



SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q3 Financial Results Briefing for the Fiscal Year Ending December 2020

November 6, 2020

Event Summary

[Company Name]	Sapporo Holdings Limited	
[Company ID]	2501-QCODE	
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[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending December 2020	
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[Date]	November 6, 2020	
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[Time]	16:00 – 17:03 (Total: 63 minutes, Presentation: 26 minutes, Q&A: 37 minutes)	
[Venue]	Dial-In	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Yoshihiro Iwata	Managing Director
	Yoshitada Matsude	Executive Officer, Financial Director
[Analyst Names]*	Manabu Sumoge	Okasan Securities Co., Ltd.
	Satoshi Fujiwara	Nomura Securities Co., Ltd.
	Hiroshi Saji	Mizuho Securities Co., Ltd.
	Nobuyoshi Miura	Citigroup Global Markets Japan Inc.

Presentation

Moderator: Investors, good evening. Thank you for participating in the Financial Results Briefing of Sapporo Holdings Limited for the Third Quarter of FY2020. It is now time, so we will start now.

Today, Yoshihiro Iwata, Managing Director, and Yoshitada Matsude, Executive Officer and Financial Director, attend the meeting.

Please prepare the financial results summary, supplementary materials for the financial results summary, and the PowerPoint material of the financial results briefing on hand.

To begin with, Iwata will first explain the outline of the Financial Results for the Third Quarter for about 30 minutes based on the PowerPoint material of the Company's Financial Results Briefing, followed by a question and answer session. The entire meeting is scheduled to take approximately one hour.

Now, we will start the telephone conference. Let Iwata explain. Thank you in advance.

Iwata: This is Iwata. Thank you for participating in the Financial Results Briefing for the Third Quarter today. As the moderator has just said, I would like to explain the outline of our financial results based on the PowerPoint material of the financial results briefing.

1. Progress with Management Plan	... P3~P5
2. Business Result	... P6~P23
3. Appendix	... P24~P36

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The table of contents of this material is presented on page two.

I would like to start by explaining the progress we have made in achieving the Group Management Plan 2024, which was announced at the financial results briefing for the second quarter as of August 6, and the outline of our financial results.

Progress with Group Management Plan 2024 Initiatives



- Strengthened initiatives in each business. Making progress as shown below in narrowing loss margins and achieving further growth in fields in which we have strengths

- Initiatives for businesses whose earnings will significantly decline

POKKA SAPPORO Food & Beverages	Boldly implement structural reform and restore profitability in 2021
Sapporo Lion	Boldly implement measures to restore profitability at all restaurants

Progress
Continued strategic removal of vending machines & cost reductions Will implement Early Retirement Incentive Program before year end Will close about 30 outlets before year end
Decision made to close about 10 outlets next fiscal year Will implement voluntary retirement program before year end Will continue rent reduction/exemption negotiations
Continued investment in beer Black Label brand (cans) still performing strongly
Began deliberations on new value creation

- Initiatives for further accelerating growth

Sapporo Breweries (Japan)	Strengthen implementation of initiatives and accelerate strengthening of the beer business
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- Direction for new initiatives

Overall	Increase corporate value with “beer” + “restaurants” + “real estate”
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Please see page four. We are making progress in our efforts.

At the time of the interim financial results announcement, I talked about initiatives for businesses with significantly declining business results, initiatives to further accelerate growth, and the direction of new initiatives.

First, let me explain the progress made in initiatives in businesses where business performance declines significantly.

This is POKKA SAPPORO FOOD & BEVERAGE LTD.

In the current fiscal year, we expect to record a loss attributable to the struggle in the Vending Machine Business and the struggle in the Cafe Business due to coronavirus. We are continuing to remove our vending machine policy in the current fiscal year in order to achieve profitability in the next fiscal year. As of the end of September, the number of vending machines was approximately 70,000 units, a decrease of 6,000 units from the end of last year. In addition to the withdrawal of vending machines that are not highly efficient, we are continuing our efforts to reduce vending machine costs. We will continue to do so in the future.

POKKA SAPPORO will also introduce an early retirement incentive program with an application due date within the year.

Following this, SAPPORO LION is expected to post a large loss this fiscal year, but we are working to achieve profitability at all stores.

When we announced our financial results in August, only the number of stores was estimated, but we have decided to close about 30 stores by the end of the year and about 10 stores in the next fiscal year.

The total number of stores was 185 at the end of September, and this is the number of stores including subsidiaries of the LION Group. It is expected to be 171 stores by the end of the year.

SAPPORO LION will also implement a voluntary retirement program by the end of the year as the number of stores will decrease significantly.

Both PS and LION will not disclose this voluntary retirement or early retirement plan.

We will continue to strengthen our Domestic Beer Business as part of our efforts to further accelerate growth.

Sales of canned beer with Sapporo Draft Beer Black Label increased from the previous year to 103% in January to September. In October, there was a revision to the liquor tax on beer, and although it is still only one month, I feel that the number of sales floors for beer is increasing as a result of the tax reduction on beer.

Sapporo Draft Beer Black Label and cans accounted for 133% of sales in October. Sales of canned YEBISU are 129%. Although it is still one month, we feel the advantage of our efforts to strengthen beer.

We will accelerate investments to strengthen beer, centering on Sapporo Draft Beer Black Label and YEBISU, by taking advantage of the follow-up on beer due to the revision of the liquor tax.

Although there are no specific initiatives yet, there are the Sapporo Beer Museum and the beer garden in the Garden Park in Hokkaido, and SAPPORO REAL ESTATE CO., LTD. will work to examine ways to increase the real estate value of the Garden Park for the future.

Progress with 2020 Full Year Plan 

● Market recovery delayed by resurgence of COVID-19 infection meaning Food & Soft Drinks and restaurant-related business were unable to achieve targets
 Meanwhile, beer and beer-type beverages, led by canned products, cumulatively exceeded targets with no major deviation from plan overall

Sales (y-o-y)		Jun-Mar	Apr-Jun	Jul~Sep			Supplementary	Oct-Dec Forecast
				Result	Plan	Change		
Sapporo Breweries (Sales Volume)	Beer type beverages total	+3%	(14%)	(9%)	(11%)	+1%	Canned products exceeded targets	▲4%
	cans	+16%	+12%	+6%	+0%	+6%	Both beer and new genre exceeded targets	+9%
	bottles・kegs	(18%)	(65%)	(41%)	(33%)	(8%)	Plan's targets not reached due to resurgence of COVID-19 infection	▲28%
Sapporo Lion (Sales)		(25%)	(86%)	(64%)	(59%)	(6%)	Plan's targets not reached due to resurgence of COVID-19 infection	▲40%
Pokka Sapporo (Sales)	Soft Drinks total	+5%	(20%)	(7%)	(2%)	(5%)	Both vending machines and over-the-counter sales fell short of targets	▲3%
	Vending machines	(8%)	(30%)	(18%)	(12%)	(6%)	Targets not met as people continued to refrain from outings more than expected due to COVID-19	▲12%
	Foods total※	+7%	+9%	+10%	+15%	(5%)	Soup did not reach targets (grew year on year)	+14%

※Lemon based product・Soup・Plant milk Copyright, 2020 SAPPORO HOLDINGS LTD. All rights reserved. 5/36

I would like you to see page five.

The sales forecast for the second half of the fiscal year as of the date of disclosure of the financial results in August of the current fiscal year is stated. In terms of performance against this, plans are provided, and results are also provided to the left of plans, as well as differences.

From July onward, the spread of the coronavirus caused Restaurant-Related Business, particularly bottles and barrels, and the Restaurant Business, as well as vending machines in the Food and Beverage Business to deviate slightly downward from expectations. On the other hand, due to an increase in the number of canned products for household use, total beer sales exceeded the forecast for July to September.

