Suntory Holdings Limited and Consolidated Subsidiaries

Financial Statements for the Years Ended December 31, 2010 and 2009, and Independent Auditors' Report

Deloitte

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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, 2010 and 2009, and the related consolidated statements of income, 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 Suntory Holdings Limited and consolidated subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 20(b) to the consolidated financial statements, the East Japan Earthquake Disaster on March 11, 2011 caused damages to certain of the Group's operations in the Tohoku and Kanto areas.

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 25, 2011

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Balance Sheets
December 31, 2010 and 2009

ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and cash equivalents (Notes 5 and 16)	¥ 159,044	¥ 112,656	$ 1,951,700
Short-term investments (Note 6)	275	30,650	3,375
Notes and accounts receivable (Note 16):			
Trade	240,013	220,615	2,945,306
Other	18,752	16,817	230,114
Allowance for doubtful accounts	(961)	(1,951)	(11,793)
Inventories (Note 7)	157,588	161,742	1,933,832
Deferred tax assets (Note 12)	20,420	20,754	250,583
Other current assets	22,662	24,298	278,095
Total current assets	617,793	585,581	7,581,212
PROPERTY, PLANT AND EQUIPMENT (Notes 8 and 9):			
Land	82,743	85,650	1,015,376
Buildings and structures	316,923	317,481	3,889,103
Machinery, equipment and other	590,165	590,563	7,242,177
Construction in progress	4,779	17,071	58,645
Lease assets	15,796	9,890	193,840
Total	1,010,406	1,020,655	12,399,141
Accumulated depreciation	(631,181)	(631,947)	(7,745,502)
Net property, plant and equipment	379,225	388,708	4,653,639
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates (Note 16)	35,081	36,811	430,495
Investment securities (Notes 6 and 16)	63,192	63,089	775,457
Long-term receivables	5,136	5,537	63,026
Long-term guarantee deposit	31,992	33,351	392,588
Goodwill	369,269	441,768	4,531,464
Other	71,206	77,647	873,800
Allowance for doubtful accounts	(4,598)	(4,212)	(56,424)
Total investments and other assets	571,278	653,991	7,010,406
TOTAL ASSETS	¥1,568,296	¥1,628,280	$19,245,257

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 16)	¥ 42,310	¥ 90,662	$ 519,205
Current portion of long-term debt (Notes 9 and 16)	63,303	54,191	776,819
Notes and accounts payable (Note 16):			
Trade	135,103	127,442	1,657,909
Unconsolidated subsidiaries and affiliates	2,661	348	32,654
Other	121,759	93,039	1,494,159
Liquor tax and consumption taxes payable (Note 16)	50,738	50,977	622,629
Accrued income taxes (Notes 12 and 16)	17,990	23,220	220,763
Accrued expenses	60,401	75,840	741,208
Other current liabilities	44,672	39,032	548,189
Total current liabilities	538,937	554,751	6,613,535
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 16)	484,855	513,592	5,949,871
Liability for employee retirement benefits (Note 10)	10,470	10,192	128,482
Retirement allowances for directors and corporate auditors	727	784	8,921
Long-term deposits payable	35,960	35,645	441,281
Deferred tax liabilities (Note 12)	42,535	46,840	521,966
Other	7,833	10,837	96,123
Total long-term liabilities	582,380	617,890	7,146,644
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 17 and 18)			
EQUITY (Notes 11,19 and 20):			
Common stock, authorized - 1,305,600,000 shares, and issued - 687,136,196 shares in 2010 and 2009	70,000	70,000	859,001
Stock acquisition rights	38	24	466
Retained earnings	392,937	357,719	4,821,905
Unrealized gain on available-for-sale securities	10,159	11,368	124,666
Deferred loss on derivatives under hedge accounting	(854)	(680)	(10,481)
Foreign currency translation adjustments	(50,362)	(9,659)	(618,014)
Total	421,918	428,772	5,177,543
Minority interests	25,061	26,867	307,535
Total equity	446,979	455,639	5,485,078
TOTAL LIABILITIES AND EQUITY	¥1,568,296	¥1,628,280	$19,245,257

The accompanying notes are an integral part of these statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
NET SALES	¥1,742,373	¥1,550,720	$21,381,433
COST OF SALES	874,794	807,419	10,734,986
Gross profit	867,579	743,301	10,646,447
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13 and 14)	760,851	659,757	9,336,740
Operating income	106,728	83,544	1,309,707
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,553	3,304	31,328
Interest expense	(8,813)	(6,139)	(108,148)
Foreign currency exchange gain (loss)	(159)	591	(1,951)
Impairment loss (Note 8)	(5,152)	(5,100)	(63,222)
Other, net	(8,448)	(7,954)	(103,669)
Other expenses, net	(20,019)	(15,298)	(245,662)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	86,709	68,246	1,064,045
INCOME TAXES (Note 12):			
Current	35,694	31,338	438,017
Deferred	4,212	(1,681)	51,688
Total income taxes	39,906	29,657	489,705
INCOME BEFORE MINORITY INTERESTS	46,803	38,589	574,340
MINORITY INTERESTS IN NET INCOME	6,775	5,923	83,139
NET INCOME	¥ 40,028	¥ 32,666	$ 491,201

	Yen		U.S. Dollars (Note 1)
	2010	2009	2010
AMOUNTS PER SHARE (Notes 2(t) and 19):			
Net income - Basic	¥58.25	¥47.54	$0.715
Net income - Diluted	58.23	47.54	0.715
Cash dividends applicable to the year	9.00	7.00	0.110

