Financial Results
for the Year Ended December 31, 2011 — Consolidated
(Based on Japanese GAAP)

February 10, 2012

Company name	**Sapporo Holdings Limited**
Code No.	2501
Shares Listed	Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL	http://www.sapporoholdings.jp/english/
Representative	Tsutomu Kamijo, President and Representative Director, Group CEO
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Scheduled dates:

Annual general meeting of shareholders	March 29, 2012
Filing of annual financial report	March 30, 2012
Commencement of dividend payments	March 30, 2012
Supplementary information to the year-end earnings results	Available
Year-end earnings results briefing held	Yes (mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2011 (January 1 – December 31, 2011)

(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, 2011	454,099	16.7	18,883	22.6	16,807	17.3	3,164	(70.6)
Year ended December 31, 2010	389,244	0.4	15,403	19.4	14,328	33.6	10,772	137.5

Note: Comprehensive income:
Year ended December 31, 2011: 812 million yen (△91.3%)
Year ended December 31, 2010: 9,306 million yen (- %)

	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, 2011	8.08	-	2.5	3.2	4.2
Year ended December 31, 2010	27.50	26.44	8.9	2.9	4.0

Note: Equity method investment gains or losses:
Year ended December 31, 2011: 33 million yen
Year ended December 31, 2010: 610 million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2011	550,784	124,775	22.4	314.87
December 31, 2010	494,798	126,645	25.3	319,32

Note: Shareholders' equity
December 31, 2011: 123,293 million yen
December 31, 2010: 125,047 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
Year ended December 31, 2011	22,313	(50,891)	24,245	9,057
Year ended December 31, 2010	27,431	(2,594)	(18,119)	13,270

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, 2010	—	0.00	—	7.00	7.00	2,741	25.5	2.3
Year ending December 31, 2011	—	0.00	—	7.00	7.00	2,740	86.6	2.2
Year ending December 31, 2012 (forecast)	—	0.00	—	7.00	7.00		43.5	

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2012 (January 1 – December 31, 2012)

(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, 2012	230,000	18.3	1,300	(56.7)	100	(95.0)	(1,500)	-	-
Full year	510,000	12.3	20,000	5.9	17,000	1.1	6,300	99.1	16.09

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, 2011: 393,971,493 shares
December 31, 2010: 393,971,493 shares

2) Number of shares held in treasury at end of period:
December 31, 2011: 2,400,991 shares
December 31, 2010: 2,367,424 shares

3) Average number of outstanding share during the period:
Year ended December 31, 2011: 391,580,207 shares
Year ended December 31, 2010: 391,688,891 shares

Reference:

1. Non-consolidated Financial Results for the Year Ended December 31, 2011 (January 1 – December 31, 2011)

(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, 2011	6,244	(34.9)	3,759	(42.6)	3,344	(51.9)	1,867	(59.3)
Year ended December 31, 2010	9,590	5.7	6,546	7.4	6,955	3.1	4,588	(26.0)

	Net income per share	Diluted net income per share
	yen	yen
Year ended December 31, 2011	4.77	-
Year ended December 31, 2010	11.72	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2011	343,955	133,722	38.9	341.50
December 31, 2010	313,052	134,977	43.1	344.68

Note: Shareholders' equity
December 31, 2011: 133,722 million yen
December 31, 2010: 134,977 million yen

Audit Status

The year-end financial results are not subject to audit pursuant to the Financial Instruments and Exchange Act. The audit of the year-end financial results herein had not been completed as of the date of this document.

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, 2012" on page 14.

1. Analysis of Operating Results

(a) Review of the fiscal year ended December 31, 2011

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2011	454,099	18,883	16,807	3,164
2010	389,244	15,403	14,328	10,772
Change (%)	16.7	22.6	17.3	(70.6)

In 2011, the Japanese economy showed signs of a moderate recovery in business conditions in the early part of the year, but the Great East Japan Earthquake and tsunami disaster struck on March 11 and subsequent electricity shortages dealt a heavy blow to the economy, resulting in a sharp slowdown. Thereafter, consumer spending showed some improvement as recovery efforts began, but the European debt crisis, continued yen appreciation and other adverse factors continue to cloud the outlook for a full-fledged economic recovery.

The industries in which the Sapporo Group operates were variously affected by the adverse external environment. The alcoholic beverage and restaurant industries both saw profits drop sharply on weak consumer spending and the direct impact of the post-disaster environment. On the other hand, the soft drinks industry saw demand rise on special post-disaster demand and favorable weather conditions in October and November. In the real estate industry, vacancy rates flattened out in the Greater Tokyo office leasing market, but rents remained on a moderate downward slope.

Amid this environment, the Sapporo Group began implementing its Medium-Term Management Plan 2011–2012, under which the plan’s two-year period is envisioned as a period for firmly setting the Group on a growth trajectory. Efforts centered on the plan’s three core strategies: 1) *growth in new areas*, 2) *growth in all businesses*, and 3) bolster *management capabilities that underpin growth*.

Prominent among measures taken to achieve “growth in new areas” was turning the POKKA Group into a consolidated subsidiary in March and the continued efforts to integrate its operations with the rest of the Sapporo Group. In addition, we completed construction of a brewery in Vietnam in November and started producing and selling Sapporo brand beer locally. We also laid foundations for future growth by starting up sales via new strategic alliances. In the Oceania market, the Australian beer maker Coopers Brewery began brewing and selling Sapporo’s premium brand beer. In Japan, meanwhile, we teamed up with South Korea’s largest food maker, CJ CheilJedang, to launch sales of makgeolli, a milky, sweet alcoholic beverage made from rice. We also formed an alliance with Bacardi Japan to distribute that company’s spirits in Japan.

The strategy of achieving “growth in all businesses” is focused on leveraging the brand strength and enterprise resources of our many businesses to build unique competitive advantages.

Meanwhile, efforts at “bolster management capabilities that underpin growth” included dividing up Sapporo Holding’s group headquarter functions and transferring to Sapporo Group Management Co., Ltd., functions requiring a high degree of specialization and functions common to all of our operating companies.

As a result of these efforts, the Sapporo Group posted sharp year-over-year growth in consolidated sales and achieved large gains in consolidated operating income and ordinary income. Consolidated operating income was up year over year even without the contributions of the newly consolidated POKKA Group, while growth in consolidated ordinary income was achieved for the fifth straight year. The Group’s 2011 consolidated results are summarized below.

Net Sales

Consolidated net sales totaled ¥454.0 billion, up ¥64.8 billion or 17% from 2010. Sales in the Japanese Alcoholic Beverages and Restaurants businesses were negatively affected by the post-disaster environment, but this was more than offset by increased sales at the Soft Drinks business thanks to a successful marketing strategy launched at the start of 2011 and the inclusion of POKKA Group on the income statement from April.

Operating Income

Consolidated operating income increased by ¥3.4 billion or 23% to ¥18.8 billion, as all businesses posted earnings gains except for the International Alcoholic Beverages business, where profits were depressed by forward investment related to entry into Vietnam, and the Soft Drinks business, where profits were curtailed by goodwill amortization costs.

Ordinary Income

In addition to the increase in consolidated operating income, the Group posted a solid year-over-year gain in consolidated ordinary income, which rose ¥2.4 million or 17% to ¥16.8 billion, extending the streak in consecutive years of ordinary income growth to five.

Net Income

Consolidated net income declined ¥7.6 billion or 71% to ¥3.1 billion. Despite the gains in consolidated operating income, net income declined due to the posting of extraordinary losses related to changes in accounting standards for asset retirement obligations and to disaster-related losses stemming from the earthquake and tsunami. Net income was also impacted by the absence of gains on the sale of property, plant and equipment that were posted in 2010.

Credit Ratings Raised

In recognition of our efforts to strengthen the Group’s earnings base and financial foundation, our bond ratings were upgraded one notch during 2011※, enabling us to launch a five-year straight bond issue with a low annual coupon rate of 0.62% in September.

※ (In February, Japan Credit Rating Agency (JCR) raised our rating from BBB+ to A-, and in March Ratings & Investment Information (R&I) upgraded our rating from BBB to BBB+)

Contributing to the Recovery from the Great East Japan Earthquake

The Sapporo Group has made various contributions to recovery efforts after the Great East Japan Earthquake. In addition to monetary donations and the provision of drinking water, our Restaurants business began distributing food to disaster-struck areas immediately after the disaster and continued to do so until June. The Sapporo Group has continued its support for recovery efforts by donating a portion of sales from draft beer campaigns held at our nationwide chain of Ginza Lion, from beer festivals held in our corporate birthplace of Hokkaido and in Tokyo's Ebisu district, and from our Japanese Alcoholic Beverage business's sales of a beer beverage made entirely from Tohoku-grown hops cultivated in a cooperative venture with local growers.

