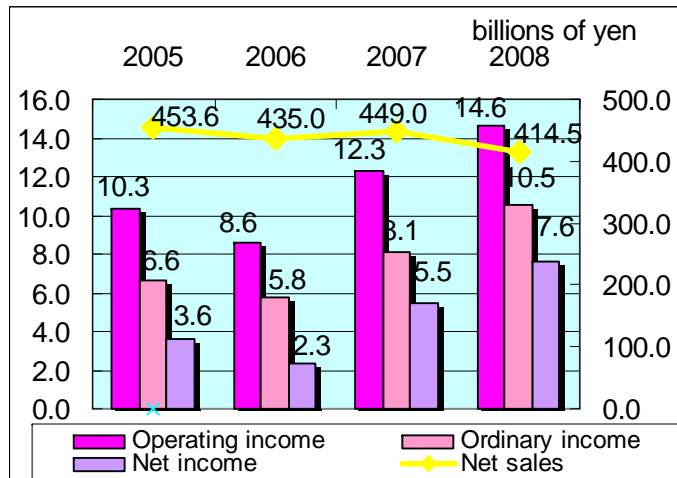


Overview of 2008 Business Results

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

Business Results over the Last Four Years

Financial liabilities, capital investment, and depreciation and amortization



<2008: Key points>

Fall in net sales, rise in cost of raw materials and ingredients, stronger yen, impairment loss

Steady reform of earnings structure

Continued upward trend in earnings

Tolerance to top line fluctuations

Debt reductions

Restructuring of soft drinks business

Stricter control of sales promotion expenses

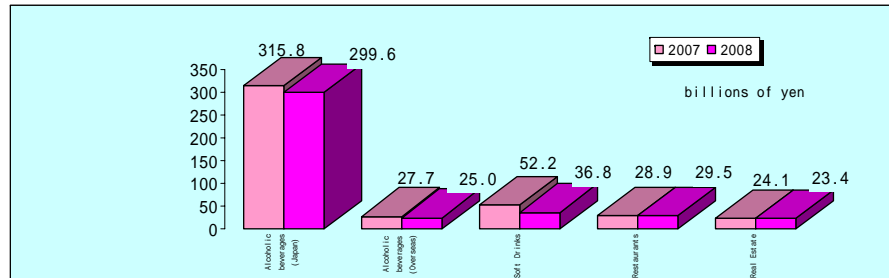
Realignment of production facilities, reshuffling of property portfolio



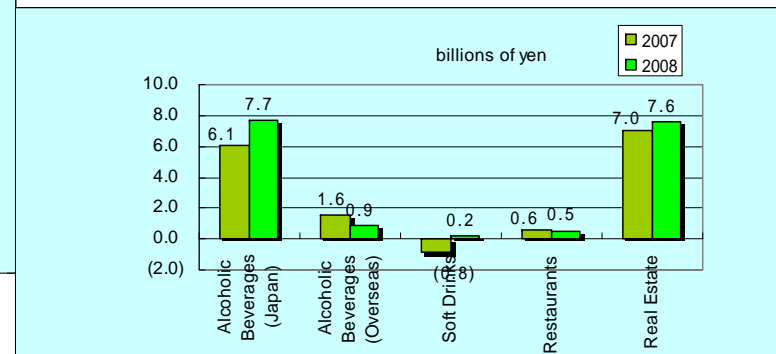
Overview of 2008 Business Results (All Businesses)

Business Results by Segment

Net sales



Operating income



Posted profits in all business segments

First time after the transition to pure holding company in 2003



Overview of 2008 Business Results by Segment: Key Points (1)

Alcoholic Beverages (Japan)

Market environment: Price hikes in the food industry, consumer belt tightening, total demand down by 2.5% from last year, consumer preference for low prices, price revisions by all Japanese brewers, rising cost of raw materials and ingredients, focus on food safety and reliability

Our efforts: Price revision in April, focus on mainstay brands, expanded sales of new genre product *Mugi to Hop*, stricter control of sales promotion expenses in accordance with profitability goals, improved capacity utilization through realignment of production facilities

