

Consolidated Earnings Report for the First Quarter Ended March 31, 2005

April 28, 2005

Company name: SAPPORO HOLDINGS LIMITED

Stock exchange listings: Tokyo and Sapporo

Stock code: 2051

Head office: Tokyo

(URL <http://www.sapporoholdings.jp/english>)

Representative director: Takao Murakami, President

Inquiries: Yoshiyuki Mochida, Director of Corporate Planning Department

TEL (03)5423 - 7407

1. Items pertaining to preparation of quarterly consolidated statements of income, etc.

Adoption of the simple methods in accounting policies : Yes

Impairment loss was not recognized for available-for-sale securities in the year ended March 31, 2005.

Depreciation expenses represent the total depreciation for the quarter under review.

Change in accounting policies : No

Changes in the scope of consolidation and application of the equity method : No

2. Consolidated Results (January 1, 2005 to March 31, 2005)

(1) Consolidated Operating Results

(Amounts have been rounded down to the nearest ¥ million)

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
1Q 2005	90,547	(3.9)	(3,871)	-	(4,731)	-
1Q 2004	94,209	3.1	(3,533)	-	(4,796)	-
2004	494,929		23,647		18,005	

	Net Income		Net Income per Share	Diluted Net Income per Share
	¥ million	%	¥	¥
1Q 2005	(5,434)	-	(15.30)	-
1Q 2004	(5,276)	-	(14.85)	-
2004	4,643		13.07	12.01

Notes:

Percentage change means the ratio of increase or decrease in each item of business results for the first quarter ended March 31, 2005, to those for the first quarter ended March 31, 2004.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	¥ million	¥ million	%	¥
Mar. 31, 05	576,476	86,485	15.0	243.59
Mar. 31, 04	609,872	82,125	13.5	231.09
Dec.31, 04	602,111	92,263	15.3	259.81

(3) Consolidated Cash Flows

	Cash Flows From Operating Activities	Cash Flows From Investing Activities	Cash Flows From Financing Activities	Cash and Cash Equivalents at Year-end
	¥ million	¥ million	¥ million	¥ million
1Q 2005	(4,557)	(541)	12,202	65,850
1Q 2004	(7,891)	(3,262)	18,461	15,743
2004	32,242	53,314	(35,418)	58,706

(Note)

Forecast of business results stated above has not been changed from the forecast disclosed on February 18, 2005.

Consolidated Balance Sheets

(Million yen)

Item	As of March 31, 2005	As of March 31, 2004	Change	As of December 31, 2004
[Assets]				
Current assets	158,612	115,432	43,179	184,109
Cash and cash equivalents	66,297	15,829	50,467	58,712
Notes and accounts receivable-trade	52,179	53,687	(1,508)	79,826
Inventories	25,778	25,813	(34)	23,054
Other	14,557	20,340	(5,782)	22,802
Allowance for doubtful receivables	(200)	(237)	36	(286)
Fixed assets	417,864	494,439	(76,575)	418,002
Property, plant and equipment, net	350,137	426,173	(76,036)	351,732
Intangibles	2,296	2,927	(630)	2,474
Investments and other assets	68,282	67,850	431	66,651
Allowance for doubtful receivables	(2,851)	(2,511)	(339)	(2,856)
Total Assets	576,476	609,872	(33,396)	602,111
[Liabilities]				
Current liabilities	219,927	180,437	39,490	233,614
Notes and accounts payable	29,598	28,735	863	34,790
Short-term bank loans and current portion of long-term debt	101,210	64,672	36,537	80,608
Liquor taxes payable	20,674	22,475	(1,801)	43,379
Other	68,444	64,553	3,891	74,835
Long-term liabilities	270,062	347,289	(77,226)	276,234
Bonds	59,720	99,720	(40,000)	59,720
Long-term bank loans	142,523	178,691	(36,167)	149,525
Employees' retirement benefits	16,516	16,059	457	16,657
Other	51,302	52,818	(1,515)	50,330
Total liabilities	489,990	527,726	(37,735)	509,848
[Minority Interests]				
Minority interests in consolidated subsidiaries	-	21	(21)	-
[Shareholders' Equity]				
Common stock	43,831	43,831	-	43,831
Capital surplus	36,242	36,236	5	36,241
Retained earnings	898	(2,100)	2,999	8,108
Unrealized holding gain on securities	6,229	4,748	1,481	4,803
Foreign currency translation adjustments	(341)	(368)	26	(385)
Treasury stock, at cost	(374)	(221)	(152)	(336)
Total shareholders' equity	86,485	82,125	4,360	92,263
Liabilities, Minority Interests and Shareholders' Equity	576,476	609,872	(33,396)	602,111

