

Consolidated Earnings Report for the Third Quarter Ended September 30, 2005

October 28, 2005

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 September 30, 2005.

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

② Change in accounting policies : No

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

Consolidated subsidiaries(Eliminated) 1

2. Consolidated Results (January 1, 2005 to September 30, 2005)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
3Q 2005	334,983	(7.9)	5,070	(71.5)	2,624	(81.4)
3Q 2004	363,748	6.1	17,815	—	14,122	—
2004	494,929		23,647		18,005	

	Net Income		Net Income per Share		Diluted Net Income per Share	
	¥ million	%	¥		¥	
3Q 2005	770	(92.2)	2.17		1.92	
3Q 2004	9,822	—	27.64		25.23	
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 September 30, 2005, to those for the first quarter ended September 30, 2004.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	¥ million	¥ million	%	¥
Sep. 30, 05	544,465	95,797	17.6	269.89
Sep. 30, 04	628,107	97,358	15.5	274.03
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
3Q 2005	26,329	(21,432)	(50,104)	13,611
3Q 2004	24,196	(2,865)	6,682	36,667
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 August 5, 2005.

Consolidated Balance Sheets

(Million yen)

Item	As of Sep. 30, 2005	As of Sep 30, 2004	Change	As of December 31, 2004
[Assets]				
Current assets	128,724	143,784	(15,059)	184,109
Cash and cash equivalents	29,173	36,673	(7,499)	58,712
Notes and accounts receivable-trade	59,269	63,055	(3,785)	79,826
Inventories	23,893	25,281	(1,388)	23,054
Other	16,652	19,020	(2,367)	22,802
Allowance for doubtful receivables	(264)	(246)	(18)	(286)
Fixed assets	415,741	484,323	(68,581)	418,002
Property, plant and equipment, net	344,327	417,071	(72,743)	351,732
Intangibles	1,940	2,622	(681)	2,474
Investments and other assets	72,708	67,247	5,461	66,651
Allowance for doubtful receivables	(3,235)	(2,618)	(617)	(2,856)
Total Assets	544,465	628,107	(83,641)	602,111
[Liabilities]				
Current liabilities	207,001	210,554	(3,553)	233,614
Notes and accounts payable	35,033	37,234	(2,201)	34,790
Short-term bank loans and current portion of long-term debt	69,818	80,337	(10,519)	80,608
Liquor taxes payable	25,838	26,728	(890)	43,379
Other	76,312	66,254	10,057	74,835
Long-term liabilities	241,667	320,194	(78,527)	276,234
Bonds	49,720	89,720	(40,000)	59,720
Long-term bank loans	122,070	161,821	(39,751)	149,525
Employees' retirement benefits	17,019	16,527	491	16,657
Other	52,856	52,124	731	50,330
Total liabilities	448,668	530,749	(82,080)	509,848
[Minority Interests]				
Minority interests in consolidated subsidiaries	-	-	-	-
[Shareholders' Equity]				
Common stock	43,831	43,831	-	43,831
Capital surplus	36,245	36,242	2	36,241
Retained earnings	7,102	13,287	(6,184)	8,108
Unrealized holding gain on securities	9,309	4,561	4,747	4,803
Foreign currency translation adjustments	(264)	(301)	36	(385)
Treasury stock, at cost	(427)	(263)	(164)	(336)
Total shareholders' equity	95,797	97,358	(1,560)	92,263
Liabilities, Minority Interests and Shareholders' Equity	544,465	628,107	(83,641)	602,111

Consolidated Statements of Income

(Million yen)

Item	2005 Jan. 1, 2005 to Sep. 30, 2005	2004 Jan. 1, 2004 to Sep.30, 2004	Change	2004 Jan. 1, 2004 to Dec. 31, 2004
Net sales	334,983	363,748	(28,764)	494,929
Cost of sales	229,536	249,684	(20,147)	339,426
Gross profit	105,446	114,063	(8,616)	155,503
Selling, general and administrative expenses	100,376	96,247	4,128	131,855
Operating income	5,070	17,815	(12,745)	23,647
Non-operating income	1,509	1,596	(87)	2,030
Interest income and dividend income	549	553	(4)	742
Equity in income of affiliates	-	48	(48)	13
Other	959	995	(35)	1,274
Non-operating expenses	3,955	5,290	(1,334)	7,672
Interest expense	2,718	3,801	(1,082)	4,863
Loss on disposal of inventories	611	845	(233)	1,662
Equity in loss of affiliates	28	-	28	-
Other	596	643	(46)	1,146
Ordinary income	2,624	14,122	(11,498)	18,005
Extraordinary gains	2,032	1,710	322	9,894
Gain on sales of property, plant and equipment	858	1,143	(285)	2,409
Gain on sales of investment securities	1,078	391	687	454
Other	95	175	(79)	7,030
Extraordinary losses	2,743	959	1,783	20,138
Losses on disposal of property, plant and equipment	1,758	611	1,147	3,890
Other	985	348	636	16,247
Income before income taxes and minority interests	1,912	14,872	(12,959)	7,761
Current income taxes	404	5,018	(4,613)	3,671
Deferred income taxes	737	54	683	(614)
Minority interests	-	(22)	22	61
Net income	770	9,822	(9,052)	4,643

