



SAPPORO

Sapporo Group Business Results Presentation for the Three Months Ended March 31, 2021

*In this document, the following company name abbreviations are used:

SH: Sapporo Holdings Limited SB: Sapporo Breweries Ltd. SLN: Sapporo Lion Limited.

PS: Pokka Sapporo Food & Beverage Ltd. SRE: Sapporo Real Estate Co., Ltd.

May 7th 2021

URL <https://www.sapporoholdings.jp/en/>

1. Business Results for the Three Months Ended March 31, 2021 . . . P3~P20
2. Appendix . . . P21~P33

Business Results

Review of Three Months Ended March 31, 2021: Result

- ▶ Beer continued to see strong sales of core brands.
New product Koime no Lemon Sour became a hit, greatly boosting RTD sales.
Lemon-based products and plant-based milk products maintain solid performance.

Black Label brand canned product sales volume



Up **16%** YoY

YEBISU brand canned product sales volume



Up **19%** YoY

RTD sales volume



Up **50%** YoY

Japanese liquor sales



Up **9%** YoY

Lemon-based products sales volume



Up **7%** YoY

Plant milk sales



Up **12%** YoY

Review of Three Months Ended March 31, 2021: Issues

- ▶ Sales of commercial-use beer, sales at restaurants, and sales of soft drinks for vending machines declined substantially due to COVID-19.
In new genre beer sector, GOLD STAR sales grew, but Mugi to Hop sales struggled.

Beer (bottles · kegs)
sales volume



Down **47%** YoY

Sapporo Lion
sales



Down **60%** YoY

Beverage
sales

おいしい「+」がある
pokka Sapporo



Down **8%** YoY

New genre sales volume



Down **11%** YoY

Results Highlight



(billions of yen)	2020 1Q Result	2021 1Q Result	YoY changes (amount)	YoY changes (%)
Revenue	99.8	89.9	(9.9)	(9.9%)
Revenue (Excluding liquor tax)	77.1	68.5	(8.6)	(11.2%)
Overseas revenue	15.2	14.3	(1.0)	(6.3%)
EBITDA	(0.1)	(1.7)	(1.6)	—
Core operating profit	(6.2)	(6.9)	(0.7)	—
Core operating profit margin	(6.2%)	(7.6%)	—	—
Operating profit	(6.1)	(6.2)	(0.1)	—
Profit attributable to owners of parent	(4.6)	(5.2)	(0.6)	—
D/E ratio (times) ※Net	1.4	1.6	0.2	—

The balance of debt excludes the balance of lease obligations.

Overall revenue and profits for 1Q declined due to the impacts of COVID-19 from the start of the year.

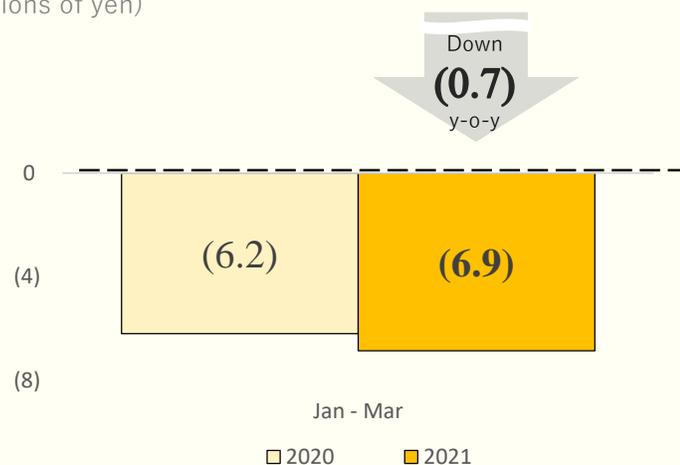
Revenue

(billions of yen)



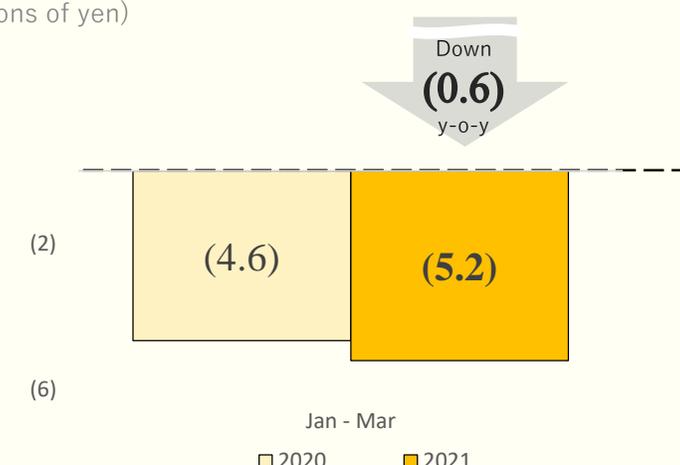
Core operating profit

(billions of yen)



Profit attributable to owners of parent

(billions of yen)



- **Alcoholic Beverages:** Canned beer and RTD products posted sales growth, but overall sales were down because of lower sales volume of new-genre beers as well as a lagging recovery in commercial-use beer sales and in the restaurant industry.
- **Food & Soft Drinks:** Sales of lemon-based food and plant-based milk products were steady, but overall sales declined due to weakness in beverages for vending machines and in the restaurant sector.

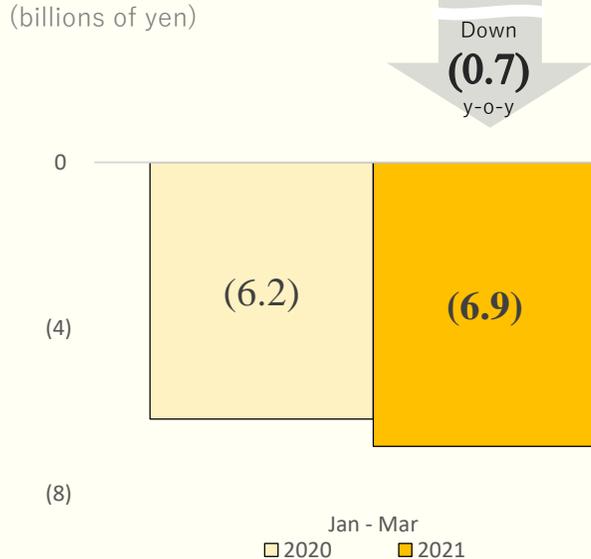
- The effects of cost structure reforms and cost control efforts currently underway failed to cover the overall impacts from the drop in sales, resulting in decreased profit.