Segment information is outlined below. The presentation of segment information has changed owing to adoption of the management approach from this fiscal year. Changes from the previous fiscal year are explained in the supplementary materials.

(2) Results by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2010	2011	% change	2010	2011	% change
Japanese Alcoholic Beverages	279,329	268,189	(4.0)	9,290	9,304	0.2
International Alcoholic Beverages	25,386	25,888	2.0	497	378	(24.0)
Soft Drinks	33,937	36,857	8.6	1,280	756	(40.9)
POKKA Group	—	75,850	—	—	2,933	—
Restaurants	26,429	24,091	(8.8)	148	219	47.2
Real Estate	23,537	22,468	(4.5)	7,986	8,552	7.1

Japanese Alcoholic Beverages

Domestic demand for beer and beer-type beverages in 2011 fell about 4% year over year, reflecting the earthquake/tsunami disaster's negative impact on all beer makers' product supply chains and marketing activities. Sales volume of beer-flavored beverages was down slightly while sales of happoshu showed substantial decline. New-genre beer sales volume growth slowed but surpassed the previous year.

In this market environment, our Japanese Alcoholic Beverages business suffered a major hit to its product supply capability and had to curtail marketing activities for a lengthy period owing to earthquake damage to two of its five main breweries, the Sendai and Chiba breweries, which supply markets that account for a large share of total company sales. As a result, total unit sales of our beer products in 2011 were down 6.7% year over year. The damage to these plants prompted us to concentrate production and supply on our three core brands—Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop. While sales of other products consequently declined sharply, sales of canned versions of the three core products exceeded previous-year levels.

In the nonalcoholic beer category, we introduced Sapporo Premium Alcohol Free on March 16. The new product was received enthusiastically and sales far exceeded original targets.

In the low-alcohol category, in April we launched a new and improved version of Sapporo Nectar Sour Sparkling Peach. We also introduced several limited volume, seasonal flavors of cocktails, all of which were favorably received by customers.

The wine and liquor business enjoyed solid demand for domestic and imported wines, enabling it to achieve unit sales above 2010 levels. As a result, the business achieved year-over-year growth in sales and income in 2011. Of particular note, the quality of our Grande Polaire series of premium wines made exclusively from domestic-grown grapes was recognized with an award at the Japan wine competition.

We also laid the groundwork for further expansion of our western spirits business and other growth areas by forming a business alliance in May with Bacardi, the world’s No.1 seller of rum, and signing a sales agreement with South Korea’s No.1 foods maker CJ CheilJedang in June.

The shochu business also posted year-over-year gains in both sales and profits, with such new products as Triangle Ginger Highball canned cocktail, Sasainata shochu, and Kuro Ume-shu (a dark plum wine liqueur).

Our Waramugi shochu was awarded a gold prize in the “Singly Distilled Shochu” category by the Alcohol Appreciation and Evaluation Committee of the Fukuoka Regional Taxation Bureau.

Overall, the Japanese Alcoholic Beverages business posted sales of ¥268.1 billion (down ¥11.1 billion, or 4%, year over year) in 2011. Despite the drop in sales, the business managed to keep operating income level with the previous year, at ¥9.3 billion.

International Alcoholic Beverages

North American beer demand has remained sluggish despite signs of a recovery in consumer spending. General demand appears to have contracted 1–2% from the 2010 level. The Asian beer market, meanwhile, has continued to grow steadily, supported by fast-growing economies in the region.

In this environment, our International Alcoholic Beverages business continued marketing activities targeting the premium beer segment. Canadian subsidiary SLEEMAN BREWERIES achieved a 9% year-over-year increase in unit sales (excluding outsourced production of Sapporo brand products), sustaining its five-year growth streak. SAPPORO USA, meanwhile, boosted its sales of Sapporo brand beers by 10% over the volume achieved in 2010. Sales outside of North America, which are concentrated mainly in Asia, expanded by 40% year over year.

In Vietnam, our local subsidiary SAPPORO VIETNAM completed construction of its Long An Brewery on November 24 and started production of locally produced beer. In other overseas markets, we pursued various growth strategies. For example, in Singapore we teamed up with the POKKA Group to expanding sales channels in the local household market, while in South Korea we began selling Sapporo brand beers to the household and commercial markets via an alliance with Maeil Dairies Co., Ltd. In Oceania, Coopers Brewery of Australia started brewing and selling Sapporo brand beer from October under a licensing agreement.

As a result of the above activities, our International Alcoholic Beverages business achieved solid sales gains on local-currency bases. Yen appreciation, however, diluted much of these gains in yen terms, resulting in reportable sales of ¥25.8 billion (up ¥0.5 billion, or 2%, year over year). Operating income, however, was ¥0.3 billion (down ¥0.1 billion, or 24%), reflecting startup investments totaling ¥1.0 billion in Vietnam.

Soft Drinks

We estimate that domestic demand for soft drinks in 2011 increased by about 1% over 2010 demand. The March disaster and raw material supply shortages led to the cancellation of many planned product launches and shipment adjustments. Unit sales were further curtailed by weak demand amid unfavorable weather conditions in August and September and by the impact of electricity-saving measures. These negatives were overcome, however, by sharp expansion in demand for mineral water and an upturn in demand for soft drinks amid favorable weather conditions in October and November.

In this environment, our Soft Drinks business continued to strengthen and cultivate its brands and stabilize its profitability in an aim to sustain growth during a targeted growth phase during the three-year period from 2011.

The segment's sales and marketing activities focused on investment in the marketing of core brands. Marketing of our Gabunomi series focused on broadening sales points and solidifying the products' market presence. Key measures included a marketing tie-up with a new movie release and a consumer-participation campaign that took advantage of mobile contents. Meanwhile, we sought greater market penetration for our Ribbon soft drink lineup through in-store promotions using the Ribbon-chan character and implementation of the "Tie Together with Ribbon Hokkaido Project" to celebrate the 100th anniversary of Ribbon Naporin. Regarding Gerolsteiner, a naturally carbonated water from Germany, we took aggressive marketing steps that included running TV commercials, passing out samples, in-store trial offers, repeat purchase promotions, and other campaigns. As a result of the above and the post-quake surge in sales of mineral water and unsweetened beverages, shipments of our soft drinks rose 4% year over year in 2011.

With regard to costs, the Soft Drinks business took steps to build a more stable earnings base. These efforts focused on realizing synergies with the POKKA Group and adhering to the rigorous select-and-focus approach that has enabled us to carry out cost-structure reforms throughout the value chain, including optimization of our production structure and the reduction of procurement costs.

As a result of the above activities, the Soft Drinks business achieved sales of ¥36.8 billion (up ¥2.9 billion, or 9%, year over year). Operating income, however, was ¥0.7 billion (down ¥0.5 billion, or 41%), owing to a goodwill amortization charge of ¥0.6 billion.

POKKA Group

Our estimate of total domestic demand for soft drinks in 2011 is as stated in the section immediately above. Meanwhile, total demand for lemon-based products (flavorings) was generally even with 2010 levels while demand for instant soups appears to have declined by about 2% year over year.

In this environment, the POKKA Group's Domestic Beverage & Foods business endeavored to strengthen and cultivate brand power by focusing investments on core brands and newer growth brands.

In addition to the impact of marketwide demand conditions, POKKA's domestic beverages business was adversely affected by a decline in demand caused by unseasonably warm weather in November. To overcome these adverse conditions, POKKA carried out a 10th anniversary sales campaign for Kireto Lemon, launched Kireto Lemon Soukai Sparkling, bolstered the POKKA Coffee lineup, and introduced annual promotional canned drinks to the usual favorable market response.

POKKA's domestic foods business offset the negative impact of the March disaster, including adjustments to soup shipments and fewer in-store bargain sales with strong sales of focus products, supported by its efforts to market POKKA Lemon 100 as an invigorating drink suitable for consumption in the morning, a TV ad campaign for the Kantanbimi soup line, and the introduction of several new products, including Jikkuri Kotoko Shrimp Bisque in August.

POKKA's Domestic Restaurants business achieved solid results as its core Café de Crié coffee shop chain continued with operational improvements amid a difficult post-quake market environment for the café industry. Improvements included the introduction of new menu items on a regular basis and ongoing store remodeling.