Alcoholic Beverages (Overseas)

Market environment: Financial crisis → economic slowdown in the U.S., nominal demand growth in North American beer market
Premium → Value, rising cost of raw materials and ingredients, stronger yen

Our efforts: Aggressive marketing → Sales volume up 8% at Sleeman Breweries, up 9% at Sapporo USA

Launched test marketing of *Yebisu*



Overview of 2008 Business Results by Segment: Key Points (2)

Soft Drinks

Market environment: Economic slump, consumer belt tightening, continued intense competition, total demand down 1% from last year, rising cost of raw materials and ingredients

Our efforts: Accelerated implementation of business restructuring measures by “selection and focus” (**restoring profitability at operating income level**)

Review of unprofitable transactions, streamlining of organizational structure, efficient use of sales promotion expenses, building own brands

Restaurants

Market environment: (First half) Surging gasoline prices → sluggish sales in suburban areas
(Second half) Rapid economic slowdown → direct impact on outlets in categories with high average sales per customer

Our efforts: “Safety, Reliability and Authenticity,” improvement of and differentiation in menu selections and service quality

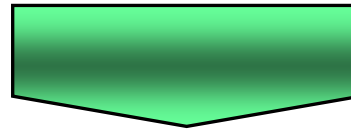
Merits of urban store location → Same store sales remained unchanged



Overview of 2008 Business Results by Segment: Key Points (3)

Real Estate

Market environment: Credit crunch → real estate slump, worsening housing market conditions, increased central-Tokyo office vacancy rate, drop in rent levels



Our efforts: Expanded real estate portfolio

Property development in Ebisu, Shinjuku, etc. , acquisition of new income properties in the Tokyo Metropolitan area

Maintenance of high occupancy rates for existing properties, rent revisions, value enhancement of YGP properties



I-2.

