
Suntory Holdings Limited and Consolidated Subsidiaries

*Financial Statements for the Years Ended
December 31, 2011 and 2010, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Suntory Holdings Limited:

We have audited the accompanying consolidated balance sheets of Suntory Holdings Limited (the "Company") and consolidated subsidiaries (collectively, the "Group") as of December 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended December 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 23, 2012

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Balance Sheets December 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011		2011	2010	2011
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 16)	¥ 288,127	¥ 159,044	\$ 3,706,290	Short-term borrowings (Notes 7 and 16)	¥ 34,993	¥ 42,310	\$ 450,129
Short-term investments (Note 4)	324	275	4,168	Current portion of long-term debt (Notes 7 and 16)	91,590	63,303	1,178,158
Notes and accounts receivable (Note 16):				Notes and accounts payable (Note 16):			
Trade	249,784	240,013	3,213,069	Trade	139,749	135,103	1,797,646
Other	19,469	18,752	250,438	Unconsolidated subsidiaries and affiliates	123	2,661	1,582
Allowance for doubtful accounts	(950)	(961)	(12,220)	Other	137,971	121,759	1,774,775
Inventories (Note 5)	171,869	157,588	2,210,818	Liquor tax and consumption taxes payable (Note 16)	53,185	50,738	684,139
Deferred tax assets (Note 10)	21,365	20,420	274,826	Accrued income taxes (Notes 10 and 16)	19,331	17,990	248,662
Other current assets	22,305	22,662	286,918	Accrued expenses	64,649	60,401	831,605
				Other current liabilities	47,714	44,672	613,764
Total current assets	772,293	617,793	9,934,307	Total current liabilities	589,305	538,937	7,580,460
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):				LONG-TERM LIABILITIES:			
Land	83,176	82,743	1,069,925	Long-term debt (Notes 7 and 16)	550,597	484,855	7,082,544
Buildings and structures	317,881	316,923	4,089,028	Liability for employee retirement benefits (Note 8)	10,710	10,470	137,767
Machinery, equipment and other	605,582	590,165	7,789,838	Retirement allowances for directors and corporate auditors	355	727	4,567
Construction in progress	8,464	4,779	108,876	Long-term deposits payable	35,767	35,960	460,085
Lease assets	16,529	15,796	212,619	Deferred tax liabilities (Note 10)	47,844	42,535	615,436
Total	1,031,632	1,010,406	13,270,286	Other	12,040	7,833	154,875
Accumulated depreciation	(638,607)	(631,181)	(8,214,652)	Total long-term liabilities	657,313	582,380	8,455,274
Net property, plant and equipment	393,025	379,225	5,055,634	COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 17, and 18)			
INVESTMENTS AND OTHER ASSETS:				EQUITY (Notes 9, 20, and 21):			
Investments in unconsolidated subsidiaries and affiliates (Note 16)	36,572	35,081	470,440	Common stock, authorized - 1,305,600,000 shares, and issued - 687,136,196 shares in 2011 and 2010	70,000	70,000	900,437
Investment securities (Notes 4 and 16)	56,254	63,192	723,617	Stock acquisition rights	51	38	656
Long-term receivables	4,504	5,136	57,937	Retained earnings	449,353	392,937	5,780,203
Long-term guarantee deposit	30,770	31,992	395,807	Treasury stock - at cost: 5,900,748 shares in 2011	(4,012)	-	(51,608)
Goodwill	342,390	369,269	4,404,296	Accumulated other comprehensive income:			
Deferred tax assets (Note 10)	32,225	11,517	414,523	Unrealized gain on available-for-sale securities	7,572	10,159	97,402
Other	66,464	59,689	854,952	Deferred loss on derivatives under hedge accounting	(31)	(854)	(399)
Allowance for doubtful accounts	(4,321)	(4,598)	(55,583)	Foreign currency translation adjustments	(66,506)	(50,362)	(855,492)
Total investments and other assets	564,858	571,278	7,265,989	Total	456,427	421,918	5,871,199
				Minority interests	27,131	25,061	348,997
				Total equity	483,558	446,979	6,220,196
TOTAL ASSETS	¥1,730,176	¥1,568,296	\$22,255,930	TOTAL LIABILITIES AND EQUITY	¥1,730,176	¥1,568,296	\$22,255,930

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended December 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2011</u>	<u>2010</u>	<u>2011</u>
NET SALES	¥1,802,792	¥1,742,373	\$23,190,018
COST OF SALES	<u>898,224</u>	<u>874,794</u>	<u>11,554,206</u>
Gross profit	904,568	867,579	11,635,812
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11, 12 and 13)	<u>790,406</u>	<u>760,851</u>	<u>10,167,302</u>
Operating income	<u>114,162</u>	<u>106,728</u>	<u>1,468,510</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,728	2,553	35,091
Interest expense	(7,917)	(8,813)	(101,839)
Foreign currency exchange gain (loss)	227	(159)	2,920
Impairment loss (Note 6)	(2,746)	(5,152)	(35,323)
Losses from a natural disaster (Note 14)	(6,510)	-	(83,741)
Other, net	<u>(7,247)</u>	<u>(8,448)</u>	<u>(93,220)</u>
Other expenses, net	<u>(21,465)</u>	<u>(20,019)</u>	<u>(276,112)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>92,697</u>	<u>86,709</u>	<u>1,192,398</u>
INCOME TAXES (Note 10):			
Current	37,865	35,694	487,073
Deferred	<u>(14,392)</u>	<u>4,212</u>	<u>(185,130)</u>
Total income taxes	<u>23,473</u>	<u>39,906</u>	<u>301,943</u>
NET INCOME BEFORE MINORITY INTERESTS	69,224	46,803	890,455
MINORITY INTERESTS IN NET INCOME	<u>6,609</u>	<u>6,775</u>	<u>85,014</u>
NET INCOME	<u>¥ 62,615</u>	<u>¥ 40,028</u>	<u>\$ 805,441</u>
	Yen		U.S. Dollars (Note 1)
	<u>2011</u>	<u>2010</u>	<u>2011</u>
AMOUNTS PER SHARE (Notes 2(v) and 20):			
Net income - Basic	¥91.71	¥58.25	\$1.18
Net income - Diluted	91.68	58.23	1.18
Cash dividends applicable to the year	12.00	9.00	0.15

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended December 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	<u>2011</u>	<u>2011</u>
NET INCOME BEFORE MINORITY INTERESTS	¥ 69,224	\$ 890,455
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):		
Unrealized loss on available-for-sale securities	(2,593)	(33,355)
Deferred gain on derivatives under hedge accounting	894	11,500
Foreign currency translation adjustments	(16,991)	(218,562)
Share of other comprehensive income in associates	(50)	(643)
Total other comprehensive loss	<u>(18,740)</u>	<u>(241,060)</u>
COMPREHENSIVE INCOME (Note 19)	<u>¥ 50,484</u>	<u>\$ 649,395</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 19):		
Owners of the parent	¥44,707	\$575,083
Minority interests	5,777	74,312

