Financial Results
for the Year Ended December 31 30, 2010 — Consolidated
(Based on Japanese GAAP)

February 10, 2011

Company name	**Sapporo Holdings Limited**
Security code	2501
Listings	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Takao Murakami, President and Representative Director, Group CEO
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Scheduled dates:

Annual general meeting of shareholders	March 30, 2011
Filing of annual financial report	March 30, 2011
Commencement of dividend payments	March 31, 2011

1. Consolidated Financial Results for the Year Ended December 31, 2010 (January 1 – December 31, 2010)

(Amounts in million yen rounded down to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2010	389,244	0.4	15,403	19.4	14,328	33.6	10,772	137.5
Year ended December 31, 2009	387,534	(6.5)	12,895	(12.2)	10,725	1.9	4,535	(40.6)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended December 31, 2010	27.50	26.44	8.9	2.9	4.0
Year ended December 31, 2009	11.57	11.05	3.9	2.1	3.3

Note: Equity method investment gains or losses:
Year ended December 31, 2010: 610 million yen
Year ended December 31, 2009: 275 million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2010	494,798	126,645	25.3	319.32
December 31, 2009	506,874	118,590	23.4	302.16

Note: Shareholders' equity
December 31, 2010: 125,047 million yen
December 31, 2009: 118,371 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
December 31, 2010	27,431	(2,594)	(18,119)	13,270
December 31, 2009	12,454	(32,227)	3,745	6,267

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consol.)	Dividends to net assets (consol.)
	End Q1	End Q2	End Q3	Year-end	Full year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2009	—	0.00	—	7.00	7.00	2,742	60.5	2.3
Year ending December 31, 2010	—	0.00	—	7.00	7.00	2,741	25.5	2.3
Year ending December 31, 2011 (forecast)	—	0.00	—	7.00	7.00		45.7	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2011
(January 1 – December 31, 2010)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending June 30, 2011	205,000	15.7	1,700	41.0	100	(76.5)	(2,600)	—	—
Full year	482,000	23.8	18,000	16.9	15,500	8.2	6,000	(44.3)	15.32

4. Other

(1) Changes affecting the status of significant subsidiaries (scope of consolidation): None

(2) Changes in accounting principles, procedures, and methods of presentation used to prepare the financial statements

1) Changes in accordance with amendments to accounting standards: Yes
2) Changes other than the above: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued at end of period (treasury stock included):
December 31, 2010: 393,971,493 shares
December 31, 2009: 393,971,493 shares

2) Number of shares held in treasury at end of period:
December 31, 2010: 2,367,424 shares
December 31, 2009: 2,218,784 shares

Reference:

1. Non-consolidated Financial Results for the Year Ended December 31, 2010 (January 1 – December 31, 2010)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2010	9,590	5.7	6,546	7.4	6,955	3.1	4,588	(26.0)
Year ended December 31, 2009	9,072	(12.1)	6,092	(23.6)	6,745	(24.8)	6,202	42.2

	Net income per share	Diluted net income per share
	yen	yen
Year ended December 31, 2010	11.72	-
Year ended December 31, 2009	15.83	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2010	313,052	134,977	43.1	344.68
December 31, 2009	324,652	133,236	41.0	340.10

Note: Shareholders' equity
December 31, 2010: 134,977 million yen
December 31, 2009: 133,236 million yen

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "Outlook for the fiscal year ending December 31, 2010" on page12.

1. Operating results

(1) Analysis of operating results

a) Review of the fiscal year ended December 31, 2010

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2010	389,244	15,403	14,328	10,772
2009	387,534	12,895	10,725	4,535
Change (%)	0.4	19.4	33.6	137.5

In 2010, the Japanese economy experienced a mild recovery from the outset of the year, but a murky outlook marred by concern over economic downturn amid a subsequent easing of the pace of global economic recovery and a decline in exports caused by rapid yen appreciation resulted in ongoing weakness in consumer spending and downward pressure on prices.

The industries in which the SAPPORO Group operates were variously affected. The soft drinks business saw demand increase in response to record summer heat, but demand did not rise by as much as expected in the alcoholic beverage and restaurant industries, which were impacted heavily by lackluster consumer spending. In the real estate industry, Greater Tokyo office vacancy rates appeared to bottom out during the latter half of the year, but office rent levels were in continual decline throughout the year.