Consolidated Statements of Income

(Million yen)

Item	2005 Jan. 1, 2005 to Mar. 31, 2005	2004 Jan. 1, 2004 to Mar. 31, 2004	Change	2004 Jan. 1, 2004 to Dec. 31, 2004
Net sales	90,547	94,209	(3,662)	494,929
Cost of sales	62,827	67,295	(4,468)	339,426
Gross profit	27,719	26,914	805	155,503
Selling, general and administrative expenses	31,591	30,447	1,143	131,855
Operating income	(3,871)	(3,533)	(337)	23,647
Non-operating income	466	384	81	2,030
Interest income and dividend income	118	117	1	742
Equity in income of an affiliate	-	-	-	13
Other	347	266	80	1,274
Non-operating expenses	1,326	1,647	(320)	7,672
Interest expense	959	1,304	(344)	4,863
Loss on disposal of inventories	71	238	(166)	1,662
Equity in loss of an affiliate	236	51	185	-
Other	58	53	4	1,146
Ordinary income	(4,731)	(4,796)	65	18,005
Extraordinary gains	1,005	313	691	9,894
Gain on sales of property, plant and equipment	630	1	629	2,409
Gain on sales of investment securities	375	198	177	454
Other	-	114	(114)	7,030
Extraordinary losses	597	33	564	20,138
Losses on disposal of property, plant and equipment	175	33	142	3,890
Other	421	-	421	16,247
Income before income taxes and minority interests	(4,323)	(4,515)	192	7,761
Current income taxes	122	35	86	3,671
Deferred income taxes	988	726	262	(614)
Minority interests	-	(1)	1	61
Net income	(5,434)	(5,276)	(157)	4,643

Consolidated Statements of Cash Flows

(Million yen)