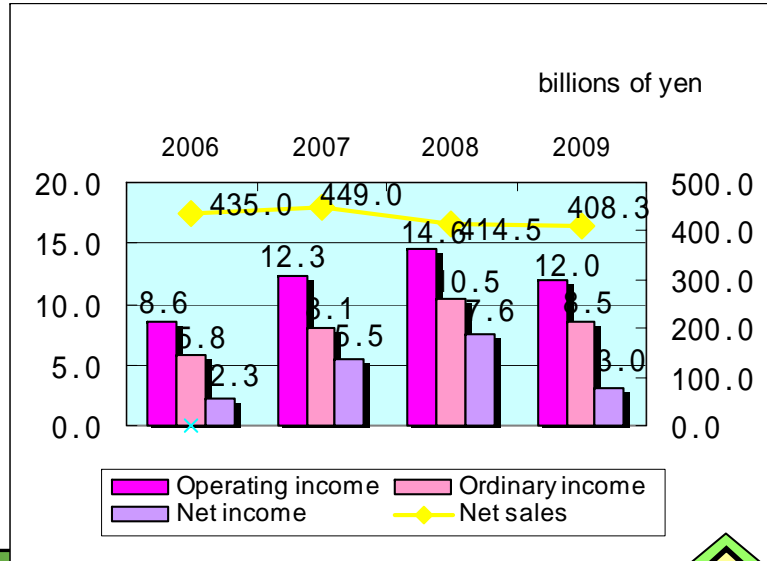
2009 Earnings Forecasts



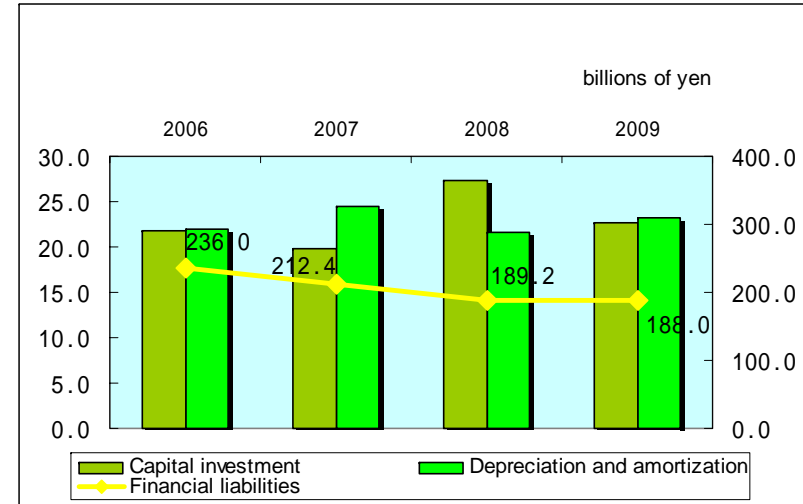
2009 Earnings Forecasts

- Earnings Forecasts -

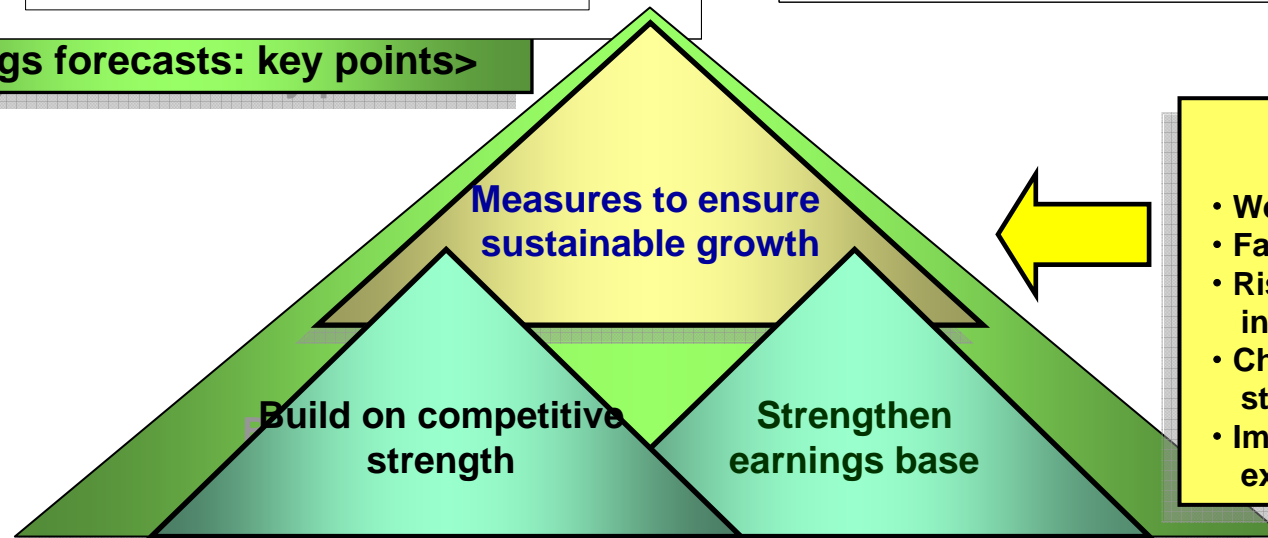
Net sales, operating income, ordinary income, and net income



Financial liabilities, capital investment, and depreciation and amortization



<Earnings forecasts: key points>



Negative factors

- Weakening economy
- Falling overall demand
- Rising raw material and ingredients costs
- Changes in accounting standards
- Impact of foreign exchange rates



2009 Earnings Forecast by Segment

- Earnings Forecast by Segment -

(billions of yen)			(billions of yen)		
Net sales	2008 actual	2009 forecast	Operating income	2008 actual	2009 forecast
Alcoholic Beverages (Japan)	299.6	295.6	Alcoholic Beverages (Japan)	7.7	5.6
Alcoholic Beverages (Overseas)	25.0	22.1	Alcoholic Beverages (Overseas)	0.9	0.9
Soft Drinks	36.8	35.5	Soft Drinks	0.2	0.3
Restaurants	29.5	30.5	Restaurants	0.5	0.7
Real Estate	23.4	24.6	Real Estate	7.6	7.7