Coronavirus is currently lulled, and in some areas the number of infections has started to increase. We believe that it will take time for the restaurant field to recover, and the Restaurant Business and LION's sales will be around 60% in October to December. Sales of domestic barreled Sapporo Beer are around 70%, unchanged from the figures announced as of August 6.

Review of Nine Months Ended September 30, 2020



● [Result] While there was a reversal from the temporary demand ahead of the consumption tax hike last year for household products, cumulative figures exceeded the previous year's level
New genre continued to grow partly due to temporary demand ahead of the liquor tax hike

<p>Black Label brand canned product sales volume</p>  <p>Up 3% YoY</p>	<p>New genre sales volume</p>  <p>Up 30% YoY</p>	<p>Japanese liquor sales</p>  <p>Up 24% YoY</p>
<p>Lemon-based drink sales</p>  <p>Up 15% YoY</p>	<p>Soup sales</p>  <p>Up 6% YoY</p>	<p>Plant milk sales</p>  <p>Up 22% YoY</p>

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Next, I would like to explain the outline of our financial results. With the results of our review of the third quarter on page seven, we have described the results of our major businesses.

Canned Sapporo Draft Beer Black Label beer continued to perform well, up by 3% in January to September. With regard to the new genre, the two-top strategy has been successful, and in addition to this, due to temporary demand resulting from the revision of the liquor tax in September, the total of the new genre increased by 30% in January to September.

With regard to Japanese liquor, we have the top share in the blended shochu, and in addition to the positive results of Kokuimo at home, "Koime no Lemon Sour", which is to be blended with carbonated water for drinking at home, had extremely strong performance, with a 24% increase.

It is also very good for beverages and foods, including lemon foods, mainly "POKKA LEMON", and lemon beverages, mainly "CHELATE LEMON", with an increase of 15%.

Soup sales also rose by 6% on the back of strong demand for staying home. As for plant milk, which is our Soymilk Yogurt and Soymilk Business, had an increase of 22%.

● [Issues] Commercial-use beer, restaurant-related business, and vending machine soft drink business continued to slump due to the impact of COVID-19
RTDs struggled as 99.99 (Four Nines) made little progress

Beer (bottles · kegs)
sales volume



Down **43%** YoY

RTD
Sales



Down **16%** YoY

Sapporo Lion
sales



Down **62%** YoY

Overseas Sapporo
Brand sales volume



Down **28%** YoY

Beverage
sales volume



Down **9%** YoY

Café de Crié sales



Down **28%** YoY

Next, page eight. Page eight refers to businesses and product groups that have issues.

The basic flow has not changed from the second quarter. After bottoming out in April to May, the Commercial Business and the Vending Machine Business are gradually recovering from the coronavirus crisis, but it is also taking time. The sales volume of bottled and barreled beer was down by 43%, and RTD was down by 16%. SAPPORO LION's sales were down by 62%. Overseas sales volume of the SAPPORO brand was also negative by 28% due to the impact of coronavirus, partly due to the large sales volume of commercial-use products in the US.

Regarding beverages, vending machines were struggling, resulting in a decrease of 9%, while CAFÉ de CRIÉ and Pokka Create Co., Ltd. were negative by 28%.

Results Highlight



(billions of yen)	2019 3Q	2020 3Q	YoY changes (amount)	YoY changes (%)
Revenue	361.0	315.3	(45.7)	(12.7%)
Revenue (Excluding liquor tax)	272.9	238.4	(34.5)	(12.6%)
Overseas revenue	54.4	48.9	(5.5)	(10.1%)
EBITDA	24.4	18.4	(6.0)	(24.6%)
Core operating profit	6.4	1.2	(5.2)	(81.7%)
Core operating profit margin	1.8%	0.4%	(1.4%)	—
Operating profit	7.8	(2.0)	(9.8)	—
Profit attributable to owners of parent	4.6	(0.9)	(5.5)	—
D/E ratio (times) ※Net	1.3	1.3	0.1	—

The balance of debt excludes the balance of lease obligations.

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I would like you to see page nine.

With the highlights of the third quarter, the impact of coronavirus gradually shrank after bottoming out in April to May, but the third quarter was also affected by the Commercial-Use and the Restaurant-Related Business, resulting in lower sales and profits.

However, operating income recovered from a loss of JPY5.1 billion in the second quarter to JPY1.2 billion at the end of the current quarter and returned to profitability. Factors contributing to this performance included steady performance in the Real Estate Business and solid demand for beer, including home drinks, and steady progress in reducing fixed costs in the Alcoholic Beverages Business. As a result, operating income exceeded the full-year forecast of JPY1 billion as of August 6.

Financial Results
for the nine months ended September 30, 2020 — Consolidated
(Based on IFRS)

November 6, 2020

Company name **Sapporo Holdings Limited**
Security code 2501
Listed on Tokyo Stock Exchange (First Section); Sapporo Securities Exchange
URL <https://www.sapporoholdings.jp/en/>
Representative Masaki Oga, President and Representative Director
Contact Tatsuya Komatsu, Director of the Corporate Planning Department
Telephone +81-3-5423-7407
Scheduled dates:

Filing of quarterly financial report November 13, 2020
Commencement of dividend payments -
Supplementary information to the quarterly earnings results Available
Quarterly earnings results briefing held Yes
(mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the nine months ended September 30, 2020
(January 1 – September 30, 2020)
(Amounts in million yen rounded to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2020	315,346	(12.7)	1,173	(81.7)	(2,041)	-	(1,162)	-
Nine months ended September 30, 2019	361,015	-	6,401	-	7,769	-	4,214	-

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	yen
Nine months ended September 30, 2020	(925)	-	(8,084)	-	(11.87)	(11.87)
Nine months ended September 30, 2019	4,560	-	10,933	-	58.55	55.14

Note: Profit before tax

Nine months ended September 30, 2020: (2,850) million yen

Nine months ended September 30, 2019: 7,000 million yen

Note: Core Operating Profit is a proprietary profit indicator that measures the performance consistency of our business. Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

Note: The profit and loss of the North American soft drinks business has been classified under discontinued operations because all of the shares in Country Pure Foods, Inc. since previous consolidated fiscal year. The periods half quarter consolidated cumulative have also been rearranged in the same manner, these year-on-year changes are not stated.

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity ratio attributable to owners of parent
	million yen	million yen	million yen	%
Nine months ended September 30, 2020	643,696	163,145	162,972	25.3
December 31, 2019	638,722	174,524	174,071	27.3

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	Yen	yen	yen	yen	yen
Year ended December 31, 2019	—	0.00	—	42.00	42.00
Year ended December 31, 2020	—	0.00	—		
Year ending December 31, 2020 (forecast)				42.00	42.00

Note: Changes were made to dividends forecasts in the nine months ended September 30, 2020: None

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2020 (January 1 – December 31, 2020)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attribute to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Year ending December 31, 2020	444,500	(9.6)	1,000	(91.5)	(7,900)	—	(6,500)	—	(6,500)	—	(83.44)

Note: Changes were made to earnings forecasts in the nine months ended September 30, 2020: None

However, due to the uncertainty of trends in coronavirus, the Company has not changed its full-year forecast, although it is described on page one of the summary of financial results.

There will be no change in the dividend either.

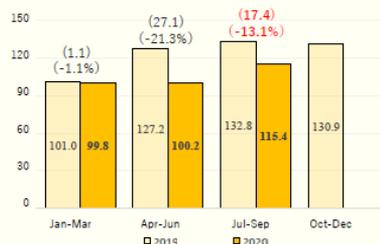
Results Highlight



- While earnings are on a gradual recovery trend accompanying the market recovery, performance still down year on year

Revenue

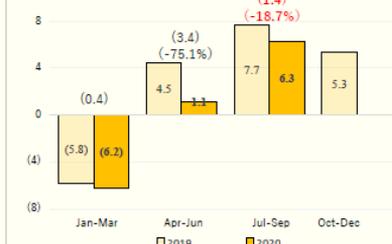
(billions of yen)



- Commercial-use beer and restaurants continue to struggle
- Household products continue to perform strongly thanks to stay-at-home demand

Core operating profit

(billions of yen)



- Profit declined due to the slump in the restaurant business, but core operating profit excluding restaurant-related business was in line with previous year's level (cumulative Jan-Sep) due to cost control → See next slide

Profit attributable to owners of parent

(billions of yen)



- 2019
 - 1Q: Sale of real estate +¥1.9 billion
- 2020
 - 2Q: Loss from COVID-19 -¥3.5 billion
 - Early retirement program lump sum payments -¥1.2 billion
 - 3Q: Sale of real estate +¥1.0 billion

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I would like you to see page 10.