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

	Thousands		Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)					
						Unrealized Gain (Loss) on Available-for- sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT JANUARY 1, 2010	687,136	¥70,000	¥24	¥357,719	¥ -	¥11,368	¥(680)	¥ (9,659)	¥428,772	¥26,867	¥455,639
Net income	-	-	-	40,028	-	-	-	-	40,028	-	40,028
Cash dividends, ¥7.00 per share (Note 2(v))	-	-	-	(4,810)	-	-	-	-	(4,810)	-	(4,810)
Net change in the year	-	-	14	-	-	(1,209)	(174)	(40,703)	(42,072)	(1,806)	(43,878)
BALANCE AT DECEMBER 31, 2010	687,136	70,000	38	392,937	-	10,159	(854)	(50,362)	421,918	25,061	446,979
Net income	-	-	-	62,615	-	-	-	-	62,615	-	62,615
Cash dividends, ¥9.00 per share (Note 2(v))	-	-	-	(6,185)	-	-	-	-	(6,185)	-	(6,185)
Purchase of treasury stock	-	-	-	-	(4,658)	-	-	-	(4,658)	-	(4,658)
Disposal of treasury stock	-	-	-	(14)	646	-	-	-	632	-	632
Net change in the year	-	-	13	-	-	(2,587)	823	(16,144)	(17,895)	2,070	(15,825)
BALANCE AT DECEMBER 31, 2011	<u>687,136</u>	<u>¥70,000</u>	<u>¥51</u>	<u>¥449,353</u>	<u>¥(4,012)</u>	<u>¥ 7,572</u>	<u>¥ (31)</u>	<u>¥(66,506)</u>	<u>¥456,427</u>	<u>¥27,131</u>	<u>¥483,558</u>
						Thousands of U.S. Dollars (Note 1)					
						Accumulated Other Comprehensive Income (Loss)					
						Unrealized Gain (Loss) on Available-for- sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT DECEMBER 31, 2010		\$900,437	\$489	\$5,054,502	\$ -	\$130,679	\$(10,985)	\$(647,826)	\$5,427,296	\$322,370	\$5,749,666
Net income		-	-	805,441	-	-	-	-	805,441	-	805,441
Cash dividends, \$0.12 per share (Note 2(v))		-	-	(79,560)	-	-	-	-	(79,560)	-	(79,560)
Purchase of treasury stock		-	-	-	(59,918)	-	-	-	(59,918)	-	(59,918)
Disposal of treasury stock		-	-	(180)	8,310	-	-	-	8,130	-	8,130
Net change in the year		-	167	-	-	(33,277)	10,586	(207,666)	(230,190)	26,627	(203,563)
BALANCE AT DECEMBER 31, 2011		<u>\$900,437</u>	<u>\$656</u>	<u>\$5,780,203</u>	<u>\$(51,608)</u>	<u>\$ 97,402</u>	<u>\$ (399)</u>	<u>\$(855,492)</u>	<u>\$5,871,199</u>	<u>\$348,997</u>	<u>\$6,220,196</u>

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 92,697	¥ 86,709	\$ 1,192,398
Adjustments for:			
Depreciation and amortization	50,175	45,069	645,421
Amortization of goodwill	21,278	21,781	273,707
Impairment loss	2,746	5,152	35,323
Net gain on sales and evaluation of investment securities and other investments	(615)	(581)	(7,911)
Loss on disposal of property, plant and equipment	4,351	4,133	55,969
Net gain on sales of property, plant and equipment	(1,047)	(309)	(13,468)
Increase in notes and accounts receivable - trade	(8,165)	(22,739)	(105,030)
(Increase) decrease in inventories	(10,306)	2,365	(132,570)
(Decrease) increase in notes and accounts payable - trade	(1,671)	9,767	(21,495)
Increase in liquor tax and consumption taxes payable	2,267	42	29,161
Decrease in interest and dividend receivable	600	709	7,718
Decrease in interest payable	(140)	(34)	(1,801)
Income taxes paid	(34,221)	(44,274)	(440,198)
Other, net	25,105	31,659	322,935
Net cash provided by operating activities	<u>143,054</u>	<u>139,449</u>	<u>1,840,159</u>
INVESTING ACTIVITIES:			
Increase in time deposits	(6)	(255)	(77)
Proceeds from withdrawal of time deposits	264	30,051	3,396
Proceeds from sales of short-term investments	9	589	116
Net decrease (increase) in short-term receivables	204	(17)	2,624
Purchases of property, plant and equipment	(57,110)	(55,098)	(734,628)
Proceeds from sales of property, plant and equipment	2,877	573	37,008
Purchases of investment securities	(4,159)	(3,780)	(53,499)
Proceeds from sales of investment securities	6,407	2,421	82,416
Purchases of investments in subsidiaries resulting in change of scope of consolidation	(25,222)	(3,513)	(324,440)
Other, net	(3,052)	828	(39,259)
Net cash used in investing activities	<u>(79,788)</u>	<u>(28,201)</u>	<u>(1,026,343)</u>
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(7,283)	(46,400)	(93,684)
Proceeds from long-term debt	145,928	15,712	1,877,129
Payments of long-term debt	(74,474)	(13,463)	(957,988)
Proceeds from repayments of subparticipation loan	1,673	1,038	21,520
Proceeds from bonds	21,387	34,875	275,109
Redemption of bonds	(1,646)	(39,183)	(21,173)
Repayments of lease obligations	(2,462)	(1,917)	(31,670)
Cash dividends	(6,185)	(4,810)	(79,560)
Cash dividends to minority shareholders	(6,242)	(6,712)	(80,293)
Other, net	(3,765)	199	(48,431)
Net cash provided by (used in) financing activities	<u>66,931</u>	<u>(60,661)</u>	<u>860,959</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,195)	(4,199)	(15,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,002	46,388	1,659,403
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,044	112,656	2,045,845
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	<u>81</u>	<u>-</u>	<u>1,042</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥288,127</u>	<u>¥159,044</u>	<u>\$ 3,706,290</u>

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended December 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended on or after March 31, 2011, and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and in the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended December 31, 2010, is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended December 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Holdings Limited (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥77.74 to \$1, the exchange rate at December 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Consolidation** - The consolidated financial statements as of December 31, 2011 and 2010, include the accounts of the Company and its 158 significant (150 in 2010) subsidiaries (collectively, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2010) unconsolidated subsidiary and 13 (12 in 2010) affiliates are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition are being amortized over periods of five to 20 years, or if immaterial, are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of research and development (R&D); 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective January 1, 2011.

(d) Business Combination - In October, 2003, the Business Accounting Council (BAC) issued a statement of opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under this accounting standard are as follows:

- (1) The revised standard requires accounting for such business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for R&D costs to be charged to income as incurred. Under the revised standard, in-process research and development acquired in a business combination is capitalized as an intangible asset.
- (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

The Group has applied this accounting standard to business combinations undertaken on or after April 1, 2010, as required by this standard.

- (e) **Cash and Cash Equivalents** - Cash and cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include cash on hand and deposits in banks (including time deposits). The Group considers all time deposits with an original maturity of six months or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.
- (f) **Inventories** - Inventories are primarily stated at the lower of cost determined by the average method or net selling value, which is defined as the selling price, less additional estimated manufacturing costs, and estimated direct selling expenses.
- (g) **Short-Term Investments and Investment Securities** - Short-term investments and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost or (2) available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

- (h) **Allowance for Doubtful Accounts** - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- (i) **Property, Plant and Equipment** - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is mainly computed by the straight-line method. The range of useful lives is principally from three to 50 years for buildings and structures and from two to 17 years for machinery, equipment and others. The useful lives for lease assets which do not transfer ownership of the leased property to the lessee are the terms of the respective leases.
- (j) **Intangible Assets** - Intangible assets are amortized primarily by the straight-line method. Purchased software for internal use and software development costs are amortized based on the straight-line method over an estimated useful life of five years.
- (k) **Long-Lived Assets** - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- (l) **Employee Retirement and Pension Plans** - Under the terms of the retirement plans of the Company and its domestic consolidated subsidiaries, substantially all employees are entitled to lump-sum payments at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement and cause of retirement. The Group accounts for the liability for retirement benefit based on projected benefit obligations and plan assets at the balance sheet date.

Unrecognized prior service cost is amortized by the straight-line method mainly over the period of 15 years, which is shorter than the average remaining years of service of the employees.

Unrecognized actuarial differences are amortized in the years following the year in which the gain or loss is recognized by the straight-line method mainly over the period of 15 years, which is shorter than the average remaining years of service of the employees.

- (m) **Retirement Allowances for Directors and Corporate Auditors** - Upon retirement, directors and corporate auditors of the Company's domestic subsidiaries and directors of certain foreign subsidiaries are also qualified to receive lump-sum payments based on the companies' policies.

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.