The Overseas Beverage & Foods business made steady progress in improving its COGS ratio and lowering distribution costs as it dealt with intensifying price competition in the Singapore market and falling sales in other markets.

The Overseas Restaurants business posted steady gains in sales as it continued to open new outlets in Hong Kong, the business's core overseas market.

Overall, the POKKA Group posted sales of ¥75.8 billion, while operating income came to ¥2.9 billion (no year over year comparisons available for either) as the company took a ¥1.3 billion charge for goodwill amortization.

POKKA Group Overview

POKKA Group results were added to our income statement from April 1. As such, SAPPORO Holdings' consolidated results for 2011 include POKKA's results for the nine months from April through December. We therefore provide the previous-year data for reference.

* For reference: POKKA Corporation (including subsidiary companies) results for April–December 2010 and 2011

2010 Sales ¥76.8 billion

Operating income ¥4.1 billion

2011 Sales ¥77.3 billion (up ¥0.4 billion or 1% year over year)

Operating income ¥3.9 billion (down ¥0.2 billion or 5% year over year)

Restaurants

Japan's restaurant industry has been slowly recovering from the adverse conditions that gripped the industry immediately after the March 2011 disaster, when a nationwide self-restraint mood curbed customer traffic. However, the restaurant business environment remains challenging, with consumers still concerned about protecting their livelihoods and increasingly conscious of food safety.

To bring customers back to our restaurants, the Restaurants business conducted a variety of beer campaigns and strengthened marketing efforts to corporations.

We have also been revitalizing existing outlets by switching them to new formats. For example, we converted an outlet in Tokyo's Kanda district and two in the Otemachi district to our Ooi Hokkaido (Hello Hokkaido) Betsukai Pub format, a Japanese-style pub officially recognized by and featuring fare from the town of Betsukai in Hokkaido.

To improve the profit structure of our Restaurants business, we endeavored to lower costs, including shop rental costs, and closed ten unprofitable locations.

New outlet openings included three new YEBISU Bar outlets—in Osaka's Umeda district and in Tokyo's Kagurazaka area and the Tokyo Dome City facility. We also assumed operation of food services in some leisure facilities and opened four new restaurants, including the takeover of already operating shops. As a result, we had 191 restaurants operating as of the end of the fiscal year.

As a result of the above, the Restaurants business managed to post sales of ¥24.0 billion (down ¥2.3 billion, or 9%, year over year). However, good results at new outlets, cost-reduction efforts, and the closure of unprofitable stores enabled the business to post operating income of ¥0.2 billion (up 47% year over year).

Real Estate

In Japan's real estate industry, vacancy rates in the Greater Tokyo office leasing market were largely the same as a year earlier, but rents remained on a moderate downward slope.

Amid such an operating environment, our Real Estate business endeavored to maintain rents and occupancy rates while further cutting costs. Properties damaged by the March earthquake were quickly repaired, and we maintained high occupancy rates at core properties in the Tokyo metropolitan area, including Yebisu Garden Place. Our properties sustained their energy-conservation measures, including measures to reduce electric power consumption.

Real estate development activities in 2011 featured the opening in June of a new wing at the Pal Urayasu fitness club in Urayasu, Chiba. The new wing has been well received by club clientele.

The primary new acquisition of the year, the Storia Shirokanedai rental apartment building in Tokyo's Minato district, which we acquired in February, is already contributing to segment earnings.

As a result of the above, Real Estate business sales in 2011 totaled ¥22.4 billion (down ¥1.0 billion, or 5%, year over year). Segment operating income, however, increased to ¥8.5 billion (up ¥0.5 billion, or 7%).

(b) Outlook for fiscal year ending December 31, 2012

(1) Overview

Millions of yen, except percentages

	Net sales	Operating income	Ordinary income	Net income
2012 forecast	510,000	20,000	17,000	6,300
2011 results	454,099	18,883	16,807	3,164
Projected increase (%)	12.3	5.9	1.1	99.1

In 2012, in accordance with the Sapporo Group Management Plan 2012-2013, a rolling two-year plan, the Group will focus on three fundamental strategies: (1) Creating new opportunities for growth, (2) Challenge toward growth in all businesses, and (3) Carrying out growth measures. We regard the next two years as a period for starting up a new management structure that will place the Sapporo Group firmly on a robust growth trajectory and enable us to further raise our corporate value. In 2011, we aim to increase Group sales and expand operating, ordinary and net income as we target a third consecutive year of growth in operating income and a sixth straight year of growth in ordinary income. Our consolidated forecasts for the Sapporo Group in 2012 are outlined below.

Net Sales

The Japanese Alcoholic Beverage business will continue to focus on expanding its existing brands while aggressively pursuing growth opportunities in non-beer product areas. In particular, we are targeting a tripling of sales in the low-alcohol category, a growth area where we are enhancing our product offerings through tie-ups with Bacardi and CJ CheilJedang.

The renamed International Business segment is targeting further growth in all core overseas markets. In North America, SLEEMAN will continue its efforts to help Sapporo brand beers better penetrate the local market, while expansion in Southeast Asia will center on Vietnam. We also target accelerated growth of beer sales in the South Korea market, where we formed a new joint venture at the end of January by taking a 15% stake in a subsidiary of our local partner Maeil Dairies Co., Ltd. We also signed a licensing agreement with Coopers Brewery in Australia to propel sales growth of Sapporo brand beers in the Oceania market. In addition, we will pursue M&A and alliance opportunities in new businesses where we can demonstrate Group synergies in soft drinks and foods. At the end of January, we took a 51% equity stake in Silver Springs Citrus, Inc., the largest maker of private-brand chilled drinks in the United States. This tie-up will pave our way for a full-fledged entry into the U.S. soft drinks market and further sales expansion.

In the new Foods and Soft Drinks segment, we plan to expand sales and nurture the growth of competitive brands by concentrating our investments in distinctive products, categories and brands.

In the Restaurants segment, we will continue to revitalize existing outlets and to pursue sales growth driven by a store-opening strategy focused on opening small and midsize shops in our YEBISU Bar and Brasserie LION formats.

Our Real Estate business will continue efforts to maintain and raise occupancy rates while targeting appropriate rent levels. The business also plans to increase sales by implementing various measures to add value to its core Yebisu Garden Place property.

Based on the above, we forecast consolidated sales will expand to ¥510.0 billion (a year-over-year increase of ¥55.9 billion or 12%) in 2012.

Operating Income

The Japanese Alcoholic Beverages business plans to increase profits by boosting sales and continuing cost control measures. The International Business segment, however, expects another decrease in profits as continued forward investments to build brand recognition in Vietnam are expected to offset profit gains by our other existing overseas operations. The Foods and Soft Drinks business forecasts increased sales but expects profits to fall owing to the planned posting of goodwill amortization expenses. The Restaurant business forecasts gains in both sales and profits, as it plans to continue its efforts to strengthen the profitability of its operations. Finally, the Real Estate business plans to increase sales by raising occupancy rates to normal levels. It also plans to increase profits by reducing costs.

Overall, we forecast consolidated operating income of ¥20.0 billion (up ¥1.1 billion or 6% year over year) in 2012, when we target a third consecutive year of growth at the operating level.

Ordinary Income

We project a 6^{th} consecutive year of growth with consolidated ordinary income of ¥17.0 billion, up just ¥0.1 billion or 1% from 2011, because we expect higher interest payments to offset most of the gains at the operating level.

Net Income

We project consolidated net income of ¥6.3 billion in 2012, a ¥3.1 billion or 99% increase over 2011. The main differences with 2011 are expected to be the absence of losses stemming from the application of revised accounting standards relating to asset retirement obligations, lower extraordinary losses related to earthquake damages, and an increase in corporate taxes owing to a rise in income before income taxes and minority interests.

(2) Outlook by Business Segment

Millions of yen, except percentages

	Net sales			Operating income		
	2011	2012	% change	2011	2012	% change
Japanese Alcoholic Beverages	268,189	288,000	7.4	9,304	10,500	12.8
International Business	25,888	37,300	44.1	378	0	(100.0)
Foods & Soft Drinks	112,707	134,600	19.4	3,690	3,000	(18.7)
Restaurants	24,091	24,900	3.4	219	600	173.8
Real Estate	22,468	24,400	8.6	8,552	9,300	8.7

(Changes to Presentation of Segment Information)

As of the first quarter of fiscal 2012, we have changed the names of reportable business segments as follows: “International Alcoholic Beverages” is now “International Business” and the Soft Drinks segment and the POKKA Group have been merged into a single segment, which we call the “Foods & Soft Drinks”.

