

Consolidated Earnings Report for the First Quarter Ended March 31, 2007

May 8, 2007

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.

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, 2007.

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, 2007 to March 31, 2007)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
1Q 2007	90,196	5.7	4,771	-	5,847	-
1Q 2006	85,301	5.8	4,832	-	5,483	-
2006 FY	435,090		8,612		5,857	

	Net Income		Net Income per Share	Diluted Net Income per Share
	¥ million	%	¥	¥
1Q 2007	3,981	-	10.30	-
1Q 2006	5,914	-	16.19	-
2006 FY	2,338		6.38	5.88

Notes:

Percentage change means the ratio of increase or decrease in each item of business results for the first quarter ended March 31, 2007, to those for the first quarter ended March 31, 2006.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	¥ million	¥ million	%	¥
Mar. 31, 07	569,303	116,822	20.5	297.71
Mar. 31, 06	532,752	103,748	19.5	284.04
Dec. 31, 06	589,597	113,495	19.2	300.13

(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 2007	2,440	4,826	2,199	8,087
1Q 2006	7,877	3,568	8,350	21,648
2006 FY	28,588	54,414	9,351	8,282

(Note)

Forecast of business results stated above has not been changed from the forecast disclosed on February 16, 2007.

Consolidated Balance Sheets

	As of March 31, 2006		As of March 31, 2007		Year to Year Change	As of December 31, 2006	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
(Assets)							
I Current assets							
1 Cash and cash equivalents	22,339		8,087		14,252	8,916	
2 Notes and accounts receivable-trade	48,581		54,336		5,754	73,615	
3 Inventories	23,952		26,518		2,566	24,403	
4 Other current assets	14,772		17,681		2,909	21,261	
5 Allowance for doubtful receivables	229		210		18	224	
Total current assets	109,416	20.5	106,412	18.7	3,003	127,972	21.7
II Fixed assets							
1 Property, plant and equipment, net	340,109		355,641		15,531	356,727	
2 Intangible assets	2,170		33,094		30,923	33,349	
3 Investments and other assets	83,860		76,758		7,102	74,149	
4 Allowance for doubtful receivables	2,805		2,603		202	2,602	
Total fixed assets	423,335	79.5	462,890	81.3	39,554	461,624	78.3
Total assets	532,752	100.0	569,303	100.0	36,550	589,597	100.0
(Liabilities)							
I Current liabilities							
1 Notes and accounts payable	26,516		25,901		614	28,929	
2 Short-term bank loans and current portion of long-term debt	94,911		104,938		10,027	104,007	
3 Liquor taxes payable	19,889		28,008		8,118	38,276	
4 Other	77,199		90,017		12,818	97,671	
Total current liabilities	218,517	41.0	248,866	43.7	30,349	268,885	45.6
II Long-term liabilities							
1 Bonds	44,219		49,720		5,501	49,720	
2 Long-term bank loans	91,451		77,531		13,920	82,305	
3 Employees' retirement benefits	16,631		15,626		1,005	16,301	
4 Other	58,183		60,737		2,553	58,888	
Total long-term liabilities	210,486	39.5	203,614	35.8	6,871	207,216	35.2
Total liabilities	429,003	80.5	452,480	79.5	23,477	476,101	80.8
(Minority Interests)							
Minority Interests							
(Shareholders' Equity)							
I Common stock							
I Common stock	46,595	8.8	-	-	46,595	-	-
II Capital surplus							
II Capital surplus	39,011	7.3	-	-	39,011	-	-
III Retained earnings							
III Retained earnings	2,221	0.4	-	-	2,221	-	-
IV Unrealized holding gain on securities							
IV Unrealized holding gain on securities	16,607	3.1	-	-	16,607	-	-
V Foreign currency translation adjustments							
V Foreign currency translation adjustments	208	0.0	-	-	208	-	-
VI Treasury stock, at cost							
VI Treasury stock, at cost	478	0.1	-	-	478	-	-
Total shareholders' Equity	103,748	19.5	-	-	103,748	-	-
Total liabilities, minority interests and shareholders' Equity	532,752	100.0	-	-	532,752	-	-
(Net Assets)							
I Shareholders' Equity							
1 Common stock	-	-	53,881	9.5	53,881	50,066	8.5
2 Capital surplus	-	-	46,301	8.1	46,301	42,484	7.2
3 Retained earnings	-	-	4,599	0.8	4,599	10,472	1.8
4 Treasury stock, at cost	-	-	656	0.1	656	571	0.1
Total shareholders' Equity	-	-	104,126	18.3	104,126	102,451	17.4
II Valuation and translation adjustments							
1 Unrealized holding gain on securities	-	-	13,089	2.3	13,089	11,318	1.9
2 Foreign currency translation adjustments	-	-	393	0.1	393	276	0.1
Total valuation and translation adjustments	-	-	12,695	2.2	12,695	11,041	1.8
III Minority Interests							
III Minority Interests	-	-	-	-	-	2	0.0
Total net assets	-	-	116,822	20.5	116,822	113,495	19.2
Total liabilities and net assets	-	-	569,303	100.0	569,303	589,597	100.0