(n) **Asset Retirement Obligations** - In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective January 1, 2011. The effect of this change was to decrease operating income by ¥328 million (\$4,219 thousand) and income before income taxes and minority interests by ¥2,951 million (\$37,960 thousand).

(o) **Research and Development Costs** - Research and development costs are charged to expense as incurred.

(p) **Consumption Taxes** - Consumption taxes are excluded from the revenue and expense accounts, which are subject to such taxes.

(q) **Leases** - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years which began on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions, if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with "as if capitalized" information disclosed in the notes to the lessee's financial statements.

Also, under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective for the year ended December 31, 2009, and accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

- (r) **Income Taxes** - The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Company has filed an application for the adoption of the consolidated taxation system, which allows companies to base corporate tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries starting from the fiscal year ending December 31, 2012. Accordingly, the income taxes of the Company and its wholly owned subsidiaries are accounted based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ PITF No. 5) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7) in the fiscal year ended December 31, 2011.

- (s) **Foreign Currency Transactions** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen by applying the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.
- (t) **Foreign Currency Financial Statements** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen by applying the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate for their accounting periods.

- (u) **Derivatives and Hedge Activities** - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices. These derivative financial instruments are utilized by the Group to reduce volatility risks of foreign currency exchange rates, interest rates, and commodity prices. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains, or losses on derivatives are deferred until maturity of the hedged transactions. The foreign currency forward contracts and foreign currency option contracts employed to hedge foreign exchange exposures for import purchases are measured at fair values and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

Trade payables and deposits denominated in foreign currencies, for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

Interest rate swaps, except for certain swaps described below, which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity. Those swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

The commodity swap contracts, which qualify for hedge accounting, are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

- (v) **Per Share Information** - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised.

Cash dividends per share presented in the accompanying consolidated statements of income represents dividends applicable to the respective year, including dividends to be paid after the end of the year.

(w) **New Accounting Pronouncements**

Accounting Changes and Error Corrections - In December 2009, ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those prior-period financial statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors, which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. BUSINESS COMBINATION

Common Control Transactions

On January 1, 2011, the Company transferred its overseas food and beverage business to Suntory Beverage & Food Limited (SBF), a wholly owned subsidiary, which operates in domestic non-alcoholic beverages. On December 19, 2011, the Company also transferred the businesses operated by Suntory International Corp. and its subsidiaries to SBF. These transactions were undertaken as part of the Group's reorganization, aiming for further growth of the non-alcoholic beverage business by integration of the domestic and overseas beverage businesses of the Group, which management believes accelerates globalization of the beverage business and generates synergies within the group.

These transactions were accounted for as transactions between entities under common control, in accordance with the BAC statement of opinion, "Accounting for Business Combinations" (revised on December 26, 2008), ASBJ statement No. 7, "Accounting Standard for Business Divestitures" (revised on December 26, 2008) and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (revised on December 26, 2008).

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Short-term investments:			
Time deposits	¥ 8	¥272	\$ 103
Corporate bonds	<u>316</u>	<u>3</u>	<u>4,065</u>
Total	<u>¥324</u>	<u>¥275</u>	<u>\$4,168</u>
Investment securities:			
Equity securities	¥55,994	¥62,775	\$ 720,272
Government bonds	10	10	129
Corporate bonds	13	95	167
Other	<u>237</u>	<u>312</u>	<u>3,049</u>
Total	<u>¥56,254</u>	<u>¥63,192</u>	<u>\$ 723,617</u>

The costs and aggregate fair values of marketable securities as of December 31, 2011 and 2010, were as follows:

	Millions of Yen					
	2011			2010		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)	Carrying Amounts	Market Value	Unrealized Gain
Held-to-maturity:						
Carrying amounts exceed their fair values:						
Government bonds	¥ 10	¥ 10	¥ 0	¥10	¥10	¥0
Corporate bonds	135	137	2	80	83	3
Subtotal	145	147	2	90	93	3
Fair values exceed their carrying amounts:						
Corporate bonds	179	176	(3)	-	-	-
Subtotal	179	176	(3)	-	-	-
Total	¥324	¥323	¥(1)	¥90	¥93	¥3

	Thousands of U.S. Dollars		
	2011		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity:			
Carrying amounts exceed their fair values:			
Government bonds	\$ 129	\$ 129	\$ 0
Corporate bonds	1,736	1,762	26
Subtotal	1,865	1,891	26
Fair values exceed their carrying amounts:			
Corporate bonds	2,303	2,264	(39)
Subtotal	2,303	2,264	(39)
Total	\$4,168	\$4,155	\$(13)

	Millions of Yen					
	2011			2010		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:						
Carrying amounts exceed their acquisition cost:						
Equity securities	¥21,144	¥35,244	¥14,100	¥22,677	¥40,898	¥18,221
Acquisition costs exceed their carrying amounts:						
Equity securities	9,731	7,425	(2,306)	10,220	8,627	(1,593)
Total	¥30,875	¥42,669	¥11,794	¥32,897	¥49,525	¥16,628

	Thousands of U.S. Dollars		
	2011		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceed their acquisition cost:			
Equity securities	\$ 271,984	\$ 453,357	\$ 181,373
Acquisition costs exceed their carrying amounts:			
Equity securities	<u>125,174</u>	<u>95,511</u>	<u>(29,663)</u>
Total	<u>\$ 397,158</u>	<u>\$ 548,868</u>	<u>\$ 151,710</u>

Sales of securities classified as available-for-sale securities for the years ended December 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Amount sold	¥6,355	¥2,282	\$81,747
Total gain on sale	1,545	1,012	19,874
Total loss on sale	126	64	1,621

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2011 and 2010, were as follows:

	Carrying Amounts		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Available-for-sale:			
Equity securities	¥13,325	¥13,250	\$ 171,404
Corporate bonds	15	18	193
Investments in limited partnerships	<u>237</u>	<u>312</u>	<u>3,049</u>
Total	<u>¥13,577</u>	<u>¥13,580</u>	<u>\$ 174,646</u>

5. INVENTORIES

Inventories as of December 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished products	¥ 57,882	¥ 56,274	\$ 744,559
Semifinished products	77,170	69,019	992,668
Work in process	11,417	11,237	146,861
Raw materials and supplies	<u>25,400</u>	<u>21,058</u>	<u>326,730</u>
Total	<u>¥171,869</u>	<u>¥157,588</u>	<u>\$ 2,210,818</u>

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment and, as a result, recognized impairment losses of ¥2,746 million (\$35,323 thousand) and ¥5,152 million for the years ended December 31, 2011 and 2010, respectively, as other expense for certain rental property, idle assets, and business property, to adjust the carrying amounts of the relevant assets or asset group to recoverable amounts. The recoverable amounts of these assets or asset groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets or the net selling price at disposition. The discount rates used for computation of present values of future cash flows ranged from 4.0 to 7.6% and from 4.0 to 5.0% for the fiscal years ended December 31, 2011 and 2010, respectively. The details were as follows:

Location	2011	
	Use	Type
Inuyama City in Aichi, Other eight locations	Idle asset	Machinery, equipment and others
Yokohama City in Kanagawa, Other 22 locations	Business property (Others segment)	Lease assets, etc.