Japanese Alcoholic Beverages

We expect the Japanese Alcoholic Beverages business’s operating environment to remain challenging as the drinking population shrinks, consumer preferences and venues for drinking alcoholic beverages grow increasingly diverse, and uncertainties remain about the many political, economic and nuclear power issues facing Japan.

In this environment, we aim to overcome the damage caused by the March 2011 earthquake and tsunami disaster and once again display to the markets the qualities unique to the Sapporo brand while further enhancing profitability, raising corporate value and brand value. While doing all the above, we will create deeper bonds with our customers, in whom we hope to inspire excitement and joy through our products.

Our beer business will again focus on its three core brands—Yebisu, Sapporo Draft Beer Black Label, and Mugi to Hop—while also building brand power for our Sapporo Premium Alcohol Free offering in the nonalcoholic beer beverage market, which we expect will continue to grow.

In the low-alcohol category, we will cooperate with our new business partners Bacardi and CJ CheilJedang to develop products that take advantage of our respective strengths and solidify our growth in expanding areas of the low-alcohol content beverage market.

Our wine and liquor business, meanwhile, will strive to strengthen core imported wine brands, such as Yellowtail, while also focusing on growth areas for domestic wines, which include additive-free wines and wines in PET bottles. In particular, we aim to strengthen our Grand Polaire brand of wines made exclusively from domestically grown grapes and will be reopening the Grande Polaire Katsunuma Winery in April.

Our western spirits business will continue to focus on such core brands as Bacardi, Bombay, and Dewars. In particular, we aim to make Bacardi rum the ingredient of choice for the increasingly popular mojito cocktail in Japan.

In our shochu business, we will seek to boost sales volumes to solidify this business's position as a new stable source of profits, along with the wine business. Toward that end, we plan to release new products into the market for blended shochu (blends of singly and multiply distilled shochu).

On the cost front, we will continue to strengthen the Japanese Alcoholic Beverages' business's earnings base by continuing to implement effective procurement policies in response to fluctuating ingredient and raw material prices, building a more flexible and adaptable production structure, and further improving cost effectiveness, particularly with respect to spending on sales promotions.

International Business

In North America, many uncertainties continue to cloud the prospects for a full-fledged recovery, and we therefore expect total demand in the North American beer market to be largely flat. In this environment, our International 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 its aggressive spending on marketing as it seeks 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, SAPPORO USA again aims for unit sales growth in excess of the total demand growth rate. The subsidiary will continue to target the Japanese-American market segment while strengthening our presence in the wider Asian-American and general population market segments. At the end of January, we purchased a 51% equity stake in Silver Springs Citrus, Inc., the largest maker of private-brand chilled juices in the United States. The acquisition marks our full-fledged entry into the North American beverages market.

Outside of North America, we aim to boost sales by actively engaging in growth markets in Asia and elsewhere while keeping an eye on opportunities to tap into new markets as we strengthen the foundations of our International Business and expand its operations. In particular, we are making a full-fledged entry into Vietnam, where our local subsidiary completed construction of brewery in Long An in November and is now poised to begin full marketing of Sapporo brand beer and brand development after Vietnam's Tet holidays celebrating the lunar new year. In Singapore, we will continue to work with the POKKA Group to expand sales channels in the domestic household market. At the end of 2010, we re-entered the South Korean market when we formed a business alliance with Maeil Dairies Co., Ltd. Toward the end of January 2012, we took a 15% equity stake in a subsidiary of our

Korean partner. We plan to use this JV to accelerate our penetration of that country's household and commercial-use beer markets. Finally, we plan to boost beer sales in the Oceania market by leveraging our relation with Coopers Brewery, with which we entered into a license last October to brew and sell Sapporo brand beer in Australia and New Zealand.

Foods & Soft Drinks

(Sapporo Beverage Co., Ltd.)

Japan's soft drink industry continues to face rising material costs and strong consumer price consciousness, even as the economy begins to recover. Consequently, we think an increase in total industrywide demand in 2012 is unlikely.

Amid this environment, Sapporo Beverage is adhering to its policy of "growth accompanied by earnings quality". To further solidify its earnings structure, the subsidiary remains focused on concentrating management resources on growing and strengthening key brands.

Specifically, the business will continue to focus marketing expenditures and sales efforts on core brands, including our Ribbon series, the Gabunomi series, and its Gerolsteiner naturally carbonated water from Germany. We will also continue to develop innovative value propositions that enable us to communicate the Sapporo brands' unique qualities to customers.

With regard to cost, we will strive to strengthen profitability through rigorous application of the selection-and-focus approach. We will strive to derive synergies from our alliance with POKKA Corporation and continue our relentless efforts throughout the value chain—from procurement to production and on to distribution—to achieve low-cost operations.

POKKA Group

Our forecast of total demand in Japan's soft drink industry in 2012 is as stated at the beginning of the previous section. Given that forecast, the POKKA Group plans to maintain the stable earnings base of its Domestic Soft Drinks business by concentrating available resources on two core brands —Kireto Lemon drinks and Aromax coffee drinks—and strengthen its marketing of products into specific market segments.

The Japanese food industry is benefiting from households' preference for eating at home but, like the soft drinks industry, must cope with consumers' increasing preference for low-priced products. As such, we see rather dim prospects for growth in total domestic demand for food. Given this outlook, the POKKA Group's domestic foods business plans to secure continued growth by sharply expanding sales of its Kongari Pan and Jikkuri Kotokoto soups, nurturing its Kantanbimi Korean soups, and expanding sales of POKKA Lemon drinks by cultivating regular users. In addition, the company plans an aggressive expansion of its health food products.

POKKA's Domestic Restaurants business targets continued growth and enhancement of its Café de Crié brand value. In addition to remodeling existing outlets in line with a new brand package, the company is promoting effective chain expansion targeted at creating a dominant market presence. It is also developing a new market for its Café de Crié shops by opening outlets inside hospitals.

POKKA's Overseas Soft Drinks business expects to see stiffer price competition in its core Singapore market owing to the pricing policies of its competitors. In response, it plans to maintain its share of the Singapore market for tea drinks and expand sales of carbonated beverages. Meanwhile, it will promote greater efficiencies by adjusting output in line with demand and by introducing energy-saving measures at its plant. It also plans to expand sales to other countries in Southeast Asia and to expand its export market to the Middle East and other regions. It also will establish a production network capable of supporting those plans.

POKKA's Overseas Restaurants business plans to grow by opening new outlets in Hong Kong and some other parts of China. It also plans to improve profitability through reforms at its operations in Singapore.

Restaurants

Stiff price competition has become the norm in Japan's restaurant industry as increasingly frugal consumers dine out less often. Our Restaurants business therefore continues to face a difficult market environment again in 2012.

We will continue our various promotional campaigns aimed at attracting customers back to our existing restaurants while also stepping up marketing to corporations and shifting some outlets to other formats, such as our YEBISU Bar format.

We will also continue recent efforts to reform our profit structure, including reducing costs by, for example, creating a distribution system with a single center for serving our Tokyo metropolitan logistics network; lowering fixed costs by, through such measures as seeking lower rents; and closing unprofitable locations.

New restaurant openings will focus on the YEBISU Bar format and the small-scale Brasserie format. We will also 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

Japan's real estate industry continues to face difficult conditions, especially in the rental office market, where we expect a recovery in rent levels to be delayed by an increase in office supply in the Tokyo area.

Amid this environment, on January 1, 2012, we changed the name of our consolidated real estate subsidiary Yebisu Garden Place Co., Ltd., to Sapporo Real Estate Co., Ltd., as part of our plan to raise the Sapporo brand value and strengthen Group synergies while continuing efforts to raise occupancy rates and rent levels at Group properties. In March, we will acquire the trust beneficiary rights that amount to a 15% interest in Yebisu Garden Place held by the joint holder in the complex, which will return the complex to 100% ownership by the Sapporo Group and pave the way for us to accelerate efforts to enhance the value of the property.

In addition, we will begin redevelopment of the Seiwa Yebisu Building in order to position the office building as our second key property in the Ebisu area, after Yebisu Garden Place. The redevelopment project is scheduled for completion in 2014.

*The earnings forecasts and forward-looking statements above were prepared are based on currently available information and its best assessment of potential risks and uncertainties. Actual outcomes may differ materially from forecasts due to changes in various underlying factors.

(2) Review of Consolidated Financial Condition

(a) Consolidated Financial Condition

Consolidated assets totaled ¥550.7 billion at December 31, 2011, a ¥55.9 billion increase from December 31, 2010. The increase is attributable to addition of the POKKA Group to the Company’s consolidated subsidiaries and to an increase in goodwill stemming from the acquisition of shares of Sapporo Beverage Co., Ltd.