Results Highlight

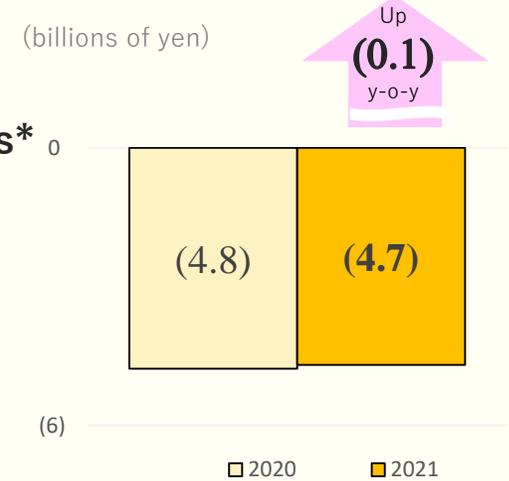
- Despite a drop in overall profit, core operating profit excluding the restaurant business was roughly on par with the previous year.

◆ Breakdown showing core operating profit for restaurants and other businesses

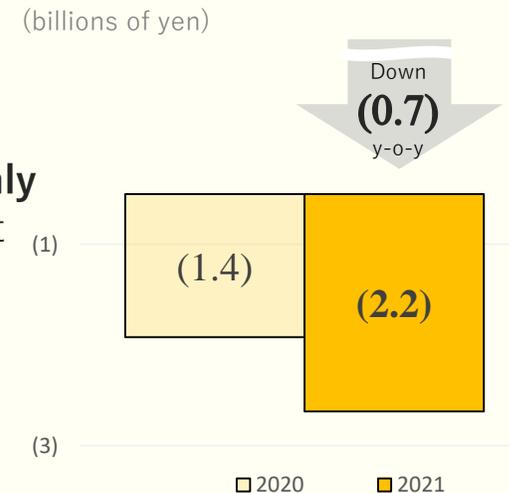
Consolidated: (1) + (2)
 Profit declined mainly due to weakness in the restaurant business.



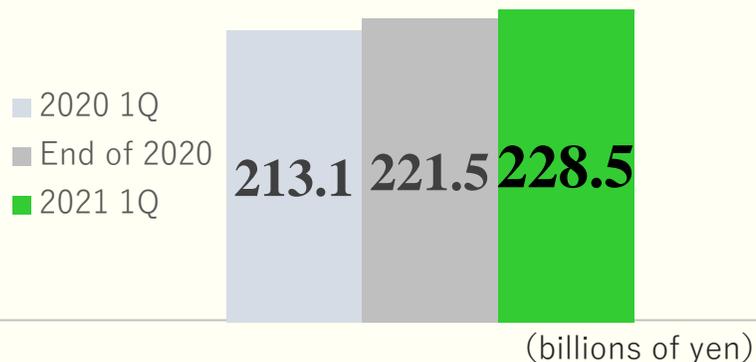
(1) Excl. restaurant-related companies*
 Roughly on par with the previous year when excluding restaurants thanks to cost reduction and cost control efforts.
 *Restaurant business (Sapporo Lion Group) Shinseien, POKKA CREATE



(2) Restaurant-related companies* only
 The main factor behind decreased profit was the restaurant-related business.

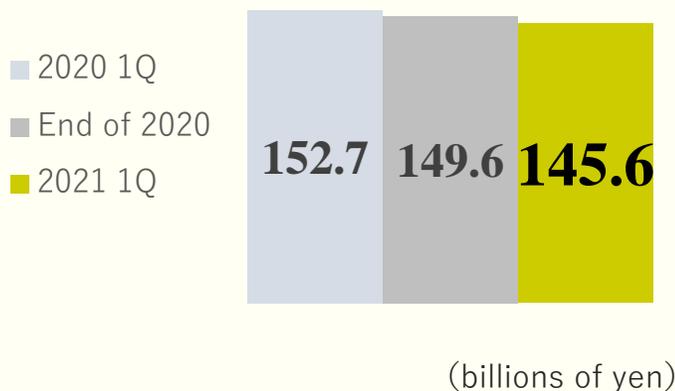


Balance of net debt

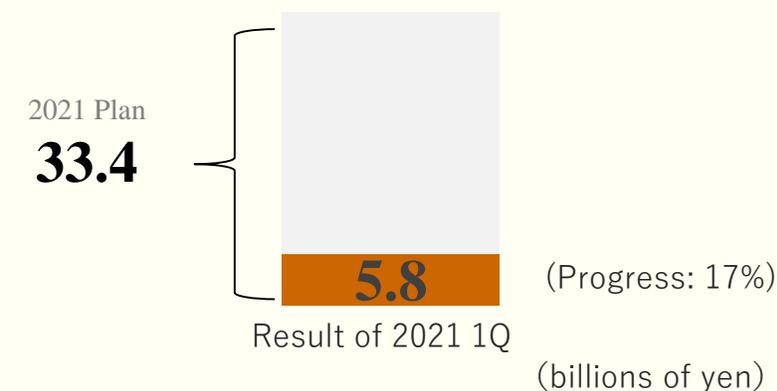


D/E ratio (net) 1.6 X Up 20% YoY

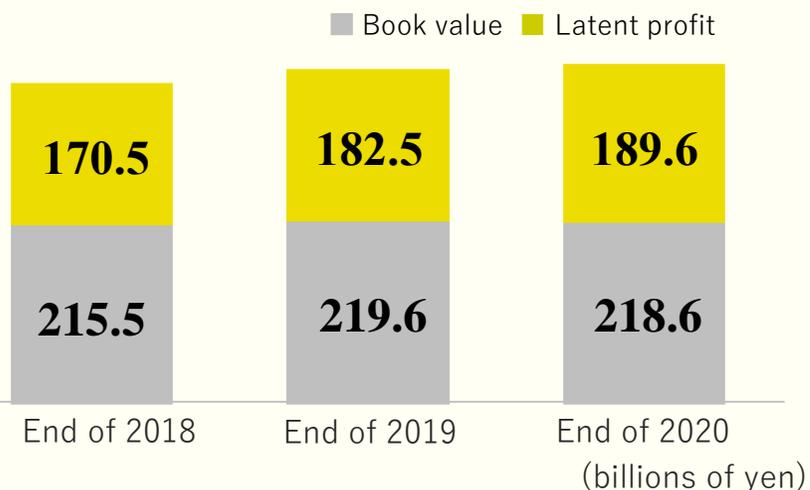
Equity



Capital expenditure (cash basis)



