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
Contact Yoichi Kato, Director and General Manager of the Corporate Planning Department
Telephone +81-3-5423-7407
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).

b) Outlook for the fiscal year ending December 31, 2010

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2011 forecast	482,000	18,000	15,500	6,000
2010 results	389,244	15,403	14,328	10,772
Projected increase (%)	23.8	16.9	8.2	(44.3)

In 2011, in accord with the SAPPORO Group Management Plan 2011-2012, a rolling two-year plan, the Group will focus on three key scenarios aimed at shifting into a new growth trajectory: enhancing the existence value of new businesses, building unique competitiveness in existing businesses, and management structure strengthening to ensure execution of growth strategies. We regard the coming two years particularly as a time for completing our shift into our new growth trajectory in the aim of generating dynamic future growth for the SAPPORO Group.

We intend to make POKKA Corporation a consolidated subsidiary, as announced in a press release on February 10,2011. The expected impact on our consolidated results from the fiscal second quarter onward has been incorporated into the figures below.

Net Sales

We project 2011 consolidated net sales of ¥482.0 billion, a ¥92.7 billion or 24% increase from 2010.

In the Alcoholic Beverages business, we aim to expand domestic sales by pursuing a strategy focused on growing existing brands while also laying the foundations for growth in the non-alcoholic beer and low-alcohol beverages markets, which we expect to expand. Overseas, we will pursue further market penetration of our brands in the US and Canada and pursue sales growth in the Asian region, particularly in the Vietnamese market, which we have just entered.

In the Soft Drinks business, we expect to achieve sales growth by pursuing marketing strategies focused primarily on developing and strengthening existing brands. In the Restaurants business, we will pursue an expansion strategy focused on our small-to-medium-sized formats Yebisu Bar and Brasserie, but we expect sales to decline because we will also close unprofitable locations.

In the Real Estate business, we will pursue growth and expansion by maintaining and boosting occupancy rates, raising rents, acquiring new properties, and redeveloping existing ones.

Other businesses: In our food operations, which we shifted out of the Soft Drinks business from 2011, we completed expansion of our sales areas and product lineup in 2010, and now intend to expand sales.

Operating Income

We project 2011 consolidated operating income of ¥18.0 billion, ¥2.5 billion or 17% increase from 2010. In the Alcoholic Beverages business, we hope to secure stable operating income in the domestic market as a result of increased net sales as well as ongoing cost control. Overseas, we will incur upfront investment costs as we continue to put our Vietnam brewery into operation, which we expect to result in lower operating income year over year, despite earnings growth from existing overseas business on the back of expanding unit sales.

In the Soft Drinks and Restaurant businesses, we expect to increase operating income by continuing to implement measures to strengthen profitability.

In the Real Estate business, we project operating income growth on the back of full-year contributions from properties acquired last year as well as cost reductions.

Other businesses: We expect our food operations to post operating income growth due to net sales expansion.

Ordinary Income

We project 2011 consolidated ordinary income of ¥15.5 billion, a ¥1.1 billion or 8% increase from 2010, by virtue of growth in consolidated operating income.

Net Income

We project 2011 consolidated net income of ¥6.0 billion, a ¥4.7 billion or 44% decline from 2010. The main factor underlying this change is nonrecurrence in 2011 of gains on sales of property, plant and equipment booked in 2010.

ROE

We expect ROE to decrease to 4.8% in 2011 from 8.9% in 2010 as a result of the projected decrease in consolidated net income reflecting nonrecurrence of gains on sales of property, plant and equipment.

(2) Outlook by Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2010	2011	% change	2010	2011	% change
Japanese Alcoholic Beverages	279,311	286,700	2.6	9,234	9,800	6.1
International Alcoholic Beverages	*25,386*	*29,200*	*15.0*	*502*	*100*	*(80.1)*
Soft Drinks	33,946	37,400	10.2	1,287	700	(45.6)
POKKA Group	—	78,900	—	—	2,300	—
Restaurants	26,429	25,500	(3.5)	150	400	166.6
Real Estate	23,536	23,000	(2.3)	8,003	8,300	3.7
Other	634	1,300	104.8	(733)	(400)	—

Changes to Presentation of Segment Information due to Adoption of New Accounting Standard

From the first quarter of fiscal 2011, the Company adopted the *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (and its associated Guidance). In accordance with the standard and guidance, the Company identifies segments using a simplified method based on the management approach. The expected impact on Pokka Group results from the fiscal second quarter onward has been incorporated into the figures below.

Japanese Alcoholic Beverages

We expect the Japanese Alcoholic Beverages business's operating environment to remain adverse as the drinking population declines, consumer preferences grow increasingly diverse, and deflationary pressure weighs on the economy.