Amid such an environment, the Group worked on *implementing its growth strategy* and *strengthening existing operations*, the two basic themes identified by the SAPPORO Group Management Plan 2010–2011.

Our growth strategy involved various initiatives aimed at laying the groundwork for the future, including the following. We began constructing a brewery in Vietnam as part of our bid to enter the Vietnamese beer market, we entered into a business and capital alliance with Kyodo Milk Industry Co., Ltd., and we entered into a beer industry business alliance with the South Korean Maeil Dairies Co., Ltd. Meanwhile, to strengthen existing businesses, we pursued strategies that concentrated resources on certain brands and other areas of strength for our businesses. These efforts saw the Japanese Alcoholic Beverages business achieve year-over-year unit sales growth for the first time in six years and also resulted in year-over-year units sales growth in the International Alcoholic Beverages business and the Soft Drinks business and year-over-year sales growth in the Real Estate business.

As a result of these efforts, we achieved year-over-year growth in operating income in all business segments, excluding the International Alcoholic Beverages business's upfront investment costs associated with its entry into Vietnam. We also achieved substantial year-over-year gains in ordinary income and net income.

The Group's 2010 consolidated results are summarized as follows.

Net Sales

Consolidated net sales totaled ¥389.2 billion, a ¥1.7 billion or essentially 0% increase from 2009. The International Alcoholic Beverages business continued to reap strong sales in North America and the Soft Drinks business benefited from record summer heat and continued to post favorable performance thereafter. Both businesses consequently achieved substantial year-over-year gains in net sales. The Real Estate business also contributed with stable revenue growth.

Operating Income

Consolidated operating income increased by ¥2.5 billion or 19% to ¥15.4 billion. The Japanese Alcoholic Beverages business achieved operating income growth on the back of higher beer unit sales and production cost reductions. The International Alcoholic Beverages business achieved operating income growth thanks to increased unit sales in existing businesses, but upfront investment associated with its entry into Vietnam resulted in an overall profit decline.

The Soft Drinks business posted operating income growth and also achieved operating income growth as it continued to pursue a profitability strengthening program, which enabled it to fully absorb upfront investment in its food operations.

The Restaurant business's sales were down due to a demand slump and the closure of unprofitable restaurants. It nevertheless achieved operating income growth by clamping down on costs, including by negotiating reduced store rents, and by closing unprofitable restaurants.

The Real Estate business endeavored to cut costs while maintaining or boosting rent levels and occupancy rates and thus achieved operating income growth.

Ordinary Income

Consolidated ordinary income grew ¥3.6 billion or 34% to ¥14.3 billion, largely as a result of higher income from investments in equity-method affiliates POKKA Corporation and Azumino Food Co., Ltd.

Net Income

Consolidated net income increased ¥6.2 billion or 138% to ¥10.7 billion. The main factors behind the increase were year-over-year growth in both consolidated operating income and consolidated ordinary income and a gain on the sale of property, plant and equipment from the sale of the former Osaka plant site in 2010.

ROE

ROE increased markedly, from its 2009 level of 3.9% to 8.9% in conjunction with the 138% increase in consolidated net income.

(2) Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2009	2010	% change	2009	2010	% change
Alcoholic Beverages	305,495	304,218	(0.4)	8,176	9,804	19.9
Japan	*282,913*	*278,832*	*(1.4)*	*7,483*	*9,302*	*24.3*
International	*22,581*	*25,386*	*12.4*	*693*	*501*	*(27.7)*
Soft Drinks	30,745	34,438	*12.0*	301	526	74.8
Restaurants	28,026	27,050	*(3.5)*	(171)	108	—
Real Estate	23,266	23,536	*(1.2)*	7,524	8,003	(6.4)

Alcoholic Beverages

Alcoholic Beverages (Japan)

Despite record summer heat, total demand for beer and beer-type beverages in 2010 lingered at around 98% of 2009’s level, reflecting shifts in consumer spending toward other alcoholic beverages and soft drinks, imported new-genre beverages’ expanding presence, and other factors.