Market value info on investment properties



Transformation of Group management structure and Group topics



- Five companies of the Sapporo Group were recognized as “2021 Health & Productivity Management Outstanding Organizations”.
<https://www.sapporoholdings.jp/news/dit/?id=8750>
- Sapporo Holdings Limited selected as “Semi-Nadeshiko Brand”.
<https://www.sapporoholdings.jp/news/dit/?id=8758>
- Our response to the TCFD’s recommendations “Responding to Climate Change with Development of New Varieties of Barley and Hops” (released on April 26, 2021)
<https://www.sapporoholdings.jp/news/dit/?id=8770>

Revenue by Segment



(billions of yen)	2020 1Q Result	2021 1Q Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	99.8	89.9	(9.9)	(9.9%)
Alcoholic Beverages	63.4	56.6	(6.7)	(10.6%)
Japanese	48.6	44.7	(3.9)	(8.0%)
Overseas	10.3	10.2	(0.1)	(1.0%)
Restaurants	4.5	1.8	(2.7)	(60.4%)
Food & Soft Drinks	30.3	27.6	(2.8)	(9.1%)
Real Estate	6.1	5.6	(0.4)	(7.2%)
Other	0.0	0.0	0.0	14.0%

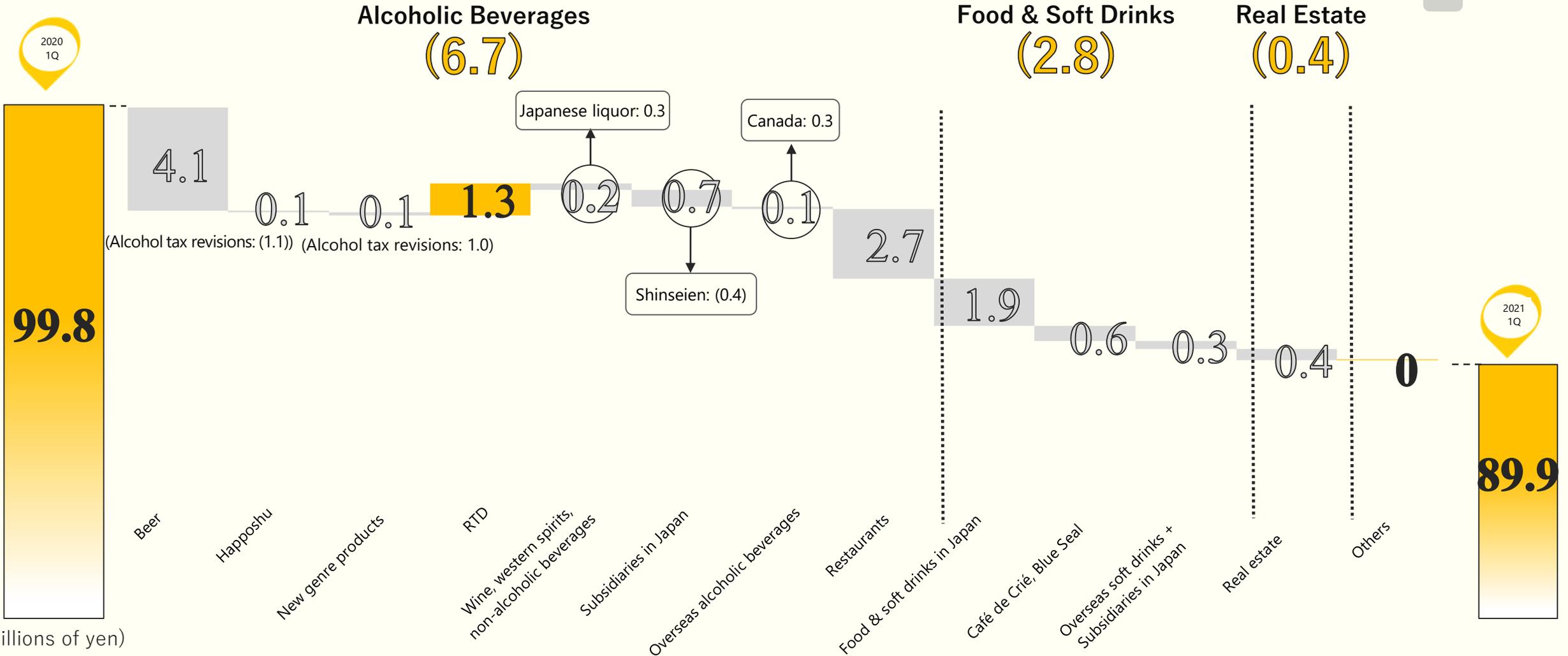

 Factors are explained
in the next slide

Main Contributors to Changes in Revenue



Revenue of RTD rose, but declined for beer, restaurants and soft drinks, resulting in a net decrease of 9.9 yen billion year on year.

■ = Increase
■ = Decrease



Core Operating Profit by Segment



(billions of yen)	2020 1Q Result	2021 1Q Result	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	(6.2)	(6.9)	(0.7)	—
Alcoholic Beverages	(4.6)	(5.0)	(0.4)	—
Japanese	(2.9)	(3.0)	(0.1)	—
Overseas	(0.6)	(0.3)	0.3	—
Restaurants	(1.2)	(1.7)	(0.5)	—
Food & Soft Drinks	(1.4)	(1.1)	0.3	—
Real Estate	1.2	0.7	(0.5)	(40.0%)
Other · General corporate and intercompany eliminations	(!4)	(1.5)	(0.1)	—

Factors are explained in the next slide

Main Contributors to Changes in Core Operating Profit



In Alcoholic Beverages and Food & Soft Drinks segments, we worked to reduce fixed costs, but fell short of covering the drop in revenue, resulting in a year-on-year decline of 0.7 billion yen.