Consolidated liabilities totaled ¥426.0 billion, a ¥57.8 billion increase from December 31, 2010. Although deposits received and bonds both fell from the previous year-end, liabilities increased owing to consolidation of the POKKA Group and to the issue of commercial paper.

Consolidated net assets totaled ¥124.7 billion, a ¥1.8 billion decline from December 31, 2010. The decline is largely attributable to the distribution of dividends and a decrease in the foreign currency translation adjustment account balance as a result of yen appreciation.

(b) Consolidated Cash Flows

Cash and cash equivalents (collectively, “cash”) totaled ¥9.0 billion at December 31, 2011, a ¥4.2 billion or 32% decrease from December 31, 2010. The decrease resulted from the use of cash provided by operating activities and financing activities to support investing activities, including purchases of subsidiary shares, investment securities, and fixed and intangible assets.

Following are consolidated cash flow figures for 2011 and an overview of factors that affected each category.

Cash flows from operating activities

Operating activities provided net cash of ¥22.3 billion, a ¥5.1 billion or 19% decrease from 2010. Major sources of operating cash flow included ¥5.8 billion in income before income taxes and minority interests and ¥24.4 billion in depreciation and amortization. Major uses of operating cash flow included a ¥4.7 billion increase in notes and accounts receivable – trade, ¥4.1 billion reduction in deposits received, a ¥1.6 billion reduction in liquor taxes payable, and a ¥1.5 billion increase in inventories.

Cash flows from investing activities

Investing activities used net cash of ¥50.8 billion, a ¥48.2 billion or 1,861% increase from 2010. Major investment outflows included ¥18.6 billion to acquire subsidiary shares in line with a change in the scope of consolidation, ¥16.1 billion for the purchase of shares of other subsidiaries, and ¥11.6 billion to acquire property, plant and equipment.

Cash flows from financing activities

Financing activities provided net cash of ¥24.2 billion (versus a net cash outflow of ¥18.1 billion in 2010). Major financing inflows included ¥13.0 billion in net inflows from commercial paper issuance, ¥13.1 billion in net inflows from short-term bank loans, ¥38.6 billion from long-term bank loans and ¥9.9 billion from bond issuance. Major outflows included ¥24.9 billion in repayments of long-term bank loans and ¥20.0 billion in bond redemptions.

Cash Flow Indicators

	As of December 31,				
	2007	2008	2009	2010	2011
Equity ratio (%)	22.3	22.1	23.4	25.3	22.4
Equity ratio based on market capitalization (%)	62.8	41.5	33.9	29.1	20.7
Cash flow to interest-bearing debt (years)	8.0	9.9	18.4	7.8	11.8
Interest coverage ratio (%)	7.2	6.0	3.5	7.6	6.2

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 2011 and 2012

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.

In accordance with the above and despite a decrease in net income as a result of factors such as losses related to the earthquake, we plan to pay annual dividends for 2011 of ¥7 per share.

For 2012, 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 2011 and 2012 (yen per share)

	Interim	Year-end	Total
2011	0.00	7.0	7.0
2012	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 (Before goodwill amortization)
Debt/equity ratio:	around 1.0
ROE:	above 8% (Before goodwill amortization)

(3) Medium- to Long-Term Management Strategies

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. 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.

(4) Issues to be Addressed

The integration of POKKA Corporation with Sapporo Beverage Co., Ltd, into POKKA SAPPORO Food & Beverage Ltd. will mark a major change in our Group structure when the integrated company begins operation in January 2013. The next two years is therefore an important period during which we must place the Sapporo Group firmly on a growth trajectory. We have therefore positioned 2012–2013 as the inaugural period for a new management structure designed to promote robust growth. To guide us during this crucial two-year period we have formulated the Sapporo Group Management Plan 2012–2013. Following the plan's three basic strategies, as outlined below, will provide the basis for our efforts to realize a new management framework.

1) Challenge toward growth in all businesses
   While leveraging the strengths of our various business's brands and their other management resources, we will accept new challenges to beat the competition in all of our businesses.
2) Carrying out growth measures
   To realize the fruits of the many initiatives undertaken by the Group in recent years—including the integration of the POKKA Group, entry into the Vietnamese market, and the reversion of Yebisu Garden Place to 100% ownership by the Sapporo Group—we will continue to make forward investments and take other steps to strengthen our foundations.
3) Creating new opportunities for growth
   We will continue to aggressively pursue attractive M&A deals and alliances, both in Japan and overseas.

We regard management rooted in corporate social responsibility (CSR) as a key strategy conducive to our Group's sustained growth. We will conduct programs with such themes as "Provision of safe products of reliable quality", "Coexisting with the wider society", and "Preservation of the earth's environment". 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, 2011
	Amount	Amount
Assets		
I Current assets		
1 Cash and cash equivalents	13,390	9,204
2 Notes and accounts receivable - trade	61,352	79,340
3 Marketable securities	2	-
4 Merchandize and finished products	12,412	17,113
5 Raw materials and supplies	9,756	10,948
6 Deferred tax assets	2,810	4,539
8 Other	10,173	8,258
9 Allowance for doubtful receivables	(161)	(386)
Total current assets	109,737	129,018
II Fixed assets		
1 Property, plant and equipment		
(1) Buildings and structures	357,769	376,200
Accumulated depreciation	(185,485)	(201,765)
Buildings and structures, net	172,284	174,435
(2) Machinery and vehicles	180,519	203,307
Accumulated depreciation	(142,521)	(163,080)
Machinery and vehicles, net	37,997	40,226
(3) Land	77,583	83,826
Lease assets	-	19,150
Accumulated depreciation	-	(9,071)
Lease assets, net	-	10,079
(4) Construction in progress	3,563	2,058
(5) Other	20,400	20,149
Accumulated depreciation	(15,201)	(16,396)
Other, net	5,199	3,752
Total property, plant and equipment	296,629	314,379
2 Intangible assets		
(1) Goodwill	14,128	40,147
(2) Other	10,331	8,844
Total intangible assets	24,459	48,992
3 Investments and other assets		
(1) Investment securities	38,027	31,208
(2) Long-term loans receivable	10,396	10,142
(3) Deferred tax assets	2,649	2,203
(4) Other	14,493	16,251
(5) Allowance for doubtful receivables	(1,594)	(1,411)
Total investments and other assets	63,972	58,394
Total fixed assets	385,061	421,766
Total assets	494,798	550,784

(millions of yen)

	December 31, 2010	December 31, 2011
	Amount	Amount
Liabilities		
I Current liabilities		
1 Notes and accounts payable - trade	24,348	32,354
2 Short-term bank loans	28,089	57,370
3 Current portion of long-term debt	20,000	10,000
4 Lease obligations	-	3,899
5 Liquor taxes payable	34,253	32,535
6 Income taxes payable	1,818	2,985
7 Accrued bonuses	2,055	2,118
8 Deposits received	19,218	15,301
9 Other	37,259	56,024
Total current liabilities	167,043	212,589
II Long-term liabilities		
1 Bonds	35,843	32,000
2 Long-term bank loans	97,402	106,798
3 Lease obligations	-	7,715
4 Deferred tax liabilities	13,455	12,186
5 Employees' retirement benefits	7,190	7,452
6 Directors’ and corporate auditors’ severance benefits	42	53
7 Dealers' deposits for guarantees	31,935	32,623
8 Other	15,239	14,589
Total long-term liabilities	201,109	213,418
Total liabilities	368,152	426,008
Net Assets		
I Shareholders' equity		
1 Common stock	53,886	53,886
2 Capital surplus	46,315	46,310
3 Retained earnings	28,317	28,741
4 Treasury stock, at cost	(1,190)	(1,197)
Total shareholders' equity	127,329	127,741
II Accumulated other comprehensive income		
1 Unrealized holding gain on securities	2,985	1,993
2 Deferred hedge gains (losses)	(7)	(8)
3 Foreign currency translation adjustments	(5,258)	(6,432)
Total accumulated other comprehensive income	(2,281)	(4,447)
III Minority Interests	1,597	1,482
Total net assets	126,645	124,775
Total liabilities and net assets	494,798	550,784

