

Consolidated Earnings Report for the Third Quarter Ended September 30, 2007

October 30, 2007

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: Tsutomu Kamijo, 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 September 30, 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 September 30, 2007)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
3Q 2007	331,802	3.7	6,273	60.3	3,798	75.5
3Q 2006	319,820	(4.5)	3,913	(22.8)	2,165	(17.5)
2006	435,090		8,612		5,857	

	Net Income		Net Income per Share	Diluted Net Income per Share
	¥ million	%	¥	¥
3Q 2007	(1,191)	-	(3.05)	-
3Q 2006	418	(45.7)	1.14	0.96
2006	2,338		6.38	5.88

Notes:

Percentage change means the ratio of increase or decrease in each item of business results for 9 months ended September 30, 2007, to those for the same period ended September 30, 2006.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
	¥ million	¥ million	%	¥
Sep. 30, 07	562,806	121,611	21.6	309.90
Sep. 30, 06	528,733	107,037	20.2	293.10
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 the end of period
	¥ million	¥ million	¥ million	¥ million
3Q 2007	33,212	(17,056)	(19,194)	5,227
3Q 2006	33,338	(19,424)	(32,627)	6,033
2006	28,588	(54,414)	9,351	8,282

(Note)

Business forecast on full year basis has not been changed from the forecast disclosed on August 10, 2007.

Consolidated Balance Sheets

(Million yen)

Item	As of Sep. 30, 2006	As of Sep. 30, 2007	Change	As of December 31, 2006
[Assets]				
Current assets	104,702	109,303	4,601	127,972
Cash and cash equivalents	6,660	5,864	(796)	8,916
Notes and accounts receivable-trade	60,646	60,025	(620)	73,615
Inventories	22,467	25,585	3,118	24,403
Other	15,095	18,000	2,904	21,261
Loss allowance for doubtful receivables	(167)	(172)	(4)	(224)
Fixed assets	424,031	453,502	29,471	461,624
Property, plant and equipment, net	345,366	345,192	(173)	356,727
Intangibles	2,646	34,008	31,361	33,349
Investments and other assets	76,018	74,301	(1,716)	71,547
Total Assets	528,733	562,806	34,072	589,597
[Liabilities]				
Current liabilities	240,260	225,749	(14,510)	268,885
Notes and accounts payable-trade	31,870	29,692	(2,177)	28,929
Short-term bank loans and current portion of long-term debt	81,818	64,839	(16,978)	104,007
Liquor taxes payable	38,828	37,458	(1,370)	38,276
Other	87,742	93,758	6,016	97,671
Long-term liabilities	181,435	215,445	34,009	207,216
Bonds	29,720	69,710	39,990	49,720
Long-term bank loans	79,051	68,123	(10,927)	82,305
Employees' retirement benefits	16,206	15,315	(890)	16,301
Other	56,457	62,295	5,837	58,888
Total liabilities	421,695	441,194	19,499	476,101
[Net Assets]				
Shareholders' Equity	93,641	106,994	13,352	102,451
Common stock	46,595	53,886	7,290	50,066
Capital surplus	39,013	46,309	7,295	42,484
Retained earnings	8,554	7,592	(961)	10,472
Treasury stock, at cost	(521)	(793)	(272)	(571)
Valuation and Translation Adjustments	13,395	14,563	1,167	11,041
Unrealized holding gain on securities	13,596	13,186	(410)	11,318
Foreign currency translation adjustments	(201)	1,377	1,578	(276)
Minority interests	-	52	52	2
Total Net Assets	107,037	121,611	14,573	113,495
Liabilities, Minority Interests and Net Assets	528,733	562,806	34,072	589,597

Consolidated Statements of Income

(Million yen)

Item	2006 Jan. 1, 2006 to Sep. 30, 2006	2007 Jan. 1, 2007 to Sep. 30, 2007	Change	2006 Jan. 1, 2006 to Dec. 31, 2006
Net sales	319,820	331,802	11,982	435,090
Cost of sales	220,347	224,504	4,157	300,121
Gross profit	99,473	107,298	7,824	134,968
Selling, general and administrative expenses	95,559	101,024	5,464	126,355
Operating income	3,913	6,273	2,359	8,612
Non-operating income	1,707	1,537	(169)	2,396
Interest income and dividend income	631	706		915
Equity in earnings of affiliates	-	82		-
Other	1,076	748		1,480
Non-operating expenses	3,456	4,012	556	5,151
Interest expense	2,223	3,221		3,041
Loss on disposal of inventories	518	314		951
Equity in loss of affiliates	115	-		49
Other	598	476		1,109
Ordinary income	2,165	3,798	1,633	5,857
Extraordinary gains	408	726	318	2,642
Gain on sales of property, plant and equipment	64	101		69
Gain on sales of investment securities	34	407		2,221
Reversal of doubtful receivables	43	185		66
Gain on sales of subsidiary securities	101	-		101
Subsidy for vending machines	47	32		88
Adjustments of gain on sales of property, plant and equipment for prior periods	95	-		95
Other	21	-		-
Extraordinary losses	1,449	8,650	7,201	4,522
Losses on disposal of property, plant and equipment	963	780		2,519
Loss on impairment of property, plant and equipment	225	570		1,785
Depreciation expenses resulting from revision of residual value	-	7,235		-
Devaluation of marketable securities and investments	260	64		217
Income before income taxes and minority interests	1,124	(4,125)	(5,249)	3,977
Current income taxes	687	1,960		1,728
Deferred income taxes	17	(4,892)	(3,637)	(86)
Minority loss	-	1	1	2
Net income	418	(1,191)	(1,609)	2,338

