

Consolidated Earnings Report for the First Quarter Ended March 31, 2006

April 28, 2006

Company name: SAPPORO HOLDINGS LIMITED

Stock exchange listings: Tokyo and Sapporo

Stock code: 2501

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.

① 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, 2006.

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

② Change in accounting policies : Yes

Segment classification was changed in segment information as mentioned below.

③ Changes in the scope of consolidation and application of the equity method : No

2. Consolidated Results (January 1, 2006 to March 31, 2006)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
1Q 2006	85,301	(5.8)	(4,832)	—	(5,483)	—
1Q 2005	90,547	(3.9)	(3,871)	—	(4,731)	—
2005 FY	453,671	(8.3)	10,300	(56.4)	6,602	(63.3)

	Net Income		Net Income per Share	Diluted Net Income per Share
	¥ million	%	¥	¥
1Q 2006	(5,914)	—	(16.19)	—
1Q 2005	(5,434)	—	(15.30)	—
2005 FY	3,629	(21.8)	10.20	9.18

Notes:

Percentage change means the ratio of increase or decrease in each item of business results for the first quarter ended March 31, 2006, to those for the first quarter ended March 31, 2005.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	¥ million	¥ million	%	¥
Mar. 31, 06	532,752	103,748	19.5	284.04
Mar. 31, 05	576,476	86,485	15.0	243.59
Dec.31, 05	563,845	111,410	19.8	305.00

(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 2006	(7,877)	(3,568)	8,350	21,648
1Q 2005	(4,557)	(541)	12,202	65,850
2005 FY	39,077	(7,675)	(65,533)	24,748

(Note)

Forecast of business results stated above has not been changed from the forecast disclosed on February 17, 2006.

Consolidated Balance Sheets

(Million yen)

Item	As of March 31, 2006	As of March 31, 2005	Change	As of December 31, 2005
[Assets]				
Current assets	109,416	158,612	(49,195)	140,093
Cash and cash equivalents	22,339	66,297	(43,957)	25,442
Notes and accounts receivable-trade	48,581	52,179	(3,597)	71,726
Inventories	23,952	25,778	(1,826)	21,927
Other	14,772	14,557	214	21,299
Allowance for doubtful receivables	(229)	(200)	(28)	(302)
Fixed assets	423,335	417,864	5,471	423,752
Property, plant and equipment, net	340,109	350,137	(10,027)	340,771
Intangibles	2,170	2,296	(125)	2,008
Investments and other assets	83,860	68,282	15,578	83,832
Allowance for doubtful receivables	(2,805)	(2,851)	45	(2,860)
Total Assets	532,752	576,476	(43,724)	563,845
[Liabilities]				
Current liabilities	218,517	219,927	(1,410)	220,197
Notes and accounts payable	26,516	29,598	(3,082)	32,586
Short-term bank loans and current portion of long-term debt	94,911	101,210	(6,298)	62,971
Liquor taxes payable	19,889	20,674	(784)	38,260
Other	77,199	68,444	8,754	86,379
Long-term liabilities	210,486	270,062	(59,576)	232,236
Bonds	44,219	59,720	(15,501)	44,219
Long-term bank loans	91,451	142,523	(51,072)	113,532
Employees' retirement benefits	16,631	16,516	115	17,195
Other	58,183	51,302	6,880	57,289
Total liabilities	429,003	489,990	(60,987)	452,434
[Minority Interests]				
Minority interests in consolidated subsidiaries	-	-	-	-
[Shareholders' Equity]				
Common stock	46,595	43,831	2,764	46,595
Capital surplus	39,011	36,242	2,769	39,010
Retained earnings	2,221	898	1,323	9,962
Unrealized holding gain on securities	16,607	6,229	10,377	16,502
Foreign currency translation adjustments	(208)	(341)	133	(198)
Treasury stock, at cost	(478)	(374)	(104)	(461)
Total shareholders' equity	103,748	86,485	17,263	111,410
Liabilities, Minority Interests and Shareholders' Equity	532,752	576,476	(43,724)	563,845

Consolidated Statements of Income

(Million yen)

Item	2006 Jan. 1, 2006 to Mar. 31, 2006	2005 Jan. 1, 2005 to Mar. 31, 2005	Change	2005 Jan. 1, 2005 to Dec. 31, 2005
Net sales	85,301	90,547	(5,245)	453,671
Cost of sales	60,468	62,827	(2,358)	311,191
Gross profit	24,832	27,719	(2,887)	142,480
Selling, general and administrative expenses	29,664	31,591	(1,926)	132,179
Operating income	(4,832)	(3,871)	(961)	10,300
Non-operating income	552	466	86	2,069
Interest income and dividend income	110	118	(7)	823
Other	441	347	94	1,245
Non-operating expenses	1,203	1,326	(123)	5,767
Interest expense	731	959	(228)	3,495
Loss on disposal of inventories	107	71	35	1,183
Equity in loss of an affiliate	187	236	(49)	84
Other	178	58	120	1,003
Ordinary income	(5,483)	(4,731)	(752)	6,602
Extraordinary gains	1	1,005	(1,004)	5,006
Gain on sales of property, plant and equipment	1	630	(629)	2,728
Gain on sales of investment securities	-	375	(375)	1,276
Other	-	-	-	1,000
Extraordinary losses	99	597	(497)	5,034
Losses on disposal of property, plant and equipment	99	175	(76)	3,160
Other	-	421	(421)	1,874
Income before income taxes and minority interests	(5,581)	(4,323)	(1,258)	6,573
Current income taxes	156	122	34	29
Deferred income taxes	176	988	(812)	2,913
Net income	(5,914)	(5,434)	(480)	3,629