In the highlights of the third quarter, although earnings are on a recovery trend in line with the recovery in the market, they are continuing to trend below the previous fiscal year. Revenue, business profit, and net income are presented on a quarterly basis.

Although sales in the Restaurant Business, Commercial-Use of Beer, and Vending Machines continued to decline, Alcoholic Beverages and Foods remained robust due to demand for staying home, resulting in a smaller decline compared to the second quarter.

Regarding business profits, the extent of the decline in profits has been shrinking since the second quarter, but unfortunately, it has been lower than the previous year due to the negative impact of the Restaurant-Related Business.

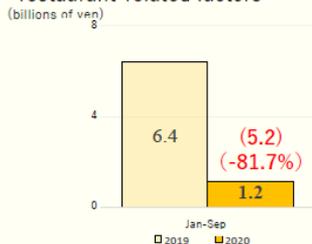
With regard to net income, there was a gain on sale of JPY1 billion in the third quarter due to the reallocation of the real estate portfolio and the recording of a loss related to coronavirus. Consequently, if only the third quarter is viewed, net income increased from the previous fiscal year.



Results Highlight

- While overall profit declined due to slump in the restaurant business, core operating profit excluding the restaurant business was in line with previous year's level (cumulative Jan-Sep)

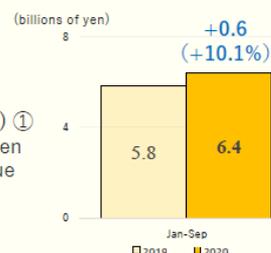
Core operating profit (consolidated) ①+②
Large profit decline overall, primarily attributable to restaurant-related factors



Positive

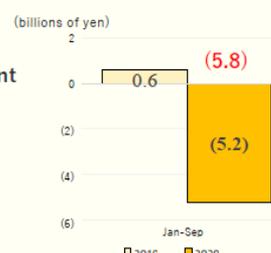
Core operating profit (excl. restaurant-related companies*) ①
Similar level as previous year when restaurant business excluded, due to cost control

*Restaurant business (Lion Group)
Shinseien POKKA CREATE



Negative

Core operating profit (restaurant companies* alone) ②
Factors behind profit decline primarily restaurant-related



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I would like you to see page 11.

In the explanation so far, the Restaurant-Related Business is very struggling. On the other hand, I have stated that in the Beverages and Foods Business, including domestic Sapporo Breweries and POKKA SAPPORO, while sales are sluggish, we are strictly controlling fixed costs and generating profits.

The operating income for the fiscal year under review is divided into the Restaurant Business and other businesses.

Consolidated operating income for the third quarter was JPY1.2 billion, a decrease of JPY5.2 billion from the previous fiscal year.

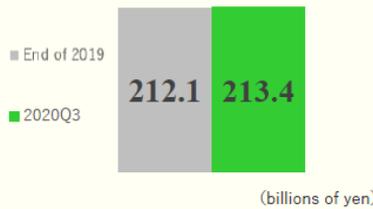
The Restaurant-Related Business is shown at the bottom. This is the LION Group. SHINSEIEN, which have Sapporo Beer Garden under the umbrella of the Asia and Japan alcoholic beverages of the Sapporo Breweries, and Pokka Create. These three companies. The operating income of these three companies compared to the previous fiscal year was negative at JPY5.8 billion, which was negatively higher than the consolidated total.

In addition to the robust performance of the Real Estate Business, other than the Restaurant Business, the Group also managed to control costs in both the Alcoholic Beverages, and Beverages and Food Businesses, ensuring a level of performance on par with the previous fiscal year.

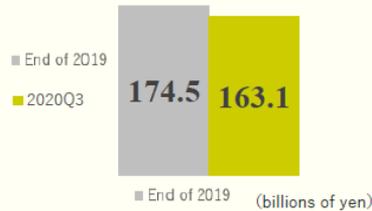


Results Highlight

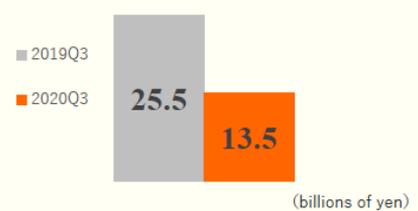
Balance of net debt



Equity



Capital expenditure (cash basis)



Transformation of the Group management platform



<July-September>

- Mizuho Eco Finance rating rises to AA, the highest possible
<https://www.sapporoholdings.jp/news/dit/?id=8665>
- Selected as one of the Noteworthy DX Companies 2020
<https://www.sapporoholdings.jp/news/dit/?id=8690>

Group Topics

<July-September>

- Opened ecommerce store "# HoshiniNegaio" to support ecommerce businesses of restaurant companies
https://www.sapporobeer.jp/news_release/0000012087/
- Opened YEBISU GARDEN FARM, a farm nurtured together with the local community
https://www.sapporo-re.jp/pdf/sapporore/store/storage/cname_20200828105741.pdf

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Next, page 12. This is about BS-related and topics.

Net financial liabilities remained almost unchanged from the previous fiscal year, and capital investment was affected by coronavirus, and we have stopped unnecessary and non-urgent items. Therefore, capital investment has been reduced by about half compared to the previous fiscal year.



Revenue by Segment

(billions of yen)	2019 3Q	2020 3Q	YoY changes (amount)	YoY changes (%)
Revenue by Segment	361.0	315.3	(45.7)	(12.7%)
Alcoholic Beverages	242.8	206.8	(36.0)	(14.8%)
Japan & Asia	185.4	164.0	(21.4)	(11.5%)
North America	36.6	34.5	(2.1)	(5.8%)
Restaurants	20.7	8.3	(12.4)	(60.0%)
Food & Soft Drinks	99.8	91.0	(8.8)	(8.9%)
Real Estate	18.3	17.5	(0.9)	(4.7%)
Other	0.1	0.1	0.0	(12.6%)