Consolidated Statements of Cash Flows

(Million yen)

Item	2006 Jan. 1, 2006 to Sep. 30, 2006	2007 Jan. 1, 2007 to Sep.30, 2007	2006 Jan. 1, 2006 to Dec. 31, 2006
Cash flows from operating activities			
Income before income taxes and minority interests	1,124	(4,125)	3,977
Depreciation and amortization	16,124	18,583	21,929
Depreciation expenses resulting from revision of residual value	-	7,235	-
Loss on impairment of property, plant and equipment	225	570	1,785
Increase (decrease) in employees' retirement benefits	(988)	(985)	(893)
Increase in allowance for doubtful receivables	(293)	(351)	(273)
Interest and dividend income	(631)	(706)	(915)
Interest expense	2,223	3,221	3,041
Gain on sales of property, plant and equipment	(64)	(101)	(69)
Loss on sales and disposal of property, plant and equipment	963	780	2,519
Gain on sales of investment securities	(34)	(407)	(2,221)
Devaluation of investment securities	260	64	217
Gain on sales of subsidiary securities	(101)	-	(101)
Decrease (increase) in notes and accounts receivable	11,038	14,013	1,655
(Increase) decrease in inventories	(516)	(799)	620
(Decrease) Increase in notes and accounts payable	(703)	570	(5,264)
Decrease in liquor taxes payable	568	(883)	(514)
Other	3,636	718	3,488
Subtotal	32,831	37,397	28,981
Interest and dividends received	674	758	882
Interest paid	(2,176)	(2,987)	(3,152)
Income taxes paid	2,008	(1,955)	1,876
Net cash provided by operating activities	33,338	33,212	28,588
Cash flows from investing activities			
Investment in time deposits	(1,240)	(636)	(1,253)
Withdrawals from time deposits	1,226	614	1,238
Purchases of investment securities	(1,069)	(93)	(947)
Proceeds from sales of investment securities	61	1,796	2,776
Purchases of property, plant and equipment	(14,035)	(14,377)	(18,516)
Proceeds from sales of property, plant and equipment	64	134	69
Purchases of intangibles	(2,607)	(2,321)	(3,299)
Increase in long-term loans receivable	(37)	(74)	(29)
Collection of long-term loans receivable	445	280	499
Other	(2,232)	(2,377)	(34,953)
Net cash (used in) provided investing activities	(19,424)	(17,056)	(54,414)
Cash flows from financing activities			
Net increase in short-term bank loans	(2,124)	(2,914)	30,526
Proceeds from long-term debt	6,700	9,001	9,200
Repayment of long-term debt	(35,283)	(43,102)	(48,321)
Proceeds from issuance of bonds	9,960	19,925	29,885
Redemption of bonds	(10,000)	(10,000)	(10,000)
Proceeds from commercial papers	-	10,000	-
Cash dividends paid	(1,823)	(1,886)	(1,831)
Other	(57)	(217)	(106)
Net cash (used in) provided financing activities	(32,627)	(19,194)	9,351
Effect of exchange rate changes on cash and cash equivalents	(1)	(32)	7
Net (decrease) increase in cash and cash equivalents	(18,714)	(3,070)	(16,466)
Cash and cash equivalents at beginning of year	24,748	8,282	24,748
Increase in cash and equivalents due to increase in consolidated subsidiaries	-	15	0
Cash and cash equivalents at end of period	6,033	5,227	8,282

(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)

	2007							Jan. 1, 2007 to Sep. 30, 2007	
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated	
I. Net Sales									
(1) Operating revenues	252,392	39,747	21,613	18,049	-	331,802	-	331,802	
(2) Intra-group sales and transfers	4,800	216	-	2,000	-	7,017	(7,017)	-	
Total	257,193	39,963	21,613	20,049	-	338,820	(7,017)	331,802	
Operating expenses	254,038	40,724	21,277	14,649	-	330,689	(5,160)	325,529	
Operating income (loss)	3,154	(760)	336	5,400	-	8,130	(1,856)	6,273	

(Million yen)

	2006							Jan. 1, 2006 to Dec. 31, 2006	
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Eliminations	Consolidated	
I. 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	

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, 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

(3) Unallocated operating expenses included in "Corporate & Eliminations" : 1,492 million yen at Sep. 30, 2006, 1,861 million yen at Sep. 30, 2007, and 2,118 million yen at December 31, 2006. These are principally operating expenses incurred by "Sapporo Holdings" (as parent company) for each operating companies.