In such an environment, we will cultivate a market presence based on SAPPORO's unique qualities, further enhance profitability, and work to raise our corporate value and brand value. We also hope to go beyond providing mere satisfaction to inspire excitement and joy among customers through our products.

In the beer sector, we will focus on our three core brands, Yebisu, SAPPORO Draft Beer

Black Label, and *Mugi to Hop*, as we did in 2010, and work to enhance our presence in a market that is becoming increasingly polarized between premium and low-price products. By doing so, we aim to achieve a second consecutive year of beer unit sales growth and increase our market share.

In the expanded non-alcoholic beer beverages category, we will launch a new product named SAPPORO Premium Alcohol Free, to appeal to untapped market needs in terms of taste and quality perception. With regard to low-alcohol products, which strongly substitute for household beers, we will continue developing products that embody SAPPORO's unique qualities as we lay the groundwork for growth in this expanding area.

Both the wine and shochu businesses are now income generators, and this year we will conduct active marketing programs aimed at growing them into diversified flagship businesses.

Cost-wise, we will continue to strengthen the Japanese Alcoholic Beverages' earnings base by continuing to implement effective procurement policies in response to fluctuations in ingredient and raw material prices, enhance production operations' flexibility, and further improve cost-effectiveness, particularly with respect to sales promotion expenditures.

International Alcoholic Beverages

Uncertainty about whether the economy will revert to a full-fledged recovery continues to overshadow the North American region. We therefore expect total demand in the North American beer market to be largely flat. In this environment, our International Alcoholic Beverages business aims to continue solidifying its North American market position by capitalizing on its strengths in the premium beer category.

In the Canadian market, SLEEMAN Breweries will continue executing aggressive marketing investments to maintain and enhance the value of its core premium brands. Including sales of its growing value brands, the company aims to achieve unit sales growth that exceeds total demand growth.

In the US market, where SAPPORO USA is our core subsidiary, we aim to achieve unit sales growth in excess of the total demand growth rate. To do so, we will continue to target the American-Japanese segment, as we have done until now, while also strengthening our presence in the wider American market and the American-Asian market also.

Outside of North America, we aim to boost sales by actively engaging in growth markets in Asia and elsewhere while also bolstering our foundations and further developing our business in the International Alcoholic Beverages business with an eye on opportunities to tap into new markets.

In the Vietnamese market specifically, our currently under-construction brewery is scheduled for completion in Autumn 2011, and we will continue to prepare for our full-fledged entry into the market, including by continuing to formulate a marketing strategy and build a distribution network.

At the end of 2010, we announced our intention to re-enter the South Korean market. We have entered into a business alliance with Maeil Dairies Co., Ltd., a major South Korean milk producer, and begun selling beer to the household and commercial-use markets through Maeil's sales network.

In Singapore, we began expanding sales channels into the household market in cooperation with POKKA Corporation in 2010, and we will continue strengthening our business foundations in Singapore in 2011.

Soft Drinks

Although signs of economic recovery are emerging, consumer sentiment is recovering only slowly and preference for low prices remains firmly entrenched. We therefore expect total demand in the soft drinks industry to fall slightly again in 2011. In this environment, we have designated 2011 as a period for transitioning to a new growth process in the Soft Drinks business in the aim of fulfilling our management vision. We intend to expand and bolster the business by pursuing strategies focused acutely on strengthening brands and earnings quality.

Specifically, we will continue to concentrate marketing investment and sales efforts on core brands, including Gerolsteiner (naturally carbonated water from Germany), the Gabunomi series, and the Ribbon series. We will also continue to evolve our innovative value propositions in the aim of communicating SAPPORO's unique qualities to customers through our products with even greater verve.

In terms of costs, we will pursue efforts to strengthen profitability through a rigorous select-and-focus approach (i.e., selectively focusing resources on key areas). We will work to derive synergies from our alliance with POKKA Corporation, implement comprehensive reforms in procurement, production, logistics, and supply-chain management, and reduce operating costs.

Restaurants

The Japanese restaurant industry has entered a phase of intensifying price competition as increasingly frugal consumers dine out less often. We thus expect the operating environment to remain adverse.

In this environment, we will continue to conduct various promotional campaigns aimed at attracting customers back to our Restaurants business's existing locations. As part of our ongoing profit-structure reforms, we will continue to close unprofitable locations, reduce fixed costs, such as rents, and control personnel expenses through tighter work-shift management.

New restaurant openings will focus on the Yebisu Bar format and the small-scale Brasserie format. We will also endeavor to open restaurants at facilities managed by the SAPPORO Group and at vacated commercial premises where we are able to keep store-opening costs down.

Real Estate

We expect office leasing market conditions to remain adverse, but the rental housing market should pick up to a degree.