Location	2010	
	Use	Type
Hokuto City in Yamanashi, Other nine locations	Idle asset	Machinery, equipment and others
Inagi City in Tokyo	Business property (Foods segment)	Buildings and structures, etc.
Chiyoda-ku in Tokyo, Other 29 locations	Business property (Other segment)	Buildings and structures, etc.
Osaka City in Osaka	Multicultural facility	Buildings and structures, etc.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of December 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term loans, principally from banks, weighted-average rate of 2.16% as of December 31, 2011, and 1.52% as of December 31, 2010	¥34,993	¥42,310	\$ 450,129

Long-term debt as of December 31, 2011 and 2010, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Publicly offered corporate bonds, due 2012 through 2017, rates ranging from 0.46% to 2.06%	¥154,000	¥154,000	\$ 1,980,962
Euro yen bonds, due 2012 through 2023, rates ranging from 0.00% to 2.00%	49,750	51,352	639,954
Euro bonds, due 2014, rate of 1.95%	1,511	1,619	19,437
Euro U.S. dollar bonds, due 2014, rates ranging from 0.65% to 0.88%	4,090	4,382	52,611
Interest deferrable and early redeemable subordinated bonds, due 2071, rates ranging from 1.48% to 1.64%	21,700	-	279,136
Unsecured corporate bonds, due 2011, rates ranging from 0.59% to 1.27%	-	36	-
Loans from banks and other institutions, due through 2071, rates ranging from 0.00% to 4.85%, with:			
Collateralized	6,186	11,248	79,572
Unsecured	390,681	311,028	5,025,482
Obligations under finance leases	14,269	14,493	183,548
Total	<u>642,187</u>	<u>548,158</u>	<u>8,260,702</u>
Less current portion	<u>91,590</u>	<u>63,303</u>	<u>1,178,158</u>
Long-term debt, less current portion	<u>¥550,597</u>	<u>¥484,855</u>	<u>\$ 7,082,544</u>

Annual maturities of long-term debt excluding finance leases as of December 31, 2011, were as follows:

<u>Years Ending December 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2012	¥ 89,222	\$ 1,147,697
2013	46,021	591,986
2014	151,448	1,948,135
2015	35,765	460,059
2016	83,117	1,069,166
2017 and thereafter	<u>222,345</u>	<u>2,860,111</u>
Total	<u>¥627,918</u>	<u>\$ 8,077,154</u>

The carrying amount of assets pledged as collateral for short-term bank loans of ¥200 million (\$2,573 thousand) and the above-collateralized long-term debt of ¥6,186 million (\$79,572 thousand) as of December 31, 2011, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Property, plant and equipment - net of accumulated depreciation	¥16,226	\$ 208,721

8. RETIREMENT AND PENSION PLANS

The liability for employee retirement benefits as of December 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Projected benefit obligation	¥(115,373)	¥(113,530)	\$ (1,484,088)
Fair value of plan assets	<u>87,644</u>	<u>88,261</u>	<u>1,127,399</u>
Unfunded retirement benefit obligation	(27,729)	(25,269)	(356,689)
Unrecognized actuarial loss	38,265	38,259	492,218
Unrecognized prior service cost	(4,776)	(5,331)	(61,436)
Prepaid pension cost	<u>(16,470)</u>	<u>(18,129)</u>	<u>(211,860)</u>
Net liability	<u>¥ (10,710)</u>	<u>¥ (10,470)</u>	<u>\$ (137,767)</u>

The components of net periodic benefit costs for the years ended December 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Service cost	¥ 4,575	¥ 4,005	\$ 58,850
Interest cost	1,933	2,342	24,865
Expected return on plan assets	(2,041)	(2,003)	(26,254)
Amortization of actuarial loss	3,484	2,582	44,816
Amortization of prior service cost	<u>(635)</u>	<u>(554)</u>	<u>(8,168)</u>
Net periodic benefit costs	7,316	6,372	94,109
Contributions to the defined contribution pension plan	<u>2,294</u>	<u>2,305</u>	<u>29,509</u>
Total	<u>¥ 9,610</u>	<u>¥ 8,677</u>	<u>\$ 123,618</u>

Assumptions used for the years ended December 31, 2011 and 2010, are set forth as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	Mainly 1.7%~2.0%	Mainly 1.7%~2.0%
Expected return on assets	Mainly 0%~3.0%	Mainly 0%~3.0%
Recognition period of prior service cost	Mainly 15 years	Mainly 15 years
Recognition period of actuarial loss	Mainly 15 years	Mainly 15 years

9. STOCK OPTION PLANS

The stock options outstanding as of December 31, 2011 were as follows:

	2001 Plan	2002 Plan	2004 Plan	2006 Plan	
Grantees	2 directors and 81 employees of a subsidiary	2 directors and 73 employees of a subsidiary	2 directors and 5 employees of a subsidiary	3 directors and 14 employees of a subsidiary	
Type of stock	Common stock	Common stock	Common stock	Common stock	
Number of shares granted	1,450,000	1,108,000	569,000	543,000	
Exercise price (Singapore dollars)	2.54	1.72	3.04	3.20	
Exercisable period	March 19, 2003 - March 18, 2011	March 28, 2004 - March 27, 2012	March 18, 2006 - March 17, 2014	December 16, 2007 - December 15, 2015	
Nonvested (number of shares):					
Outstanding at the beginning of the year	-	-	-	-	
Granted during the year	-	-	-	-	
Forfeited during the year	-	-	-	-	
Vested during the year	-	-	-	-	
Outstanding at the end of the year	-	-	-	-	
Vested (number of shares):					
Outstanding at the beginning of the year	150,000	36,000	260,000	271,000	
Vested during the year	-	-	-	-	
Exercised during the year	(132,000)	(6,000)	(150,000)	(139,000)	
Forfeited during the year	(18,000)	-	-	-	
Outstanding at the end of the year	-	30,000	110,000	132,000	
Weighted-average market price (Singapore dollars)	4.90	5.03	4.81	5.01	
	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Grantees	3 directors and 19 employees of a subsidiary	3 directors and 21 employees of a subsidiary	3 directors and 21 employees of a subsidiary	3 directors and 21 employees of a subsidiary	3 directors and 21 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	639,000	766,000	916,000	947,000	954,000
Exercise price (Singapore dollars)	3.45	3.83	2.52	3.67	5.05
Exercisable period	December 22, 2008 - December 21, 2016	March 17, 2010 - March 16, 2018	March 17, 2011 - March 16, 2019	March 18, 2012 - March 17, 2020	June 17, 2013 - June 16, 2021
Nonvested (number of shares):					
Outstanding at the beginning of the year	-	-	894,000	947,000	-
Granted during the year	-	-	-	-	954,000
Forfeited during the year	-	-	-	(44,000)	(22,000)
Vested during the year	-	-	894,000	-	-
Outstanding at the end of the year	-	-	-	903,000	932,000
Vested (number of shares):					
Outstanding at the beginning of the year	394,000	664,000	-	-	-
Vested during the year	-	-	894,000	-	-
Exercised during the year	(213,000)	(192,000)	(551,000)	-	-
Forfeited during the year	-	(21,000)	(22,000)	-	-
Outstanding at the end of the year	181,000	451,000	321,000	-	-
Weighted-average market price (Singapore dollars)	4.99	4.98	5.00	-	-

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended December 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Deferred tax assets:			
Tax loss carryforwards	¥ 49,649	¥ 51,329	\$ 638,655
Accrued expenses	8,305	8,608	106,830
Investments in subsidiaries	859	6,231	11,050
Unrealized profit	3,891	3,659	50,051
Impairment loss	3,875	5,692	49,846
Accrued bonuses	3,196	3,259	41,111
Pension liabilities	3,104	3,207	39,928
Other	<u>15,284</u>	<u>12,736</u>	<u>196,604</u>
Total gross deferred tax assets	88,163	94,721	1,134,075
Valuation allowance	<u>(21,771)</u>	<u>(40,775)</u>	<u>(280,049)</u>
Net deferred tax assets	<u>66,392</u>	<u>53,946</u>	<u>854,026</u>
Deferred tax liabilities:			
Intangible assets	(19,182)	(18,300)	(246,746)
Investments in subsidiaries	(18,310)	(19,503)	(235,529)
Fixed assets	(7,178)	(6,132)	(92,333)
Prepaid pension cost	(5,779)	(7,170)	(74,338)
Net unrealized holding gains on available-for-sale securities	(4,250)	(6,496)	(54,669)
Other	<u>(6,324)</u>	<u>(7,265)</u>	<u>(81,348)</u>
Total gross deferred tax liabilities	<u>(61,023)</u>	<u>(64,866)</u>	<u>(784,963)</u>
Net deferred tax assets (liabilities)	<u>¥ 5,369</u>	<u>¥(10,920)</u>	<u>\$ 69,063</u>