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, 2010 and 2009

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT JANUARY 1, 2009 (Note 1)	687,136	¥30,000	¥ 5,511	¥13	¥370,331	¥14,804	¥(3,465)	¥(23,417)	¥393,777	¥28,053	¥421,830
Increase (decrease) by stock transfer (Note 4)	-	40,000	(5,511)	-	(34,489)	-	-	-	-	-	-
Effect of changes in accounting policies applied to foreign subsidiaries (Note 2(b))	-	-	-	-	(6,543)	-	-	1,460	(5,083)	(2,690)	(7,773)
Net income	-	-	-	-	32,666	-	-	-	32,666	-	32,666
Cash dividends, ¥6.00 per share (Note 2(t))	-	-	-	-	(4,122)	-	-	-	(4,122)	-	(4,122)
Net decrease resulting from change of scope of consolidation	-	-	-	-	(124)	-	-	-	(124)	-	(124)
Net change in the year	-	-	-	11	-	(3,436)	2,785	12,298	11,658	1,504	13,162
BALANCE AT DECEMBER 31, 2009	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(t))	-	-	-	-	(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

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT DECEMBER 31, 2009	$859,001	$ -	$295	$4,389,729	$139,502	$ (8,345)	$(118,530)	$5,261,652	$329,697	$5,591,349
Net income	-	-	-	491,201	-	-	-	491,201	-	491,201
Cash dividends, $0.09 per share (Note 2(t))	-	-	-	(59,025)	-	-	-	(59,025)	-	(59,025)
Net change in the year	-	-	171	-	(14,836)	(2,136)	(499,484)	(516,285)	(22,162)	(538,447)
BALANCE AT DECEMBER 31, 2010	$859,001	$ -	$466	$4,821,905	$124,666	$(10,481)	$(618,014)	$5,177,543	$307,535	$5,485,078

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, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 86,709	¥ 68,246	$ 1,064,045
Adjustments for:			
Depreciation and amortization	45,069	39,623	553,062
Amortization of goodwill	21,781	5,848	267,284
Impairment loss	5,152	5,100	63,222
Net loss (gain) on sales and evaluation of investment securities and other investments	(581)	510	(7,130)
Loss on disposal of property, plant and equipment	4,133	4,283	50,718
Net gain on sales of property, plant and equipment	(309)	(857)	(3,792)
Increase in notes and accounts receivable - trade	(22,739)	(2,875)	(279,040)
Decrease in inventories	2,365	1,834	29,022
Increase (decrease) in notes and accounts payable - trade	9,767	(4,261)	119,855
Increase in liquor tax and consumption taxes payable	42	3,868	515
Decrease in interest and dividend receivable	709	359	8,701
Increase (decrease) in interest payable	(34)	582	(417)
Income taxes paid	(44,274)	(25,269)	(543,306)
Other, net	31,659	5,748	388,502
Net cash provided by operating activities	139,449	102,739	1,711,241
INVESTING ACTIVITIES:			
Increase in time deposits	(255)	(30,050)	(3,129)
Proceeds from withdrawal of time deposits	30,051	7	368,769
Proceeds from sales of short-term investments	589	446	7,228
Net decrease (increase) in short-term receivables	(17)	312	(209)
Purchases of property, plant and equipment	(55,098)	(56,605)	(676,132)
Proceeds from sales of property, plant and equipment	573	2,374	7,032
Purchases of investment securities	(3,780)	(1,107)	(46,386)
Proceeds from sales of investment securities	2,421	1,170	29,709
Purchases of investments in subsidiaries resulting in change of scope of consolidation (Note 5)	(3,513)	(302,304)	(43,110)
Payments for transfer of business	-	(3,605)	-
Other, net	828	458	10,161
Net cash used in investing activities	(28,201)	(388,904)	(346,067)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans and commercial paper	(46,400)	55,515	(569,395)
Proceeds from long-term debt	15,712	234,278	192,809
Payments of long-term debt	(13,463)	(163,551)	(165,210)
Proceeds from repayments of sub-participation loan	1,038	651	12,737
Proceeds from bonds	34,875	146,438	427,966
Redemption of bonds	(39,183)	(20,290)	(480,832)
Repayments of lease obligations	(1,917)	(849)	(23,524)
Cash dividends	(4,810)	(4,123)	(59,025)
Cash dividends to minority shareholders	(6,712)	(4,432)	(82,366)
Other, net	199	(8)	2,442
Net cash provided by (used in) financing activities	(60,661)	243,629	(744,398)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(4,199)	(1,236)	(51,528)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,388	(43,772)	569,248
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,656	156,182	1,382,452
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE OF SCOPE OF CONSOLIDATION	-	246	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥159,044	¥ 112,656	$ 1,951,700

The accompanying notes are an integral part of these statements.

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.

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

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 ¥81.49 to $1, the exchange rate at December 31, 2010. 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.