In response, our Real Estate business will seek to maintain earnings by increasing occupancy rates and raising rents at existing buildings, most notably Yebisu Garden Place, while also benefiting from income generated over the full year by Shibuya Sakuragaoka Square, a Shibuya area office building that we acquired in 2010. We will also endeavor to enhance profitability by continuing to raise the occupancy rate at Shinjuku Square, a Shinjuku area office building that we developed in 2010.

(2) Review of Consolidated Financial Condition

(a) Consolidated Financial Condition

Consolidated assets totaled ¥494.7 billion at December 31, 2010, a ¥12.0 billion decrease from December 31, 2009. The decrease was attributable to a reduction in property, plant and equipment due to the sale of real estate holdings, partially offset by an increase in current assets comprising an increase in cash and cash equivalents.

Consolidated liabilities totaled ¥368.1 billion, a ¥20.1 billion decrease from December 31, 2009, largely due to reductions in bank loans and deposits received.

Consolidated net assets totaled ¥126.6 billion, an ¥8.0 billion increase from December 31, 2009. The increase was largely attributable to growth in retained earnings and an increase minority interests, partially offset by a decrease in the foreign currency translation adjustment account balance as a result of yen appreciation.

(b) Consolidated Cash Flows

Consolidated cash and cash equivalents (collectively, “cash”) totaled ¥13.2 billion at December 31, 2010, a ¥7.0 billion or 112% increase from December 31, 2009. The increase resulted from positive cash provided by operating activities and proceeds from the sale of property, plant and equipment, partially offset by the repayment of bank loans.

Following are consolidated cash flow figures for 2010 and an overview of factors that affected each category.

Cash flows from operating activities

Operating activities provided net cash of ¥27.4 billion, a ¥14.9 billion or 120% increase from 2009. Major sources of operating cash flow included ¥17.7 billion in income before taxes and minority interests and ¥22.5 billion in depreciation and amortization. Major uses of operating cash flow included a ¥7.8 billion reduction in deposits received.

Cash flows from investing activities

Investing activities used net cash of ¥2.5 billion, a ¥29.6 billion or 92% decrease from 2009. Major investment outflows included ¥2.8 billion spent to purchase investment securities and ¥17.5 billion spent to acquire property, plant and equipment, partially offset by ¥23.7 billion in proceeds from sales of property, plant and equipment.

Cash flows from financing activities

Financing activities used net cash of ¥18.1 billion (versus a net cash inflow of ¥3.7 billion in 2009). Major financing inflows included ¥15.6 billion in proceeds from long-term bank loans and ¥11.9 billion from the issuance of bonds. Major outflows included ¥16.3 billion in repayments of short-term bank loans, ¥16.2 billion in repayments of long-term bank loans, and ¥10.0 billion in bond redemptions.

Cash Flow Indicators

	As of December 31,				
	2006	2007	2008	2009	2010
Equity ratio (%)	19.2	22.3	22.1	23.4	25.3
Equity ratio based on market capitalization (%)	43.5	62.8	41.5	33.9	29.1
Cash flow to interest-bearing debt (years)	9.4	8.0	9.9	18.4	7.8
Interest coverage ratio (%)	9.1	7.2	6.0	3.5	7.6

Equity ratio: Total net assets / Total assets
Equity ratio based on market capitalization: Market capitalization / Total assets
Cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest expense
Notes:

1. All of the above indicators are calculated based on consolidated financial statement data.
2. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury stock.
3. “Cash flow” is operating cash flow.
4. Of the debt carried on the consolidated balance sheet, interest-bearing debt is total debt on which interest is currently payable.

(3) Dividend Policy and Dividends for 2010 and 2011

Providing fair returns to our shareholders is a key management policy of our Group. Our basic policy is to pay stable dividends to the extent permitted by our operating performance and financial condition.

We also aim to maximize corporate value by internally retaining funds to strengthen our financial base and strategically invest in growth businesses in accord with our Management Plan.

In accordance with these policies, we plan to pay annual dividends for 2010 of ¥7 per share.

For 2011, we plan to again pay annual dividends of ¥7 per share by steadily carrying out our Management Plan while also making strategic investments and strengthening our financial foundation.

Dividends for 2010 and 2011 (yen per share)

	Interim	Year-end	Total
2010	0.00	7.0	7.0
2011	0.00	7.0	7.0

2. Management Policy

(1) Fundamental Management Policy

The SAPPORO Group's management philosophy is "to make people's lives richer and more enjoyable." In conducting its business activities, the SAPPORO Group strives to maintain integrity and corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value. This is our fundamental management policy.

(2) Operating Performance Targets

The SAPPORO Group's New Management Framework's management targets for 2016 are as follows.

