

Consolidated Earnings Report for the Third Quarter Ended September 30, 2006

October 27, 2006

Company name: SAPPORO HOLDINGS LIMITED

Stock exchange listings: Tokyo and Sapporo

Stock code: 2501

Head office: Tokyo

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

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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 September 30, 2006.

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

② Change in accounting policies : Yes

Change of business classification in Segment Information was made.

③ Changes in the scope of consolidation and application of the equity method : Yes

Consolidated subsidiaries (New) 1, (Eliminated) 1

2. Consolidated Results (January 1, 2006 to September 30, 2006)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
3Q 2006	319,820	(4.5)	3,913	(22.8)	2,165	(17.5)
3Q 2005	334,983	(7.9)	5,070	(71.5)	2,624	(81.4)
2005	453,671		10,300		6,602	

	Net Income		Net Income per Share		Diluted Net Income per Share	
	¥ million	%	¥		¥	
3Q 2006	418	(45.7)	1.14		0.96	
3Q 2005	770	(92.2)	2.17		1.92	
2005	3,629		10.20		9.18	

Notes:

Percentage change means the ratio of increase or decrease in each item of business results for 9 months ended September 30, 2006, to those for the same period ended September 30, 2005.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
	¥ million	¥ million	%	¥
Sep. 30, 06	528,733	107,037	20.2	293.10
Sep. 30, 05	544,465	95,797	17.6	269.89
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 the end of period
	¥ million	¥ million	¥ million	¥ million
3Q 2006	33,338	(19,424)	(32,627)	6,033
3Q 2005	26,329	(21,432)	(50,104)	13,611
2005	39,077	(7,675)	(65,533)	24,748

(Note)

Business forecast on full year basis has not been changed from the forecast disclosed on August 4, 2006.

Consolidated Balance Sheets

(Million yen)

Item	As of Sep. 30, 2005	As of Sep. 30, 2006	Change	As of December 31, 2005
[Assets]				
Current assets	128,724	104,702	(24,022)	140,093
Cash and cash equivalents	29,173	6,660	(22,512)	25,442
Notes and accounts receivable-trade	59,269	60,646	1,376	71,726
Inventories	23,893	22,467	(1,425)	21,927
Other	16,652	15,095	(1,557)	21,299
Loss allowance for doubtful receivables	(264)	(167)	97	(302)
Fixed assets	415,741	424,031	8,290	423,752
Property, plant and equipment, net	344,327	345,366	1,038	340,771
Intangibles	1,940	2,646	706	2,008
Investments and other assets	69,472	76,018	6,545	80,972
Total Assets	544,465	528,733	(15,732)	563,845
[Liabilities]				
Current liabilities	207,001	240,260	33,258	220,197
Notes and accounts payable-trade	35,033	31,870	(3,163)	32,586
Short-term bank loans and current portion of long-term debt	69,818	81,818	12,000	62,971
Liquor taxes payable	25,838	38,828	12,990	38,260
Other	76,312	87,742	11,430	86,377
Long-term liabilities	241,667	181,435	(60,231)	232,236
Bonds	49,720	29,720	(20,000)	44,219
Long-term bank loans	122,070	79,051	(43,019)	113,532
Employees' retirement benefits	17,019	16,206	(813)	17,195
Other	52,856	56,457	3,601	57,288
Total liabilities	448,668	421,695	(26,972)	452,434
[Minority Interests]				
Minority interests in consolidated subsidiaries	-	-	-	-
[Shareholders' Equity]				
Common stock	43,831	-	(43,831)	46,595
Capital surplus	36,245	-	(36,245)	39,010
Retained earnings	7,102	-	(7,102)	9,962
Unrealized holding gain on securities	9,309	-	(9,309)	16,502
Foreign currency translation adjustments	(264)	-	264	(198)
Treasury stock, at cost	(427)	-	427	(461)
Total shareholders' equity	95,797	-	(95,797)	111,410
Liabilities, Minority Interests and Shareholders' Equity	544,465	-	(544,465)	563,845
[Net Assets]				
Shareholders' Equity	-	93,641	93,641	-
Common stock	-	46,595	46,595	-
Capital surplus	-	39,013	39,013	-
Retained earnings	-	8,554	8,554	-
Treasury stock, at cost	-	(521)	(521)	-
Valuation and Translation Adjustments	-	13,395	13,395	-
Unrealized holding gain on securities	-	13,596	13,596	-
Foreign currency translation adjustments	-	(201)	(201)	-
Total Net Assets	-	107,037	107,037	-
Liabilities, Minority Interests and Net Assets	-	528,733	528,733	-