Item	2005	2004	Change	2004
	Jan. 1, 2005 to Mar. 31, 2005	Jan. 1, 2004 to Mar. 31, 2004		Jan. 1, 2004 to Dec. 31, 2004
Cash flows from operating activities				
Income before income taxes and minority interests	(4,323)	(4,515)	192	7,761
Depreciation and amortization	5,441	6,295	(854)	25,329
Increase in employees' retirement benefits	(141)	(568)	426	148
Increase (decrease) in allowance for doubtful receivables	(90)	(145)	54	251
Interest and dividend income	(118)	(117)	(1)	(742)
Interest expense	959	1,304	(344)	4,863
(Increase) decrease in notes and accounts receivable	27,655	19,589	8,065	(6,901)
Decrease in inventories	(2,724)	(957)	(1,766)	1,698
Increase (decrease) in notes and accounts payable	(5,198)	(2,474)	(2,723)	3,590
(Decrease) increase in liquor taxes payable	(22,705)	(21,216)	(1,488)	(312)
Other	(185)	(2,396)	2,211	4,050
Subtotal	(1,430)	(5,203)	3,772	39,738
Interest and dividends received	318	290	27	713
Interest paid	(867)	(1,262)	394	(5,131)
Income taxes paid	(2,577)	(1,716)	(860)	(3,078)
Net cash provided by operating activities	(4,557)	(7,891)	3,334	32,242
Cash flows from investing activities				
Purchases of investment securities	(90)	(43)	(47)	(361)
Proceeds from sales of investment securities	598	527	71	1,150
Proceeds from sale of business (The Westin Tokyo)	-	-	-	49,659
Purchases of property, plant and equipment	(1,905)	(2,936)	1,030	(7,756)
Proceeds from sales of property, plant and equipment	2,184	9	2,174	9,423
Increase in long-term loans receivable	(21)	(520)	499	(601)
Collection of long-term loans receivable	112	61	50	4,528
Other	(1,419)	(361)	(1,058)	(2,727)
Net cash provided by investing activities	(541)	(3,262)	2,720	53,314
Cash flows from financing activities				
Net decrease in short-term bank loans	14,900	27,611	(12,711)	(636)
Proceeds from long-term debt	5,500	6,000	(500)	6,106
Repayment of long-term debt	(6,799)	(8,896)	2,097	(33,989)
Proceeds from issuance of bonds	-	-	-	20,100
Redemption of bonds	-	-	-	(20,000)
Cash dividends paid	(1,360)	(1,235)	(124)	(1,772)
Other	(36)	(5,018)	4,981	(5,226)
Net cash used in financing activities	12,202	18,461	(6,258)	(35,418)
Effect of exchange rate changes on cash and cash equivalents	40	(18)	59	(36)
Net increase (decrease) in cash and cash equivalents	7,144	7,288	(143)	50,101
Cash and cash equivalents at beginning of year	58,706	8,455	50,250	8,455
Increase in cash and cash equivalents due to change in scope of consolidation	-	-	-	149
Cash and cash equivalents at end of year	65,850	15,743	50,107	58,706

(Segment Information)

1. Segment Information by Business

(Million yen)

	2005 Jan. 1, 2005 to Mar. 31, 2005							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Elimination	Consolidated
I. Net Sales								
(1) Operating revenues	65,890	13,492	5,789	5,245	129	90,547	-	90,547
(2) Intra-group sales and transfers	1,137	33	-	524	4	1,700	(1,700)	-
Total	67,027	13,526	5,789	5,769	134	92,247	(1,700)	90,547
Operating expenses	70,566	14,464	6,028	4,392	162	95,613	(1,194)	94,418
Operating income (loss)	(3,538)	(938)	(238)	1,377	(28)	(3,366)	(505)	(3,871)

(Million yen)

	2004 Jan. 1, 2004 to Mar. 31, 2004							
	Alcoholic Beverage	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Elimination	Consolidated
I. Net Sales								
(1) Operating revenues	66,477	13,192	6,013	5,449	3,076	94,209	-	94,209
(2) Intra-group sales and transfers	519	36	-	1,263	6	1,826	(1,826)	-
Total	66,997	13,228	6,013	6,713	3,082	96,036	(1,826)	94,209
Operating expenses	70,607	13,850	6,347	5,261	3,140	99,206	(1,463)	97,743
Operating income (loss)	(3,610)	(621)	(333)	1,452	(57)	(3,170)	(362)	(3,533)

(Million yen)

	2004 Jan. 1, 2004 to Dec. 31, 2004							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Elimination	Consolidated
I. Net Sales								
(1) Operating revenues	364,585	69,323	26,610	22,505	11,904	494,929	-	494,929
(2) Intra-group sales and transfers	4,985	262	-	4,931	36	10,216	(10,216)	-
Total	369,570	69,586	26,610	27,437	11,941	505,146	(10,216)	494,929
Operating expenses	350,759	69,120	26,382	21,464	12,205	479,932	(8,650)	471,281
Operating income (loss)	18,810	466	228	5,972	(264)	25,213	(1,565)	23,647

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, Hoppo-shu and others, wine, whiskey and others, 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
Other	Fitness club and other activities

(3) Unallocated operating expenses included in "Corporate & Eliminations" amounted to 526 million yen at March 31, 2005. At March 31, 2004, unallocated operating expenses were 395 million yen.