Consolidated net sales:	¥600 billion
Consolidated operating income:	¥40 billion yen
Debt/equity ratio:	around 1.0
ROE:	above 8%

(3) Medium- to Long-Term Management Strategies

In October 2007, we unveiled the SAPPORO Group's New Management Framework with targets for 2016, the 140th anniversary of the Group's founding.

The New Management Framework's basic strategies are as follows.

1) Create High-Value-Added Products and Services

In all of our businesses, we will build sustained market advantages and pursue maximal capital efficiency by concentrating management resources in market segments where we are most competitive. We will create high value-added, placing priority on "providing valuable products and services that customers can identify with" as a shared Group value.

2) Form Strategic Alliances

Instead of single-mindedly operating our businesses on a stand-alone basis, we will form strategic alliances with strong partners to amplify our strengths, complement our functional capabilities, and gain access to know-how in the aim of expeditiously gaining competitive advantages on a large scale.

3) Promote International Expansion

We will pursue overseas expansion of not only alcoholic beverage operations but also soft drink and food operations also. We aim to build brands in overseas markets by capitalizing on operational alliances and proprietary technological capabilities.

4) Expand Group Synergies

We will pursue greater inter-business synergies through flexible coordination and cooperation that transcends individual Group companies and organizational frameworks. We aim to maximize both operational and strategic synergies.

(4) Issues to be Addressed

We formulated the SAPPORO Group Management Plan 2011-2012, a revision of the SAPPORO Group Management Plan 2010-2011 as a two-year rolling plan that takes into account internal and external environmental changes.

Under the SAPPORO Group Management Plan 2011-2012, we will undertake the following initiatives.

We have pursued various growth strategies in recent years, including the launch of a food business, our strategic alliance with POKKA Corporation, and our entry into the Vietnamese beer market. We will implement various measures under these strategies to enhance the presence of our businesses and produce definitive results. We will also continue to lay the groundwork for future growth.

We also plan to strengthen our core business through measures based on maximizing existing strengths to further reinforce our Group’s foundations.

Finally, we will bolster our management structure to enable speedy, functional management of our businesses, which are expanding and diversifying as we execute our growth strategy.

We regard management rooted in corporate social responsibility (CSR) as a key strategy conducive to our Group’s sustained growth. We will conduct programs targeted at specific issues, such as food safety, drunken driving and other alcohol-related problems, the environment, and climate change. Additionally, we will continue to build CSR and compliance programs as the foundation that always governs our corporate behavior, and implant CSR and compliance within our corporate culture through in-house education.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2010	December 31, 2009
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	13,390	6,387
2 Notes and accounts receivable - trade	61,352	60,120
3 Marketable securities	2	47
4 Merchandize and finished products	12,412	13,258
5 Raw materials and supplies	9,756	9,689
6 Deferred tax assets	2,810	2,787
7 Refundable income taxes	-	1,236
8 Other	10,173	8,941
9 Allowance for doubtful receivables	(161)	(192)
Total current assets	109,737	102,277
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	357,769	361,276
Accumulated depreciation	(185,485)	(184,898)
Buildings and structures, net	172,284	176,378
(2) Machinery and vehicles	180,519	182,373
Accumulated depreciation	(142,521)	(138,387)
Machinery and vehicles, net	37,997	43,986
(3) Land	77,583	84,384
(4) Construction in progress	3,563	8,487
(5) Other	20,400	19,784
Accumulated depreciation	(15,201)	(15,182)
Other, net	5,199	4,601
Total property, plant and equipment	296,629	317,838
2 Intangible assets		
(1) Goodwill	14,128	14,926
(2) Other	10,331	6,967
Total intangible assets	24,459	21,894
3 Investments and other assets		
(1) Investment securities	38,027	35,390
(2) Long-term loans receivable	10,396	11,072
(3) Deferred tax assets	2,649	4,824
(4) Other	14,493	15,339
(5) Allowance for doubtful receivables	(1,594)	(1,763)
Total investments and other assets	63,972	64,863
Total fixed assets	385,061	404,596
Total assets	494,798	506,874

(millions of yen)

	December 31, 2010	December 31, 2009
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	24,348	20,185
2 Short-term bank loans	28,089	36,735
3 Current portion of long-term debt	20,000	10,000
4 Liquor taxes payable	34,253	35,242
5 Income taxes payable	1,818	843
6 Accrued bonuses	2,055	1,638
7 Deposits received	19,218	27,084
8 Other	37,259	37,523
Total current liabilities	167,043	169,252
II Long-term liabilities		
1 Bonds	35,843	43,843
2 Long-term bank loans	97,402	106,216
3 Deferred tax liabilities	13,455	12,097
4 Employees' retirement benefits	7,190	7,487
5 Directors’ and corporate auditors’ severance benefits	42	45
6 Dealers' deposits for guarantees	31,935	32,011
7 Other	15,239	17,330
Total long-term liabilities	201,109	219,032
Total liabilities	368,152	388,284
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,315	46,318
3 Retained earnings	28,317	20,286
4 Treasury stock, at cost	(1,190)	(1,131)
Total shareholders' equity	127,329	119,360
II Valuation and translation adjustments		
1 Unrealized holding gain on securities	2,985	2,637
2 Deferred hedge gains (losses)	(7)	0
3 Foreign currency translation adjustments	(5,258)	(3,627)
Total valuation and translation adjustments	(2,281)	(988)
III Minority Interests	1,597	218
Total net assets	126,645	118,590
Total liabilities and net assets	494,798	506,874