<Key points by segment>

- Alcoholic Beverages (Japan): Work to achieve annual sales targets, with focus on *Yebisu* and new genre *Mugi to Hop*, *Draft One* and *Reisei SAPPORO*, which offers an altogether new taste
- Alcoholic Beverages (Overseas): Expand sales with aggressive marketing efforts in North America and emerging markets
- Soft Drinks: Continue with the efforts to regain profitability, continue promotion of growth strategy, relaunch *Ribbon CITRON* which is celebrating its 100th anniversary, and acquire market share with Sapporo's own product line-up including *Gerolsteiner*
- Restaurants: Hold 110th anniversary-related events, open small and medium-sized establishments in new format and implement cost structure reforms
- Real Estate: Property development, acquisition of new income properties, profitability improvement through maintenance/improvement of occupancy rates
- Food: Launch non-fried potato chips *Sapporo Potekaru* and enter the yogurt, dessert and chilled drink business

Exchange rate conversions: 2008 USD/JPY 103.49, CAD/JPY 97.97; 2009 USD/JPY 90.00, CAD/JPY 75.00



II-1.

Sapporo Group 2009–2010 Management Plan Basic Policy and Goals of Management Plan



Management Plan: Basic Policy and Goals

<Management Plan: Basic Policy>

Position the 2-year plan (2009-2010) as a roadmap for the implementation of the new management framework with a view to 2016

Position 2009-2010 as the “period to build the base for a shift to the next growth phase”

Crucial themes of the 2009-2010 management plan

Achieve sustainable growth

Expand business by leveraging on competitive strength, and strengthen earnings base

Points to be reviewed in the rolling plan against changing environment

Review the assumptions underlying the business strategies based on a conservative assessment of the external environment for the foreseeable future.

Continue with efforts to build a base to achieve stable earnings amid changing market conditions

Make strategic investments based on strict risk assessments taking into account the current market environment

Enter new markets by pursuing opportunities for overseas business expansion

Build a low cost structure for the Group as a whole



Management Plan: Basic Policy and Goals

		2009 target	2010 target	New Management Framework (2016)
Net sales	Overall	¥408.3 bn	¥413.1 bn	¥600.0 bn
	Alcoholic Beverages (Japan)	¥295.6 bn	¥296.0 bn	¥350.0 bn
	Alcoholic Beverages (Overseas)	¥22.1 bn	¥23.0 bn	¥42.0 bn
	Soft Drinks	¥35.5 bn	¥36.7 bn	¥70.0 bn
	Restaurants	¥30.5 bn	¥31.4 bn	¥50.0 bn
	Real Estate	¥24.6 bn	¥26.0 bn	¥50.0 bn
Operating income	Overall	¥12.0 bn	¥14.7 bn	¥40.0 bn
	Alcoholic Beverages (Japan)	¥5.6 bn	¥6.1 bn	¥15.0 bn
	Alcoholic Beverages (Overseas)	¥0.9 bn	¥1.0 bn	¥5.0 bn
	Soft Drinks	¥0.3 bn	¥0.8 bn	¥2.0 bn
	Restaurants	¥0.7 bn	¥1.0 bn	¥2.5 bn
	Real Estate	¥7.7 bn	¥8.1 bn	¥15.0 bn
	Group Total	(¥3.2 bn)	(¥2.3 bn)	(¥2.5 bn)

Exchange rate conversions: 2009-2010 USD/JPY 90, CAD/JPY 75



II-2.

Sapporo Group 2009–2010 Management Plan Strategies by Segment



Strategies by Segment (1)

<Alcoholic Beverages (Japan)>

Allocate management resources selectively on mainstay products in the beer category

- Concentrate management resources on *Yebisu* brand to further the presence in the high-end market
- In the new genre market with growth potential, enhance the alcoholic beverages portfolio by bolstering *Draft One* and *Mugi to Hop*, in addition to offering “new flavor and value”

Strengthen the cost control structure

- Establish flexible production system enabling minimum production lead time, ensure energy savings, and strengthen the framework for rigorous control of marketing and transportation expenses

Create new value

- Bolster R&D and product development structures with the aim of creating high value-added products

<Alcoholic Beverages (Overseas)>

Canadian Market

- Implement selective marketing investment in Sleeman’s major premium brands
- Improve productivity at all plants, promote measures towards production cost reductions