Consolidated Statements of Income

	2006 Jan. 1, 2006 to Mar. 31, 2006		2007 Jan. 1, 2007 to Mar. 31, 2007		Year to Year Change	Fiscal year ended December 31, 2006			
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)		
I Net sales		85,301	100.0	90,196	100.0	4,895	435,090	100.0	
II Cost of sales		60,468	70.9	62,787	69.6	2,318	300,121	69.0	
Gross profit		24,832	29.1	27,408	30.4	2,576	134,968	31.0	
III Selling, general and administrative expenses		29,664	34.8	32,179	35.7	2,514	126,355	29.0	
Operating income		4,832	5.7	4,771	5.3	61	8,612	2.0	
IV Non-operating income									
1 Interest income and dividend income	110			165			914		
2 Other	441	552	0.7	164	329	0.4	1,479	2,396	0.5
V Non-operating expenses									
1 Interest expense	731			1,053			3,041		
2 Loss on disposal of inventories	107			93			951		
3 Equity in loss of affiliates	187			114			49		
4 Other	178	1,203	1.4	145	1,406	1.6	1,109	5,151	1.2
Ordinary income		5,483	6.4	5,847	6.5	363	5,857	1.3	
VI Extraordinary gains									
1 Gain on sales of property, plant and equipment	1			5			69		
2 Gain on sales of investment securities	-			19			2,221		
3 Other	-	1	0.0	-	25	0.0	350	2,642	0.6
VII Extraordinary loss									
1 Loss on disposal of property, plant and equipment	99			179			2,519		
2 Other	-	99	0.1	0	179	0.2	2,003	4,522	1.0
Income before income taxes and minority interests		5,581	6.5	6,001	6.7	419	3,977	0.9	
Current income taxes	156			90			1,728		
Deferred income taxes	176	332	0.4	2,107	2,017	2.3	86	1,641	0.4
Minority interests		-	-	2	2	0.0	2	2	0.0
Net income		5,914	6.9	3,981	4.4	1,932	2,338	0.5	

Consolidated Statements of Cash Flows

	2006 Jan. 1, 2006 to Mar. 31, 2006	2007 Jan. 1, 2007 to Mar. 31, 2007	Fiscal year ended December 31, 2006
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)
I Cash flows from operating activities			
1 Income before income taxes and minority interests	5,581	6,001	3,977
2 Depreciation and amortization	5,465	5,757	21,929
3 Decrease in employees' retirement benefits	563	675	893
4 Decrease in allowance for doubtful receivables	127	11	273
5 Interest and dividend income	110	165	915
6 Interest expense	731	1,053	3,041
7 Gain on sales of property, plant and equipment	1	5	69
8 Loss on sales and disposal of property, plant and equipment	99	179	2,519
9 Decrease in notes and accounts receivable	23,143	19,248	1,655
10 (Increase) Decrease in inventories	2,025	2,137	620
11 Decrease in notes and accounts payable	6,069	3,014	5,264
12 Decrease in liquor taxes payable	18,370	10,263	514
13 (Decrease) Increase in deposits received	4,971	6,216	5,237
14 Decrease in other current liabilities	7,637	1,327	1,874
15 Other	8,626	7,748	195
Sub total	7,393	4,167	28,981
16 Interest and dividends received	312	384	882
17 Interest paid	731	875	3,152
18 Income taxes paid and refundable, net	64	1,236	1,877
Net cash (used in) provided by operating activities	7,877	2,440	28,588
II Cash flows from investing activities			
1 Purchases of investment securities	422	34	947
2 Proceeds from sales of investment securities	0	779	2,776
3 Purchases of newly consolidated subsidiaries	-	-	31,176
4 Purchases of property, plant and equipment	1,909	4,441	18,516
5 Proceeds from sales of property, plant and equipment	5	8	69
6 Purchases of intangibles	782	1,210	3,299
7 Increase in long-term loans receivable	6	67	29
8 Collection of long-term loans receivable	112	104	499
9 Other	565	35	3,791
Net cash used in investing activities	3,568	4,826	54,414
III Cash flows from financing activities			
1 Net Increase in short-term bank loans	21,300	22,779	30,526
2 Proceeds from long-term debt	1,000	4,000	9,200
3 Repayment of long-term debt	12,440	22,952	48,321
4 Proceeds from issuance of bonds	-	-	29,885
5 Redemption of bonds	-	-	10,000
6 Cash dividends paid	1,473	1,544	1,831
7 Other	36	83	106
Net cash provided by financing activities	8,350	2,199	9,351
IV Effect of exchange rate changes on cash and cash equivalents	4	9	7
V Net decrease in cash and cash equivalents	3,099	195	16,466
VI Cash and cash equivalents at beginning of year	24,748	8,282	24,748
VII Cash and cash equivalents of additional consolidated subsidiaries	-	-	0
VIII Cash and cash equivalents at end of year	21,648	8,087	8,282