Consolidated Statements of Income

(Million yen)

Item	2005 Jan. 1, 2005 to Sep. 30, 2005	2006 Jan. 1, 2006 to Sep. 30, 2006	Change	2005 Jan. 1, 2005 to Dec. 31, 2005
Net sales	334,983	319,820	(15,162)	453,671
Cost of sales	229,536	220,347	(9,189)	311,191
Gross profit	105,446	99,473	(5,972)	142,480
Selling, general and administrative expenses	100,376	95,559	(4,816)	132,179
Operating income	5,070	3,913	(1,156)	10,300
Non-operating income	1,509	1,707	197	2,069
Interest income and dividend income	549	631	81	823
Other	959	1,076	116	1,245
Non-operating expenses	3,955	3,456	(499)	5,767
Interest expense	2,718	2,223	(494)	3,495
Loss on disposal of inventories	611	518	(93)	1,183
Equity in loss of affiliates	28	115	87	84
Other	596	598	1	1,003
Ordinary income	2,624	2,165	(459)	6,602
Extraordinary gains	2,032	408	(1,623)	5,006
Gain on sales of property, plant and equipment	858	64	(794)	2,728
Gain on sales of investment securities	1,078	34	(1,044)	1,276
Reversal of doubtful receivables	-	43	43	-
Gain on sales of subsidiary securities	-	101	101	-
Subsidy for vending machines	-	47	47	-
Adjustments of gain on sales of property, plant and equipment for prior periods	-	95	95	523
Other	95	21	(74)	476
Extraordinary losses	2,743	1,449	(1,294)	5,034
Losses on disposal of property, plant and equipment	1,758	963	(795)	3,160
Losses on reduction entry of property, plant and equipment	279	-	(279)	279
Loss on impairment of property, plant and equipment	22	225	203	837
Devaluation of marketable securities and investments	329	260	(69)	400
Provision for doubtful receivables	331	-	(331)	69
Other	22	-	(22)	288
Income before income taxes and minority interest	1,912	1,124	(788)	6,573
Current income taxes	404	687	283	29
Deferred income taxes	737	17	(719)	2,913
Net income	770	418	(352)	3,629

Consolidated Statements of Cash Flows

(Million yen)