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2009
	Amount	Amount
I Net sales	389,244	387,534
II Cost of sales	261,211	267,690
Gross profit	128,032	119,843
III Selling, general and administrative expenses		
1 Sales incentives and commissions	20,389	18,972
2 Advertising and promotion expenses	17,196	16,717
3 Salaries	19,180	18,906
4 Provision for bonuses	1,245	931
5 Retirement benefit expenses	2,865	3,119
6 Other	51,752	48,299
Total selling, general and administrative expenses	112,629	106,947
Operating income	15,403	12,895
IV Non-operating income		
1 Interest income	485	398
2 Dividend income	572	536
3 Foreign exchange gain	11	50
4 Gain (loss) on gift voucher redemptions	677	532
5 Equity in income of affiliates	610	275
6 Other	581	431
Total non-operating income	2,939	2,226
V Non-operating expenses		
1 Interest expense	3,646	3,623
2 Other	366	773
Total non-operating expenses	4,013	4,396
Ordinary income	14,328	10,725
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	16,575	948
2 Gain on sales of investment securities	657	19
3 Reversal of provision for doubtful receivables	61	-
4 Reversal of removal costs	569	
Total extraordinary gains	17,864	967
VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,723	1,523
2 Loss on sales of property, plant and equipment	8,409	-
3 Impairment loss	2,374	925
4 Loss on devaluation of investment securities	1,245	24
5 Loss on sale of investment securities	12	-
6 Business structure improvement expenses	664	-
7 Loss on devaluation of inventories	-	125
Total extraordinary losses	14,430	2,818
Income before income taxes and minority interests	17,762	8,874
Current income taxes	3,170	912
Deferred taxes	3,822	3,437
Total income taxes	6,993	4,350
Minority interests in gains (losses)	(3)	(11)
Net income	10,772	4,535

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2009
	Amount	Amount
I Cash flows from operating activities		
1 Income before income taxes and minority interests	17,762	8,874
2 Depreciation and amortization	22,504	22,546
3 Loss on impairment of property, plant and equipment	2,374	925
4 Amortization of goodwill	1,172	1,032
5 Increase (decrease) in employees' retirement benefits	(296)	(43)
6 Increase (decrease) in allowance for doubtful receivables	(197)	(23)
7 Interest and dividend income	(1,058)	(935)
8 Interest expense	3,646	3,623
9 (Gain) loss on sales of property, plant and equipment	(16,575)	(948)
10 (Gain) loss on sales and disposal of property, plant and equipment	10,133	1,523
11 (Gain) loss on sales of investment securities	(644)	(19)
12 (Gain) loss on devaluation of investment securities	1,245	244
13 (Increase) decrease in notes and accounts receivable - trade	(1,597)	2,667
14 (Increase) decrease in inventories	571	(980)
15 (Increase) decrease in other current assets		5,976
16 Increase (decrease) in notes and accounts payable - trade	4,275	(3,884)
17 Increase (decrease) in liquor taxes payable	(942)	(433)
18 Increase (decrease) in deposits received	(7,866)	(19,751)
19 Increase (decrease) in other current liabilities	610	(4,402)
20 Other	(4,127)	(1,835)
Sub total	30,990	14,156
21 Interest and dividends received	1,134	932
22 Interest paid	(3,616)	(3,544)
23 Income taxes paid	(2,289)	(1,951)
24 Income taxes refunded	1,211	2,862
Net cash provided by (used in) operating activities	27,431	12,454
II Cash flows from investing activities		
1 Purchases of investment securities	(2,812)	(1,468)
2 Proceeds from redemption and sale of investment securities	790	56
3 Purchases of affiliates' securities	(760)	(8,042)
4 Purchases of newly consolidated subsidiaries	(1,608)	-
5 Purchases of property, plant and equipment	(17,527)	(18,398)
6 Proceeds from sales of property, plant and equipment	23,746	1,439
7 Purchases of intangibles	(2,047)	(3,429)
8 Increase in long-term loans receivable	(21)	(755)
9 Collection of long-term loans receivable	665	207
10 Other	(3,018)	(1,835)
Net cash provided by (used in) investing activities	(2,594)	32,227
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(16,365)	(6,398)
2 Proceeds from long-term bank loans	15,600	50,000
3 Repayment of long-term bank loans	(16,287)	(17,254)
4 Proceeds from issuance of bonds	11,952	-
5 Redemption of bonds	(10,000)	(19,710)
6 Cash dividends paid	(2,741)	(2,739)
7 Purchase of treasury stock	(74)	(119)
8 Proceeds from sale of treasury stock	13	39
9 Other	(215)	(71)
Net cash provided by (used in) financing activities	(18,119)	3,745
IV Effect of exchange rate changes on cash and cash equivalents	285	77
V Net increase (decrease) in cash and cash equivalents	7,002	(15,949)
VI Cash and cash equivalents at beginning of period	6,267	22,217
VII Cash and cash equivalents at end of period	13,270	6,267