■ = Increase
■ = Decrease

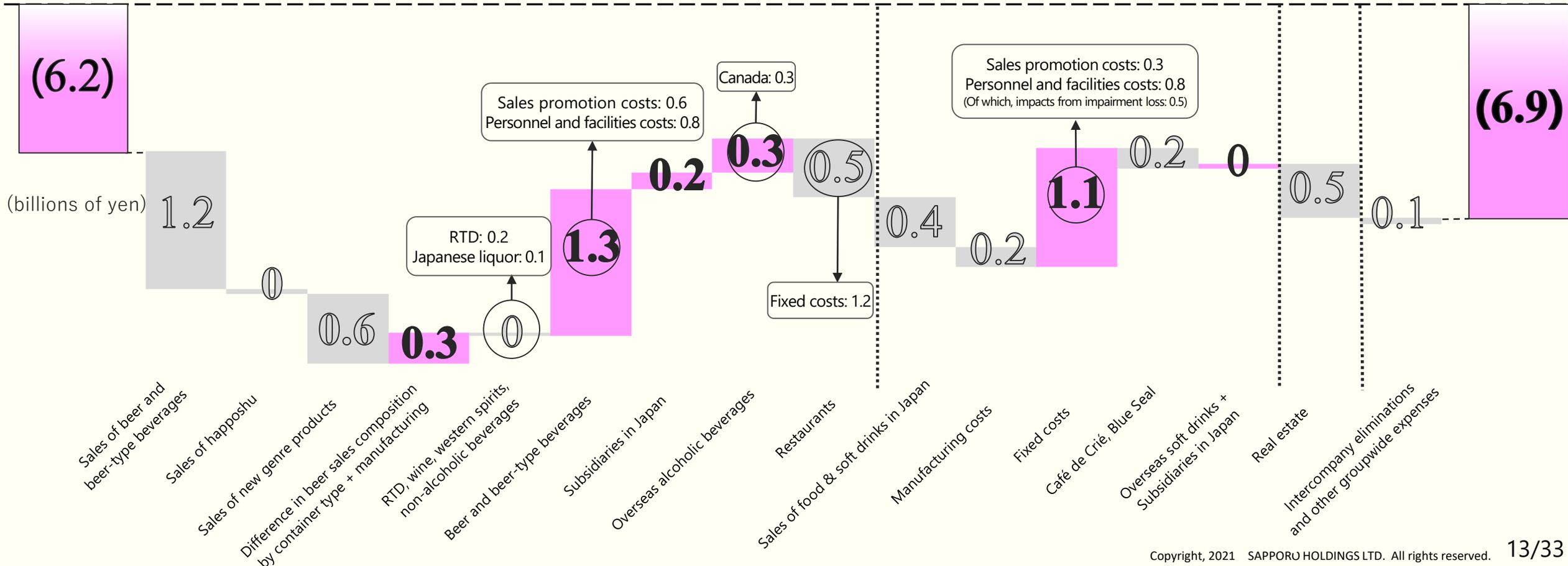
2020
1Q

2021
1Q

Alcoholic Beverages
(0.4)

Food & Soft Drinks
0.3

Real Estate
(0.5)



Profit attributable to owners of parent



(billions of yen)	2020 1Q Result	Details	2021 1Q Result	Details
Core operating Profit	(6.2)		(6.9)	
Other operating income	0.4		1.3	Proceeds from sale of real estate +0.9
Other operating expenses	0.2		0.6	
Operating Profit	(6.1)		(6.2)	
Profit before tax	(6.3)		(6.2)	
Income taxes	(1.6)		(1.0)	
Profit	(4.7)		(5.2)	
Loss attributable to non-controlling interest	(0.1)		(0.0)	
Profit attributable to owners of parent	(4.6)		(5.2)	

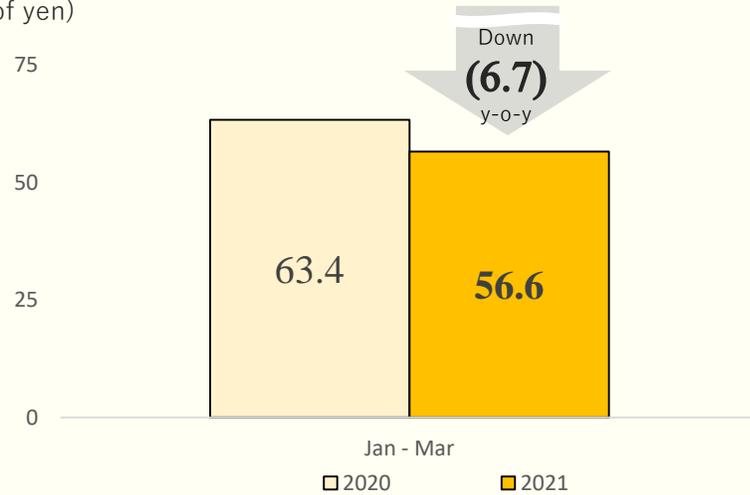
Alcoholic Beverages



Down trodden conditions in commercial-use beer and the restaurant business due to COVID-19, while home-use beer and RTD products posted strong sales.

Progress with cost structure reforms in the restaurant business helped to slow the decrease in profits.

< Revenue > (billions of yen)



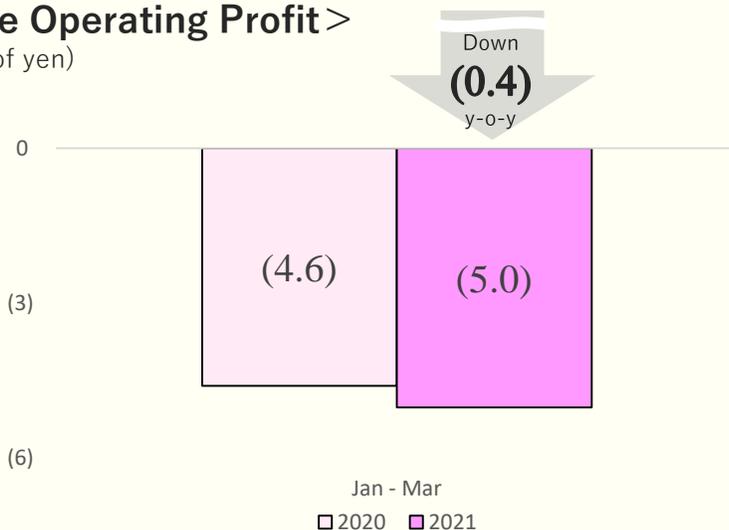
Positive

- Canned beer sales were steady on rising demand for drinking at home.
- Sales of RTD Koime no Lemon Sour Can and RTS Koime no Lemon Sour no Moto were strong.
- Sales volume of Sleeman in Canada rose yoy amid strong sales of Sleeman Clear.
- Cost structure reforms in the restaurant business helped to ease the extent of losses (closed 13 unprofitable outlets in 1Q).