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	Amount	Amount
I Net sales	389,244	454,099
II Cost of sales	261,211	286,678
Gross profit	128,032	167,421
III Selling, general and administrative expenses		
1 Sales incentives and commissions	20,389	31,037
2 Advertising and promotion expenses	17,196	17,532
3 Salaries	19,180	27,117
4 Provision for bonuses	1,245	1,357
5 Retirement benefit expenses	2,865	3,245
6 Other	51,752	68,246
Total selling, general and administrative expenses	112,629	148,537
Operating income	15,403	18,883
IV Non-operating income		
1 Interest income	485	343
2 Dividend income	572	595
3 Equity in income of affiliates	610	33
4 Foreign exchange gain	11	-
5 Gain (loss) on gift voucher redemptions	677	511
6 Other	581	769
Total non-operating income	2,939	2,253
V Non-operating expenses		
1 Interest expense	3,646	3,557
2 Exchange loss	-	107
3 Other	366	664
Total non-operating expenses	4,013	4,330
Ordinary income	14,328	16,807
VI Extraordinary gains		
1 Gain on sales of property, plant and equipment	16,575	315
2 Gain on sales of investment securities	657	25
3 Reversal of provision for doubtful receivables	61	-
4 Reversal of removal costs	569	-
5 Settlement received	-	261
Total extraordinary gains	17,864	602

VII Extraordinary losses		
1 Loss on disposal of property, plant and equipment	1,723	997
2 Loss on sales of fixed assets	8,409	23
3 Impairment loss	2,374	1,669
4 Loss on devaluation of investment securities	1,245	1,261
5 Loss on sale of investment securities	12	23
6 Effect of adoption of new accounting standards for asset retirement obligations	-	1,084
7 Compensation expenses	-	267
8 Loss on phased acquisition	-	566
9 Loss on change in equity	-	244
10 Disaster losses	-	5,430
11 Business structure improvement expenses	664	-
Total extraordinary losses	14,430	11,569
Income (loss) before income taxes and minority interests	17,762	5,840
Income taxes: current	3,170	4,114
Income taxes: deferred	3,822	(1,316)
Total income taxes	6,993	2,798
Income (loss) before minority interests	-	3,042
Minority interests in gains (losses)	(3)	(122)
Net income	10,772	3,164
Income (loss) before minority interests	-	3,042
Other comprehensive income*1		
Unrealized holding gain on securities	-	(959)
Deferred hedge gains (losses)	-	(0)
Foreign currency translation adjustments	-	(1,139)
Share of other comprehensive income of associates accounted for using equity method	-	(130)
Total other comprehensive income	-	(2,230)
Comprehensive income*2	-	812
(Breakdown)		
Comprehensive income attributable to owners of the parent	-	998
Comprehensive income attributable to minority interests	-	(186)

For reference:

*1. Other comprehensive income for the fiscal year ended December 31, 2010
(millions of yen)
Unrealized holding gain on securities: 363
Deferred hedge gain (loss): (8)
Foreign currency translation adjustments: (1,749)
Share of other comprehensive income of associates accounted for using equity method: (67)
Total other comprehensive income : (1462)

*2. Comprehensive income for the fiscal year ended December 31, 2010
(millions of yen)
Comprehensive income attributable to owners of the parent company: 9,480
Comprehensive income attributable to minority interests: (173)
Total comprehensive income: 9,306

(3) Statements of Changes in Shareholders' Equity

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	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	46,315
Changes during period		
Disposition of treasury stock	(2)	(4)
Total changes during period	(2)	(4)
Balance at end of period	46,315	46,310
Retained earnings		
Balance at end of previous period	20,286	28,317
Changes during period		
Cash dividends	(2,742)	(2,741)
Net income	10,772	3,164
Total changes during period	8,030	423
Balance at end of period	28,317	28,741
Treasury stock		
Balance at end of previous period	(1,131)	(1,190)
Changes during period		
Purchase of treasury stock	(74)	(18)
Disposition of treasury stock	16	11
Total changes during period	(58)	(7)
Balance at end of period	(1,190)	(1,197)
Total shareholders' equity		
Balance at end of previous period	119,360	127,329
Changes during period		
Cash dividends	(2,742)	(2,741)
Net income	10,772	3,164
Purchase of treasury stock	(74)	(18)
Disposition of treasury stock	13	7
Total changes during period	7,968	411
Balance at end of period	127,329	127,741
Total accumulated other comprehensive income		
Unrealized holding gain on securities		
Balance at end of previous period	2,637	2,985
Changes during period		
Net change in items other than shareholders' equity during period	347	(992)
Total changes during period	347	(992)
Balance at end of period	2,985	1,993

Deferred hedge gains (losses)		
Balance at end of previous period	0	(7)
Changes during period		
Net change in items other than shareholders' equity during period	(8)	(0)
Total changes during period	(8)	(0)
Balance at end of period	(7)	(8)
Foreign currency translation adjustments		
Balance at end of previous period	(3,627)	(5,258)
Changes during period		
Net change in items other than shareholders' equity during period	(1,631)	(1,174)
Total changes during period	(1,631)	(1,174)
Balance at end of period	(5,258)	(6,432)
Total accumulated other comprehensive income		
Balance at end of previous period	(988)	(2,281)
Changes during period		
Net change in items other than shareholders' equity during period	(1,292)	(2,166)
Total changes during period	(1,292)	(2,166)
Balance at end of period	(2,281)	(4,447)
Minority interests		
Balance at end of previous period	218	1,597
Changes during period		
Net change in items other than shareholders' equity during period	1,378	(115)
Total changes during period	1,378	(115)
Balance at end of period	1,597	1,482
Total net assets		
Balance at end of previous period	118,590	126,645
Changes during period		
Cash dividends	(2,742)	(2,741)
Net income	10,772	3,164
Purchase of treasury stock	(74)	(18)
Disposition of treasury stock	13	7
Net change in items other than shareholders' equity during period	86	(2,281)
Total changes during period	8,054	(1,869)
Balance at end of period	126,645	124,775

(4) Consolidated Statements of Cash Flows

(millions of yen)

	Year ended December 31, 2010 Amount	Year ended December 31, 2011 Amount
I Cash flows from operating activities		
1 Income (loss) before income taxes and minority interests	17,762	5,840
2 Depreciation and amortization	22,504	24,482
3 Impairment loss	2,374	1,669
4 Amortization of goodwill	1,172	3,109
5 Increase (decrease) in employees' retirement benefits	(296)	(204)
6 Increase (decrease) in allowance for doubtful receivables	(197)	(108)
7 Interest and dividend income	(1,058)	(939)
8 Interest expense	3,646	3,579
9 (Gain) loss on sales of fixed assets	(16,575)	(315)
10 (Gain) loss on sales and disposal of fixed assets	10,133	1,020
11 (Gain) loss on sales of investment securities	(644)	(1)
12 (Gain) loss on revaluation of investment securities	1,245	1,261
13 Effect of adoption of new accounting standards for asset retirement obligations	-	1,084
14 (Increase) decrease in notes and accounts receivable - trade	(1,597)	(4,705)
15 (Increase) decrease in inventories	571	(1,579)
16 Increase (decrease) in notes and accounts payable - trade	4,275	(701)
17 Increase (decrease) in liquor taxes payable	(942)	(1,676)
18 Increase (decrease) in deposits received	(7,866)	(4,129)
19 Increase (decrease) in other current liabilities	610	(540)
20 Other	(4,127)	1,368
Sub total	30,990	28,511
21 Interest and dividends received	1,134	955
22 Interest paid	(3,616)	(3,605)
23 Income taxes paid	(2,289)	(3,556)
24 Income taxes refunded	1,211	7
Net cash provided by (used in) operating activities	27,431	22,313
II Cash flows from investing activities		
1 Purchases of investment securities	(2,812)	(2,154)
2 Proceeds from redemption and sale of investment securities	790	262
3 Purchase of stocks of subsidiaries and affiliates	(760)	(16,141)
4 Purchases of newly consolidated subsidiaries	(1,608)	(18,662)
5 Purchases of property, plant and equipment	(17,527)	(11,608)
6 Proceeds from sales of property, plant and equipment	23,746	769
7 Purchases of intangibles	(2,047)	(1,814)
8 Increase in long-term loans receivable	(21)	(25)
9 Collection of long-term loans receivable	665	327
10 Other	(3,018)	(1,843)
Net cash provided by (used in) investing activities	(2,594)	(50,891)
III Cash flows from financing activities		
1 Net increase (decrease) in short-term bank loans	(16,365)	13,194
2 Proceeds from long-term bank loans	15,600	38,612
3 Repayment of long-term bank loans	(16,287)	(24,926)
4 Proceeds from issuance of bonds	11,952	9,960
5 Redemption of bonds	(10,000)	(20,000)
6 Increase (decrease) in commercial paper	-	13,000
7 Cash dividends paid	(2,741)	(2,735)
8 Payments received from minority shareholders	-	181
9 Repayment of finance lease obligations	-	(3,028)
10 Purchase of treasury stock	(74)	(18)
11 Proceeds from sale of treasury stock	13	7
12 other	(215)	-
Net cash provided by (used in) financing activities	(18,119)	24,245
IV Effect of exchange rate changes on cash and cash equivalents	285	121
V Net increase (decrease) in cash and cash equivalents	7,002	(4,212)
VI Cash and cash equivalents at beginning of period	6,267	13,270
VII Cash and cash equivalents at end of period	13,270	9,057

Segment Information

a. Segment Information by Business

(millions of yen)

	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							
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" was 3,044 million yen, which was incurred by the Company.