U.S. Market

- Achieve further brand penetration by strengthening the sales force and identifying important regions and customers



Strategies by Segment (2)

<Soft Drinks>

Ensure development and enhancement of existing brands and products

- Bolster brand strength by focusing management resources on mainstay products led by *Ribbon CITRON*, which is celebrating its 100th anniversary, and including *Gerolsteiner*, *Karada ni Oishii Ume*, *Ocean Spray Cranberry*, and *Gabu Nomi*

Implement further cost structure reforms

- Implement cost structure reforms such as reviewing unprofitable transactions, selectively approaching different geographical regions, and reviewing geographical strategy and other strategic initiatives at the operator subsidiaries
- Promote measures such as reduction of losses resulting from over-supply, excess inventory and inventory disposal, and organizational streamlining of distribution centers and order system

<Restaurants>

Bolster sales at existing restaurants

- Promote revitalization of existing restaurants through quality enhancement such as menu revisions and improved service

Restaurant opening policy reflecting the economic conditions

- Open small- to medium-scale restaurants in new format

Cost structure reform

- Improve efficiency of personnel costs by introducing a new system to improve efficiency of attendance management and carry out centralized hiring to reduce recruiting cost
- Reduce expenses by implementing stricter control over sales promotion costs through measures such as internet-based sales promotion and sales discount



Strategies by Segment (3)

<Real estate>

Boost the value of Yebisu Garden Place properties

- Promote measures to obtain higher rents for office spaces as well as to maintain high occupancy rate
- Implement measures to enhance building functionality through investments in the renovation of Nibankan rental housing and in energy-saving measures

Promote the development of properties primarily in the Tokyo Metropolitan area

- Develop properties including the acquired property in Shinjuku 6-chome (commercial/office building to be completed in 2010), and the property adjacent to Yebisu Garden Place (commercial/dining facility to be completed in September 2009)

Acquire new properties primarily in Tokyo

- Identify and acquire new properties with focus on the Ebisu area as the strategic area
- Improve the value of newly acquired properties by harnessing synergy effects with existing properties

<Food>

Sapporo Finefoods' confectionary business

- Introduce non-fried *Sapporo Potekaru*, developed using proprietary technology, in the Tokyo Metropolitan area in February and aim to boost brand awareness at an early stage

Enter the yogurt, dessert and chilled drink business

- Initiate efforts for growing the yogurt, dessert and chilled drink business under the basic agreement on business alliance concluded with Marudai Food Co., Ltd. last October.



II-3.

Sapporo Group 2009–2010 Management Plan Overall Strategy



Overall Strategy

<Strategic investment basic policy>

Strategic investment for future growth of the Group

- As vital undertakings toward future growth of the Group, strategic investments will be clearly focused, and will be made based on more conservative assessment of risks and opportunities, with priorities placed on M&As in the food business for creating new values and overseas expansion.

Review of investment plans to reflect economic situation

- Shelved the Group's plans for developing the former Osaka plant site given the prevailing real estate market condition

<Harness Group synergies>

Share management resources and infrastructure among group companies

- Develop Group-wide framework for research, product development and quality control including the new food business
- Build a framework to ensure enhanced low-cost operation through measures including integration of group IT infrastructure and consolidation of support divisions

<Promote CSR management>

Efforts based on Sapporo Group CSR Policy

- Promote measures addressing "food safety-related issues," "alcohol-related issues including drunk-driving," and "environment and global warming"



II-4.

Sapporo Group 2009–2010 Management Plan Shareholder Return Policy



Shareholder Return Policy

<Basic philosophy>

- The Group attaches utmost importance to appropriate profit distribution to its shareholders. The basic policy is to maintain stable dividend payments after taking into account the business performance and financial standings.

<Dividend policy>

- The Group intends to pay an annual dividend of 7 yen per share of common stock, up 2 yen per share, for fiscal year 2008

- For fiscal year 2009, the Group expects to maintain the annual dividend at 7 yen per share of common stock while firmly implementing measures under the management plan



2008

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Thank you for your attention.

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