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended December 31, 2011 and 2010, were as follows:

	<u>2011</u>	<u>2010</u>
Normal effective statutory tax rate	40.7%	40.7%
Income not taxable for income tax purposes	(2.9)	(33.4)
Valuation allowance	(17.5)	29.6
Amortization of goodwill	8.1	8.8
Other	<u>(3.1)</u>	<u>0.3</u>
Actual effective tax rate	<u>25.3%</u>	<u>46.0%</u>

Following the promulgation of December 2, 2011, of the "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), effective from the fiscal year beginning on and after April 1, 2012, the corporate tax rate will be changed. In accordance with these acts, the effective statutory tax rates, which are used to calculate deferred tax assets and deferred tax liabilities, will be reduced to 38.0% from 40.7% for temporary differences that are expected to be reversed between January 1, 2013, and December 31, 2015, and to 35.6% from 40.7% for temporary differences that are expected to be reversed on and after January 1, 2016. The effect of this change was to decrease deferred tax assets by ¥3,981 million (\$51,209 thousand), to decrease deferred tax liabilities by ¥6,308 million (\$81,142 thousand), to increase unrealized gain on available-for-sale securities by ¥611 million (\$7,860 thousand), to increase deferred loss on derivatives under hedge accounting by ¥3 million (\$39 thousand), and to increase deferred taxes benefit by ¥1,719 million (\$22,112 thousand).

11. R&D COSTS

R&D costs charged to expense were ¥15,871 million (\$204,155 thousand) and ¥16,589 million for the years ended December 31, 2011 and 2010, respectively.

12. ADVERTISING COSTS

Advertising costs were ¥77,211 million (\$993,195 thousand) and ¥73,843 million for the years ended December 31, 2011 and 2010, respectively.

13. AMORTIZATION OF GOODWILL

Amortization of goodwill was ¥21,278 million (\$273,707 thousand) and ¥21,781 million for the years ended December 31, 2011 and 2010, respectively.

14. LOSSES FROM A NATURAL DISASTER

Donations and canceled advertising and promotional expenses caused by the Great East Japan Earthquake on March 11, 2011, were recognized as losses from a natural disaster.

15. LEASES

(a) As Lessee

The Group leases certain machinery, computer equipment, office space, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended December 31, 2011 and 2010, amounted to ¥17,417 million (\$224,042 thousand) and ¥19,876 million, respectively.

Pro Forma Information of leased property whose lease inception was before December 31, 2008.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Group applied the ASBJ Statement No. 13 effective January 1, 2009, and accounted for such leases as operating lease transactions. Pro forma information of leased property, whose lease inception was before December 31, 2008, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, was as follows:

	Millions of Yen			
	2011			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 24,672	¥ 38,873	¥ 6,974	¥ 70,519
Accumulated depreciation	(13,635)	(16,957)	(5,688)	(36,280)
Accumulated impairment loss	(1,462)	(16)	(92)	(1,570)
Net leased property	<u>¥ 9,575</u>	<u>¥ 21,900</u>	<u>¥ 1,194</u>	<u>¥ 32,669</u>
	Thousands of U.S. Dollars			
	2011			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	\$ 317,365	\$ 500,039	\$ 89,709	\$ 907,113
Accumulated depreciation	(175,392)	(218,125)	(73,167)	(466,684)
Accumulated impairment loss	(18,806)	(206)	(1,183)	(20,195)
Net leased property	<u>\$ 123,167</u>	<u>\$ 281,708</u>	<u>\$ 15,359</u>	<u>\$ 420,234</u>

	Millions of Yen			
	2010			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 25,286	¥ 39,569	¥ 14,570	¥ 79,425
Accumulated depreciation	(12,596)	(14,314)	(9,409)	(36,319)
Accumulated impairment loss	(2,011)	(13)	(38)	(2,062)
Net leased property	<u>¥ 10,679</u>	<u>¥ 25,242</u>	<u>¥ 5,123</u>	<u>¥ 41,044</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 5,661	¥ 7,569	\$ 72,820
Due after one year	<u>29,677</u>	<u>36,581</u>	<u>381,747</u>
Total	<u>¥35,338</u>	<u>¥44,150</u>	<u>\$ 454,567</u>

Allowance for impairment loss on leased property of ¥1,262 million (\$16,234 thousand) and ¥1,388 million as of December 31, 2011 and 2010, are not included in obligations under finance leases.

Depreciation expense, interest expense, and other information for finance leases as of December 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥6,411	¥8,545	\$82,467
Interest expense	981	1,199	12,619
Reversal of allowance for impairment loss on leased property	132	878	1,698
Impairment loss	6	94	77

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method.

The minimum rental commitments under noncancelable operating leases as of December 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥10,822	¥10,031	\$ 139,208
Due after one year	<u>55,784</u>	<u>47,953</u>	<u>717,571</u>
Total	<u>¥66,606</u>	<u>¥57,984</u>	<u>\$ 856,779</u>

(b) As Lessor

The Group subleases certain buildings and structures.

Total lease revenue under finance leases for the year ended December 31, 2010, amounted to ¥6 million.

Pro Forma Information of leased property whose lease inception was before December 31, 2008.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions that deem to transfer ownership of the leased property be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee be recognized as investments in lease. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the financial statements. The Group applied the ASBJ Statement No. 13 effective January 1, 2009, and accounted for such leases as operating lease transactions. Pro forma information of leased property, whose lease inception was before December 31, 2008, such as acquisition cost, accumulated depreciation, receivables under finance leases, depreciation expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if sold" basis was as follows:

	<u>Buildings and Structures</u> Millions of Yen <u>2010</u>
Acquisition cost	¥ 130
Accumulated depreciation	<u>(102)</u>
Net leased property	<u>¥ 28</u>

The lessor's receivables under finance leases:

	<u>Millions of Yen</u> <u>2010</u>
Due within one year	¥ 6
Due after one year	<u>15</u>
Total	<u>¥21</u>

The imputed interest income portion is included in the above lessor's receivables under finance leases, since the total of lessor's receivables under finance leases and estimated residual value accounted for a small proportion of operating receivables at the balance sheet date.

Depreciation expense under finance leases:

	<u>Millions of Yen</u> <u>2010</u>
Depreciation expense	¥3

The minimum lease receivables under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Due within one year	¥112	¥ 95	\$1,441
Due after one year	<u>284</u>	<u>383</u>	<u>3,653</u>
Total	<u>¥396</u>	<u>¥478</u>	<u>\$5,094</u>

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective for the year ended December 31, 2010.

(1) Group policy for financial instruments

The Group primarily invests cash surpluses, if any, in low-risk financial instruments and does not invest for trading or speculative purposes. The Group, depending on the market condition at the time, uses short-term bank loans or commercial paper for short-term cash demands and long-term bank loans or corporate bonds to satisfy long-term cash demands. Derivatives are used, not for trading or speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of unconsolidated subsidiaries and affiliates or customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year and exposed to liquidity risk. Bank loans, commercial papers, and corporate bonds are used to fund its ongoing operations or investments. A part of such debts are exposed to market risks from changes in variable interest rates or from fluctuation in foreign currency exchange rates.

Derivatives are used to manage exposure to risks, from changes in foreign currency exchange rates or changes in market price fluctuations of goods, of payables derived from the Group's normal business, such as purchases of raw or packaging materials, and imports of goods; risks from changes in foreign currency exchange rates of capital transactions denominated in foreign currencies and dividends receivables; risks from changes in variable interest rates and foreign exchange rates of bank loans and corporate bonds. The Group does not enter into derivatives for trading or speculative purposes. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include the monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to financial investments and derivatives, the Group manages its exposure to credit risk by limiting its counterparty to high-credit rating financial institutions. Please see Note 17 for the detail about derivatives.

Market Risk Management (foreign exchange risk, interest rate risk, and commodity price risk)

Forward foreign currency contracts, foreign currency swaps, and foreign currency options are employed to hedge foreign exchange exposures of trade receivables and payables denominated in foreign currencies.