Consolidated Statements of Cash Flows

(Million yen)

Item	2005	2004	Change	2004
	Jan. 1, 2005 to Sep. 30, 2005	Jan. 1, 2004 to Sep. 30, 2004		Jan. 1, 2004 to Dec. 31, 2004
Cash flows from operating activities				
Income before income taxes and minority interests	1,912	14,872	(12,959)	7,761
Depreciation and amortization	16,458	19,196	(2,737)	25,329
Increase (decrease) in employees' retirement benefits	361	(133)	495	148
Increase (decrease) in allowance for doubtful receivables	357	(30)	387	251
Interest and dividend income	(549)	(553)	4	(742)
Interest expense	2,718	3,801	(1,082)	4,863
Gain on sales of property, plant and equipment	(858)	(1,143)	285	(2,409)
Loss on sales and disposal of property, plant and equipment	1,758	611	1,146	11,479
Gain on sales of investment securities	(1,055)	(391)	(664)	(451)
Decrease (increase) in notes and accounts receivable	20,581	10,462	10,118	(6,901)
Increase (decrease) in inventories	(838)	(303)	(534)	1,698
Increase in notes and accounts payable	223	5,631	(5,407)	3,590
Decrease in liquor taxes payable	(17,541)	(16,964)	(577)	(312)
Other	9,107	(4,781)	13,888	(4,568)
Subtotal	32,635	30,273	2,361	39,738
Interest and dividends received	659	605	54	713
Interest paid	(2,743)	(3,830)	1,086	(5,131)
Income taxes paid	(4,222)	(2,852)	(1,369)	(3,078)
Net cash provided by operating activities	26,329	24,196	2,132	32,242
Cash flows from investing activities				
Investment in time deposits	(15,476)	-	(15,476)	-
Purchases of investment securities	(491)	(211)	(280)	(361)
Proceeds from sales of investment securities	1,969	1,077	892	1,150
Purchases of property, plant and equipment	(7,532)	(5,141)	(2,391)	(7,756)
Proceeds from sales of property, plant and equipment	2,662	3,824	(1,161)	9,423
Increase in long-term loans receivable	(635)	(599)	(35)	(601)
Collection of long-term loans receivable	410	238	172	4,528
Other	(2,340)	(2,053)	(287)	46,932
Net cash provided by investing activities	(21,432)	(2,865)	(18,567)	53,314
Cash flows from financing activities				
Net decrease (increase) in short-term bank loans	(2,350)	18,368	(20,718)	(636)
Proceeds from long-term debt	8,000	6,106	1,894	6,106
Repayment of long-term debt	(23,895)	(30,968)	7,073	(33,989)
Proceeds from issuance of bonds	-	20,100	(20,100)	20,100
Redemption of bonds	(30,000)	-	(30,000)	(20,000)
Cash dividends paid	(1,771)	(1,765)	(5)	(1,772)
Other	(87)	(5,158)	5,070	(5,226)
Net cash used in financing activities	(50,104)	6,682	(56,786)	(35,418)
Effect of exchange rate changes on cash and cash equivalents	112	48	64	(36)
Net (decrease) increase in cash and cash equivalents	(45,094)	28,062	(73,156)	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	(149)	149
Cash and cash equivalents at end of year	13,611	36,667	(23,055)	58,706

(Segment Information)

1. Segment Information by Business

(Million yen)

	2005 Jan. 1, 2005 to Sep. 30, 2005							
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Elimination	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)

	2004 Jan. 1, 2004 to Sep.30, 2004							
	Alcoholic Beverage	Soft Drinks	Restaurants	Real Estate	Other	Total	Corporate & Elimination	Consolidated
I. Net Sales								
(1) Operating revenues	264,629	52,420	20,277	17,103	9,317	363,748	-	363,748
(2) Intra-group sales and transfers	3,890	187	-	3,897	19	7,995	(7,995)	-
Total	268,520	52,607	20,277	21,001	9,336	371,743	(7,995)	363,748
Operating expenses	254,810	52,028	20,177	16,050	9,758	352,826	(6,893)	345,932
Operating income (loss)	13,709	578	99	4,950	(421)	18,917	(1,101)	17,815

(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 Japan

(2) Main products in each segment

Business Segment	Main Products
Alcoholic Beverages	Beer, Happo-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 supplies
Other	Fitness club and other activities

(3) Unallocated operating expenses included in "Corporate & Eliminations" amounted to 1,460 million yen at September 30, 2005. At September 30, 2004, unallocated operating expenses were 1,241 million yen.