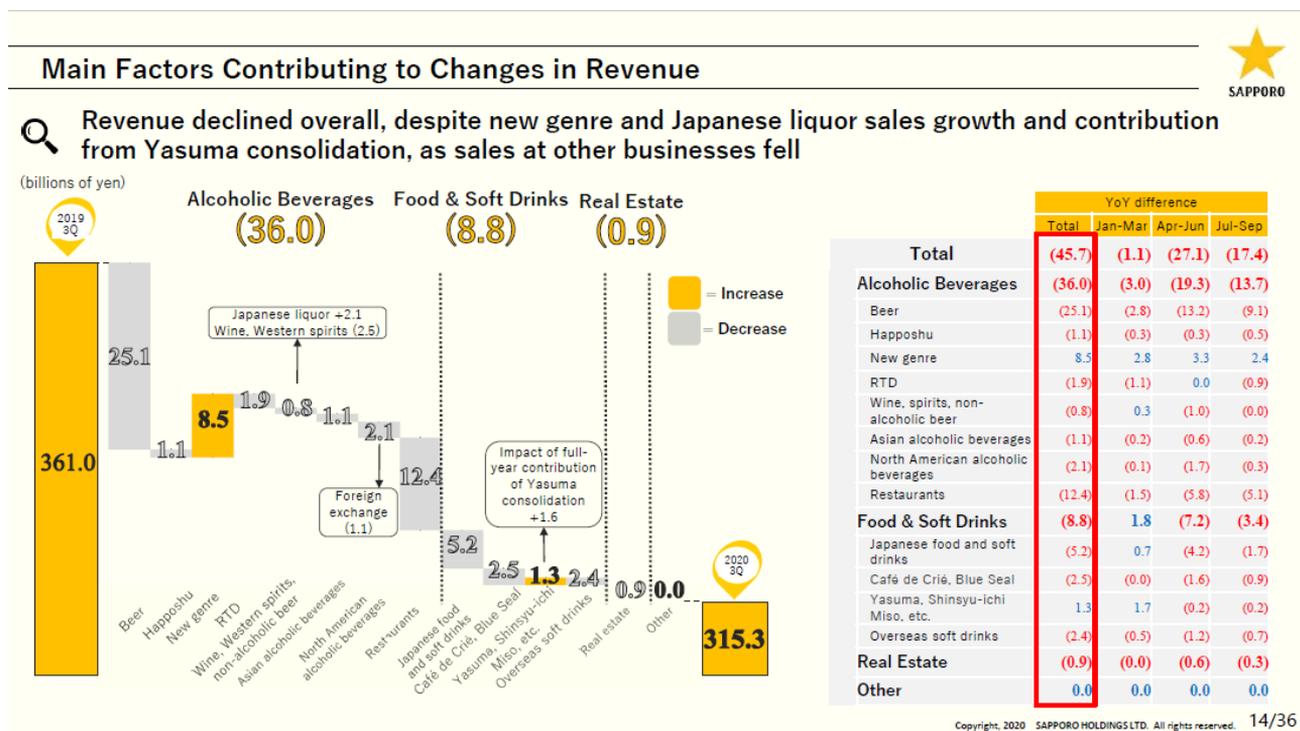
Factors are explained in the next slide

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Next page, page 13. The breakdown of revenue by segment for this third quarter is shown on page 13.

In the three segments of Alcoholic Beverages, Beverages and Foods, and Real Estate, overall sales declined due to the impact of coronavirus.

Consolidated net sales were JPY315.3 billion, a decrease of JPY45.7 billion. This was negative by 12.7% over the previous fiscal year.



The main factors behind the change in revenue are described on page 14.

Regarding Alcoholic Beverages, the new genre and Japanese liquor that have been successful in the two-top strategy I mentioned earlier. In addition, Sleeman Business in Canada accounted for 104%, an increase in sales denominated in local currencies.

On the other hand, there was a decrease of JPY36 billion due to a negative impact from the Beer for Commercial Use and Restaurant Businesses.

In the Food and Beverage Business, Yasuma made a consolidated contribution to the first quarter, but the negative contribution of the Beverage Business, which was affected by coronavirus, resulted in a negative contribution of about JPY8.8 billion.

Regarding the Real Estate, there was an impact of coronavirus on the commercial facility. As a result it was negative by JPY900 million.

Core Operating Profit by Segment



(billions of yen)	2019 3Q	2020 3Q	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	6.4	1.2	(5.2)	(81.7%)
Alcoholic Beverages	4.7	0.3	(4.4)	(93.3%)
Japan & Asia	4.3	4.1	(0.3)	(6.7%)
North America	0.2	0.2	0.1	55.4%
Restaurants	0.2	(4.1)	(4.3)	-
Food & Soft Drinks	(1.0)	(2.3)	(1.3)	-
Real Estate	7.9	8.0	0.2	1.9%
Other - General corporate and intercompany eliminations	(5.1)	(4.8)	0.3	-

Factors are explained in the next slide

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Move on to page 15, which illustrates a breakdown of business profits by segment.

As you can see, for Japan and Asia Alcoholic Beverages and North America, sales were negative, but operating profit was almost the same as the previous year.

The Restaurant Segment posted a loss of JPY4.1 billion due to an increase in losses in the Restaurant Business and LION, a YoY decrease of JPY4.3 billion.

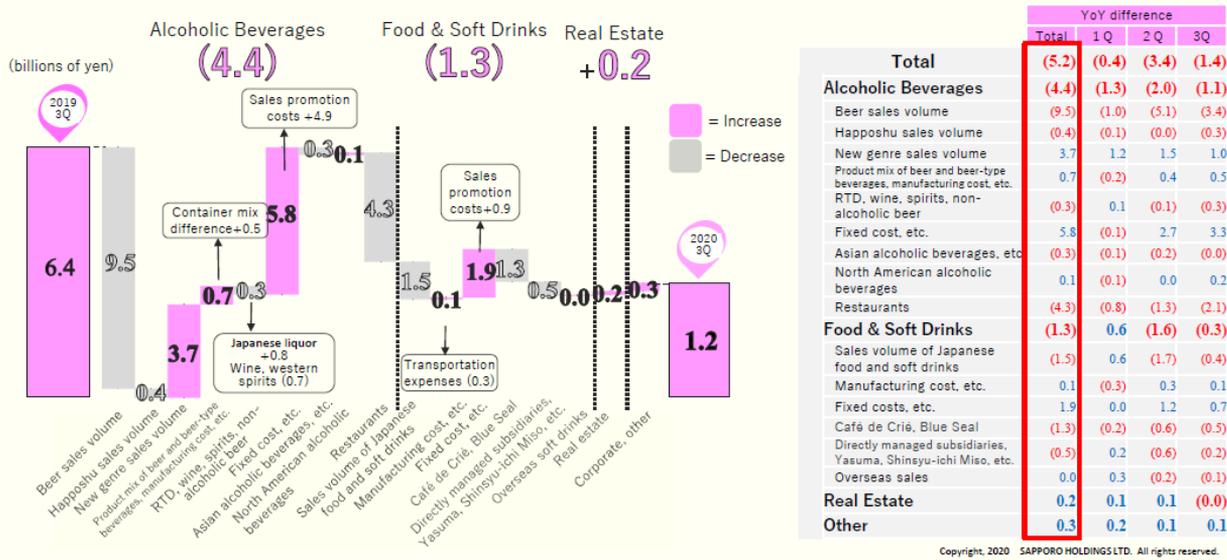
In the Food and Beverage Business, while POKKA SAPPORO covered the negative impact of the decline in sales by fixed costs, a loss of JPY2.3 billion was recorded in the Vending Machine subsidiary and the restaurant, CAFÉ de CRIÉ, with a negative figure of JPY1.3 billion compared with the previous fiscal year.

The Real Estate has been steady, with an increase of JPY200 million compared to the previous year.



Main Factors Contributing to Changes in Core Operating Profit

While overall profit declined due to slump in restaurant business, core operating profit excluding restaurant-related business was in line with previous year's level due to increased profit from increased new genre and Japanese liquor sales and cost control primarily targeting promotion costs



We will move on to page 16. This is the main reason for the increase or decrease in operating income.

In the Alcoholic Beverages Segment, the decrease in the volume of domestic alcoholic beverages is offset by a product mix and a reduction in fixed costs of JPY5.8 billion. The portion of Sapporo Breweries was almost the same as last year for positive and negative, but the negative of the Restaurant Business caused the negative figure in the Alcoholic Beverages Segment.

The Food and Beverage Business was almost the same, and we covered the negative impact of sales by, for example, reducing sales promotion expenses. Negative JPY1.3 billion means that CAFÉ de CRIÉ/ Blue Seal in the middle of this section is exactly negative by JPY1.3 billion, so this portion is negative compared to the previous fiscal year.