Interest rate swaps, interest rate options, and currency and interest rate swaps are used to manage exposure to market risks from changes in interest rates or in foreign exchange rates of loan payables and bond payables.

Commodity price swap contracts are used to hedge risks from fluctuations in raw material prices.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis. In addition, the Group periodically reviews its portfolio considering relationships with its customers and suppliers except for held-to-maturity securities.

The Group treasury department executes derivative transactions based on the internal guidelines, which prescribe the counterparties and the quantity and profit/loss limit for each transaction. Each transaction is approved by management before and after the executions. The Group treasury department also reviews consolidated subsidiaries' derivative transactions based on the internal guidelines before the transaction, and reviews reports from those subsidiaries after the execution of the transaction. The Group has established segregation of duties in the Group treasury department by separating execution of derivative transactions from a back office that performs reconciliation and risk evaluations. The balance and risk status of the transactions, including consolidated subsidiaries, have been periodically reported to management by the Group treasury department.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by adequate financial planning by the Group treasury department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 17 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

<u>December 31, 2011</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	¥288,127	¥288,127	¥ -
Notes and accounts receivable - trade	249,784	249,784	-
Investment securities	<u>42,679</u>	<u>42,679</u>	<u>0</u>
Total	<u>¥580,590</u>	<u>¥580,590</u>	<u>¥ 0</u>
Short-term borrowings	¥ 34,993	¥ 34,993	¥ -
Current portion of long-term debt	91,590	92,196	(606)
Notes and accounts payable - trade	139,749	139,749	-
Notes and accounts payable - other	137,971	137,971	-
Liquor tax and consumption taxes payable	53,185	53,185	-
Accrued income taxes	19,331	19,331	-
Long-term debt	<u>550,597</u>	<u>555,895</u>	<u>(5,298)</u>
Total	<u>¥1,027,416</u>	<u>¥1,033,320</u>	<u>¥(5,904)</u>
	Thousands of U.S. Dollars		
<u>December 31, 2011</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 3,706,290	\$ 3,706,290	\$ -
Notes and accounts receivable - trade	3,213,069	3,213,069	-
Investment securities	<u>548,997</u>	<u>548,997</u>	<u>0</u>
Total	<u>\$ 7,468,356</u>	<u>\$ 7,468,356</u>	<u>\$ 0</u>
Short-term borrowings	\$ 450,129	\$ 450,129	\$ -
Current portion of long-term debt	1,178,158	1,185,953	(7,795)
Notes and accounts payable - trade	1,797,646	1,797,646	-
Notes and accounts payable - other	1,774,775	1,774,775	-
Liquor tax and consumption taxes payable	684,139	684,139	-
Accrued income taxes	248,662	248,662	-
Long-term debt	<u>7,082,544</u>	<u>7,150,694</u>	<u>(68,150)</u>
Total	<u>\$13,216,053</u>	<u>\$13,291,998</u>	<u>\$(75,945)</u>

<u>December 31, 2010</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	¥159,044	¥159,044	¥ -
Notes and accounts receivable - trade	240,013	240,013	-
Investment securities	<u>49,615</u>	<u>49,618</u>	<u>3</u>
Total	<u>¥448,672</u>	<u>¥448,675</u>	<u>¥ 3</u>
Short-term borrowings	¥ 42,310	¥ 42,310	¥ -
Current portion of long-term debt	63,303	63,440	(137)
Notes and accounts payable - trade	135,103	135,103	-
Notes and accounts payable - other	121,759	121,759	-
Liquor tax and consumption taxes payable	50,738	50,738	-
Accrued income taxes	17,990	17,990	-
Long-term debt	<u>484,855</u>	<u>487,116</u>	<u>(2,261)</u>
Total	<u>¥916,058</u>	<u>¥918,456</u>	<u>¥(2,398)</u>

Cash and cash equivalents, receivables and payables, short-term borrowings, and accrued income taxes

The carrying values of cash and cash equivalents, receivables and payables, short-term borrowings, and accrued income taxes approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value for marketable and investment securities by classification is included in Note 4.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information on the fair value for derivatives is included in Note 17.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Investments in unconsolidated subsidiaries and affiliates	¥36,572	¥35,081	\$ 470,440
Investments in equity instruments that do not have a quoted market price in an active market	13,325	13,250	171,404
Corporate bonds	13	18	167
Investments in limited partnerships	237	312	3,049

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
<u>December 31, 2011</u>				
Cash and cash equivalents	¥288,127	¥ -	¥ -	¥ -
Note and accounts receivable - trade	249,784	-	-	-
Investment securities:				
Government bonds	-	10	-	-
Corporate bonds	<u>316</u>	<u>10</u>	<u>3</u>	<u>-</u>
Total	<u>¥538,227</u>	<u>¥20</u>	<u>¥3</u>	<u>¥ -</u>
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
<u>December 31, 2011</u>				
Cash and cash equivalents	\$ 3,706,290	\$ -	\$ -	\$ -
Note and accounts receivable - trade	3,213,069	-	-	-
Investment securities:				
Government bonds	-	129	-	-
Corporate bonds	<u>4,065</u>	<u>129</u>	<u>38</u>	<u>-</u>
Total	<u>\$ 6,923,424</u>	<u>\$258</u>	<u>\$38</u>	<u>\$ -</u>

Please see Note 7 for annual maturities of long-term debt and Note 15 for obligations under finance leases.

17. DERIVATIVES AND HEDGING ACTIVITIES

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks. The Group has established control environment policies, which include procedures for risk assessment for the approval, reporting, and monitoring of transactions involving derivative financial instruments. The Group policy states that the Group not hold or issue derivative financial instruments for trading or speculative purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts, swap agreements, currency option contracts, and commodity price swap contracts. The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest and commodity price; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high-credit ratings.

(a) *Derivative Transactions to which Hedge Accounting is not Applied*

(1) Foreign currency-related derivatives

<u>At December 31, 2011</u>	<u>Millions of Yen</u>			
	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Forward exchange contracts to:				
Buy:				
USD	¥6,160	¥ -	¥ 108	¥ 108
EUR	2,327	-	(105)	(105)
SGD	1,825	-	1	1
JPY	2,410	-	(64)	(64)
Other	188	-	0	0
Sell:				
GBP	815	-	(1)	(1)
HKD	354	-	(6)	(6)
Other	82	-	(3)	(3)

<u>At December 31, 2011</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Forward exchange contracts to:				
Buy:				
USD	\$ 79,238	\$ -	\$ 1,389	\$ 1,389
EUR	29,933	-	(1,351)	(1,351)
SGD	23,476	-	13	13
JPY	31,001	-	(823)	(823)
Other	2,418	-	0	0
Sell:				
GBP	10,484	-	(13)	(13)
HKD	4,554	-	(77)	(77)
Other	1,055	-	(39)	(39)

Millions of Yen				
<u>At December 31, 2010</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized (Loss) Gain</u>
Forward exchange contracts to:				
Buy:				
USD	¥4,204	¥ -	¥(119)	¥(119)
EUR	3,084	-	(57)	(57)
GBP	1,072	-	(30)	(30)
Other	1,107	-	39	39
Sell:				
THB	1,182	-	(7)	(7)
USD	705	-	49	49
Other	190	-	2	2
Currency options:				
Call options, purchased:				
USD	58	-	-	-
Premium	1	-	0	(1)
EUR	113	-	-	-
Premium	3	-	0	(3)

(2) Interest-related derivatives

Millions of Yen				
<u>At December 31, 2011</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Interest rate swaps:				
Fixed-rate payment, floating rate receipt	¥1,018	¥1,018	¥(39)	¥(39)

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Interest rate swaps:				
Fixed-rate payment, floating rate receipt	\$13,095	\$13,095	\$(502)	\$(502)

Millions of Yen				
<u>At December 31, 2010</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Interest rate swaps:				
Fixed-rate payment, floating rate receipt	¥1,075	¥1,075	¥50	¥50