(4) Unallocated assets included in "Corporate and eliminations" amounted to 25,357 million yen consisted principally of working funds (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, 2010 (January 1, 2010 – December 31, 2010)

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 fiscal year (January 1, 2010), for which certain elements were determinable with certainty at end of the fiscal year (December 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, 2010 (January 1, 2010 – December 31, 2010)

Sales in Japan constituted more than 90% of total sales by segments. Assets held in Japan constituted more than 90% of consolidated sales and also of total assets held by segments. Accordingly, geographical segment information has not been disclosed.

c. Overseas Sales

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.

d. Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.
The Sapporo Group utilizes the assets of the Group and its traditional areas of strength in the two business domains, "creation of value in food" and "creation of comfortable surroundings." Under Sapporo Holdings, a pure holding company, each group company formulates development plans and strategies for its products, services, and sales markets and conducts business accordingly.
The Group's businesses are therefore segmented mainly based on the products, services, and sales markets of Group companies and their affiliated companies. The Company's six reportable segments are Japanese Alcoholic Beverages, International Alcoholic Beverages, Soft Drinks, the POKKA Group, Restaurants, and Real Estate.
The Japanese Alcoholic Beverages segment produces and sells alcoholic beverages in Japan, while the international Alcoholic Beverages segment produces and sells alcoholic beverages overseas.
The Soft Drinks segment produces and sells soft drinks and other non-alcoholic beverages.
The POKKA Group segment is a business group led by POKKA CORPORTAION.
The Restaurants segment operates restaurants of various styles.
The Real Estate segment's activities include leasing and development of real estate.

2. Calculation methods for sales, income (or loss), assets and other items

Accounting methods applied in reportable segment by business largely correspond to that presented under "The Basis for Preparation of Consolidated Financial Statements" and "Change in Accounting methods." Reportable segment income is based on operating income. Intersegment sales or transfers is based on market price. Intra-group sales and transfers are calculated as if the transactions were to third parties based on market prices.

3. Sales, income (or loss), assets, and other items

(millions of yen)

	Year ended December 31, 2010 (January 1, 2010 – December 31, 2010)						
	Alcoholic Beverages (Japan)	Alcoholic Beverages (International)	Soft Drinks	POKKA Group	Restaurants	Real Estate	Total
Net sales				-			
(1) Operating revenues	279,329	25,386	33,937	-	26,429	23,537	388,619
(2) Intra-group sales and transfers	5,688	-	286	-	-	2,280	8,256
Total	285,018	25,386	34,224	-	26,429	25,817	396,875
Segment income (loss)	9,290	497	1,280	-	148	7,986	19,203
Segment assets	226,427	39,464	21,766	-	12,418	179,889	479,966
Other				-			
Depreciation and amortization	14,348	1,098	548	-	679	5,693	22,368
Increase in property, plant and equipment, and intangible assets	6,993	2,166	1,091	-	317	11,719	22,288

	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	624	389,244	-	389,244
(2) Intra-group sales and transfers	36	8,292	(8,292)	-
Total	661	397,537	(8,292)	389,244
Segment income (loss)	(751)	18,452	(3,049)	15,403
Segment assets	3,405	483,372	11,425	494,798
Other				
Depreciation and amortization	128	22,496	7	22,504
Increase in property, plant and equipment, and intangible assets	276	22,564	6	22,571

Notes:

(1) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.
(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

	Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)						
	Alcoholic Beverages (Japan)	Alcoholic Beverages (International)	Soft Drinks	POKKA Group	Restaurants	Real Estate	Total
Net sales							
(1) Operating revenues	268,189	25,888	36,857	75,850	24,091	22,468	453,344
(2) Intra-group sales and transfers	5,773	37	1,112	1,481	-	2,236	10,641
Total	273,962	25,925	37,970	77,331	24,091	24,704	463,985
Segment income (loss)	9,304	378	756	2,933	219	8,552	22,145
Segment assets	215,079	40,252	21,864	78,849	10,469	180,208	546,724
Other							
Depreciation and amortization	13,248	1,052	806	4,247	573	4,414	24,343
Increase in property, plant and equipment, and intangible assets	5,180	4,363	1,352	4,273	515	4,966	20,652

	Other *1	Total	Adjustment	Amounts reported on the statements of income*2
Net sales				
(1) Operating revenues	755	454,099	-	454,099
(2) Intra-group sales and transfers	40	10,682	(10,682)	-
Total	796	464,782	(10,682)	454,099
Segment income (loss)	(643)	21,502	(2,618)	18,883
Segment assets	1,992	548,717	2,066	550,784
Other				
Depreciation and amortization	133	24,476	6	24,482
Increase in property, plant and equipment, and intangible assets	8	20,660	11	20,671

Notes:

(1) "Other" comprises businesses, such as food businesses, that are not included in reportable segments.

(2) Segment income and losses are adjusted based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

4. Reconciliation and main components of differences between income and loss of reportable segments and figures on the statement of income (information on differences)

(millions of yen)

Segment income (loss)	December 31, 2010	December 31, 2011
Total for reportable segments	19,203	22,145
Loss from other segments	(751)	(643)
Unallocated corporate costs*	(3,044)	(2,505)
Intra-segment sales	(4)	(112)
Operating income on the statement	15,403	18,883

Note: Unallocated corporate costs consist mainly of SGA that is not attributable to reportable segments.

(millions of yen)

Segment income (loss)	December 31, 2010	December 31, 2011
Total for reportable segments	479,966	546,724
Assets of other segments	3,405	1,992
Set off of receivables from the Company's	(13,932)	(19,558)
Unallocated corporate assets*	25,357	21,625
Total assets on the consolidated financial statemer	494,798	550,784

Note: Unallocated corporate assets do not belong to reportable segments and consist mainly of working funds (cash and cash equivalents and marketable securities), long-term investments, and assets of general administration divisions.

Additional information

Effective the fiscal year ended December 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (ASBJ Statement No.17, revised March 27, 2009) and accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, revised on March 21, 2008).

e. Related Information

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

1. Information by product and service

Information by product and service is omitted here, as the same information is disclosed elsewehere.

2. Segment Information by Geographic Area

(1) Net sales

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

(2) Property, plant and equipment

Information has been ommited as total fixed assets held in Japan constituted more than 90% of that shown on the balance sheets.

3. Information by major customer

The Company does not have major customer whose share accounts for more than 10% of net sales on the consolidated statements of income. Accordingly, information by major customer is omitted here.

f. Impairment loss on fixed assets or goodwill by reportable segment

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(millions of yen)

	Reportable segments							Other	Total
	Alcoholic Beverages (Japan)	Alcoholic Beverages (International)	Soft Drinks	POKKA Group	Restaurants	Real Estate	Total		
Impairment loss	309	-	-	70	314	8	703	966	1,669

g. Amortization for and unamortized balance of goodwill

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(millions of yen)

	Reportable segments							Other	Total
	Alcoholic Beverages (Japan)	Alcoholic Beverages (International)	Soft Drinks	POKKA Group	Restaurants	Real Estate	Total		
Amortization	0	1,054	754	1,300	-	-	3,109	-	3,109
Unamortized Balance as of Dec. 31, 2011	-	12,176	7,879	20,091	-	-	40,147	-	40,147

h. Gain on negative goodwill by reportable segment

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

Not applicable

Business Combinations

Year ended December 31, 2011 (January 1, 2011 - December 31, 2011)

Business combination through acquisition

1. Outline of the business combination

1) Name and business of acquired company
Name: POKKA CORPORATION
Business: Beverages, food, restaurant, confectionaries, distribution, and other businesses

2) Primary reasons for business combination
In September 2009, the Company and POKKA CORPORATION entered into a new capital and business alliance agreement to strengthen their existing business alliance in the beverage industry and to expand both companies' business areas. Subsequent efforts to enhance the vending machine business, generate costs savings through joint procurement, optimize production systems, and jointly develop businesses in foreign markets have produced some results. Since that time, however, market circumstances have become increasingly severe, and both companies have to enhance corporate value by expanding into new business areas and further pursuing synergies through collaboration.