Negative

- Commercial-use beer and restaurants struggled.
- New-genre beer saw weaker sales.
- Canned products sold briskly in the U.S. market, but sales of commercial-use beer were sluggish.

< Core Operating Profit > (billions of yen)



Future initiatives

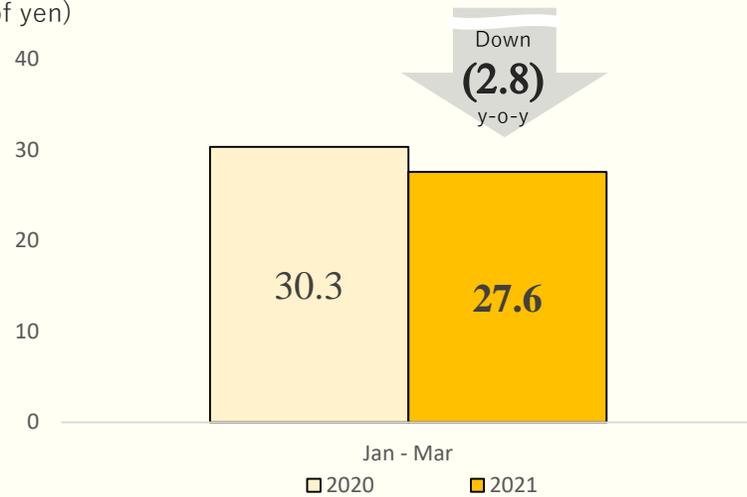
- Strengthen core brands in both beer and new-genre products.
- Solidify RTD and RTS brands by linking together commercial-use and home-use products.
- Bolster RTD sector, in addition to beer, in Canada's market.
- Improve profitability in the North America and expand sales of new and revamped products.

Food & Soft Drinks

- ▶ Sales of soft drinks for vending machines and cafés struggled due to the pandemic. Lemon-based products and plant-based milk products recorded strong sales. Profit increased amid cost controls and a reduction in depreciation owing to the previous year’s impairment.

< Revenue >

(billions of yen)



Positive

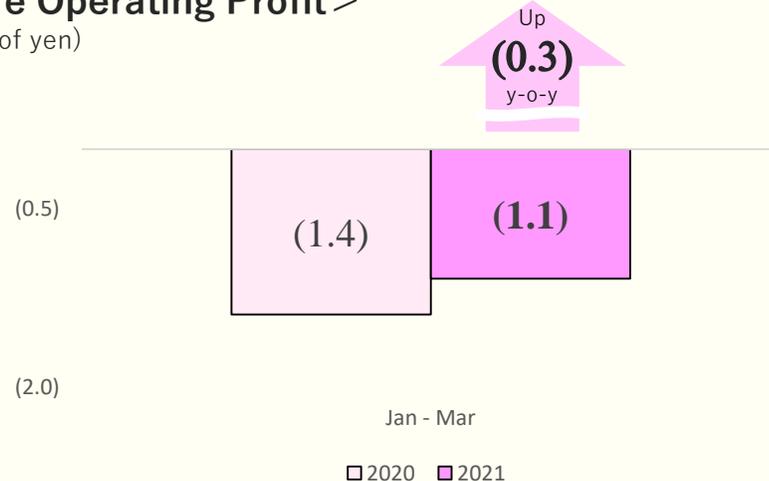
- Marked strong sales of Pokka Lemon 100 and Kireto Lemon.
- Plant-based milk products selling better than 2020 levels.

- Vending machine sales are stagnant.
- Restaurants struggled.

Negative

< Core Operating Profit >

(billions of yen)



Future initiatives

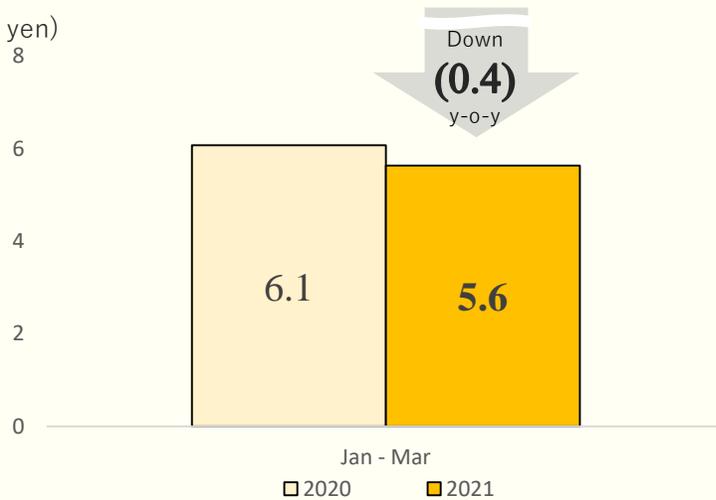
- Further expand the lemon-based product market and keep gaining market share
- Enlarge plant-based milk product market and improve profitability.
- Promote cost structure reforms and structural reform in the vending machine business.
- Find new value propositions such as snacking foods*.

*Propose new style of eating: “more than a snack, but less than a meal”

▶ Slight decline in revenue amid the impacts after some tenants left.

< Revenue >

(billions of yen)



Positive

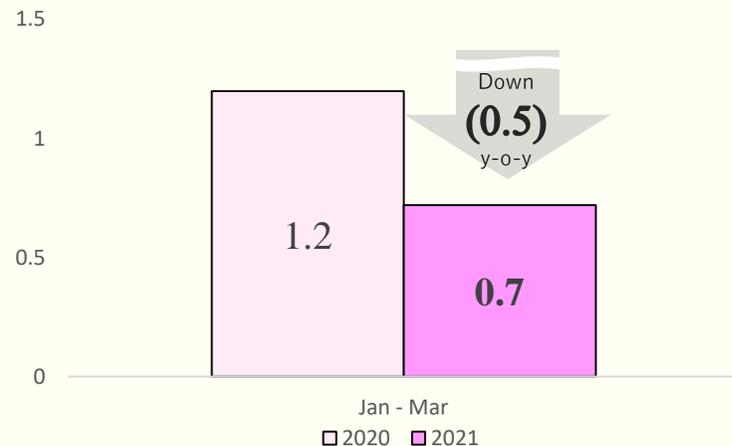
- Decide on tenants for the food and lifestyle floor ahead of the remodeling of Yebisu Garden Place Tower (commercial wing).
- Promote strategic reshuffling of properties.