Profit attributable to owners of parent



(billions of yen)	2019 3Q	(Details)	2020 3Q	(Details)
Core operating Profit	6.4		1.2	
Other operating income	3.1	Proceeds from sale of Yebisu Square +1.9	2.7	Proceeds from sale of real estate +1.0
Other operating expenses	1.8		5.9	Coronavirus losses (3.5) The expenses for Early retirement (1.2)
Operating Profit	7.8		(2.0)	
Profit before tax	7.0		(2.9)	
Income taxes	2.5		(1.7)	
Profit	4.2	Loss from discontinued operations(0.2)	(1.2)	
Loss attributable to non-controlling interest	(0.3)		(0.2)	
Profit attributable to owners of parent	4.6		(0.9)	

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As shown on page 17, operating profit attributable to owners of the parent was JPY1.2 billion, and other operating revenue was JPY2.7 billion due to a gain on sales of real estate of JPY1 billion, employment adjustment subsidies, et cetera.

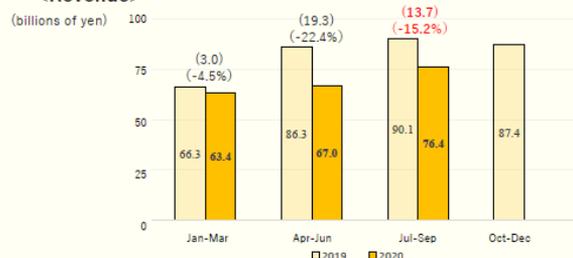
Other expenses amounted to negative JPY3.5 billion was the coronavirus-related loss and negative JPY1.2 billion was for the first early retirement lump-sum payment that Sapporo Breweries concluded, and a total of JPY5.9 billion. Operating income is a loss of JPY2 billion.

Alcoholic Beverages

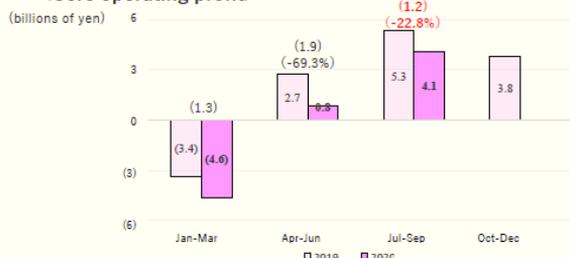


Continued to underperform previous year as commercial-use beer and restaurant business struggled due to the impact of COVID-19

<Revenue>



<Core operating profit>



Positive

- Restaurant market gradually recovering
- Gold Star continued to be strong partly due to temporary demand ahead of liquor tax hike
- Koime no Lemon Sour no Moto continued to perform strongly
- Sales volume at Sleeman in Canada exceeded previous year's level

Negative

- Commercial-use beer and restaurants continued to underperform previous year's level
- RTD slumped reflecting sluggish growth of 99.99
- Slump in commercial-use beer in North America due to impact of COVID-19

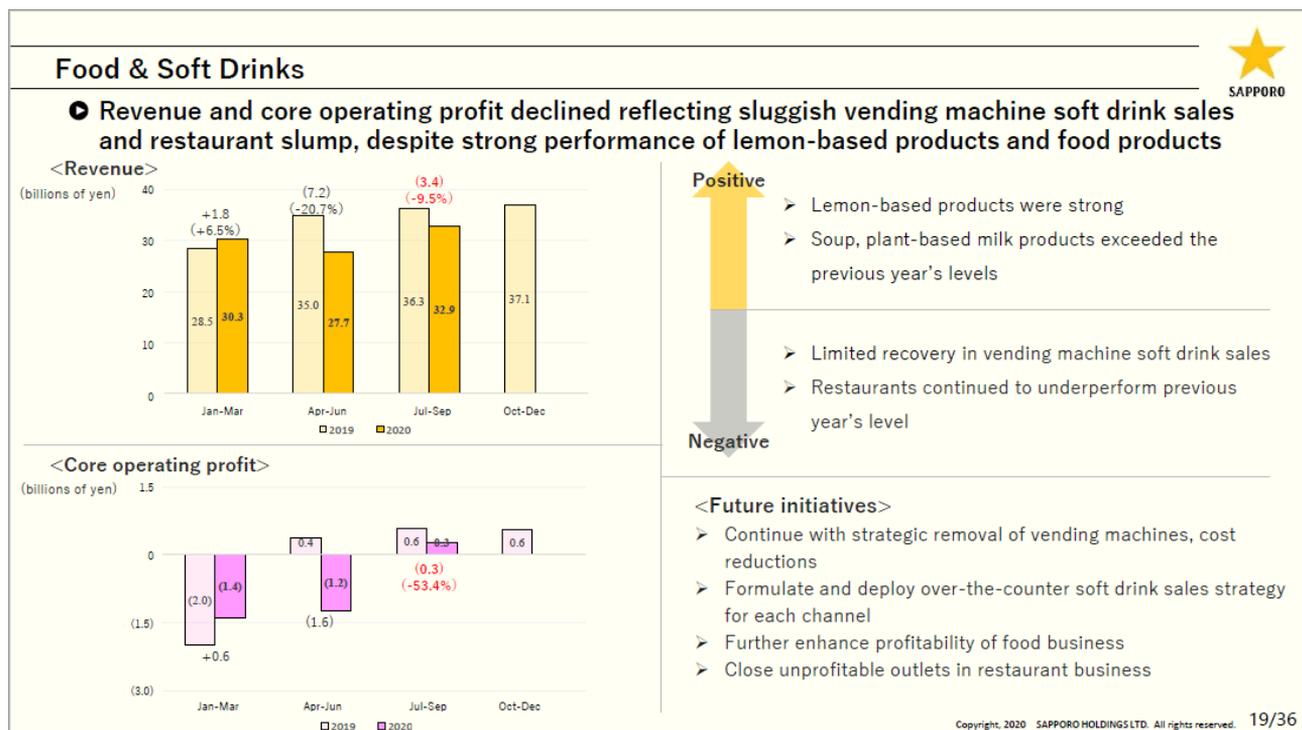
<Future initiatives>

- Continue with investment to strengthen beer, the two-pillar new genre strategy
- Earnings structure reform of commercial-use beer business and RTD business
- Close unprofitable companies in restaurant business

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Next, page 18. Breakdown of quarterly sales and business profit in the Alcoholic Beverages Segment.

As I have explained so far, after bottoming out in the second quarter, the scale of the decline in both sales and operating income has narrowed. It is the restaurant area that is pulling the downside of this part, and the restaurant recovery is a bit behind, with that part having a negative impact in the third quarter of July to September.



Next, page 19. Breakdown of quarterly sales and business profit in the Food & Beverage Segment.

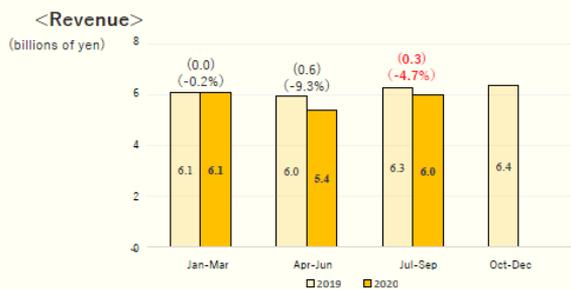
Looking only at the third quarter, the Food and Beverage Segment also turned a profit. Despite the negative impact of the Cafe Business, we were able to secure a profit.

We intend to continue our efforts to expand sales and reduce costs.



Real Estate

While Sapporo Factory struggled, Yebisu Garden Place remained solid

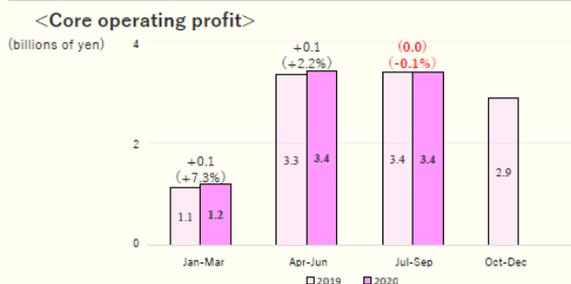


Positive

- High offices and rental housing occupancy rates maintained
- Commercial facility sales and visitors on recovery track

Negative

- Office vacancy rates expected to rise towards year end
- Impact of COVID-19 on commercial facilities including Sapporo Factory



<Future initiatives>

- Strengthen leasing to enhance property values and refurbish environs of rental properties (Ebisu Mitsukoshi area)

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Page 20 shows the quarterly sales and business breakdown of the Real Estate Segment.