While demand for conventional beer and *happoshu* (low-malt beer) continues to fall, new-genre beer shipments evidently increased by about 10%, highlighting consumers' continued shift into this lower-priced segment of the beer market.

In this adverse operating environment, our Japanese Alcoholic Beverages business adopted the campaign slogan "Bringing more cheer to your 'Cheers!'" (translated from the Japanese). Under this slogan, the business focused marketing activities on its core Yebisu, SAPPORO Draft Beer Black Label, and *Mugi to Hop* brands while launching new products that offer new value propositions embodying SAPPORO beer's unique qualities.

As a result, total unit sales of all SAPPORO beer products in 2010 were up 0.8% versus 2009.

In the beer category, SAPPORO Draft Beer Black Label enjoyed strong demand, particularly from the household segment. Total unit sales for our Yebisu brand—now in its 120th year—were up 3.0% year over year, reflecting the success of Yebisu Silk, now a year-round product, through which we have tapped into new customer segments, particularly female consumers. As a result, beer unit sales declined by only 2.8% year over year, outperforming total beer demand, which was down approximately 4%.

Unit sales of our new-genre beer products were up 11.5% versus 2009, outstripping growth in total demand for new-genre products. We enjoyed a 23.5% increase in unit sales of *Mugi to Hop*, now in its third year since launch, making 2010 the second consecutive year of over-20% growth for the brand. New-genre beer sales also were boosted by the September launch of SAPPORO Creamy White, a new product brewed with a proprietary process that yields a creamy and long-lasting foam head.

In the low-alcohol category, our Nectar Sour Sparkling Peach carbonated beverage outperformed its unit sales plan reflecting the excellent reaction to its flavor and originality, particularly among female consumers.

The wine business's revenues were down overall, partly owing to contraction of the domestic wine market, but the business achieved its fourth consecutive year of earnings growth. Among imported wines, the Yellow Tail series, which added Moscato to its lineup, performed well. In the domestic wine category, the Grande Polaire series, a premium wine that uses 100% domestically grown grapes, enjoyed growth reflecting recognition of its high quality.

Shochu unit sales were up year over year amid a faltering barley-shochu market. In the premium shochu category, shochu unit sales were boosted by increased recognition for Waramugi, which won the major prize in the premium shochu category at the Fukuoka Regional Tax Bureau's sake and shochu awards. Mass-market shochu brands faced increasingly stiff price competition. Although sales for the shochu business as a whole were down year over year, we have been working since 2008 to improve the business's earnings structure, primarily by culling or consolidating unprofitable products, and the business produced positive operating income as a result.

Overall, our Japanese Alcoholic Beverages business achieved operating income of ¥9.3 billion (up ¥1.8 billion or 24% from 2009) on sales of ¥278.8 billion (down ¥4.0 billion or 1% from 2009), as increased beer and beer-type beverage unit sales and reduced manufacturing costs offset an increase in depreciation charges due to the launch of our new sales and logistics system.

Alcoholic Beverages (International

North American beer demand remained relatively sluggish despite indications that consumers might be starting to increase their spending. Industry-wide demand appears to have contracted by around 1–2% versus 2009. The Asian beer market, however, is steadily expanding in tandem with the region's strong economic growth.

In this environment, the International Alcoholic Beverages business continued to actively focus on sales to the premium market segment. Canadian subsidiary SLEEMAN Breweries' unit sales (excluding outsourced production of SAPPORO brand products) grew 5% from 2009, their fourth consecutive year-over-year increase. SAPPORO USA's SAPPORO brand unit sales rose 13% versus 2009. Unit sales outside of North America, which are concentrated mainly in Asia, jumped by 24% versus 2009.

In December 2009, we reached a decision to enter the Vietnamese market. In partnership with the state-owned Vietnam National Tobacco Corp. (Vintaba), we commenced brewery construction in July and we continue to formulate a marketing strategy and build a distribution network in preparation for locally producing and selling beer in Vietnam. In the Singaporean market, we began expanding sales channels in the household market in cooperation with POKKA Corporation. We also announced our intention to make a full-fledged entry into beer sales in South Korea through both the household and commercial-use markets.