(3) Interest and currency-related derivatives

Millions of Yen				
<u>At December 31, 2011</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Currency and interest rate swaps:				
Buy EUR, sell JPY				
Fixed-rate payment, floating rate receipt	¥10,587	¥ -	¥524	¥524
Buy JPY, sell EUR				
Floating rate payment, fixed-rate receipt	2,036	-	0	0
Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Currency and interest rate swaps:				
Buy EUR, sell JPY				
Fixed-rate payment, floating rate receipt	\$136,185	\$ -	\$6,740	\$6,740
Buy JPY, sell EUR				
Floating rate payment, fixed-rate receipt	26,190	-	0	0

(b) Derivative Transactions to which Hedge Accounting is Applied

(1) Foreign currency-related derivatives

Millions of Yen				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Forward exchange contracts to:				
Buy:				
USD	Payables	¥7,368	¥ -	¥ 189
EUR	Payables	8,031	-	(348)
Other	Payables	2,064	-	(17)
Sell:				
GBP	Receivable	1,193	-	16
AUD	Receivable	1,178	-	(3)
Currency options:				
Call options, purchased:				
USD	Payables	3,438	-	-
Premium		(76)	-	64
EUR	Payables	2,918	-	-
Premium		(99)	-	9
Other	Payables	454	-	-
Premium		(11)	-	9

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Forward exchange contracts to:				
Buy:				
USD	Payables	\$ 94,777	\$ -	\$ 2,431
EUR	Payables	103,306	-	(4,476)
Other	Payables	26,550	-	(219)
Sell:				
GBP	Receivable	15,346	-	206
AUD	Receivable	15,153	-	(39)
Currency options:				
Call options, purchased:				
USD	Payables	44,224	-	-
Premium		(978)	-	823
EUR	Payables	37,535	-	-
Premium		(1,273)	-	116
Other	Payables	5,840	-	-
Premium		(141)	-	116

Millions of Yen				
<u>At December 31, 2010</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Forward exchange contracts to:				
Buy:				
USD	Payables	¥4,720	¥ -	¥ (225)
EUR	Payables	5,968	-	(1,069)
Other	Payables	267	-	(11)
Sell:				
AUD	Receivable	1,253	-	(29)
Other	Receivable	146	-	2
Currency options:				
Call options, purchased:				
USD	Payables	1,081	-	-
Premium		7	-	20
EUR	Payables	326	-	-
Premium		2	-	13

The following foreign currency forward contracts, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the hedged items denominated in a foreign currency are translated at the contracted rates. In addition, the fair values of such foreign currency forward contracts are included in those of the hedged items (i.e., payables and deposits) in Note 16, and are not shown in the table below.

		Millions of Yen			
		Hedged	Contract	Contract	Fair
<u>At December 31, 2011</u>		<u>Item</u>	<u>Amount</u>	<u>Amount</u> <u>due after</u> <u>One Year</u>	<u>Value</u>
Forward exchange contracts to:					
Buy:					
	USD	Payables	¥ 274	¥ -	¥ -
	GBP	Payables	479	-	-
	Other	Payables	233	-	-
Sell:					
	EUR	Foreign currency deposit	27,363	-	-
		Thousands of U.S. Dollars			
		Hedged	Contract	Contract	Fair
<u>At December 31, 2011</u>		<u>Item</u>	<u>Amount</u>	<u>Amount</u> <u>due after</u> <u>One Year</u>	<u>Value</u>
Forward exchange contracts to:					
Buy:					
	USD	Payables	\$ 3,525	\$ -	\$ -
	GBP	Payables	6,162	-	-
	Other	Payables	2,997	-	-
Sell:					
	EUR	Foreign currency deposit	351,981	-	-
		Millions of Yen			
		Hedged	Contract	Contract	Fair
<u>At December 31, 2010</u>		<u>Item</u>	<u>Amount</u>	<u>Amount</u> <u>due after</u> <u>One Year</u>	<u>Value</u>
Forward exchange contracts to:					
Buy:					
	USD	Payables	¥135	¥ -	¥ -
	EUR	Payables	128	-	-

(2) Interest related derivatives

Millions of Yen				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps: Fixed-rate payment, floating rate receipt	Short-term borrowings and long- term debt	¥6,404	¥4,602	¥(287)

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps: Fixed-rate payment, floating rate receipt	Short-term borrowings and long- term debt	\$82,377	\$59,197	\$(3,692)

Millions of Yen				
<u>At December 31, 2010</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps: Fixed-rate payment, floating rate receipt	Long-term debt	¥18,804	¥3,104	¥ 45
Interest options: Options	Long-term debt	60,000	-	(143)

The following interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps are included in that of hedged items (i.e., long-term debt) in Note 16, and are not shown in the table below.

Millions of Yen				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps: Floating rate payment, fixed- rate receipt	Long-term debt	¥120,000	¥120,000	¥ -
Fixed-rate payment, floating rate receipt	Long-term debt	52,734	38,927	-

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Floating rate payment, fixed-rate receipt	Long-term debt	\$ 1,543,607	\$ 1,543,607	\$ -
Fixed-rate payment, floating rate receipt	Long-term debt	678,338	500,733	-
Millions of Yen				
<u>At December 31, 2010</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Floating rate payment, fixed-rate receipt	Long-term debt	¥70,000	¥70,000	¥ -
Fixed-rate payment, floating rate receipt	Long-term debt	44,172	27,987	-

(3) Interest and currency-related derivatives

The following currency and interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and long-term debt denominated in a foreign currency are translated at the contracted rates. In addition, the fair values of such interest rate swaps are included in that of hedged items (i.e., long-term debt) in Note 16, and are not shown in the table below.

Millions of Yen				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Currency and interest rate swaps:				
Buy EUR, sell USD	Long-term debt	¥ 5,393	¥ -	¥ -
Fixed-rate payment, floating rate receipt				
Buy JPY, sell USD	Long-term debt	51,610	-	-
Fixed-rate payment, floating rate receipt				

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Currency and interest rate swaps:				
Buy EUR, sell USD	Long-term debt	\$ 69,372	\$ -	\$ -
Fixed-rate payment, floating rate receipt				
Buy JPY, sell USD	Long-term debt	663,880	-	-
Fixed-rate payment, floating rate receipt				

Millions of Yen				
<u>At December 31, 2010</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Currency and interest rate swaps:				
Buy EUR, sell USD	Long-term debt	¥4,899	¥4,899	¥ -
Fixed-rate payment, floating rate receipt				

(4) Commodity related derivatives

Millions of Yen				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	¥1,695	¥ -	¥(75)

Thousands of U.S. Dollars				
<u>At December 31, 2011</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount due after One Year</u>	<u>Fair Value</u>
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	\$21,803	\$ -	\$(965)

At December 31, 2010	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	¥538	¥ -	¥41

18. CONTINGENT LIABILITIES

The Group was contingently liable for an in-substance defeasance on bonds in the amount of ¥10,500 million (\$135,066 thousand) at December 31, 2011.