The Sapporo Factory has partially closed its facilities under the emergency declaration, so this part was negative. However, the factory has been on a recovery trend since the second quarter.

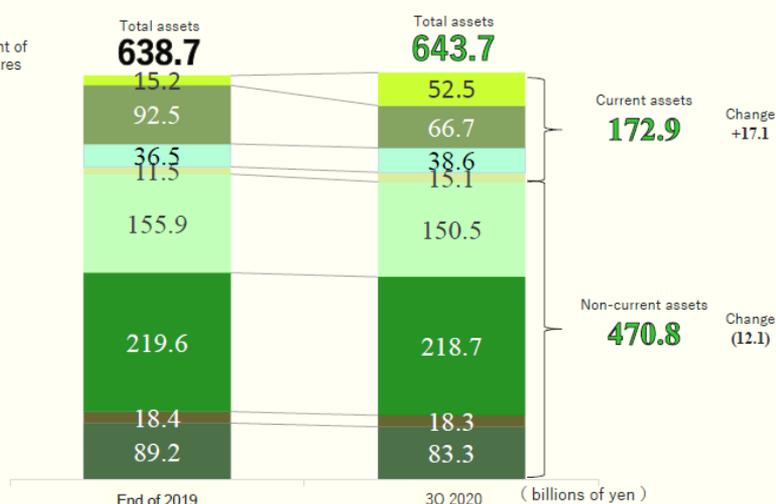
With regard to Ebisu Garden Place, it has been solid.



Changes in Balance Sheets

Total assets increased ¥5.0 billion from previous year end

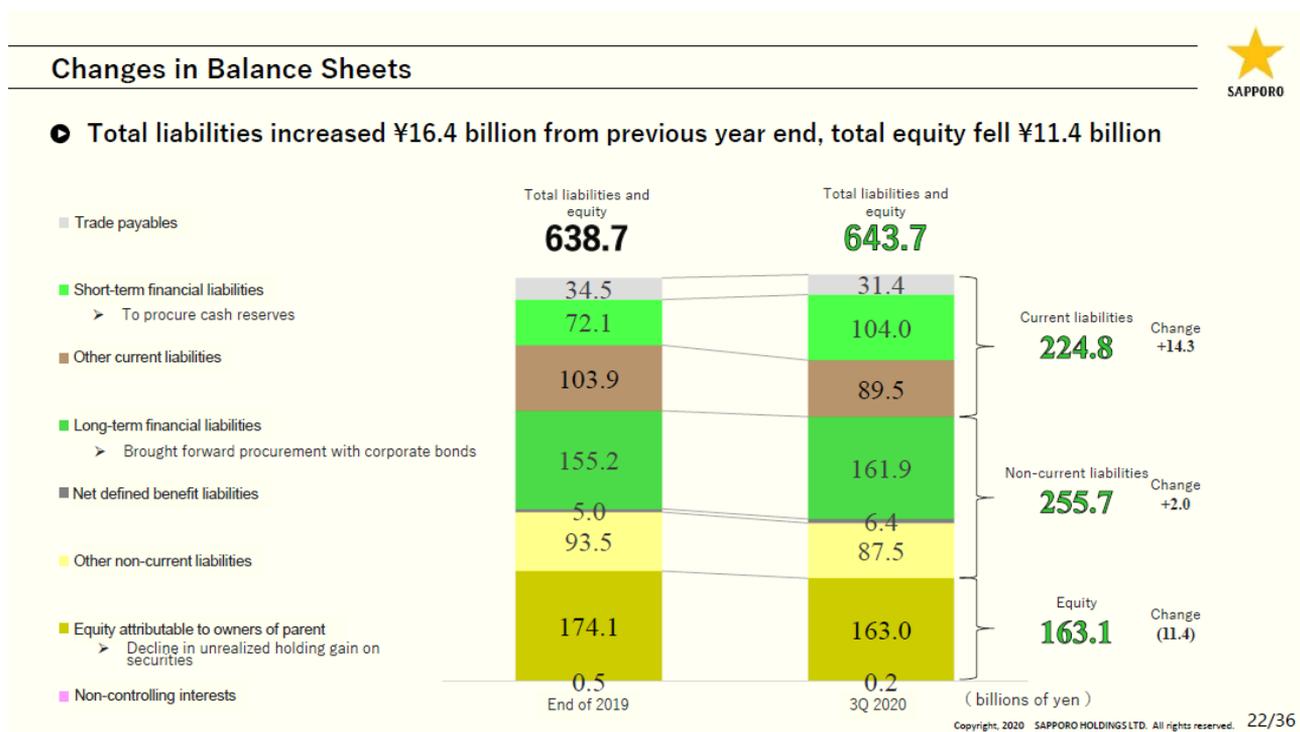
- Cash and cash equivalents
 - Increased cash in hand and early procurement of corporate bonds as COVID-19 countermeasures
- Trade receivables
 - Seasonal factors
- Inventories
- Other current assets
- Fixed assets
- Investment property
- Goodwill
- Other non-current assets
 - Due to decline in market value of securities



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Next, page 21. The status of the balance sheet.

Total assets have increased by JPY5 billion. In order to respond to coronavirus, we had a little more cash and deposits from the end of the first quarter, but in September, we issued JPY30 billion in bonds, with a temporary increase in cash and deposits. With regard to operating credits, this is a comparison with the end of last year, and the decrease is due to seasonal factors such as the difference in sales volume between the end of December and the end of September.



Next, page 22. Page 22 shows the liabilities and shareholders' equity section. Liabilities increased by JPY16 billion due to an increase resulting from the issuance of bonds and the issuance of CP to secure cash on hand.

The Company's shareholders' equity has been declining due in part to a loss in the fiscal year under review.

Financial Status

● Investment on a cash basis was **¥20.2 billion**

<Consolidated cash flow (CF) statement>

(billions of yen)	2019 3Q	2020 3Q	Change	Change (%)
CF from operating activities	34.4	21.3	(13.0)	(37.9)%
CF from investing activities	(21.9)	(14.3)	7.6	—
Free CF	12.4	7.0	(5.4)	(43.6)%
CF from financing activities	(0.3)	30.3	30.6	—

(billions of yen) <Changes in amount of investment (cash basis)>



<Investment total (①+②+③)> **¥20.2 billion**

① **Capital expenditure (cash basis) : ¥13.5 billion**
(Property, plant and equipment, intangible assets, investment property)

<Major items>

- Alcoholic beverages: **¥5.8 billion**
Sapporo Breweries: ¥3.7 billion Sleeman Breweries: ¥1.5 billion

- Food & Soft Drinks: **¥2.0 billion**
POKKA Sapporo: ¥0.9 billion

- Real Estate: **¥3.8 billion**
Investment properties: ¥3.5 billion

- Group-wide: **¥1.8 billion**

② **Lease fees: ¥2.8 billion**
(excluding lease fees for renting restaurant premises)

③ **Other investments: ¥3.9 billion**
(including long-term prepaid expenses, investment securities, etc.)

Next, page 23. This is the portion of consolidated cash flow investment.

As stated in the material, operating cash flow decreased by JPY13 billion from the previous fiscal year. Meanwhile, investment cash flow was kept down by JPY7.6 billion, and as a result, free cash flow was JPY7 billion, a decrease of JPY5.4 billion from the previous year.

Cash flow from financing activities increased by about JPY30 billion due to the procurement of bonds, CP, et cetera.

The amount of investment was JPY20.2 billion on a payment basis, and it was JPY41.8 billion last year, so it was halved compared to last year.