Item	2005	2006	2005
	Jan. 1, 2005 to Sep. 30, 2005	Jan. 1, 2006 to Sep. 30, 2006	Jan. 1, 2005 to Dec. 31, 2005
Cash flows from operating activities			
Income before income taxes and minority interests	1,912	1,124	6,573
Depreciation and amortization	16,458	16,124	22,075
Loss on impairment of property, plant and equipment	22	225	837
Increase (decrease) in employees' retirement benefits	361	(988)	537
Increase (decrease) in allowance for doubtful receivables	357	(293)	19
Interest and dividend income	(549)	(631)	(823)
Interest expense	2,718	2,223	3,495
Gain on sales of property, plant and equipment	(858)	(64)	(2,728)
Loss on sales and disposal of property, plant and equipment	1,758	963	3,160
Gain on sales of investment securities	(1,055)	(34)	(1,276)
Devaluation of investment securities	268	260	400
Gain on sales of subsidiary securities	-	(101)	-
Losses on reduction entry of property, plant and equipment	279	-	279
Decrease in notes and accounts receivable	20,581	11,038	8,138
(Increase) decrease in inventories	(838)	(516)	1,127
(Decrease) Increase in notes and accounts payable	223	(703)	(2,233)
(Decrease) Increase in liquor taxes payable	(17,541)	568	(5,119)
Other	8,537	3,636	11,913
Subtotal	32,635	32,831	46,374
Interest and dividends received	659	674	822
Interest paid	(2,743)	(2,176)	(3,591)
Income taxes (paid) received	(4,222)	2,008	(4,528)
Net cash provided by operating activities	26,329	33,338	39,077
Cash flows from investing activities:			
Investment in time deposits	(15,476)	(1,240)	(16,110)
Withdrawals from time deposits	-	1,226	15,502
Purchases of investment securities	(491)	(1,069)	(634)
Proceeds from sales of investment securities	1,969	61	2,235
Purchases of property, plant and equipment	(6,695)	(14,035)	(10,718)
Proceeds from sales of property, plant and equipment	2,662	64	6,921
Purchases of intangibles	(799)	(2,607)	(1,786)
Increase in long-term loans receivable	(635)	(37)	(647)
Collection of long-term loans receivable	410	445	568
Other	(2,378)	(2,232)	(3,007)
Net cash (used in) provided investing activities	(21,432)	(19,424)	(7,675)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(2,350)	(2,124)	-
Proceeds from long-term debt	8,000	6,700	12,500
Repayment of long-term debt	(23,895)	(35,283)	(36,129)
Proceeds from issuance of bonds	-	9,960	-
Redemption of bonds	(30,000)	(10,000)	(40,000)
Cash dividends paid	(1,771)	(1,823)	(1,782)
Other	(87)	(57)	(120)
Net cash (used in) provided financing activities	(50,104)	(32,627)	(65,533)
Effect of exchange rate changes on cash and cash equivalents	112	(1)	173
Net increase (decrease) in cash and cash equivalents	(45,094)	(18,714)	(33,957)
Cash and cash equivalents at beginning of year	58,706	24,748	58,706
Cash and cash equivalents at end of period	13,611	6,033	24,748

(Segment Information)

1. Segment Information by Business

(Million yen)

	2006 Jan. 1, 2006 to Sep. 30, 2006							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated
I. Net Sales								
(1) Operating revenues	238,621	44,049	20,230	16,803	116	319,820	-	319,820
(2) Intra-group sales and transfers	4,510	215	-	1,979	6	6,712	(6,712)	-
Total	243,132	44,264	20,230	18,782	123	326,532	(6,712)	319,820
Operating expenses	242,574	44,827	19,883	13,798	118	321,201	(5,295)	315,906
Operating income (loss)	557	(563)	346	4,984	5	5,330	(1,416)	3,913

(Million yen)

	2005 Jan. 1, 2005 to Sep. 30, 2005							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated
I. Net Sales								
(1) Operating revenues	250,086	48,495	19,832	16,145	423	334,983	-	334,983
(2) Intra-group sales and transfers	3,701	232	-	1,604	13	5,552	(5,552)	-
Total	253,788	48,728	19,832	17,750	436	340,536	(5,552)	334,983
Operating expenses	251,303	49,509	19,444	13,309	541	334,108	(4,195)	329,913
Operating income (loss)	2,485	(781)	388	4,440	(104)	6,427	(1,357)	5,070

(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 classification: Japan

- (2) Main products in each segment

Business Segment	Main Products
Alcoholic Beverages	Beer, Hoppo-shu and others, wine, whiskey, shochu 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

- (3) Unallocated operating expenses included in "Corporate & Eliminations" : 1,492 million yen at September 30, 2006, 1,460 million yen at September 30, 2005, and 1,938 million yen at December 31, 2005. These are principally operating expenses incurred by "Sapporo Holdings" (as parent company) for each operating companies.
- (4) Changes in accounting methods
According to Medium Term Management Plan started from 2006 to 2008, which was announced in February 2006, 'Fitness club' was posted from "Other" segment into "Real Estate" segment effective from 2006FY. Due to this change, net sales in "Real Estate" segment is increased by JPY 524 million and operating income in that segment is increased by JPY 64 million. On the other hand, net sales and operating income in "Other" segment are decreased by same number respectively.