The Company is a pure holding company which was established on February 16, 2009 through a method of stock transfer in which all the shares of the former Suntory Limited (now, Suntory Liquors Limited), a company founded in Osaka in 1899 as an unincorporated enterprise under the name of Torii Shoten, were transferred to the Company. The purpose of such stock transfer was to create a new management system in which management of the group would be separated from the operating businesses of the group. The stock transfer from the former Suntory Limited to the Company on February 16, 2009 was a transaction between entities under common control, which was eliminated in consolidation, and therefore had no effect on the consolidated financial statements, except for common stock, capital surplus and retained earnings, which were adjusted to reflect the newly established Company's equity components. Accordingly, the accompanying consolidated financial statements are prepared to keep continuity with those of the former Suntory Limited for the year ended December 31, 2008; and the 2009 consolidated statements of income, changes in equity, and cash flows include the Company and its subsidiaries' income and cash flows, respectively, for twelve months ended December 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ***Consolidation*** - The consolidated financial statements as of December 31, 2010 and 2009 include the accounts of the Company and its 150 significant (161 in 2009) 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 2009) unconsolidated subsidiary and 12 (12 in 2009) 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 a period of 5 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 (the "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 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. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

The Group applied this accounting standard for the year ended December 31, 2009. The Group adjusted the beginning balance of retained earnings as if this accounting standard had been retrospectively applied.

(c) ***Business Combination*** - In October, 2003, the Business Accounting Council (the "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" (revised on November 15, 2007). 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 current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as an uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to expense as incurred. Under the revised standard, an in-process research and development costs acquired in a business combination are capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard was applicable to business combinations undertaken on or after April 1, 2010. The Group applied this accounting standard to business combinations undertaken on or after April 1, 2010.

(d) ***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, 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.

(e) ***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.

(f) ***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 of 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.

(g) ***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.

(h) ***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 3 to 50 years for buildings and structures and from 2 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.

Effective for the year ended December 31, 2009, the Company and its consolidated domestic subsidiaries changed the estimated economic useful lives for certain property, plant and equipment in accordance with the Japanese revised corporate tax code. The effect of this change was not material.

(i) ***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 5 years.

(j) ***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 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.

(k) ***Employee Retirement and Pension Plans*** - Under the terms of 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 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 primarily by the straight-line method over the period of 15 years, which is shorter than the average remaining years of service of the employees.

(l) ***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.

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

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

(o) ***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 deem 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. The Group 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.

(p) ***Income Taxes*** - The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 laws to the temporary differences.

(q) ***Foreign Currency Transactions*** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(r) ***Foreign Currency Financial Statements*** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at 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 current exchange rate as of the balance sheet date for the year ended December 31, 2009 and at the average exchange rate for the year ended December 31, 2010. See Note 3.

(s) ***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 foreign currency exchange, interest rate and commodity price volatility risks. 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.

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 qualified 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.

(t) ***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. The ¥6.00 cash dividend during the year ended December 31, 2009, presented in the accompanying consolidated statements of changes in equity was approved at the former Suntory Limited's shareholders meeting held on March 31, 2009 as an appropriation of retained earnings of the Company.

(u) ***New Accounting Pronouncements***

Asset Retirement Obligations - In March 2008, the ASBJ published a new 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 is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010. The Group expects to adopt this standard in the fiscal year beginning January 1, 2011.

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, a 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 Presentations

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 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.

Segment Information Disclosures - 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.

3. ACCOUNTING CHANGE

Effective January 1, 2010, the Group changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen from using the year-end rate to using the average exchange rate for the year. The Group believes this change more accurately reflects the effect of the foreign exchange rate fluctuations that occur throughout the year. The Change was triggered by the increasing significance of operating results of overseas subsidiaries due to the Group's acquisition made during the year ended December 31, 2009.

The effect of this change was to increase net sales by ¥16,221 million ($199,055 thousand), and to increase income before income taxes by ¥1,274 million ($15,634 thousand). The effects of this change on business segment information are described in Note 21.

4. BUSINESS COMBINATION

(a) *Common Control Transaction*

Establishment of the Company through Stock Transfer

The Company was established on February 16, 2009 as a pure holding company through a method of stock transfer in which all the shares of the former Suntory Limited (now, Suntory Liquors Limited), which engaged in the production and sales of foods and alcoholic beverages, were transferred to the Company. The transaction is based on a provision under the Companies Act, Article 772, Paragraph 1 and was undertaken as part of the Group's reorganization. The Group aims to become a "General Global Alcoholic Beverage and Foods Company" by the reorganization, and for the further continuation of growth and maximization of the corporate value of the entire group. The Group has established a new group management system by dividing group management from business operations. The stock transfer was accounted for as a transaction between entities under common control in accordance with the BAC Statement of Opinion "Accounting for Business Combinations" (issued on October 31, 2003) and ASBJ Guidance No. 10, "Accounting Standard for Business Divestitures" (revised on November 15, 2007).

(b) *Purchase Method of Accounting*

On November 12, 2009, the Company acquired all of the outstanding shares of Orangina Schweppes Holdings S.à.r.l. ("OSH") for total cash consideration, including expenses, of ¥222,047 million. Accordingly, the Company acquired 100% of OSH's voting rights. OSH manufactures and sells soft drinks. The purpose of the acquisition is to expand the food business in Europe by making OSH a 100% subsidiary of the Company.

The Company accounted for this business combination by the purchase method of accounting. Goodwill, resulting primarily from expectations of future profits from business operations, recorded in connection with the acquisition totaled ¥102,209 million, and is systematically amortized over 20 years. The deemed acquisition date is December 31, 2009, and OSH's income and cash flows are not included in the Company's consolidated financial statements for the year ended December 31, 2009.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen
Current assets	¥ 34,834
Non-current assets	266,182
Total assets acquired	¥301,016
Current liabilities	¥ 50,233
Non-current liabilities	130,896
Total liabilities assumed	¥181,129

The effect to the Group's sales and operating income for the year ended December 31, 2009, if the business combination had been completed at the beginning of the year, would be as follows:

	Millions of Yen
Sales	¥138,000
Operating income	11,300

The pro forma information was calculated based on OSH's sales and operating income for the year ended December 31, 2009. The amortization of goodwill was included in the calculation of operating income as if the acquisition had been completed at the beginning of the current fiscal year. Note that the pro forma information shown above is unaudited.