(4) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2009
	Amount	Amount
Shareholders' Equity		
Common stock		
Balance at end of previous period	53,886	53,886
Balance at end of period	53,886	53,886
Capital surplus		
Balance at end of previous period	46,318	46,325
Changes during period		
Disposition of treasury stock	(2)	(7)
Total changes during period	(2)	(7)
Balance at end of period	46,315	46,318
Retained earnings		
Balance at end of previous period	20,286	19,972
Changes due to change in accounting policies applied to foreign subsidiaries	-	(1,477)
Changes during period		
Cash dividends	(2,742)	(2,743)
Net income	10,772	4,535
Total changes during period	8,030	1,791
Balance at end of period	28,317	20,286
Treasury stock		
Balance at end of previous period	(1,131)	(1,058)
Changes during period		
Purchase of treasury stock	(74)	(119)
Disposition of treasury stock	16	46
Total changes during period	(58)	(73)
Balance at end of period	(1,190)	(1,131)
Total shareholders' equity		
Balance at end of previous period	119,360	119,126
Changes due to change in accounting policies applied to foreign subsidiaries	-	(1,477)
Changes during period		
Cash dividends	(2,742)	(2,743)
Net income	10,772	4,535
Purchase of treasury stock	(74)	(119)
Disposition of treasury stock	13	39
Total changes during period	7,968	1,711
Balance at end of period	127,329	119,360

Valuation and translation adjustments		
Unrealized holding gain on securities		
Balance at end of previous period	2,637	3,046
Changes during period		
Net change in items other than shareholders' equity during period	347	(408)
Total changes during period	347	(408)
Balance at end of period	2,985	2,637
Deferred hedge gains (losses)		
Changes during period	0	-
Net change in items other than shareholders' equity during period	(8)	0
Total changes during period	(8)	0
Balance at end of period	(7)	0
Foreign currency translation adjustments		
Balance at end of previous period	(3,627)	(5,536)
Changes during period		
Net change in items other than shareholders' equity during period	(1,631)	1,909
Total changes during period	(1,631)	1,909
Balance at end of period	(5,258)	(3,627)
Total valuation and translation adjustments		
Balance at end of previous period	(988)	(2,490)
Changes during period		
Net change in items other than shareholders' equity during period	(1,292)	1,501
Total changes during period	(1,292)	1,501
Balance at end of period	(2,281)	(988)
Minority interests		
Balance at end of previous period	218	226
Changes during period		
Net change in items other than shareholders' equity during period	1,378	(7)
Total changes during period	1,378	(7)
Balance at end of period	1,597	218
Total net assets		
Balance at end of previous period	118,590	116,862
Changes due to change in accounting policies applied to foreign subsidiaries	-	(1,477)
Changes during period		
Cash dividends	(2,742)	(2,743)
Net income	10,772	4,535
Purchase of treasury stock	(74)	(119)
Disposition of treasury stock	13	39
Net change in items other than shareholders' equity during period	86	1,494
Total changes during period	8,054	3,205
Balance at end of period	126,645	118,590

5.Segment Information

a. Segment Information by Business

(millions of yen)

	Year ended December 31, 2009 (January 1, 2009 – December 31, 2009)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
Net sales							
(1) Operating revenues	305,495	30,745	28,026	23,266	387,534	―	387,534
(2) Intra-group sales and transfers	5,740	304	―	2,289	8,334	(8,334)	―
Total	311,235	31,050	28,026	25,556	395,868	(8,334)	387,534
Operating expenses	303,059	30,748	28,198	18,032	380,038	(5,400)	374,638
Operating income (loss)	8,176	301	(171)	7,524	15,829	(2,933)	12,895
II Assets, depreciation and amortization, impairment and capital expenditures Identifiable assets	290,323	19,337	13,669	175,904	499,235	7,639	506,874
Depreciation and amortization	15,219	384	776	6,160	22,541	5	22,546
Loss on impairment	398	―	527	―	925	―	925
Capital expenditures	10,053	1,466	875	11,073	23,468	16	23,484