Consolidated Statements of Cash Flows

(Million yer)

Item	2006	2005	Change	2005
	Jan. 1, 2006 to Mar. 31, 2006	Jan. 1, 2005 to Mar. 31, 2005		Jan. 1, 2005 to Dec. 31, 2005
Cash flows from operating activities				
Income before income taxes and minority interests	(5,581)	(4,323)	(1,258)	6,573
Depreciation and amortization	5,465	5,441	23	22,075
Increase in employees' retirement benefits	(563)	(141)	(421)	537
Increase (decrease) in allowance for doubtful receivables	(127)	(90)	(37)	19
Interest and dividend income	(110)	(118)	7	(823)
Interest expense	731	959	(228)	3,495
Gain on sales of property, plant and equipment	(1)	(630)	629	(2,728)
Loss on sales and disposal of property, plant and equipment	99	175	(76)	3,160
Decrease (increase) in notes and accounts receivable	23,143	27,655	(4,511)	8,138
Decrease (increase) in inventories	(2,025)	(2,724)	699	1,127
Increase (decrease) in notes and accounts payable	(6,069)	(5,198)	(870)	(2,233)
Increase (decrease) in liquor taxes payable	(18,370)	(22,705)	4,335	(5,119)
Increase (decrease) in deposits received	(4,971)	2,155	(7,127)	19,463
Increase (decrease) in other current liabilities	(7,637)	(5,907)	(1,729)	(1,809)
Other	8,626	4,021	4,604	(5,498)
Subtotal	(7,393)	(1,430)	(5,962)	46,374
Interest and dividends received	312	318	(6)	822
Interest paid	(731)	(867)	135	(3,591)
Income taxes paid	(64)	(2,577)	2,512	(4,528)
Net cash provided by (used in) operating activities	(7,877)	(4,557)	(3,320)	39,077
Cash flows from investing activities				
Purchases of investment securities	(422)	(90)	(332)	(634)
Proceeds from sales of investment securities	0	598	(598)	2,235
Purchases of property, plant and equipment	(1,909)	(1,905)	(4)	(10,718)
Proceeds from sales of property, plant and equipment	5	2,184	(2,178)	6,921
Purchases of intangibles	(782)	(77)	(704)	(1,786)
Increase in long-term loans receivable	(6)	(21)	14	(647)
Collection of long-term loans receivable	112	112	0	568
Other	(565)	(1,342)	777	(3,615)
Net cash provided by (used in) investing activities	(3,568)	(541)	(3,027)	(7,675)
Cash flows from financing activities:				
Net increase (decrease) in short-term bank loans	21,300	14,900	6,400	-
Proceeds from long-term debt	1,000	5,500	(4,500)	12,500
Repayment of long-term debt	(12,440)	(6,799)	(5,640)	(36,129)
Cash dividends paid	(1,473)	(1,360)	(113)	(1,782)
Payments for purchase of treasury stock	(19)	(38)	19	(132)
Proceeds from sale of treasury stock	2	1	1	11
Other	(19)	-	(19)	(40,000)
Net cash provided by (used in) financing activities	8,350	12,202	(3,852)	(65,533)
Effect of exchange rate changes on cash and cash equivalents	(4)	40	(44)	173
Net increase (decrease) in cash and cash equivalents	(3,099)	7,144	(10,244)	(33,957)
Cash and cash equivalents at beginning of year	24,748	58,706	(33,957)	58,706
Cash and cash equivalents at end of year	21,648	65,850	(44,201)	24,748

(Segment Information)

1. Segment Information by Business

(Million yen)

	2006 Jan. 1, 2006 to Mar. 31, 2006							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated
I. Net Sales								
(1) Operating revenues	61,646	12,159	5,906	5,527	60	85,301	-	85,301
(2) Intra-group sales and transfers	1,110	30	-	611	4	1,756	(1,756)	-
Total	62,757	12,190	5,906	6,138	64	87,058	(1,756)	85,301
Operating expenses	67,573	13,030	6,094	4,619	70	91,388	(1,254)	90,133
Operating income (loss)	(4,815)	(840)	(188)	1,519	(5)	(4,330)	(502)	(4,832)

(Million yen)

	2005 Jan. 1, 2005 to Mar. 31, 2005							
	Alcoholic Beverage	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	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)

	2005 Jan. 1, 2005 to Dec. 31, 2005							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated
I. Net Sales								
(1) Operating revenues	341,077	63,896	26,331	21,696	669	453,671	-	453,671
(2) Intra-group sales and transfers	4,974	342	-	2,136	24	7,477	(7,477)	-
Total	346,052	64,239	26,331	23,832	693	461,149	(7,477)	453,671
Operating expenses	339,497	64,932	25,779	17,992	823	449,025	(5,654)	443,371
Operating income (loss)	6,555	(692)	551	5,839	(129)	12,123	(1,823)	10,300

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 and fitness club
Other	Florist

'Fitness club' in 2005FY was posted into " Other" segment.