5. CASH AND CASH EQUIVALENTS

Reconciliation from Assets Acquired and Liabilities Assumed to Cash Flows Used in Acquisitions

During the year ended December 31, 2009, the Group acquired all of the outstanding shares of OSH and seven other companies. The assets, liabilities and minority interests related to these acquisitions and reconciliation between the acquisition cost and net cash used for the acquisitions were as follows:

	Millions of Yen
Current assets	¥ 42,932
Non-current assets	345,961
Goodwill	122,853
Current liabilities	(57,846)
Non-current liabilities	(132,132)
Minority interests	(38)
Total acquisition costs	321,730
Cash and cash equivalents of the acquired companies	(19,391)
Acquired companies' outstanding shares held by the Group before the acquisitions	(35)
Net cash used in the acquisitions	¥ 302,304

6. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Short-term investments:			
Time deposits	¥272	¥30,069	$3,338
Corporate bonds	3	576	37
Other	-	5	-
Total	¥275	¥30,650	$3,375
Investment securities:			
Equity securities	¥62,775	¥62,661	$770,340
Government bonds	10	10	123
Corporate bonds	95	18	1,165
Other	312	400	3,829
Total	¥63,192	¥63,089	$775,457

The costs and aggregate fair values of marketable securities at December 31, 2010 and 2009 were as follows:

	Millions of Yen					
	2010			2009		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity:						
Carrying amounts exceed their acquisition cost:						
Government bonds	¥10	¥10	¥ 0	¥ 10	¥ 10	¥ 0
Corporate bonds	80	83	3	382	386	4
Subtotal	90	93	3	392	396	4
Acquisition costs exceed their carrying amounts:						
Corporate bonds	-	-	-	191	187	(4)
Subtotal	-	-	-	191	187	(4)
Total	¥90	¥93	¥ 3	¥583	¥583	¥ 0

	Thousands of U.S. Dollars		
	2010		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity:			
Carrying amounts exceed their acquisition cost:			
Government bonds	$ 123	$ 123	$ 0
Corporate bonds	982	1,019	37
Total	$1,105	$1,142	$37

	Millions of Yen					
	2010			2009		
	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	¥22,677	¥40,898	¥18,221	¥23,983	¥43,877	¥19,894
Acquisition costs exceed their carrying amounts:						
Equity securities	10,220	8,627	(1,593)	5,878	4,380	(1,498)
Total	¥32,897	¥49,525	¥16,628	¥29,861	¥48,257	¥18,396

	Thousands of U.S. Dollars		
	2010		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceed their acquisition cost:			
Equity securities	$278,280	$501,877	$223,597
Acquisition costs exceed their carrying amounts:			
Equity securities	125,414	105,866	(19,548)
Total	$403,694	$607,743	$204,049

Sales of securities classified as available-for-sale securities for the years ended December 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Amount sold	¥2,282	¥832	$28,003
Total gain on sale	1,012	11	12,419
Total loss on sale	64	4	785

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2010 and 2009 were as follows:

	Carrying Amounts		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Available-for-sale:			
Equity securities	¥13,250	¥14,405	$162,596
Corporate bonds	18	25	221
Investments in limited partnerships	312	400	3,829
Total	¥13,580	¥14,830	$166,646

7. INVENTORIES

Inventories at December 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finished products	¥ 56,274	¥ 56,140	$ 690,563
Semi-finished products	69,019	73,065	846,963
Work in process	11,237	10,861	137,894
Raw materials and supplies	21,058	21,676	258,412
Total	¥157,588	¥161,742	$1,933,832

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the year ended December 31, 2010 and, as a result, recognized an impairment loss of ¥5,152 million ($63,222 thousand) as other expense for certain rental property, idle assets and business property, to adjust and the carrying amounts of the relevant assets to recoverable amounts. The details are as follows:

Location	Use	Type
Hokuto City in Yamanashi, Other 9 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	Multi-cultural facility	Buildings and structures, etc.

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 to 5%.

The Group reviewed its long-lived assets for impairment for the year ended December 31, 2009 and, as a result, recognized an impairment loss of ¥5,100 million as other expense for certain rental property, idle assets and business property, to adjust the carrying amounts of the relevant assets to recoverable amounts. The details are as follows:

Location	Use	Type
Inagi City in Tokyo, Other 10 locations	Idle asset	Machinery, equipment and others
Inagi City in Tokyo, Other 1 location	Business property (Foods segment)	Buildings and structures, etc.
Higashiosaka City in Osaka, Other 60 locations	Business property (Other segment)	Assets held under lease, etc.
Tenri City in Nara, Other 1 location	Rental property	Land, etc.