Segment Information

1. Segment Information by Business

(Millions of yen)

	2006						Jan. 1, 2006 to Mar. 31, 2006	
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	General corporate and intercompany eliminations	Consolidated
I Net sales and operating expenses								
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

	2007					Jan. 1, 2007 to Mar. 31, 2007	
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	General corporate and intercompany eliminations	Consolidated
I Net sales and operating expenses							
Net sales							
(1) Operating revenues	67,761	10,431	6,161	5,841	90,196	-	90,196
(2) Intra-group sales and transfers	1,356	29	-	649	2,035	(2,035)	-
Total	69,118	10,460	6,161	6,490	92,231	(2,035)	90,196
Operating expenses	73,631	11,541	6,474	4,813	96,461	(1,493)	94,967
Operating income (loss)	4,513	1,080	312	1,677	4,229	(541)	4,771

	2006						Fiscal year ended December 31, 2006	
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	General corporate and intercompany eliminations	Consolidated
I Net sales and operating expenses								
Net sales								
(1) Operating revenues	326,419	58,730	26,995	22,827	116	435,090	-	435,090
(2) Intra-group sales and transfers	6,129	313	-	2,675	6	9,125	(9,125)	-
Total	332,549	59,044	26,995	25,502	123	444,215	(9,125)	435,090
Operating expenses	328,365	59,471	26,538	19,089	118	433,581	(7,104)	426,477
Operating income (loss)	4,183	426	457	6,413	5	10,634	(2,021)	8,612
II Assets, Depreciation and Amortization, impairment and Capital Expenditures								
Identifiable assets	350,890	16,590	13,960	192,874	-	574,316	15,280	589,597
Depreciation and amortization	13,472	285	647	7,522	0	21,929	-	21,929
Loss on impairment	1,659	-	125	-	-	1,785	-	1,785
Capital expenditures	20,224	1,019	1,108	8,437	-	30,790	-	30,790

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, shochu and others, distribution and brewing equipment
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 supplies and fitness club

(3) Unallocated operating expenses included in "General corporate and intercompany eliminations" amount to 569 million yen and 504 million yen at March 31, 2007 and 2006, respectively, and consisted of the holding company's expenditures.

Consolidated Results (as of, and for the 3 months ended March 31, 2007)

1. Condensed Consolidated Statements of Income

(Billions of yen)

	Jan.1-Mar.31 2006	Jan.1-Mar.31 2007	Change	% Change
Alcoholic Beverages	61.6	67.7	6.1	9.9%
<i>(Domestic)</i>	60.4	62.6	2.2	3.7%
<i>(International)</i>	1.2	5.0	3.8	323.8%
Soft Drinks	12.1	10.4	▲1.7	▲14.2%
Restaurants	5.9	6.1	0.2	4.3%
Real Estate	5.5	5.8	0.3	5.7%
Others	0.0	-	▲0.0	▲100.0%
Net Sales	85.3	90.1	4.8	5.7%
Alcoholic Beverages	▲4.8	▲4.5	0.3	-
<i>(Domestic)</i>	▲4.8	▲4.3	0.4	-
<i>(International)</i>	0.0	▲0.1	▲0.1	-
Soft Drinks	▲0.8	▲1.0	▲0.2	-
Restaurants	▲0.1	▲0.3	▲0.1	-
Real Estate	1.5	1.6	0.1	10.4%
Others	▲0.0	-	0.0	-
General corporate and intercompany eliminations	▲0.5	▲0.5	▲0.0	-
Operating Income	▲4.8	▲4.7	0.0	-
Other Income	0.5	0.3	▲0.2	▲40.3%
Other Expenses	1.2	1.4	0.2	16.8%
Ordinary Income	▲5.4	▲5.8	▲0.3	-
Extraordinary Gains	0.0	0.0	0.0	1,712.7%
Extraordinary Losses	0.1	0.2	0.1	81.0%
Income before income taxes and minority interests	▲5.5	▲6.0	▲0.4	-
Net Income	▲5.9	▲3.9	1.9	-