Condensed Consolidated Financial Results (as of, and for the 3 months ended March 31, 2005)

Condensed Consolidated Statements of Income

(Billions of yen)

	Jan. 1-Mar. 31, 2005	Jan. 1-Mar. 31, 2004	Change	% Change
Alcoholic Beverages	65.8	66.4	0.5	0.9%
Soft Drinks	13.4	13.1	0.3	2.3%
Restaurants	5.7	6.0	0.2	3.7%
Real Estate	5.2	5.4	0.2	3.8%
Others	0.1	3.0	2.9	95.8%
Net Sales	90.5	94.2	3.6	3.9%
Alcoholic Beverages	3.5	3.6	0.0	-
Soft Drinks	0.9	0.6	0.3	-
Restaurants	0.2	0.3	0.0	-
Real Estate	1.3	1.4	0.0	5.2%
Others	0.0	0.0	0.0	-
General corporate and intercompany eliminations	0.5	0.3	0.1	-
Operating Income	3.8	3.5	0.3	-
Other Income	0.4	0.3	0.0	-
Other Expenses	1.3	1.6	0.3	-
Ordinary Income	4.7	4.7	0.0	-
Extraordinary Gains	1.0	0.3	0.6	-
Extraordinary Losses	0.5	0.0	0.5	-
Income Before Income Taxes	4.3	4.5	0.1	-
Net Income	5.4	5.2	0.1	-

	Jan. 1-Mar. 31, 2005	Jan. 1-Mar. 31, 2004	Change	% Change
Financial Liabilities	303.4	343.0	39.6	11.6%
Capital Expenditures	1.9	3.1	1.1	36.0%
Depreciation and Amortization	5.4	6.2	0.8	13.6%

Major Elements of Selling, General & Administrative Expenses

(Billions of yen)

	Jan. 1-Mar. 31, 2005	Jan. 1-Mar. 31, 2004	Change	% Change
Selling, General and Administrative Expenses	31.5	30.4	1.1	3.8%
Sales Promotion	7.9	7.6	0.2	3.8%
Advertising	5.9	5.8	0.1	2.3%
Employees Salary and Bonus	4.7	4.6	0.0	1.5%
Retirement Benefit Expenses	0.9	0.9	0.0	5.6%
Others	11.9	11.3	0.5	5.3%

Condensed Consolidated Financial Results (as of, and for the 3 months ended March 31, 2005)

Major Changes in Income

Indicates a negative change

(Billions of yen)

Major Factors	Change	Remarks	
		Details	Amount
Beer and related products	0.1		
Marginal profit	1.1	Increased volume / product mix	0.3
		Raw materials costs	0.4
		Others	0.4
Fixed costs, others	1.0	Higher sales promotion costs	0.3
		System-related costs	0.3
		Others	0.4
Wine and spirits	0.1	Higher sales promotion costs and others	0.1
Others	0.0		0.0
Alcoholic Beverages	0.0		0.0
Soft Drinks	0.3	Increased volume / product mix	0.3
		Cost reductions	0.0
Restaurants	0.0	Sapporo Lion	0.0
		Others	0.0
Real Estate	0.0	Sales	0.0
		Rent	0.0
Others	0.0		
General corporate and intercompany eliminations	0.1	Sapporo Holdings	0.1
Change in Operating Income	0.3		
Other income (expenses)		Financial income (expenses) (11 8)	0.3
		Others	0.0
Change in Ordinary Income	0.0		
Extraordinary gains and losses	0.2	Gain on sales of property, plant and equipment (0 0.6)	0.6
		Loss on disposal of property, plant and equipment (0 0.1)	0.1
		Gain on sales of securities (0.2 0.4)	0.2
		Others (0.1 0.4)	0.5
Change in income taxes	0.3		
Gain on minority interests	0.0		
Change in Net Income	0.1		