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 to 5%.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at December 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Short-term loans, principally from banks, weighted average rate of 1.52%	¥42,310	¥88,162	$519,205
Commercial paper, weighted average rate of 0.18%	-	2,500	-
Total	¥42,310	¥90,662	$519,205

Long-term debt at December 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Publicly-offered corporate bonds, due 2012 through 2017, rates ranging from 0.46% to 1.76%	¥154,000	¥149,000	$ 1,889,802
Euro yen bonds, due 2011 through 2023, rates ranging from 0.00% to 3.01%	51,352	61,561	630,163
Euro bonds, due 2014, rate of 1.32%	1,619	1,980	19,868
Euro US dollar bonds, due 2014, rates ranging from 0.65% to 0.71%	4,382	5,361	53,773
Unsecured corporate bonds, due 2011, rates ranging from 0.59% to 1.27%	36	128	442
Loans from banks and other institutions, due through 2019, rates ranging from 0.00% to 4.85%, with:			
Collateralized	11,248	13,500	138,029
Unsecured	311,028	326,375	3,816,763
Obligations under finance leases	14,493	9,878	177,850
Total	548,158	567,783	6,726,690
Less current portion	63,303	54,191	776,819
Long-term debt, less current portion	¥484,855	¥513,592	$ 5,949,871

Annual maturities of long-term debt excluding finance leases at December 31, 2010 were as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 61,236	$ 751,454
2012	90,718	1,113,241
2013	45,599	559,566
2014	154,956	1,901,534
2015	38,675	474,598
2016 and thereafter	142,481	1,748,447
Total	¥533,665	$ 6,548,840

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥200 million ($2,454 thousand) and the above collateralized long-term debt of ¥11,248 million ($138,029 thousand) at December 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment - net of accumulated depreciation	¥16,525	$ 202,786
Others	1,682	20,640
Total	¥18,207	$ 223,426

10. RETIREMENT AND PENSION PLANS

The liability for employee retirement benefits at December 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥(113,530)	¥(101,172)	$(1,393,177)
Fair value of plan assets	88,261	86,968	1,083,090
Unfunded retirement benefit obligation	(25,269)	(14,204)	(310,087)
Unrecognized actuarial loss	38,259	28,205	469,493
Unrecognized prior service cost	(5,331)	(5,892)	(65,419)
Prepaid pension cost	(18,129)	(18,301)	(222,469)
Net liability	¥ (10,470)	¥ (10,192)	$ (128,482)

The components of net periodic benefit costs for the years ended December 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 4,005	¥ 4,104	$ 49,147
Interest cost	2,342	2,308	28,740
Expected return on plan assets	(2,003)	(1,974)	(24,580)
Amortization of actuarial loss	2,582	2,248	31,685
Amortization of prior service cost	(554)	(554)	(6,798)
Net periodic benefit costs	6,372	6,132	78,194
Loss on transfer to a defined contribution pension plan	2,305	2,091	28,285
Total	¥ 8,677	¥ 8,223	$106,479

Assumptions used for the years ended December 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	Mainly 1.7%~2.0%	Mainly 2.0%~2.5%
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

11. STOCK OPTION PLANS

The stock options outstanding as of December 31, 2010 were as follows:

	2000 Plan	2001 Plan	2002 Plan	2004 Plan
Grantees	2 directors and 80 employees of a subsidiary	2 directors and 81 employees of a subsidiary	2 directors and 73 employees of a subsidiary	2 directors and 5 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	990,000	1,450,000	1,108,000	569,000
Exercise price (Singapore dollars)	2.54	2.54	1.72	3.04
Exercisable period	March 23, 2002 - March 22, 2010	March 19, 2003 - March 18, 2011	March 28, 2004 - March 27, 2012	March 18, 2006 - March 17, 2014
Non-vested (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	174,000	310,000	52,000	308,000
Vested during the year	-	-	-	-
Exercised during the year	(143,000)	(150,000)	(6,000)	(48,000)
Forfeited during the year	(31,000)	(10,000)	(10,000)	-
Outstanding at the end of the year	-	150,000	36,000	260,000
Weighted-average market price (Singapore dollars)	3.77	3.89	3.78	3.77

	2006 Plan	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Grantees	3 directors and 14 employees of a subsidiary	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
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	543,000	639,000	766,000	916,000	947,000
Exercise price (Singapore dollars)	3.20	3.45	3.83	2.52	3.67
Exercisable period	December 16, 2007 - December 15, 2015	December 22, 2008 - December 21, 2016	March 17, 2010 - March 16, 2018	March 17, 2011 - March 16, 2019	March 18, 2012 - March 17, 2020
Non-vested (number of shares):					
Outstanding at the beginning of the year	-	-	664,000	894,000	-
Granted during the year	-	-	-	-	947,000
Forfeited during the year	-	-	-	-	-
Vested during the year	-	-	(664,000)	-	-
Outstanding at the end of the year	-	-	-	894,000	947,000
Vested (number of shares):					
Outstanding at the beginning of the year	334,000	542,000	-	-	-
Vested during the year	-	-	664,000	-	-
Exercised during the year	(63,000)	(148,000)	-	-	-
Forfeited during the year	-	-	-	-	-
Outstanding at the end of the year	271,000	394,000	664,000	-	-
Weighted-average market price (Singapore dollars)	3.78	3.81	-	-	-