From page 24 onward, the main data for each segment and each business is illustrated, so I would like you to see it later.

That's all. I would like to finish my explanation. Thank you for your attention.

Question & Answer

Moderator: Thank you for your explanation. Then, we will start a question and answer session.

When you are called by the moderator for your turn, please ask questions after giving your company name and your name. If you have several questions, please use one question-and-answer format. In order to answer questions from many people, we will limit it to two questions per person.

First of all, Mr. Fujiwara from Nomura Securities. Please ask your questions.

Fujiwara: Good evening, this is Fujiwara from Nomura Securities. Thank you very much.

The business profit forecast for the full fiscal year is very well under way, and after deducting it, the fourth quarter's business profit will be a loss of around JPY200 million. Japan and Asia alcoholic beverages are making extremely high progress. Please tell us about the current situation relative to the full-year plan in the prominent segments. This is the first.

Second, at the beginning of the presentation, for POKKA SAPPORO and SAPPORO LION, I think that you said that you couldn't tell us the details of voluntary retirement. I would appreciate it if you could tell us about the extent to which fixed costs for the next fiscal year will decrease due to the use of this system. That's all.

Iwata: Thank you very much. I would like to answer.

Firstly, I would like to answer how we view the fourth quarter with respect to the progress and the current situation. Regarding the fourth quarter, sales of Sapporo Breweries fell partly in the new genre, despite a large increase in September due to temporary demand.

On the other hand, for beer, sales of Sapporo Draft Beer Black Label and canned YEBISU exceeded 130%. In the Beer Segment, sales exceeded the previous year's level, and have been more or less ahead of expectations. In that sense, I think we are seeing earnings for the full fiscal year as somewhat conservative.

For Pokka Sapporo, the vending machine market is currently 80% between January and September. However, due to the impact of coronavirus, we cannot predict the pace at which the Vending Machine Business and the Cafe Business will recover. Currently, we are in line with expectations.

The trend is almost the same as that described in the full-year earnings forecast I have just explained earlier, but in this sense both the Breweries and POKKA SAPPORO are in line with expectations.

The Real Estate Business is not a business that will change today or day after tomorrow, so it is in line with the full-year outlook. We currently forecast all of our sales and business profits fairly conservatively and will be in line with our initial plan for the full fiscal year.

The influence of coronavirus is now increasing in Hokkaido, and the number of infected people is also increasing in Tokyo, exceeding 300 people yesterday. This is the biggest month for beer in December, and also for LION due to banquet demand, et cetera. We are currently making a conservative forecast because we cannot yet forecast trends on that side in December.

Next, the impact on cost reductions.

As for the current fiscal year, other operating expenses for the current fiscal year are expected to be JPY11.9 billion. The amount of JPY5.9 billion in January to September was explained at the beginning of the year.

However, in the current fiscal year, we have set aside JPY5 billion for early retirement costs and restructuring costs.

We have already recorded JPY1.2 billion for the first early retirement of Sapporo Breweries, so it will fit within JPY5 billion per year, including the second early retirement of Sapporo Breweries, and the early retirement of Sapporo Breweries and LION.

In terms of the impact in the next fiscal year, we have not set any target number of employees, so it is difficult to answer exactly. When announcing the financial results in February, we mentioned what the cost reduction would be like in relation to JPY5 billion for the early retirement.

At that time, at the financial results briefing in February, we told you that if we pay an additional retirement allowance of JPY25 million per person and 200 people retire, the expenditure for the current fiscal year would be JPY5 billion. For a decrease in expenses in the future, considering that personnel expenses per person is JPY10 million, JPY2 billion for 200 people.

Initially, fixed costs were expected to decrease mainly at Sapporo Holdings and Sapporo Breweries, but the JPY5 billion will be spent as a whole, including POKKA SAPPORO and LION. We have not set a target number of employees, so we do not yet know the breakdown by segment, but I hope that you will understand it in this way. That is all.

Fujiwara: I understood. Thank you very much.

Moderator: Next, Mr. Sumoge from Okasan Securities Co., Ltd. Please ask your questions.

Sumoge: Thank you. This is Sumoge from Okasan Securities Co., Ltd. My question more or less overlaps with the previous question.

Regarding the reduction of fixed costs for restaurants. Although the number of employees who voluntarily retire has not been set, I think there is a quantitative image for reduction of fixed costs because store will be closed in the current fiscal year and next fiscal year. I would appreciate it if you could give us some hints. This is the first question.

Iwata: For LION, the breakeven point is lowered, and if the stores are closed, rent and other payments will be eliminated. In addition to the fact that personnel expenses for those who applied for voluntary retirement and retired will not be incurred from the next fiscal year onward, LION's headquarters will be relocated on the sixth floor above the LION shop in Ginza 7 cho-me although the headquarters is currently located in Ebisu. In this way, we will work to curb office rents and take other measures.

Specifically, regarding what happens to LION's operating loss exceeding JPY5 billion in the current fiscal year, we are just in the process of formulating a plan for the next fiscal year. I am sorry, but I would like you to give me some time until the announcement of the financial results in February next year. That is all.

Sumoge: I understood. Another question is about domestic beer.

The sales volume in October after the revision of the Liquor Tax Law was 129% even for YEBISU and 133% for canned Sapporo Draft Beer Black Label, showing extremely high growth. I would like you to give us the data relative to the market if any, please.

Iwata: Only industry magazines show what the total demand for beer itself is, and only estimated figures are available. Perhaps the industry magazines estimate October sales at 92% to 93% of total beer sales. Sapporo Breweries is 95.3% of the total.

In addition, beer as a whole may have exceeded 100% or little more for the industry as a whole, and we think it is 109%. Looking at stores and other locations, distributors are also increasing the number of beer sales floors in preparation for this liquor tax revision, and sales floors such as Sapporo Draft Beer Black Label and YEBISU are steadily expanding. We intend to leverage this to accelerate the trend toward strengthening beer.

Sales of new genre grew significantly in September, but in June, they were 61% due to a partial temporary demand. That is, 61% in October, probably because the September temporary demand would have been large. Combining September and October, the new genre is over 100%, so I think it will be adjusted almost in October. That is all.

Sumoge: I believe that beer prices are falling due to the impact of the revision of the liquor tax, and demand is growing considerably. Can we consider that your Company's beer is relatively more selected than other companies?

Iwata: The fact that we are exceeding total demand probably means exceeding overall. Originally, the sales of Sapporo Draft Beer Black Label and YEBISU exceeded the demand, and we intend to accelerate this trend.

Sumoge: Thank you. That's all.

Moderator: Let me move on to the next question. Mr. Saji from Mizuho Securities. Please ask your question.

Iwata: Mr. Saji, this is Iwata. Thank you very much.

Saji: Thank you. I would like you to tell us about beverages.

In the market, the so-called removal policy for vending machines and cost reductions are underway, so it is about structural reform through achieving profitability for the next year. Could you tell us a little more about specific measures for the next year? This is the first question.

Second, with regard to market trends for the next fiscal year, what do you think of beer-type beverages? Please tell us about that side.

Especially, I think it was quite difficult for commercial use this year, but I would like you to explain the degree of recovery for commercial use and the situation for household use. This is the outlook for the next fiscal year. Could you please tell us about that side?

Iwata: I will answer your question. First of all, about a little more concrete effort to restructure the beverages and foods, especially beverages, in the next fiscal year.

The first is our efforts, including early retirement, which I mentioned earlier, which is the year-end deadline, so I think it will contribute to the portion of fixed costs from the next fiscal year onwards.

In the Vending Machine Business, the Company will continue to work on the part of removal policy.

In the current fiscal year, we have been working to reduce fixed costs, including those associated with waste disposal of the supply chain. Although this was partly due to the impact of coronavirus, we are achieving results in reducing fixed costs, so we intend to continue working on this issue.