Condensed Consolidated Financial Results (as of, and for 9 months ended September 30, 2006)

Condensed Consolidated Statements of Income

(Billions of yen)

	Jan. 1-Sep. 30, 2005	Jan. 1-Sep. 30, 2006	Change	% Change
Alcoholic Beverages	250.0	238.6	-11.4	-4.6%
Soft Drinks	48.4	44.0	-4.4	-9.2%
Restaurants	19.8	20.2	0.3	2.0%
Real Estate	16.1	16.8	0.6	4.1%
Others	0.4	0.1	-0.3	-72.5%
Net Sales	334.9	319.8	-15.1	-4.5%
Alcoholic Beverages	2.5	0.5	-1.9	-77.6%
Soft Drinks	-0.8	-0.5	0.2	-
Restaurants	0.4	0.3	-0.0	-10.6%
Real Estate	4.4	4.9	0.5	12.2%
Others	-0.1	0.0	0.1	-
General corporate and intercompany eliminations	-1.3	-1.4	-0.0	-
Operating Income	5.0	3.9	-1.1	-22.8%
Other Income	1.5	1.7	0.2	13.1%
Other Expenses	3.9	3.4	-0.5	-12.6%
Ordinary Income	2.6	2.1	-0.4	-17.5%
Extraordinary Gains	2.0	0.4	-1.6	-79.9%
Extraordinary Losses	2.7	1.4	-1.3	-47.2%
Income Before Income Taxes	1.9	1.1	-0.7	-41.2%
Net Income	0.7	0.4	-0.3	-45.7%

(Consolidated)	Jan.1-Sep.30 2005	Jan.1-Sep.30 2006	Change	% Change
Financial Liabilities	241.6	190.5	51.0	-21.1%
Capital Expenditures	7.5	16.6	9.1	122.1%
Depreciation and Amortization	16.5	16.1	-0.3	-2.0%

Major Elements of Selling, General & Administrative Expenses

(Billions of yen)

	Jan.1-Sep.30 2005	Jan.1-Sep.30 2006	Change	% Change
Selling, General and Administrative Expenses	100.3	95.5	-4.8	-4.8%
Sales Promotion	25.4	26.8	1.3	5.5%
Advertising	17.9	15.5	-2.4	-13.4%
Employees Salary and Bonus	13.5	13.6	0.0	0.4%
Retirement Benefit Expenses	2.7	2.0	-0.6	-24.4%
Others	40.6	37.4	-3.1	-7.8%

Condensed Consolidated Financial Results (as of, and for 9 months ended September 30, 2006)

Major Changes in Income

(Billions of yen)

Major Factors	Change	Remarks	
		Details	Amount
Beer and related products	-1.9		
Marginal profit	-6.5	Increased (decreased) volume/product mix Raw materials costs Cost reductions of production Others	-7.1 0.2 0.6 -0.2
Fixed costs, others	4.6	Lower sales promotion expenses System-related expenses Others	3.3 0.0 1.3
Wine and spirits	0.2	Increased (decreased) volume/product mix Cost/expense reductions	0.1 0.1
Others	-0.2	Others	-0.2
Alcoholic Beverages	-1.9		
Soft Drinks	0.2	Increased (decreased) volume/product mix Lower costs of sales Other cost/expenses reductions	-1.0 0.7 0.5
Restaurants	0.0	Increased (decreased) sales volume Cost/expense reductions	0.0 0.0
Real Estate	0.5	Sales Rent	0.1 0.4
Others	0.1	Others	0.1
General Corporate	0.0	Consolidation of administrative divisions	0.0
Change in Operating Income	-1.1		
Other income (expenses)	0.7	Financial income (expenses) (-2.1 -1.5) Others(-0.7 -0.6)	0.6 0.1
Change in Ordinary Income	-0.4		
Extraordinary gains and losses	-0.3	Adjustments of gain on sales of property, plant and equipment for prior periods(0 1) Gain on sales of property, plant and equipment (0.8 0.0) Impairment loss on disposal of property, plant and equipment (-0.0 -0.2) Loss on disposal of property, plant and equipment (-1.7 -0.9) Gain on sales of investment securities (1.0 0.0) Devaluation of marketable securities and investments (-0.3 -0.2) Gain on sales of subsidiary securities (0.0 0.1) Others(-0.5 0.1)	0.1 -0.8 -0.2 0.8 -1.0 0.1 0.1 0.6
Change in income taxes	0.4		
Change in Net Income	-0.3		