As a result of these efforts, the International Alcoholic Beverages business achieved operating income of ¥0.5 billion in 2010 (down ¥0.1 or 28% from 2009) on sales of ¥25.3 billion (up ¥2.8 billion or 12% from 2009), despite startup costs in Vietnam.

Soft Drinks

Our estimates indicate that the soft drink market expanded by around 3% in 2010, despite a year-over-year decline in the first half in the wake of the economic downturn. A major factor behind the full-year increase was record-high temperatures in July through September, which spurred demand, particularly for sports drinks.

Against this background, the Soft Drink business embarked on a growth strategy based on brand-building and pursued measures designed boost its operating margin.

The business continued to tighten the focus of its marketing investment and sales efforts on its core brand products, thereby strengthening and developing its brands. For the Ribbon and Gabunomi series, we actively carried out promotional campaigns and in-store measures designed to boost sales. For Gerolsteiner naturally carbonated water from Germany, we carried out sample distribution in major cities, ran television commercials, and conducted other promotions. Also boosted by growth in sales of new products, such as Sonomama Zukuri, which offers all-natural fruit juice flavors, the Soft Drinks unit sales were up 2% versus 2009.

We continued to implement cost-structure reforms throughout the value chain in the aim of laying a stable earnings foundation for the business. Specifically, we worked to derive synergies from our alliance with POKKA Corporation, optimize production operations, reduce procurement costs, and reduce losses from waste and spoilage. These efforts enabled us to maximize profit.

In our food business, we continued to grow sales of SAPPORO Potekaru non-fried potato chips, including by expanding sales coverage to include all of Japan except Okinawa Prefecture and expanded the lineup to seven flavors.

As a result, the Soft Drinks business achieved net sales of ¥34.4 billion in 2010 (up ¥3.6 billion or 12% from 2009).

Restaurants

The Japanese restaurant industry has entered a phase of intensifying price competition as increasingly frugal consumers dine out less often.

In response, our Restaurants business has been working to attract customers back to its existing locations through differentiation strategies centering on campaigns featuring various SAPPORO beer brands, celebrating the 111th anniversary of the company's founding, and offering seasonal menus. We also stepped up marketing to corporate customers amid signs of a recovery in the corporate events market segment. And as part of ongoing profit-structure reforms in 2010, we clamped down on costs, including by negotiating reduced store rents, and closed 14 unprofitable locations.

During the period, we tapped further into group synergies by opening a second Yebisu Bar location and a Brasserie Ginza Lion beer hall together at the Kasumigaseki Common Gate complex in January. In July, we opened another Brasserie Ginza Lion beer hall in Tokyo Station's Yaesu underground shopping area, and in October we opened a Ginza Lion within the New Chitose Airport in Hokkaido. We consequently had a total of 202 locations operating at the end 2010.

As a result, the Restaurants business achieved net sales of ¥27.0 billion in 2010 (down ¥0.9 billion or 3% versus 2009) and operating income of ¥0.1 billion (up ¥0.2 billion versus 2009).

Real Estate

In the Greater Tokyo office leasing market, occupancy rates appeared to stop falling to a degree in the latter half of 2010, but rents remained in a downtrend throughout the year.

The Real Estate business endeavored to maintain occupancy rates and rent levels for its existing office buildings while making additional cost cuts but was adversely affected by falling rents for offices in the Greater Tokyo area. Real estate development activities during 2010 included completion of the Shinjuku Square office building in June and continued work on an extension to our Pal Urayasu fitness facility in Urayasu, Chiba.

In April, we acquired the recently built Shibuya Sakuragaoka Square office building, which operated at high occupancy.

Real Estate business earnings for 2010 were also boosted by a number of properties acquired and/or opened in 2009, including the Rose City Higashi Sapporo rental housing complex, the Ebisu Square office building, and the MLB cafe Tokyo, a commercial property in Ebisu.

Overall, the Real Estate business booked sales of ¥23.5 billion in 2010 (up ¥0.2 billion or 1% versus 2009) and operating income of ¥8.0 billion (up ¥0.4 or 6% billion versus 2009).