19. COMPREHENSIVE INCOME

Total comprehensive income for the year ended December 31, 2010, consisted of the following:

	<u>2010</u>
Total comprehensive income attributable to:	
Owners of the parent	¥(2,058)
Minority interests	<u>5,448</u>
Total comprehensive income	<u>¥ 3,390</u>

Other comprehensive income for the year ended December 31, 2010 consisted of the following:

	<u>2010</u>
Other comprehensive income:	
Unrealized loss on available-for-sale securities	¥ (1,242)
Deferred loss on derivatives under hedge accounting	(173)
Foreign currency translation adjustments	(42,156)
Share of other comprehensive income in associates	<u>158</u>
Total other comprehensive income	<u>¥(43,413)</u>

20. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share (EPS) for the years ended December 31, 2011 and 2010, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>Dollars</u>
	<u>Net Income</u>	<u>Weighted- Average Shares</u>	<u>EPS</u>	
<u>For the year ended December 31, 2011:</u>				
Basic EPS				
Net income available to common shareholders	¥62,615	682,759	¥91.71	\$ 1.18
Effect of dilutive securities				
Stock acquisition rights	22	-		
Diluted EPS				
Net income for computation	¥62,593	682,759	¥91.68	\$ 1.18
<u>For the year ended December 31, 2010:</u>				
Basic EPS				
Net income available to common shareholders	¥40,028	687,136	¥58.25	
Effect of dilutive securities				
Stock acquisition rights	13	-		
Diluted EPS				
Net income for computation	¥40,015	687,136	¥58.23	

21. SUBSEQUENT EVENT

(a) Appropriations of Retained Earnings

The following appropriation of retained earnings as of December 31, 2011, was approved at the Company's shareholders meeting held on March 29, 2012:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥12.00 (\$0.15) per share	¥8,175	\$105,158

22. SEGMENT INFORMATION

For the years ended December 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended December 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(a) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the "Non-alcoholic Beverages and Foods" and "Beer and Spirits". "Non-alcoholic Beverages and Foods" consists of Non-alcoholic beverages, healthy drinks, processed foods, and other products. "Beer and Spirits" consist of beer, whisky, shochu, RTDs, and other alcoholic beverages. "Others" consists of China business, wine, healthy foods, ice cream, restaurants, sports, flowers, and other.

(b) Methods of measurement for the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".

(c) Information about sales, profit, assets, and other items is as follows:

	Millions of Yen					
	Reportable Segment			2011		
	Non-alcoholic Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥970,590	¥523,693	¥308,509	¥1,802,792	¥ -	¥1,802,792
Intersegment sales or transfers	7,071	1,922	11,178	20,171	(20,171)	-
Total	977,661	525,615	319,687	1,822,963	(20,171)	1,802,792
Segment profit	88,081	29,570	25,541	143,192	(29,030)	114,162
Segment assets	795,250	377,779	197,715	1,370,744	359,432	1,730,176
Other:						
Depreciation and amortization	34,000	7,611	7,036	48,647	1,528	50,175
Amortization of goodwill	20,427	456	395	21,278	-	21,278
Investment for affiliates applied for equity method	7,611	975	6,205	14,791	-	14,791
Increase in property, plant and equipment and intangible assets	62,350	7,005	11,713	81,068	1,404	82,472

Thousands of U.S. Dollars						
2011						
	Reportable Segment					
	Non-alcoholic Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	\$12,485,078	\$6,736,468	\$3,968,472	\$23,190,018	\$ -	\$23,190,018
Intersegment sales or transfers	90,957	24,723	143,787	259,467	(259,467)	-
Total	12,576,035	6,761,191	4,112,259	23,449,485	(259,467)	23,190,018
Segment profit	1,133,020	380,370	328,544	1,841,934	(373,424)	1,468,510
Segment assets	10,229,612	4,859,519	2,543,285	17,632,416	4,623,514	22,255,930
Other:						
Depreciation and amortization	437,355	97,903	90,507	625,765	19,656	645,421
Amortization of goodwill	262,761	5,866	5,080	273,707	-	273,707
Investment for affiliates applied for equity method	97,903	12,542	79,817	190,262	-	190,262
Increase in property, plant and equipment and intangible assets	802,032	90,108	150,669	1,042,809	18,060	1,060,869
Millions of Yen						
2010						
	Reportable Segment					
	Non-alcoholic Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥939,756	¥511,544	¥291,073	¥1,742,373	¥ -	¥1,742,373
Intersegment sales or transfers	7,337	2,082	10,364	19,783	(19,783)	-
Total	947,093	513,626	301,437	1,762,156	(19,783)	1,742,373
Segment profit	87,619	23,847	21,832	133,298	(26,570)	106,728
Segment assets	808,406	364,210	196,083	1,368,699	199,597	1,568,296
Other:						
Depreciation and amortization	29,432	7,279	6,633	43,344	1,725	45,069
Amortization of goodwill	20,757	665	359	21,781	-	21,781
Investment for affiliates applied for equity method	7,504	1,094	4,455	13,053	-	13,053
Increase in property, plant and equipment and intangible assets	42,606	7,153	11,728	61,487	896	62,383

(d) Relevant information by geographic area

	Millions of Yen				
	2011				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	¥1,421,186	¥144,148	¥167,918	¥69,540	¥1,802,792
Property, plant, and equipment	299,722	40,620	33,948	18,735	393,025

	Thousands of U.S. Dollars				
	2011				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	\$18,281,271	\$1,854,232	\$2,159,995	\$894,520	\$23,190,018
Property, plant, and equipment	3,855,441	522,511	436,686	240,996	5,055,634

(e) Information by reportable segment

	Millions of Yen			
	2011			
	Non- Alcoholic Beverages	Beer and Spirits	Others	Total
Impairment loss	¥ 765	¥ 73	¥1,908	¥ 2,746
Goodwill	337,329	967	4,094	342,390

	Thousands of U.S. Dollars			
	2011			
	Non- Alcoholic Beverages	Beer and Spirits	Others	Total
Impairment loss	\$ 9,841	\$ 939	\$24,543	\$ 35,323
Goodwill	4,339,195	12,439	52,662	4,404,296

For the year ended December 31, 2010

The Group has defined that they operate in the following three industry segments:

Foods industry segment consists of beverage, healthy beverage, healthy food, processed food, and other.

Liquor industry segment consists of beer, chu-hai and cocktail, whisky and spirits, shochu, wine, and other.

Other segment consists of restaurants, fitness club, flower seeding and other.

Information about industry segments, geographic segments, and sales to foreign customers of the Group for the year ended December 31, 2010, was as follows:

(a) Industry Segments

(1) Sales and operating income

	Millions of Yen				
	2010				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,040,429	¥575,972	¥125,972	¥ -	¥1,742,373
Intersegment sales	323	23	41,178	(41,524)	-
Total sales	1,040,752	575,995	167,150	(41,524)	1,742,373
Operating expenses	938,594	550,457	161,096	(14,502)	1,635,645
Operating income	¥ 102,158	¥ 25,538	¥ 6,054	¥(27,022)	¥ 106,728

(2) Total assets, depreciation, impairment loss, and capital expenditures

	Millions of Yen				
	2010				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	¥842,719	¥430,894	¥95,227	¥199,456	¥1,568,296
Depreciation	30,543	9,005	3,799	1,722	45,069
Impairment loss	1,276	1	696	3,179	5,152
Capital expenditures	43,282	8,233	5,668	896	58,079

Corporate general and administrative expenses that were not allocated to specific segments are included in "Eliminations/Corporate". Corporate assets, not allocated to specific segments, were included in "Eliminations/Corporate", consist primarily of cash and deposits, investments in securities, and the headquarters' assets.

(b) Geographic Segments

	Millions of Yen					
	2010					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,389,478	¥145,318	¥71,938	¥135,639	¥ -	¥1,742,373
Interarea transfer	1,288	1,198	254	2,320	(5,060)	-
Total sales	1,390,766	146,516	72,192	137,959	(5,060)	1,742,373
Operating expenses	1,286,272	136,613	65,382	125,478	21,900	1,635,645
Operating income	¥ 104,494	¥ 9,903	¥ 6,810	¥ 12,481	¥ (26,960)	¥ 106,728
Total assets	¥ 771,699	¥166,491	¥56,229	¥367,846	¥206,031	¥1,568,296

Corporate general and administrative expenses that were not allocated to specific segments were included in "Eliminations/Corporate". Corporate assets, not allocated to specific segments, were included in "Eliminations/Corporate", consist primarily of cash and deposits, investments in securities, and the headquarters' assets.

(c) Sales to Foreign Customers

	Millions of Yen			
	2010			
	<u>Asia Oceania</u>	<u>Americas</u>	<u>Europe</u>	<u>Total</u>
Overseas sales	¥145,378	¥71,946	¥135,947	¥353,271
	* * * * *			