Negative

- Declining occupancy rate of offices at Yebisu Garden Place Tower (average occupancy during the quarter under review: 90%)
- Hotel business was somewhat affected by COVID-19.

< Core Operating Profit >

(billions of yen)



Future initiatives

- Steadily promote remodeling of Yebisu Garden Place Tower (commercial wing).
- Strengthen leasing to increase occupancy rate of office area.
- Improve capital efficiency by reshuffling the property portfolio.

Changes in Balance Sheets



▶ Total assets declined 13.9 billions yen YoY

■ Cash and cash equivalents

■ Trade receivables

➤ Impacts of seasonal factors and bank holidays

■ Inventories

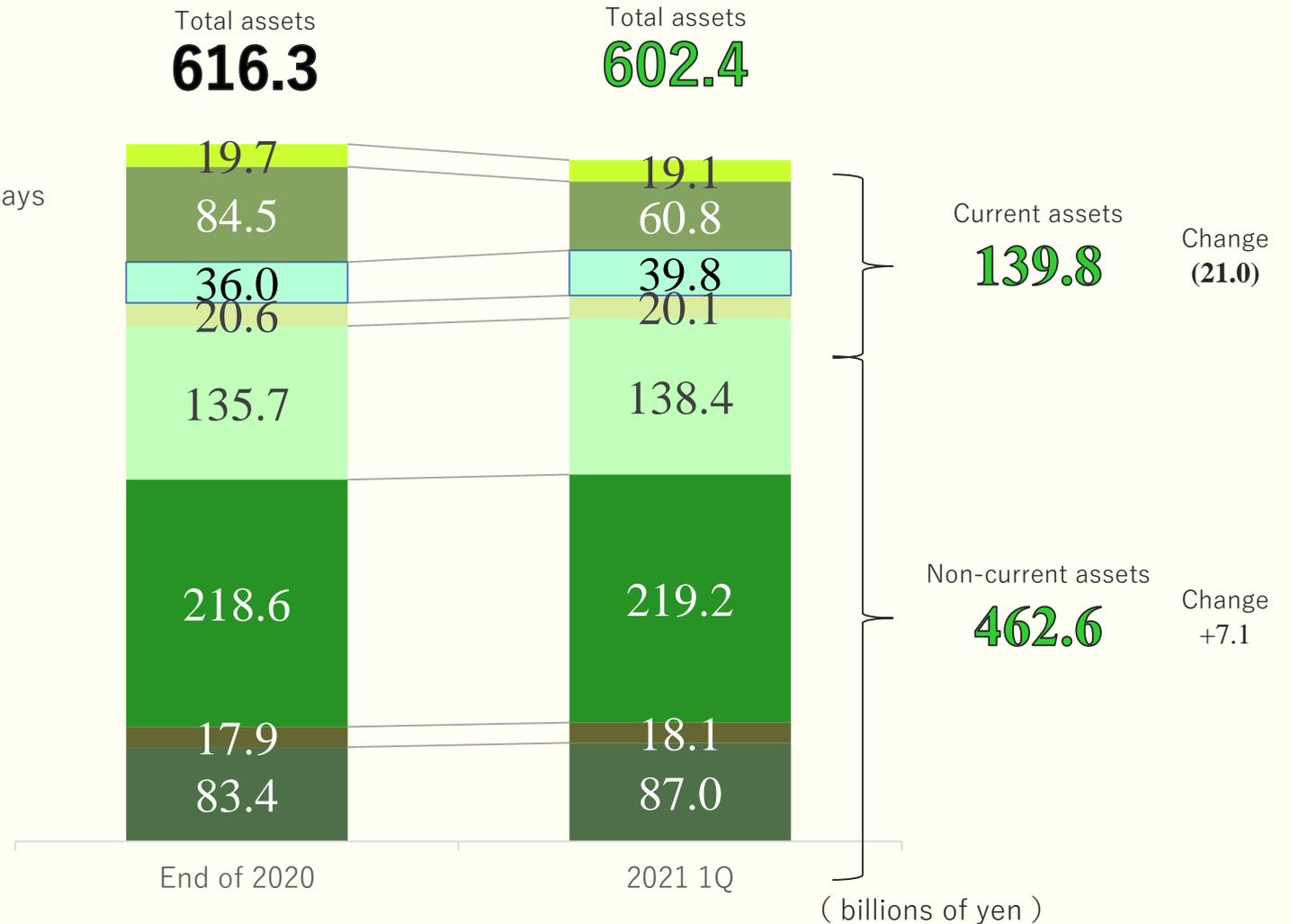
■ Other current assets

■ Fixed assets

■ Investment property

■ Goodwill

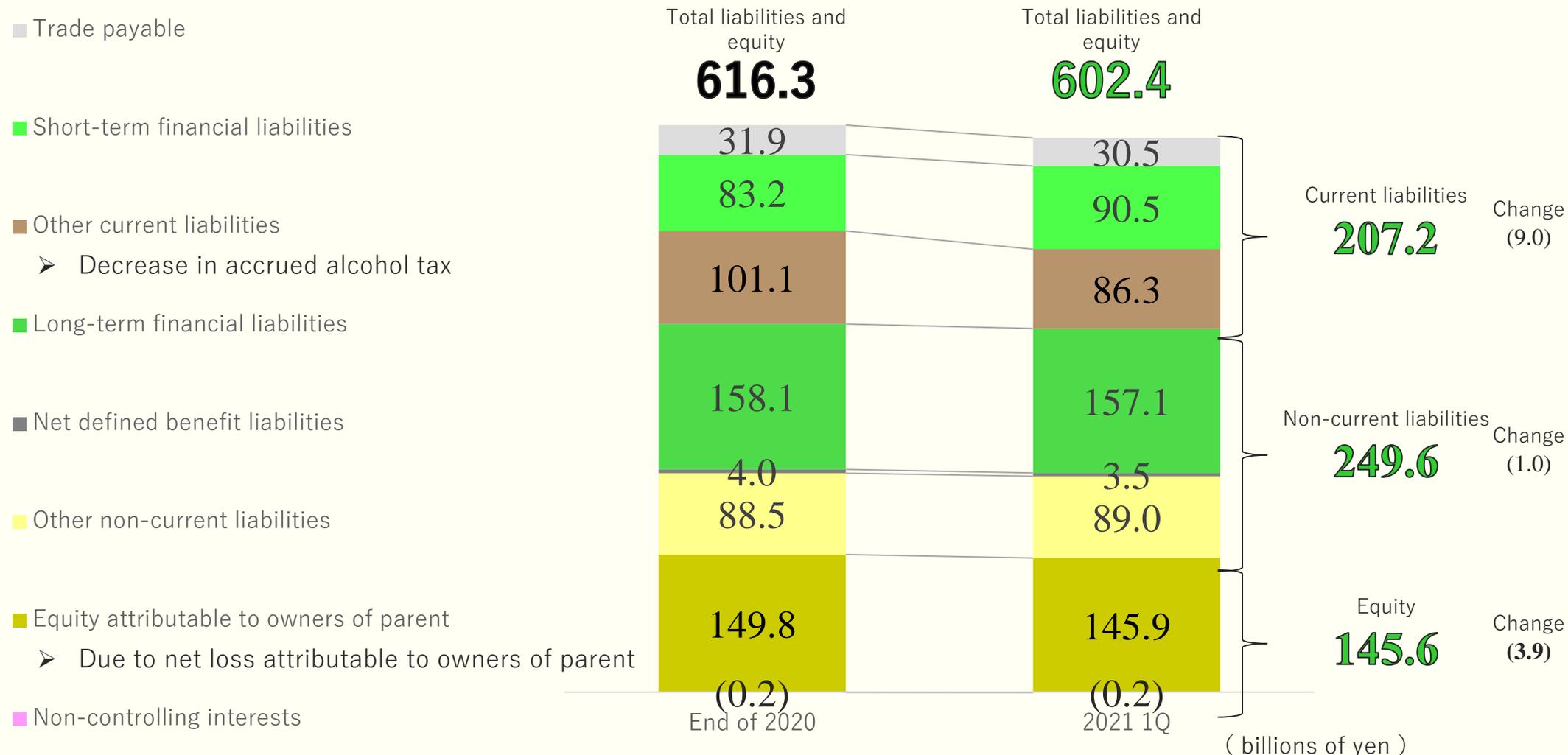
■ Other non-current assets



Changes in Balance Sheets



▶ Total liabilities declined 10.0 billions yen YoY and total capital declined 3.9 billions yen YoY



▶ Investment on a cash basis was **¥9.0 billion**

<Consolidated cash flow (CF) statement>