12. 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, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Tax loss carryforwards	¥ 51,329	¥ 14,969	$ 629,881
Accrued expenses	8,608	8,199	105,633
Temporary differences in investments in subsidiaries	6,231	5,737	76,463
Impairment loss	5,692	5,043	69,849
Pension liabilities	3,207	3,379	39,354
Unrealized profit	3,659	3,676	44,901
Accrued bonuses	3,259	3,085	39,993
Other	12,736	13,051	156,289
Total gross deferred tax assets	94,721	57,139	1,162,363
Valuation allowance	(40,775)	(15,952)	(500,368)
Net deferred tax assets	53,946	41,187	661,995
Deferred tax liabilities:			
Temporary differences in investments in subsidiaries	(19,503)	-	(239,330)
Intangible assets	(18,300)	(16,190)	(224,567)
Net unrealized holding gains on securities	(6,496)	(7,003)	(79,715)
Prepaid pension cost	(7,170)	(7,199)	(87,986)
Fixed assets	(6,132)	(5,739)	(75,249)
Other	(7,265)	(16,355)	(89,152)
Total gross deferred tax liabilities	(64,866)	(52,486)	(795,999)
Net deferred tax liabilities	¥(10,920)	¥(11,299)	$ (134,004)

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, 2010 and 2009 were as follows:

	2010	2009
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	-	3.1
Income not taxable for income tax purposes	(33.4)	-
Valuation allowance	29.6	-
Amortization of goodwill	8.8	-
Other	0.3	(0.3)
Actual effective tax rate	46.0%	43.5%

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to expense were ¥16,589 million ($203,571 thousand) and ¥13,690 million for the years ended December 31, 2010 and 2009, respectively.

14. AMORTIZATION OF GOODWILL

Amortization of goodwill was ¥21,781 million ($267,284 thousand) and ¥5,848 million for the years ended December 31, 2010 and 2009, respectively.

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, 2010 and 2009 amounted to ¥10,829 million ($132,887 thousand) and ¥13,191 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			
	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	¥ 10,679	¥ 25,242	¥ 5,123	¥ 41,044

	Thousands of U.S. Dollars			
	2010			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	$ 310,296	$ 485,569	$ 178,794	$ 974,659
Accumulated depreciation	(154,571)	(175,653)	(115,462)	(445,686)
Accumulated impairment loss	(24,678)	(160)	(466)	(25,304)
Net leased property	$ 131,047	$ 309,756	$ 62,866	$ 503,669

	Millions of Yen		
	2009		
	Machinery and Equipment	Other	Total
Acquisition cost	¥ 40,070	¥ 55,857	¥ 95,927
Accumulated depreciation	(11,352)	(27,504)	(38,856)
Accumulated impairment loss	(26)	(2,213)	(2,239)
Net leased property	¥ 28,692	¥ 26,140	¥ 54,832

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 7,569	¥13,929	$ 92,882
Due after one year	36,581	44,885	448,902
Total	¥44,150	¥58,814	$541,784

Allowance for impairment loss on leased property of ¥1,388 million ($17,033 thousand) and ¥2,172 million as of December 31, 2010 and 2009 is not included in obligations under finance leases.

Depreciation expense, interest expense and other information for finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥8,545	¥11,943	$104,859
Interest expense	1,199	1,687	14,713
Reversal of allowance for impairment loss on leased property	878	67	10,774
Impairment loss	94	2,171	1,154

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, respectively.

The minimum rental commitments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥10,031	¥ 8,451	$123,095
Due after one year	47,953	44,224	588,452
Total	¥57,984	¥52,675	$711,547

(b) As Lessor

The Group subleases certain buildings and structures.

Total lease revenue under finance leases for the years ended December 31, 2010 and 2009 amounted to ¥6 million ($74 thousand) and ¥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:

	Buildings and Structures		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Acquisition cost	¥ 130	¥ 130	$ 1,595
Accumulated depreciation	(102)	(100)	(1,251)
Net leased property	¥ 28	¥ 30	$ 344

The lessor's receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 6	¥ 6	$ 74
Due after one year	15	20	184
Total	¥21	¥26	$258

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:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥3	¥3	$37

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 95	¥ 123	$1,166
Due after one year	383	945	4,700
Total	¥478	¥1,068	$5,866

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 are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective for the year ended December 31, 2010.

(1) Group policy for financial instruments

The Group primary 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 monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. 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 supplies 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 price in active markets. If quoted price is 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

	Millions of Yen		
December 31, 2010	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥159,044	¥159,044	¥ -
Notes and accounts receivable - trade	240,013	240,013	-
Investment securities	49,615	49,618	3
Total	¥448,672	¥448,675	¥3
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	484,855	487,116	2,261
Total	¥916,058	¥918,456	¥2,398

	Thousands of U.S. Dollars		
December 31, 2010	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$1,951,700	$1,951,700	$ -
Notes and accounts receivable - trade	2,945,306	2,945,306	-
Investment securities	608,848	608,885	37
Total	$5,505,854	$5,505,891	$37
Short-term borrowings	$ 519,205	$ 519,205	$ -
Current portion of long-term debt	776,819	778,500	1,681
Notes and accounts payable - trade	1,657,909	1,657,909	-
Notes and accounts payable - other	1,494,159	1,494,159	-
Liquor tax and consumption taxes payable	622,629	622,629	-
Accrued income taxes	220,763	220,763	-
Long-term debt	5,949,871	5,977,617	27,746
Total	$11,241,355	$11,270,782	$29,427

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 the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 6.

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 of the fair value for derivatives is included in Note 17.