In the current market climate, the Company and POKKA reached the decision that jointly, not independently, building a new food value creation group that is highly competitive in the alcoholic and non-alcoholic beverages, food, and restaurant industries in Japan and overseas would be the best way for both companies to enhance corporate value by accelerating expansion into new business areas, generating added value through collaborative synergies, and building a solid business foundation.

3) Date of business combination
March 29, 2011

4) Legal form of business combination
Cash payment in exchange for shares

5) Name of companies after business combination
POKKA Corporation

6) Percentage of voting rights acquired

Percentage of voting rights held before the business combination:	21.41%
Percentage of voting rights acquired on the date of business combination:	65.35%
Percentage of voting rights held after the business combination:	86.76%

7) Primary reasons for deciding on the acquiring company
The Company was decided on as the acquiring company because it proposed to buy the equity in exchange for cash.

2. Accounting period for which earnings of the acquired company were included in the consolidated statements of income

The acquired company's earnings for the nine months from April 1, 2011 through December 31, 2011 are reflected in the Company's consolidated financial statements. The acquired company's earnings for the three months from January 1, 2011 through March 31, 2011 are recorded as equity in losses of affiliates on the consolidated financial statements.

3. Acquisition cost and breakdown

Acquisition price:	29,514 million yen
Costs incurred directly in the acquisition:	18 million yen
Acquisition cost:	29,533 million yen

4. Difference between the acquisition cost and the accumulated acquisition cost paid for each transaction

Difference arising from phased acquisition: 566 million yen

5. Amount of goodwill, reason for its recognition, amortization method, and amortization period

1) Amount of goodwill: 16,680 million yen
2) Reason for its recognition: Future business activities are expected to generate excess profitability.
3) Amortization method and amortization period: 15 years with the straight-line method

6. Assets acquired and liabilities assumed as of the date of the business combination

Current assets:	24,609 million yen
Fixed assets:	32,231 million yen
Total assets:	56,840 million yen
Current liabilities:	30,734 million yen
Long-term liabilities:	11,291 million yen
Total liabilities:	42,026 million yen

7. Approximate effects on the consolidated statements of income for the fiscal year ended December 31, 2011 assuming that the business combination was completed on 1 January, 2011 and method of calculation.

Net sales:	22,305 million yen
Ordinary loss:	(123) million yen
Net loss:	(817) million yen

Method adopted to estimate the approximate effects

The approximate effects correspond to the acquired company's net sales and income/loss recorded on its consolidated statements of income assuming that the business combination was completed on 1 January, 2011. These approximate effects have not been audited.

After the acquisition transactions stated above, the Company additionally acquired POKKA Corporation's shares. Data concerning the acquisition as of December 31, 2011 are as follows.

* The following data incorporates the above transactions.

Percentage of voting rights:	98.59%
Acquisition cost:	34,803 million yen
Balance of goodwill related to the acquisition as of December 31, 2011:	18,414 million yen

Transactions under common control

1. Information related to constituent company in business combination

    1) Name and business of constituent company
    Name: Sapporo Beverage Co., Ltd.
    Business: Beverages and other businesses

    2) Date of business combination
    April 28, 2011

    3) Legal form of business combination
    Cash payment in exchange for shares

    4) Name of company after business combination
    Sapporo Beverage Co., Ltd.

    5) Purpose and outline of transactions

    On April 15, 2011, the Company terminated its business alliance with Yugen Kaisha Crescent Partners and Goudou Kaisha CRPBH (the “Investor”) , a fund operated by Crescent Partners.
    Accordingly, on April 28, the Company purchased all shares in Sapporo Beverage after conversion of all bonds with stock acquisition rights of Sapporo Beverage Co., Ltd. held by the Investor. As a result, the Company has ownership of all voting rights in Sapporo Beverage.

2. Outline of accounting methods adopted

    The Company accounted for the transaction as a transaction under common control in accord with the Accounting Standard for Business Combinations (ASBJ Statement No.21, issued December 26, 2008) and its accompanying Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, issued December 26, 2008).

3. Additional acquisition of subsidiary's shares

    1) Acquisition cost and breakdown
    Cash and cash equivalent: 10,871 million yen

    2) Amount of goodwill, reason for its recognition, amortization method, and amortization period
        1) Amount of goodwill: 7,691 million yen
        2) Reason for its recognition: Future business activities are expected to generate excess profitability.
        3) Amortization method and amortization period: 10 years with the straight-line method.

Property Leasing

<u>Year ended December 31, 2010 (January 1, 2010 – December 31, 2010)</u>

Sapporo Holdings 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 ¥6,098 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.
2. The value for “Change in 2010” mainly represents an increase arising from property acquisitions (¥13,268 million) net of decrease mainly 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.

<u>Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)</u>

Sapporo Holdings 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 ¥7,049 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 2010 to 2011, 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 2011
End of 2010	Change in 2011	End of 2011	
173,601	(304)	173,297	299,800

Notes:

1. Carrying values on the consolidated balance sheets represent acquisitions costs net of accumulated depreciation.
2. The value for “Change in 2011” mainly represents an increase arising from property acquisitions (¥3,993million) net of decrease mainly due to depreciation charges (¥3,951 million) and impairment charges (318 million yen).
3. The fair value at the end of 2011 is mainly based on property valuations performed by third-party real estate appraisers.

Subsequent Events

Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

Acquisition of trust beneficiary rights (noncurrent assets) by a consolidated subsidiary

At the meeting held on January 27, 2012, the Company's Board of Directors decided that Sapporo Real Estate Co., Ltd. ("SRE," for which the trade name was changed from Yebisu Garden Place Co., Ltd. on January 1, 2012), a consolidated subsidiary of the Company, would acquire 15% trust beneficiary rights (noncurrent assets) held by its joint holder in the complex known as Yebisu Garden Place (located at Ebisu, Shibuya-ku, Tokyo, and others; the "Yebisu Garden Place Complex").

Purpose of the acquisition of trust beneficiary rights (noncurrent assets)

SRE is a core real estate company of the Sapporo Group. The Yebisu Garden Place Complex, which is the mainstay real estate property of SRE, is jointly owned in the form of trust beneficiary rights 85% by SRE and 15% by Tamachi Holding Tokutei Mokuteki Kaisha ("TMK," a special-purpose company), of which the asset adviser is Morgan Stanley Capital K.K. ("Morgan Stanley").

SRE and Morgan Stanley had previously taken specific initiatives to further enhance the real estate value of the Yebisu Garden Place Complex, and TMK recently broached the possibility of selling the above jointly held interest of 15% to SRE.

SRE is striving to acquire new real estate properties with the aim of developing and extending its real estate business, and having judged that the profit-earning capacity of the Yebisu Garden Place Complex could be clearly demonstrated through measures to enhance corporate value in the future, SRE agreed to purchase TMK's trust beneficiary rights.

Furthermore, it has been agreed to dissolve the strategic business and capital alliance in the real estate and other businesses entered into by and between the Company, Morgan Stanley Capital K.K. (including the real estate funds that are operated thereby or to which it issues advice, as well as the *Tokubetsu Mokuteki Kaisha* (special-purpose company) that incorporates such funds in its business operation.

Overview of the acquisition of the trust beneficiary rights (noncurrent assets)

1. Description of assets to be acquired
   Designation of real estate properties: Yebisu Garden Place (jointly held interest of 15% in land and buildings)
   Location: Ebisu 4-chome, Shibuya-ku, Tokyo, and Mita 1-chome, Meguro-ku, Tokyo, Japan
   Land area: 62,571.80 m2 (actual measurement: including jointly held land lots)
   Total floor area: 284,780.31 m2 (total registered area of the Office Tower and 10 other buildings)
   Completion: August 1994
   Fiduciary: Mizuho Trust & Banking Co., Ltd.

2. Partner of the trust beneficiary rights (noncurrent assets) acquisition
Company name: Tamachi Holding Tokutei Mokuteki Kaisha
Director: Kazuhiro Matsuzawa
Head office: 56-15, 6-chome, Kameido, Koto-ku, Tokyo, Japan

3. Acquisition price
¥40.5 billion

4. Ownership ratio of the property after the acquisition
100%

5. Financing
Own funds and debt

6. Future outlook
The acquisition is scheduled to be completed on March 1, 2012.