(billions of yen)	2020 1Q Result	2021 1Q Result	Change	Change (%)
CF from operating activities	11.2	2.1	(9.1)	(81.4%)
CF from investing activities	(7.1)	(5.4)	1.6	—
Free CF	4.2	(3.3)	(7.5)	—
CF from financing activities	10.2	1.3	(8.8)	(86.8%)

<Investment total (① + ② + ③)> **¥9.0 billion**

① **Capital expenditure** (cash basis): **¥5.8 billion**
 (Property, plant and equipment, intangible assets, investment property)

<Major items>

- Alcoholic Beverages: **¥1.6 billion**
 SB: ¥1.0 billion Sleeman ¥0.3 billion

- Food & Soft Drinks: **¥0.7 billion**
 PS etc.

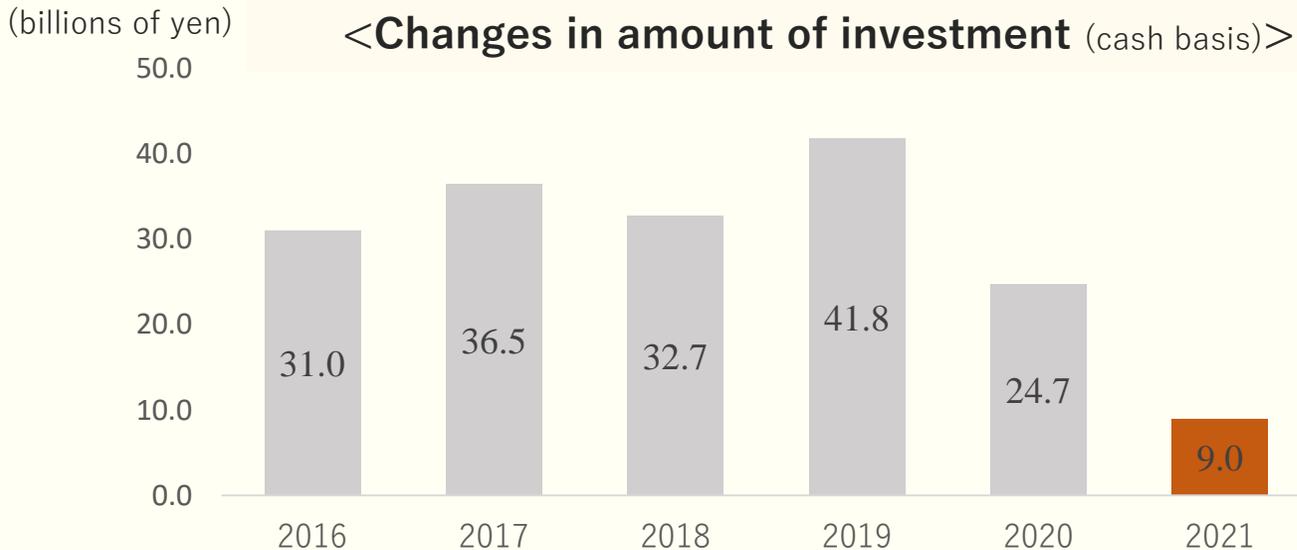
- Real Estate: **¥3.2 billion**
 Acquisition of investment property: ¥3.1 billion

- Group-wide: **¥0.3 billion**

② **Lease fees: ¥0.8 billion**
 (excluding lease fees for renting restaurant premises)

③ **Other investments: ¥2.3 billion**
 (Invest in property's equity etc.)

<Changes in amount of investment (cash basis)>



Appendix

Appendix : Major sales volume & sale

(Beer and beer-type beverages and non-alcoholic beer calculations based on large bottles, RTDs are calculated by 250 ml × 24 bottles.)