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

	Carrying Amount	
December 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in unconsolidated subsidiaries and affiliates	¥35,081	$430,495
Investments in equity instruments that do not have a quoted market price in an active market	13,250	162,597
Corporate bonds	18	220
Investments in limited partnerships	312	3,829

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

	Millions of Yen			
December 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥159,044	¥ -	¥ -	¥ -
Note and accounts receivable - trade	240,013	-	-	-
Investment securities:				
Government bonds	-	10	-	-
Corporate bonds	3	90	5	-
Total	¥399,060	¥100	¥5	¥ -

December 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	Thousands of U.S. Dollars			
Cash and cash equivalents	$ 1,951,700	$ -	$ -	$ -
Note and accounts receivable - trade	2,945,306	-	-	-
Investment securities:				
Government bonds	-	123	-	-
Corporate bonds	37	1,105	61	-
Total	$ 4,897,043	$ 1,228	$ 61	$ -

Please see Note 9 for annual maturities of long-term debt and Note 15 for obligations under finance leases, respectively.

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 policy states that the Group not to 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.

As noted in Note 16, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after December 31, 2010; therefore, the required information is disclosed only for 2010.

(a) *Derivative Transactions to which Hedge Accounting Is not Applied at December 31, 2010*

(1) Foreign currency related derivatives

	Millions of Yen			
At December 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
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)

	Thousands of U.S. Dollars			
At December 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	$51,589	$ -	$(1,460)	$(1,460)
EUR	37,845	-	(699)	(699)
GBP	13,155	-	(368)	(368)
Other	13,584	-	479	479
Sell:				
THB	14,505	-	(86)	(86)
USD	8,651	-	601	601
Other	2,332	-	25	25
Currency options:				
Call options, purchased:				
USD	712	-	-	-
Premium	12	-	0	(12)
EUR	1,387	-	-	-
Premium	37	-	0	(37)

(2) Interest related derivatives

At December 31, 2010	Millions of Yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Interest rate swaps:				
Fixed rate payment, floating rate receipt	¥1,075	¥1,075	¥50	¥50

At December 31, 2010	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Interest rate swaps:				
Fixed rate payment, floating rate receipt	$13,192	$13,192	$614	$614

(b) Derivative Transactions to which Hedge Accounting Is Applied at December 31, 2010

(1) Foreign currency related derivatives

At December 31, 2010	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
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

At December 31, 2010	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	$57,921	$ -	$ (2,761)
EUR	Payables	73,236	-	(13,118)
Other	Payables	3,276	-	(135)
Sell:				
AUD	Receivable	15,376	-	(356)
Other	Receivable	1,792	-	25
Currency options:				
Call options, purchased:				
USD	Payables	13,265	-	-
Premium		86	-	245
EUR	Payables	4,000	-	-
Premium		25	-	160

At December 31, 2010	Millions of Yen Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥135	-	*1
EUR	Payables	128	-	*1

At December 31, 2010	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	$1,657	-	*1
EUR	Payables	1,571	-	*1

*1 The above foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but trade payables denominated in a foreign currency are translated at the contracted rates. In addition, the fair value of such foreign currency forward contracts is included in that of the hedged items (i.e. payables) in Note 16.

(2) Interest related derivatives

At December 31, 2010	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
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)

At December 31, 2010	Hedged Item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term debt	$230,752	$38,091	$ 552
Interest options:				
Options	Long-term debt	736,287	-	(1,755)

At December 31, 2010	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term debt	¥70,000	¥70,000	*2
Fixed rate payment, floating rate receipt	Long-term debt	44,172	27,987	*2

At December 31, 2010	Hedged Item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term debt	$859,001	$859,001	*2
Fixed rate payment, floating rate receipt	Long-term debt	542,054	343,441	*2

*2 The above 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 value of such interest rate swaps is included in that of hedged items (i.e. long-term debt) in Note 16.

(3) Interest and currency related derivatives

At December 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of Yen			
Currency and interest rate swaps:				
Buy EUR, sell USD Fixed rate payment, floating rate receipt	Long-term debt	¥4,899	¥4,899	*3

At December 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Currency and interest rate swaps:				
Buy EUR, sell USD Fixed rate payment, floating rate receipt	Long-term debt	$60,118	$60,118	*3

*3 The above 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 value of such interest rate swaps is included in that of hedged items (i.e. long-term debt) in Note 16.

(4) Commodity related derivatives

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

At December 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	$6,602	-	$503

The following is the fair value information for foreign currency forward exchange contracts to which hedge accounting is not applied at December 31, 2009. Derivative financial instruments which qualify for hedge accounting for the year ended December 31, 2009 are excluded from the information below.

	Millions of Yen		
	2009		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward exchange contracts to:			
Buy:			
USD	¥1,807	¥(183)	¥(183)
EUR	3,971	(12)	(12)
GBP	481	4	4
SGD	466	34	34
Other	256	6	6
Sell:			
NZD	1,944	(65)	(65)
THB	402	2	2
Other	198	(2)	(2)
Foreign currency options:			
Call options, purchased:			
USD	235	-	-
Premium	3	0	(3)
EUR	810	-	-
Premium	15	0	(15)
GBP	290	-	-
Premium	7	4	(3)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution. The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposures to credit or market risks.

18. CONTINGENT LIABILITIES

The Group was contingently liable for an in-substance defeasance on bonds in the amount of ¥10,500 million ($128,850 thousand) at December 31, 2010.