Condensed Consolidated Financial Results (as of, and for the 3 months ended September 30, 2005)

Condensed Consolidated Statements of Income

(Billions of yen)

	Jan. 1-Sep. 30, 2005	Jan. 1-Sep. 30, 2004	Change	% Change
Alcoholic Beverages	250.0	264.6	14.5	5.5%
Soft Drinks	48.4	52.4	3.9	7.5%
Restaurants	19.8	20.2	0.4	2.2%
Real Estate	16.1	17.1	0.9	5.6%
Others	0.4	9.3	8.8	95.5%
Net Sales	334.9	363.7	28.7	7.9%
Alcoholic Beverages	2.4	13.7	11.2	81.9%
Soft Drinks	0.7	0.5	1.4	-
Restaurants	0.3	0.0	0.2	291.0%
Real Estate	4.4	4.9	0.5	10.3%
Others	0.1	0.4	0.3	-
General corporate and intercompany eliminations	1.3	1.1	0.3	-
Operating Income	5.0	17.8	12.7	71.5%
Other Income	1.5	1.5	0.1	5.5%
Other Expenses	3.9	5.2	1.3	25.2%
Ordinary Income	2.6	14.1	11.4	81.4%
Extraordinary Gains	2.0	1.7	0.3	18.8%
Extraordinary Losses	2.7	0.9	1.8	185.8%
Income Before Income Taxes	1.9	14.8	12.9	87.1%
Net Income	0.7	9.8	9.0	92.2%

	Jan.1-Sep.30 2005	Jan.1-Sep.30 2004	Change	% Change
Financial Liabilities	241.6	331.8	90.3	27.2%
Capital Expenditures	7.5	5.6	1.9	33.3%
Depreciation and Amortization	16.4	19.1	2.7	14.3%

Major Elements of Selling, General & Administrative Expenses

(Billions of yen)

	Jan.1-Sep.30 2005	Jan.1-Sep.30 2004	Change	% Change
Selling, General and Administrative Expenses	100.3	96.2	4.1	4.3%
Sales Promotion	25.4	28.1	2.7	9.7%
Advertising	17.9	14.1	3.7	26.7%
Employees Salary and Bonus	13.5	13.5	0.0	0.2%
Retirement Benefit Expenses	2.7	2.6	0.1	4.6%
Others	40.6	37.6	2.9	7.8%

Condensed Consolidated Financial Results (as of, and for the 9 months ended September 30, 2005)

Major Changes in Income

indicates a negative change

(Billions of yen)

Major Factors	Change	Remarks	
		Details	Amount
Beer and related products	10.5		
Marginal profit	2.5	Increased volume/product mix	2.5
		Raw materials costs	0.0
		Others	0.0
Fixed costs, others	8.0	Higher sales promotion costs	7.1
		System-related costs	0.5
		Others	0.4
Wine and spirits	0.1	Higher sales promotion costs and others	0.1
Others	0.6	Transportation	0.2
		Others	0.4
Alcoholic Beverages	11.2		
Soft Drinks	1.3	Increased volume/product mix	1.0
		Others	0.3
Restaurants	0.2	Sapporo Lion	0.1
		Others	0.1
Real Estate	0.5	Sales	0.3
		Rent	0.2
Others	0.3		0.3
General corporate and intercompany eliminations	0.3	Sapporo Holdings	0.3
Change in Operating Income	12.7		
Other income (expenses)	1.3	Financial income (expenses) (3.2 2.1)	1.1
		Others (0.5 0.3)	0.2
Change in Ordinary Income	11.4		
Extraordinary gains and losses	1.5	Gain on sales of property, plant and equipment (1.1 0.8)	0.3
		Loss on disposal of property, plant and equipment (0.6 1.8)	1.2
		Gain on sales of securities (0.4 1.1)	0.7
		Others (0.2 0.9)	0.7
Change in income taxes	3.9		
Gain on minority interests	0.0		
Change in Net Income	9.0		