(4) Changes in accounting methods

(Jan. 1, 2006 to June 30, 2006)

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 338 million and operating income in that segment is increased by JPY 36 million. On the other hand, net sales and operating income in "Other" segment are decreased by same number respectively.

(Jan. 1, 2007 to Sep. 30, 2007)

There is not the pertinence matter.

2. Geographical Segment Information

Sales and assets in Japan account for more than 90% of consolidated net sales and assets. Accordingly, geographical segment information has not been disclosed.

3. Overseas Sales

Overseas sales account for less than 10% of consolidated net sales. Accordingly, overseas sales have not been disclosed.

Condensed Consolidated Financial Results (as of, and for 9 months ended September 30, 2007)

Condensed Consolidated Statements of Income

(Billions of yen)

	Jan. 1-Sep. 30, 2006	Jan. 1-Sep. 30, 2007	Change	% Change
Alcoholic Beverages	238.6	252.3	13.7	5.8%
(Domestic business)	234.6	231.3	-3.3	-1.4%
(Overseas business)	3.9	21.0	17.0	434.8%
Soft Drinks	44.0	39.7	-4.3	-9.8%
Restaurants	20.2	21.6	1.3	6.8%
Real Estate	16.8	18.0	1.2	7.4%
Others	0.1	-	-0.1	-100.0%
Net Sales	319.8	331.8	11.9	3.7%
Alcoholic Beverages	0.5	3.1	2.5	465.9%
(Domestic business)	0.2	1.2	0.9	325.9%
(Overseas business)	0.2	1.9	1.6	615.6%
Soft Drinks	-0.5	-0.7	-0.1	-
Restaurants	0.3	0.3	-0.0	-3.0%
Real Estate	4.9	5.4	0.4	8.3%
Others	0.0	-	-0.0	-100.0%
General corporate and intercompany eliminations	-1.4	-1.8	-0.4	-
Operating Income	3.9	6.2	2.3	60.3%
Other Income	1.7	1.5	-0.1	-9.9%
Other Expenses	3.4	4.0	0.5	16.1%
Ordinary Income	2.1	3.7	1.6	75.5%
Extraordinary Gains	0.4	0.7	0.3	77.8%
Extraordinary Losses	1.4	8.6	7.2	496.7%
Income Before Income Taxes	1.1	-4.1	-5.2	-
Net Income	0.4	-1.1	-1.6	-

(Consolidated)	Jan.1-Sep.30 2007	Jan.1-Sep.30 2006	Change	% Change
Financial Liabilities	190.5	212.6	22.0	11.6%
Capital Expenditures	16.6	16.6	0.0	0.3%
Depreciation and Amortization	16.1	18.5	2.4	15.3%

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	95.5	101.0	5.4	5.7%
Sales Promotion	26.8	26.6	-0.2	-0.8%
Advertising	15.5	15.0	-0.5	-3.5%
Employees Salary and Bonus	13.6	15.8	2.2	16.8%
Retirement Benefit Expenses	2.0	2.1	0.0	3.5%
Others	37.4	41.3	3.8	10.3%

Condensed Consolidated Financial Results (as of, and for 9 months ended September 30, 2007)

Major Changes in Income

(Billions of yen)

Major Factors	Change	Remarks	
		Details	Amount
Beer and related products	0.7		
Marginal profit	-1.3	Increased (decreased) volume/product mix Raw materials costs Cost reductions of production	-1.0 -1.0 0.7
Fixed costs, others	2.0	Lower sales promotion expenses System-related expenses Others	0.9 0.3 0.8
Wine and spirits	0.2	Increased (decreased) volume/product mix Cost/expense reductions	0.0 0.2
Others	0.0	Others	0.0
Alcoholic Beverages(Domestic)	0.9		
Sleeman Brewery(Canada)			1.7
Others			0.0
Alcoholic Beverages(Overseas)	1.6		
Soft Drinks	-0.1	Lower volume/product mix Cost reductions of production Lower sales promotion expenses Other cost reductions	-0.6 0.2 0.2 0.1
Restaurants	0.0	Increased sales volume Increased costs	0.1 -0.1
Real Estate	0.4	Sales Rent	-0.1 0.5
Others	0.0		
General Corporate	-0.4	Consolidation of administrative divisions	-0.4
Change in Operating Income	2.3		
Other income (expenses)	-0.7	Financial income (expenses) (-1.5 -2.5) Others(-0.2 0)	-0.9 0.2
Change in Ordinary Income	1.6		
Extraordinary gains and losses	-6.8	Gain on sales of property, plant and equipment(0.0 0.1) Gain on sales of investment securities(0.0 0.4) Other extraordinary gains(0.3 0.2) Loss on disposal of property, plant and equipment(0.9 0.7) Depreciation expenses resulting from revision of residual value(0.0 7.2) Impairment loss on disposal of property, plant and equipment(0.2 0.5) Devaluation of marketable securities and investments(0.2 0.0)	0.0 0.4 -0.1 0.2 -7.2 -0.3 0.2
Change in income taxes	3.6		
Change in Net Income	-1.6		