	Year ended December 31, 2010 (January 1, 2010 – December 31, 2010)						
	Alcoholic Beverages	Soft Drinks	Restaurants	Real Estate	Total	Corporate and eliminations	Consolidated
Net sales							
(1) Operating revenues	304,218	34,438	27,050	23,536	389,244	―	389,244
(2) Intra-group sales and transfers	5,501	310	―	2,280	8,092	(8,092)	―
Total	309,719	34,749	27,050	25,817	397,336	(8,092)	389,244
Operating expenses	299,915	34,223	26,942	17,814	378,894	(5,052)	373,841
Operating income (loss)	9,804	526	108	8,003	18,442	(3,039)	15,403
II Assets, depreciation and amortization, impairment and capital expenditures Identifiable assets	266,355	25,172	12,525	179,889	483,942	10,855	494,798
Depreciation and amortization	15,445	677	680	5,693	22,496	7	22,504
Loss on impairment	1,593	―	625	155	2,374	―	2,374
Capital expenditures	9,158	1,368	318	11,719	22,564	6	22,571

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, happoshu and new-genre beverages, wine, whiskey, shochu and other products, distribution, brewing equipment, etc.
Soft Drinks	Soft drinks, other non-alcoholic beverages, and snack foods
Restaurants	Operation of beer halls and restaurants
Real Estate	Real estate leasing, real estate sales, operation of commercial facilities, utility supplies, and operation of fitness clubs

(3) Unallocated operating expenses included in "Corporate and eliminations": 2,979 million yen at December 31, 2009, and 3,044 million yen at December 31, 2010. These are operating expenses incurred by the Company.

(4) Unallocated assets included in "Corporate and eliminations" amounted to 21,582 million yen and 25,357 million yen at December 31, 2009 and 2010, respectively, and consisted principally of cash and cash equivalents and marketable securities, long-term investments, and assets of general administration divisions.

(5) Depreciation and amortization, loss on impairment, and capital expenditures include long-term prepaid expenses and their write-offs.

(6) Changes in Accounting Policies

Year ended December 31, 2009 (January 1, 2009 – December 31, 2009)

1) Measurement of Inventories

The Company adopted the *Accounting Standard for the Measurement of Inventories* (ASBJ Statement No. 9, July 5, 2006) and switched from the conventional cost method of measurement to a cost method that involves reducing book values to reflect diminished profit potential. Due to this change, in the fiscal year ended December 31, 2009, operating income in the Alcoholic Beverages business was ¥606 million lower, and in the Soft Drinks business, ¥222 million lower, than the amounts that would have resulted with the previous method.

2) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Company adopted the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (ASBJ Practical Issues Task Force Report No. 18, May 17, 2006).

Due to this change, operating income in the Alcoholic Beverages business was ¥376 million lower in the fiscal year ended December 31, 2009, than it would have been under the previous method.

3) Accounting Standard for Lease Transactions

Effective the fiscal year ended December 31, 2009, lease transactions have been accounted for in the same manner as purchase and sale transactions due to adoption of the *Accounting Standard for Lease Transactions* (ASBJ Statement No.13 (June 17, 1993; 1st Committee, Business Accounting Council; revised March 31, 2007) and its accompanying *Guidance on Accounting Standard for Lease Transactions* (ASBJ Statement Guidance No.16; January 18, 1994, Accounting System Committee, Japanese Institute of Certified Public Accountants; revised March 30, 2007). For finance leases for which ownership of the leased assets does not transfer to the lessees and entered into on or before December 31, 2008, the Company uses the conventional method, which accounts for such leases in the same manner as operating leases.

Effects of this change on each segment are not significant.

Additional information

Change in Useful Life of Property, Plant and Equipment

The Company and its subsidiaries in Japan have reviewed the useful lives of property, plant and equipment following the 2008 revision of Japan's Corporation Tax Act, and effective the fiscal year ended December 31, 2008, began using new useful lives for depreciation of machinery assets.

Due to this change, in the fiscal year ended December 31, 2009, compared with what they would have been under the previous accounting method, operating income in the Alcoholic Beverages business was ¥1,553 million lower; in the Soft Drinks business, higher by approximately ¥0 million; and in the Real Estate business, ¥1 million lower. By the same comparison, operating loss in the Restaurants business was higher by ¥14 million.

Year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

1) Adoption of Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

Effective the fiscal year ended December 31, 2010, the Company adopted the *Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)* (ASBJ Statement No. 19, July 31, 2008).

This change did not affect operating income, ordinary income, or net income.