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended December 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥40,028	687,136	¥58.25	$0.715
Effect of Dilutive Securities				
Stock acquisition rights	13	-		
Diluted EPS				
Net income for computation	¥40,015	687,136	¥58.23	$0.715
For the year ended December 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥32,666	687,136	¥47.54	
Effect of Dilutive Securities				
Stock acquisition rights	3	-		
Diluted EPS				
Net income for computation	¥32,663	687,136	¥47.54	

20. SUBSEQUENT EVENTS

(a) Appropriations of Retained Earnings

The following appropriation of retained earnings as of December 31, 2010 was approved at the Company's shareholders meeting held on March 30, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.00 ($0.11) per share	¥6,184	$75,887

(b) The East Japan Earthquake Disaster

The earthquake which hit East Japan on March 11, 2011, caused damages to certain of the Group's operations in the Tohoku and Kanto areas. The Group is currently assessing the impact of the damages on its financial position, operating results, and cash flows for the year ending December 31, 2011; and therefore, the monetary amount of the damage cannot be reasonably estimated as of March 25, 2011.

21. SEGMENT INFORMATION

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

Foods industry segment consists of beverage, health beverage, health 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 years ended December 31, 2010 and 2009, 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

	Thousands of U.S. Dollars				
	2010				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$12,767,567	$7,068,008	$1,545,858	$ -	$21,381,433
Intersegment sales	3,964	282	505,314	(509,560)	-
Total sales	12,771,531	7,068,290	2,051,172	(509,560)	21,381,433
Operating expenses	11,517,904	6,754,902	1,976,881	(177,961)	20,071,726
Operating income	$ 1,253,627	$ 313,388	$ 74,291	$(331,599)	$ 1,309,707

	Millions of Yen				
	2009				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥861,065	¥557,703	¥131,952	¥ -	¥1,550,720
Intersegment sales	427	234	42,406	(43,067)	-
Total sales	861,492	557,937	174,358	(43,067)	1,550,720
Operating expenses	777,272	537,865	170,087	(18,048)	1,467,176
Operating income	¥ 84,220	¥ 20,072	¥ 4,271	¥(25,019)	¥ 83,544

(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

	Thousands of U.S. Dollars				
	2010				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	$10,341,379	$5,287,692	$1,168,573	$2,447,613	$19,245,257
Depreciation	374,807	110,504	46,619	21,132	553,062
Impairment loss	15,658	12	8,541	39,011	63,222
Capital expenditures	531,133	101,031	69,554	10,995	712,713

	Millions of Yen				
	2009				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	¥924,036	¥421,126	¥101,269	¥181,849	¥1,628,280
Depreciation	25,404	8,730	3,912	1,577	39,623
Impairment loss	610	50	4,440	-	5,100
Capital expenditures	46,026	10,340	8,098	757	65,221

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

As discussed in Note 3, the Group changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen. The effect of this change for the year ended December 31, 2010 was to increase sales of the Foods segment by ¥14,581 million ($178,930 thousand), the Liquor segment by ¥1,387 million ($17,020 thousand), the Other segment by ¥253 million ($3,105 thousand) and to increase operating income of the Food segment by ¥1,817 million ($22,297 thousand), the Other segment by ¥27 million ($331 thousand), to decrease operating income of the Liquor segment by ¥11 million ($135 thousand).

(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

	Thousands of U.S. Dollars					
	2010					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	$17,050,902	$1,783,262	$882,783	$1,664,486	$ -	$21,381,433
Interarea transfer	15,806	14,701	3,117	28,470	(62,094)	-
Total sales	17,066,708	1,797,963	885,900	1,692,956	(62,094)	21,381,433
Operating expenses	15,784,415	1,676,439	802,332	1,539,796	268,744	20,071,726
Operating income	$ 1,282,293	$ 121,524	$ 83,568	$ 153,160	$ (330,838)	$ 1,309,707
Total assets	$ 9,469,861	$2,043,085	$690,011	$4,514,002	$2,528,298	$19,245,257

	Millions of Yen					
	2009					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,337,184	¥131,875	¥70,270	¥ 11,391	¥ -	¥1,550,720
Interarea transfer	1,285	1,170	331	2,426	(5,212)	-
Total sales	1,338,469	133,045	70,601	13,817	(5,212)	1,550,720
Operating expenses	1,246,074	125,064	63,636	12,569	19,833	1,467,176
Operating income	¥ 92,395	¥ 7,981	¥ 6,965	¥ 1,248	¥ (25,045)	¥ 83,544
Total assets	¥ 756,035	¥173,926	¥64,068	¥445,573	¥188,678	¥1,628,280

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

As discussed in Note 3, the Group changed its accounting policy for translating revenue and expense accounts of consolidated overseas subsidiaries into Japanese yen. The effect of this change for the year ended December 31, 2010 was to increase sales by ¥9,814 million ($120,432 thousand) and operating income by ¥1,266 million ($15,536 thousand) in Europe, to increase sales by ¥1,552 million ($19,045 thousand) and operating income by ¥87 million ($1,068 thousand) in Asia and Oceania, to increase sales by ¥5,110 million ($62,707 thousand) and operating income by ¥479 million ($5,878 thousand) in Americas. In the corporate/elimination category, the effect was to decrease sales by ¥255 million ($3,129 thousand).

(c) **Sales to Foreign Customers**

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

	Thousands of U.S. Dollars			
	2010			
	Asia Oceania	Americas	Europe	Total
Overseas sales	$1,783,998	$882,881	$1,668,266	$4,335,145

	Millions of Yen			
	2009			
	Asia Oceania	Americas	Europe	Total
Overseas sales	¥132,010	¥70,273	¥11,438	¥213,721

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