On the other hand, sales of foods are strong, including demand for staying home. We are expanding lemon, and soup and soymilk yogurt fields, which have grown nearly 10% in the current fiscal year, and the beverage may be very difficult in terms of quantity, but we would like to cover that portion with foods to make a profit.

Regarding the outlook for beer for the next fiscal year, it is more or less unchanged from the current fiscal year, and the overall beer category is expected to be on par with the current fiscal year.

Beer will be 109% compared to the current fiscal year. 95% for the “Happoshu.” 94% for the new genre. RTD to be 104%. While beer sales are strong for household use, the commercial portion is heavily related to coronavirus. In the period from July to September, sales of bottled and barreled beer recovered to around 70%.

If coronavirus calms down, I think we’ll be able to exceed this number, and if coronavirus spreads again, and the restaurants are asked to close faster, the impact on bottled and barreled beer will probably continue.

Depending on the impact of coronavirus, we believe there will be a slight change in sales for commercial and household use, but we believe that overall beer sales will probably be on par with the current fiscal year.

LION’s sales are expected to be around 80% by the end of the next fiscal year, but probably at the end of the fiscal year, as described in the Company’s financial results briefing materials, it is estimated to be around 60%.

Therefore, we forecast that the fiscal year will probably start at around 60% and will be around 80% at the end of the fiscal year, but this will also depend on coronavirus. It will depend on the movements of coronavirus. That is all I can say at the present time.

Saji: Thank you very much. Regarding the positive rate of about 9%, the commercial use returned to a reduction of 3% in July to September, but is it reasonable to think that you assume that it will gradually return in the next year although it depends on coronavirus.

Iwata: Exactly. The economy will recover moderately through the end of next year, repeatedly fluctuating. I expect LION sales of around 80% for the next fiscal year.

Saji: I understood. Regarding POKKA SAPPORO Food & Beverage, you are basically aiming to achieve profitability in the next fiscal year, in 2021. If you proceed with current initiatives like those described here, do you think that you are seeing some profitability?

Iwata: We are currently working on a budget for the next fiscal year, and I cannot tell you anything specific. On a non-consolidated basis, we have achieved tangible results, such as the fixed cost reduction initiatives I mentioned earlier.

As a result, on a non-consolidated basis, in the beverage field, we will expand food products by covering the negative impact of vending machines. On the other hand, we will continue efforts to reduce costs for food products, reduce logistics costs, and take other measures to reduce costs.

In addition, there is CAFÉ de CRIÉ, the restaurant chain within the Restaurant Segment. This is still a large part of the deficit in the current fiscal year, so it will depend on the trends here. If the coronavirus crisis continues, the Cafe Business will have a slight impact in the next fiscal year as well, so we are currently in the process of considering this part. That is all.

Saji: I understood. Thank you very much.

Moderator: Next, Mr. Miura from Citigroup Global Markets Japan Inc. Please ask your questions.

Miura: The first question is the same as Mr. Saji’s question. The beer market will increase by 9% in the category next year, and the commercial-use market will gradually improve, but do you see the current regression of the beer and make this assumption? I would appreciate it if you could tell us more about the accuracy of this.

Second, how many boxes of your GOLD STAR have been sold over the past nine months? It would be very helpful if the outlook for the full fiscal year is also included. This is all.

Iwata: I would like to answer. The first is the outlook for the next fiscal year, but while sales of beer are very strong at present, in the past month it is not something to look at in the short term. Since the summer, we have been reviewing the outlook for the next fiscal year several times in light of the current situation.

That is to say, the current outlook. Of course, in November, we will review again the year-end trends and coronavirus's trends to determine what happens to the beer genre, particularly cans, bottles, and barrels.

How Sapporo Breweries will look at the market next fiscal year will be announced perhaps when our beer policy is announced at the beginning of the year, and we will update it every time for the announcement. I hope that you will understand the current situation.

As for GOLD STAR, the annual plan is 3.6 million cases, but in January to September, the plan exceeded 4 million cases. What will happen in the future? I cannot say it at this point. As you can estimate the situation from January to September, we are well ahead of our initial plan. That is all.

Miura: Thank you very much. As for the first question, in fact, your forecast has been very accurate for the past 20 years among the big companies. I think it's a wonderful analysis.

It is very meaningful that beer will be 9% next year, which is approaching. So at this point in time, of course it will be reviewed next year after the end of summer, and it may also change again in February. That is exactly as you said.

I would very much like to know on what grounds the 9% figure is viewed from your company, which has the best analytical ability in Japan, with high prediction accuracy, so could you please break it down a little more? I don't mind to hear that it's 9% just based on your rough estimation.

Iwata: I don't mean any hints, but I would like to explain only the breakdown by package instead of answering your question.

Regarding the breakdown of 109%, 123 for bottles, 95 for cans, and 125 for barrels. In April to May, sales of most bottles and barrels were several dozen percent under the emergency declaration. The beer 109% was forecast based on such a situation, and we assume that it will grow or recover slightly.

Miura: Can is negative 5. I understood.

Iwata: Yes. There is one modification. Regarding GOLD STAR, the initial forecast was 3.6 million, and was revised upward to 4.6 million cases. Excuse me. At the moment, 4 million cases, so we are doing very well toward our annual target. I'm very sorry. That's all.

Miura: That's fine. I think that GOLD STAR is the most delicious third beer in the industry over the last few years. But this is contrary to the recent trend where very bitter beer achieves 9 million.

Regardless of 5 million or so, in terms of flavor, brand, advertising, and other aspects, I think you should be able to sell more although you say you were able to achieve your plan, and it is going well.

If my thoughts are too strong, I would like you to correct them, but I think the figure is too small. If you have something like a gap, for example, if this point was improved, it could have been 10 million, or this kind of potential. Could you please explain a little more about this point?

Iwata: As you pointed out, we really appreciate your very positive feedback on the taste. We have also received high evaluation from our customers. When it was first introduced, we received a high handling rate, but in some areas, for example, 500ml cans are not handled at stores. Moreover, there are packs of 6 cans x 350ml, and some shops have “Mugi to Hop” but do not have GOLD STAR.

In that sense, we are strongly aware of the efforts we are making in our sales. Takashima said this in August when we announced our financial results, but the Company will work to increase the coverage ratio again by renewal in the next fiscal year, and as you mentioned, we hope to achieve a slight increase over the current fiscal year.

I think there are many requests and needs for products of the new genre since customers want to drink them as their usual drinks in their lifestyle defense consciousness. We intend to put them in stores so that we can respond appropriately to these needs, communicate the advantages to our customers, and work to sell even one more bottle or can. That is all. Thank you for your high evaluation.

Miura: Even if you have been able to develop a truly wonderful product, if you don't put it on the shelf, it has to be on the shelf. That's why the current Japanese market is becoming much more important than before in terms of its ability to distribute for success, right?

Iwata: Distribution capabilities, and on the other hand, sales capabilities. In this sense, we had been developing both commercial and household use products under the same top management, but from March this year, we have clearly separated the chain of command between residential and commercial teams.

Specifically, we have adopted a system that enables us to conduct activities in an integrated manner in terms of availability in our chain. While the power of distribution is strong, we are also building a system to ensure that manufacturers can handle products properly amid this trend. We would like you to look forward to our efforts after next year's renewal.

Miura: Thank you very much. I expect that GOLD STAR will still be available in five years, and we sincerely hope that we will be able to drink even five years from now. Thank you very much.

Iwata: We will do our best.

Moderator: It's time to finish, so we'll close the question and answer session. Finally, we would like to finish the session with a word from Iwata. Please.

Iwata: Thank you for participating in the financial results briefing in the midst of your busy schedule today.

Although the impact of coronavirus is still uncertain, we will make concerted efforts to achieve our full-year targets, so I would like to ask for your continued support.

Thank you very much for today.

Moderator: Now, we would like to finish the conference call. Thank you for staying until the end of the session today. I look forward to your continued support.

[END]