2) Change in accounting standard for recognizing revenues from and costs of completed construction

For recognition of revenues associated with construction work, the Company has adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No. 15, December 27, 2007) and its associated *Guidance on the Accounting Standard for Construction Contracts* (ASBJ Statement No. 18, December 27, 2007). All construction contracts, including those in existence at the beginning of the quarter, for which certain elements were determinable with certainty at end of the first quarter (March 31, 2010) were accounted for with the percentage-of-completion method. The effect of this change on profit and loss was minor.

b. Segment Information by Geographic Area

Year ended December 31, 2009 (January 1, 2009 – December 31, 2009) and
year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Sales in Japan constituted more than 90% of consolidated sales.
Accordingly, geographical segment information has not been disclosed.

c. Overseas Sales

Year ended December 31, 2009 (January 1, 2009 – December 31, 2009) and
year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

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

Reference Information

Property Leasing

Year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

The Company and certain of its subsidiaries hold office buildings and commercial facilities for lease (including land) in the Tokyo metropolitan and other areas.

Net leasing income on those properties in the year ended December 31, 2010, was ¥609.8 million (leasing income was mainly recorded as operating revenues; leasing expenses were mainly recorded as operating expenses).

The carrying value of those properties on the consolidated balance sheets, change in carrying value from 2009 to 2010, and the total fair value appear in the following table.

(millions of yen)

Carrying value of properties for lease on consolidated balance sheets			Fair value at end of 2010
End of 2009	Change in 2010	End of 2010	
165,537	8,064	173,601	313,812

Notes:

1. Carrying values on the consolidated balance sheets represent acquisitions costs net of accumulated depreciation and impairment losses.
2. The value for “Change in 2010” mainly represents an increase due to property acquisitions (¥13,268 million) net of a decrease due to depreciation charges (¥5,107 million).
3. The fair value at the end of 2010 is mainly based on property valuations performed by third-party real estate appraisers.

Additional information

Effective the fiscal year ended December 31, 2010, the Company adopted the *Accounting Standard for Disclosures about Fair Value of Investment and Rental Property* (ASBJ Statement No. 20, November 28, 2008) and its associated *Guidance on the Accounting Standard for Disclosures about Fair Value of Investment and Rental Property* (ASBJ Statement No. 23, November 28, 2008).

Information Omitted from Disclosure

The Company has omitted information on the following from this document because it was judged not to be of material relevance: lease transactions, financial instruments, marketable securities, derivative transactions, retirement benefits, stock options and similar instruments, tax-effect accounting, business combinations, and related parties.

Notes on the Going-concern Assumption

Not applicable

Subsequent Events

Year ended December 31, 2009

Not applicable

Year ended December 31, 2010

Acquisition of POKKA Corporation's shares

The Company's board of directors met on February 10, 2011, and agreed to make POKKA Corporation a consolidated subsidiary by acquiring additional shares in that company. POKKA Corporation has been an equity-method affiliate of the Company since the end of September 2009.

Objective of Share Acquisition

The Company's management vision, which it aims to fulfill by 2016, identifies the *food value creation business* as a business domain for the Group. Acquiring shares in POKKA Corporation is a step toward forming a *food value creation group* that boasts outstanding competitiveness in the alcoholic beverages, soft drinks, food, and restaurant industries both in Japan and abroad.

Share Acquisition

1. Name of company being acquired

   POKKA Corporation

2. Business lines and size of company being acquired

   Company name: POKKA Corporation
   Business lines: Soft drinks and foodstuffs business, restaurants business, confectionary business, logistics business, other businesses
   Employee headcount: 2,473 (March 31, 2010)
   Consolidated net sales: ¥97,121 million (fiscal year ended March 31, 2010)
   Consolidated total assets: ¥58,527 million (March 31, 2010)

3. Party from which shares will be acquired

   Advantage Partners MBI Fund III LP

4. Acquisition date

   March 29, 2011 (subject to change)

5. Number of shares to be acquired

   6,077,969 (64.1% of issued shares)

6. Percentage of ownership after acquisition

   85.5%

7. Acquisition price

   ¥21,273 million

8. Source of funds for acquisition

   Own capital and external borrowings

9. Outlook

The Company will promptly establish a committee to prepare for business integration and commence discussions focusing on reorganization of the Group's internal business and organizational structure, the management structure and name of the holding company, and other relevant matters.

Convertible Warrant Bonds issued by Subsidiaries

On February 10, 2011, the Company will cancel the business alliance that it had previously entered into with YK, Crescent Partners and GK, CRPBH, the fund that manages Crescent Partners.

Consequently, all SAPPORO Beverage Co., Ltd.-issued convertible warrant bonds held by Crescent Partners and CRPBH will be converted to equity shares, upon which the Company intends to purchase all of those shares.