(Consolidated)	Jan.1-Mar.31 2006	Jan.1-Mar.31 2007	Change	% Change
Financial Liabilities	230.5	232.1	1.6	0.7%
Capital Expenditures (cash basis)	2.6	5.6	2.9	110.0%
Depreciation and Amortization	5.4	5.7	0.2	5.3%

Major Elements of Selling, General & Administrative Expenses

(Billions of yen)

	Jan.1-Mar.31 2006	Jan.1-Mar.31 2007	Change	% Change
Selling, General and Administrative Expenses	29.6	32.1	2.5	8.5%
Sales Promotion	7.5	7.5	0.0	0.7%
Advertising	5.3	5.7	0.4	8.2%
Employees Salary and Bonus	4.6	5.1	0.4	10.0%
Retirement Benefit Expenses	0.7	0.7	0.0	1.8%
Others	11.4	12.9	1.5	13.5%

Consolidated Results (for the 3 months ended March 31, 2007)

2. Consolidated Statements of Income:

Breakdown of Key Changes (indicates a negative change)

(Billions of yen)

		Details	Jan.1-Mar.31 2006	Jan.1-Mar.31 2007	Change	
Beer and related products		(Total)	▲ 3.9	▲ 3.5	0.4	
	Marginal profit	(Sub total)			0.4	
		Increased volume / product mix			0.4	
		Raw materials costs			▲ 0.3	
		Cost reductions of production			0.3	
	Fixed costs, others	(Sub total)			▲ 0.0	
		Higher sales promotion costs			▲ 0.7	
		System-related costs			▲ 0.0	
		Others			0.7	
	Wine and spirits	(Total)	▲ 0.2	▲ 0.1	0.1	
		Increased volume / product mix			0.0	
		Lower sales promotion costs			0.1	
	Others	Others	(Total)	▲ 0.7	▲ 0.8	▲ 0.1
	Domestic Alcoholic Beverages			▲ 4.8	▲ 4.3	0.4
	Sleeman breweries ltd. (included amortization of goodwill)		-	▲ 0.1	▲ 0.1	
	Others		0.0	▲ 0.0	▲ 0.0	
International Alcoholic Beverages			0.0	▲ 0.1	▲ 0.1	
	Decreased volume / product mix			▲ 0.3		
	Cost reductions of production			0.1		
	Higher sales promotion cost			▲ 0.1		
	Other cost reductions			0.1		
Soft Drinks			▲ 0.8	▲ 1.0	▲ 0.2	
	Sales increased			0.2		
	Costs increased			▲ 0.3		
Restaurants			▲ 0.1	▲ 0.3	▲ 0.1	
	Sales		0.1	-	▲ 0.1	
	Rent		1.4	1.6	0.2	
Real Estate			1.5	1.6	0.1	
Others			▲ 0.0	-	0.0	
General corporate and intercompany eliminations			▲ 0.5	▲ 0.5	▲ 0.0	
Change in Operating Income			▲ 4.8	▲ 4.7	0.0	
	Financial income (expense)		▲ 0.6	▲ 0.9	▲ 0.2	
	Others		▲ 0.0	▲ 0.1	▲ 0.2	
Non-operating income and expenses			▲ 0.6	▲ 1.0	▲ 0.4	
Change in Ordinary Income			▲ 5.4	▲ 5.8	▲ 0.3	
	Gain on sales of property, plant and equipment		0.0	0.0	0.0	
	Gain on sales of investment securities		-	0.0	0.0	
	Loss on disposal of property, plant and equipment		▲ 0.1	▲ 0.2	▲ 0.1	
	Other extraordinary losses		-	▲ 0.0	▲ 0.0	
Extraordinary gains and losses			▲ 0.1	▲ 0.2	▲ 0.1	
Change in income before income taxes and minority interests			▲ 5.5	▲ 6.0	▲ 0.4	
Change in income taxes			▲ 0.3	2.0	2.3	
Change in Net Income			▲ 5.9	▲ 3.9	1.9	