- (3) Unallocated operating expenses included in "Corporate & Eliminations" amounted to 504 million yen at March 31, 2006. At March 31, 2005, unallocated operating expenses were 526 million yen.
- (4) 'Fitness club', which had been posted into "Other" segment, was changed into " Real Estate" segment as from 2006FY. This impact was 165 million yen to operating revenue and 17 million yen to operating income per each segment, but was zero to consolidated net sales and operating income.

Condensed Consolidated Financial Results (as of, and for the 3 months ended March 31, 2006)

Condensed Consolidated Statements of Income

(Billions of yen)

	Jan. 1-Mar. 31, 2006	Jan. 1-Mar. 31, 2005	Change	Change %
Alcoholic Beverages	61.6	65.8	-4.2	-6.4%
Soft Drinks	12.1	13.4	-1.3	-9.9%
Restaurants	5.9	5.7	0.1	2.0%
Real Estate	5.5	5.2	0.2	5.4%
Others	0.0	0.1	-0.0	-53.1%
Net Sales	85.3	90.5	-5.2	-5.8%
Alcoholic Beverages	-4.8	-3.5	-1.2	-
Soft Drinks	-0.8	-0.9	0.1	-
Restaurants	-0.1	-0.2	0.1	-
Real Estate	1.5	1.3	0.1	10.3%
Others	-0.0	-0.0	0.0	-
General corporate and intercompany eliminations	-0.5	-0.5	0.0	-
Operating Income	-4.8	-3.8	-0.9	-
Other Income	0.5	0.4	0.1	18.5%
Other Expenses	1.2	1.3	-0.1	-9.3%
Ordinary Income	-5.4	-4.7	-0.7	-
Extraordinary Gains	0.0	1.0	-1.0	-99.9%
Extraordinary Losses	0.1	0.6	-0.5	-83.4%
Income Before Income Taxes	-5.5	-4.3	-1.2	-
Net Income	-5.9	-5.4	-0.4	-

	Jan. 1-Mar. 31, 2006	Jan. 1-Mar. 31, 2005	Change	Change %
Financial Liabilities	230.5	303.4	-72.8	-24.0%
Capital Expenditures	2.6	1.9	0.7	35.8%
Depreciation and Amortization	5.4	5.4	0.0	0.4%

Major Elements of Selling, General & Administrative Expenses

(Billions of yen)

	Jan. 1-Mar. 31, 2006	Jan. 1-Mar. 31, 2005	Change	Change %
Selling, General and Administrative Expenses	29.6	31.5	-1.9	-6.1%
Sales Promotion	7.5	7.9	-0.4	-5.7%
Advertising	5.3	5.9	-0.5	-10.0%
Employees Salary and Bonus	4.6	4.7	-0.0	-1.8%
Retirement Benefit Expenses	0.7	0.9	-0.2	-25.6%
Others	11.4	11.9	-0.5	-4.5%

Condensed Consolidated Financial Results (as of, and for the 3 months ended March 31, 2006)

Major Changes in Income

(Billions of yen)

Major Factors	Change*	Remarks	
		Details	Amount*
Beer and related products	-1.4		
Marginal profit	-1.8	Increased volume / Product mix	-1.8
		Raw materials costs	0.1
		Reduction of production cost	-0.1
		Others	0.0
Fixed costs, others	0.4	Lower sales promotion costs	0.3
		System-related costs	0.1
		Others	0.0
Wine and spirits	0.1	Increased volume / Product mix	0.0
		Cost reductions	0.1
Others	0.1	Others	0.1
Alcoholic Beverages	-1.2		
Soft Drinks	0.1	Increased volume / Product mix	-0.2
		Reduction of production cost	0.2
		Cost reductions	0.1
Restaurants	0.1	Increased sales	0.1
		Cost reductions	0.0
Real Estate	0.1	Sales	0.1
		Rent	0.0
Others	0.0		0.0
General corporate and intercompany eliminations	0.0	Consolidation of administrative divisions	0.0
Change in Operating Income	-0.9		
Other income (expenses)	0.2	Financial income (expenses) (-0.8 -0.6)	0.2
		Others	0.0
Change in Ordinary Income	-0.7		
Extraordinary gains and losses	-0.5	Gain on entry of fixed assets for prior periods (0.6 0.0)	-0.6
		Loss on disposal of property, plant and equipment (-0.2 -0.1)	0.1
		Gain on sales of investment securities (0.4 0.0)	-0.4
		Others (-0.4 0.0)	0.4
Change in income taxes	0.8		
Change in Net Income	-0.4		

*Note : " Change" and "Amount" indicate impacts to income