Sales Volume:Beer (Japan) (10,000 cases)

	Jan. 1 - Mar.31, 2020	Jan. 1 - Mar.31, 2021	YoY Change(%)
Sapporo Draft Beer Black Label (total)	—	—	(22.0%)
YEBISU (total)	—	—	(3.5%)
1 Beer (total)	—	—	(11.4%)
2 Happoshu (total)	—	—	(5.3%)
3 New genre beer products (total)	—	—	(11.2%)
Beer, happoshu, and new genre (total 1+2+3)	—	—	(11.1%)
RTD	174	260	49.5%
Non-alcoholic beer taste beverage	11	11	0.0%

Sales Volume:Beer (International) (10,000 cases)

	Jan. 1 - Mar.31, 2020	Jan. 1 - Mar.31, 2021	YoY Change(%)
Overseas brand (SLEEMAN, Anchor, etc.)	277	277	(0.1%)
Sapporo brand	87	64	(26.4%)
North America	364	340	(6.4%)
Sapporo brand	34	41	17.7%
Other areas	34	41	17.7%
Total	398	381	(4.3%)

Sales:Beer (Japan) *including liquor tax (billions of yen)

	Jan. 1 - Mar.31, 2020	Jan. 1 - Mar.31, 2021	YoY Change(%)
Beer	27.5	23.4	(14.8%)
Happoshu	1.4	1.4	(3.9%)
New genre	10.9	10.8	(1.3%)
Subtotal	39.8	35.6	(10.7%)
Rebate subtracted from sales	(2.4)	(2.5)	—
Total	37.5	33.1	(11.7%)

Sales:Alcoholic Beverage (Japan) (billions of yen)

	Jan. 1 - Mar.31, 2020	Jan. 1 - Mar.31, 2021	YoY Change(%)
Domestic wines	0.9	0.8	(9.4%)
Imported wines	1.5	1.3	(14.7%)
Wine (total)	2.4	2.1	(12.8%)
Spirits and Shochu (total)	4.9	5.0	1.8%
Subtotal	7.3	7.1	(3.0%)
Rebate subtracted from sales	(1.4)	(1.4)	—
Total	6.0	5.7	(5.1%)

Sales:Food & Soft Drinks (Japan)※2 (billions of yen)

	Jan. 1 - Mar.31, 2020	Jan. 1 - Mar.31, 2021	YoY Change(%)
Soft Drinks	13.7	12.6	(7.7%)
Food (Lemon · Soups · Plant milk)	7.1	7.5	4.9%

※1 : Following the agreement of the Brewers Association of Japan, the sales volume for the first half and end of the fiscal year shall be disclosed.

※2 : Pokka Sapporo is only domestic sales.

Appendix : Alcoholic Beverages (Japan)



<Domestic beer and beer-type beverages: YoY change in sales volume by genre>

(Jan – Mar)

[Beer and beer-type beverages total] down **11%** YoY

- ✓ Beer: down **11%** y-o-y
- ✓ Happoshu: down **4%** y-o-y
- ✓ New genre: down **11%** y-o-y

<Major domestic brands: YoY change in sales volume>

(Jan – Mar)

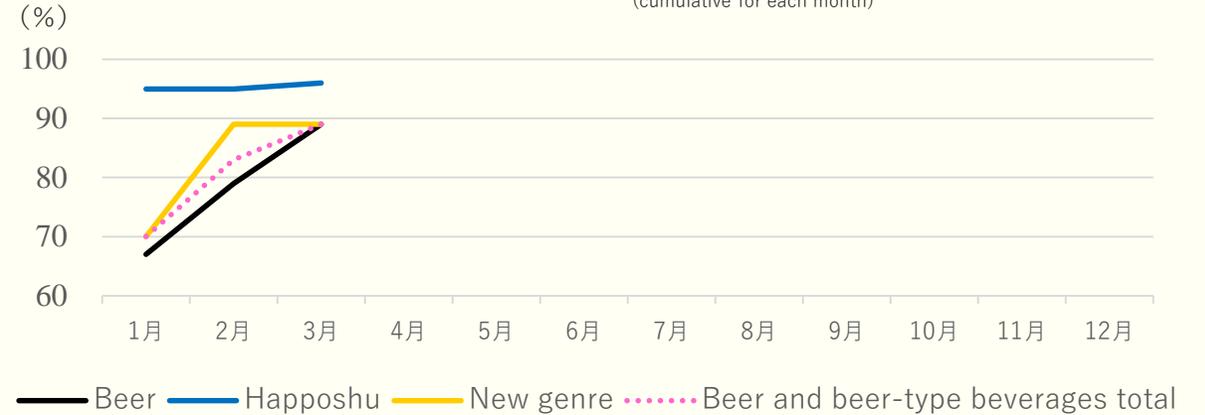
- ✓ Black Label brand  down **22%** y-o-y
(cans: up **16%** y-o-y)

✓ YEBISU brand  down **4%** y-o-y
(cans: up **19%** y-o-y)
- ✓ Mugu to Hop brand  down **21%** y-o-y

✓ GOLD STAR  up **3%** y-o-y

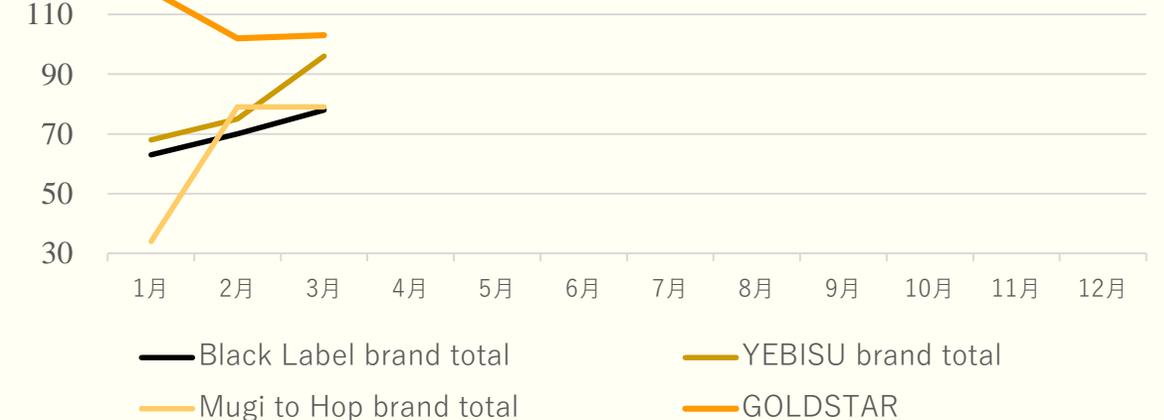
<YoY changes in sales volume of beer and beer-type beverages by genre>

(cumulative for each month)



<YoY changes in sales volume of main brands>

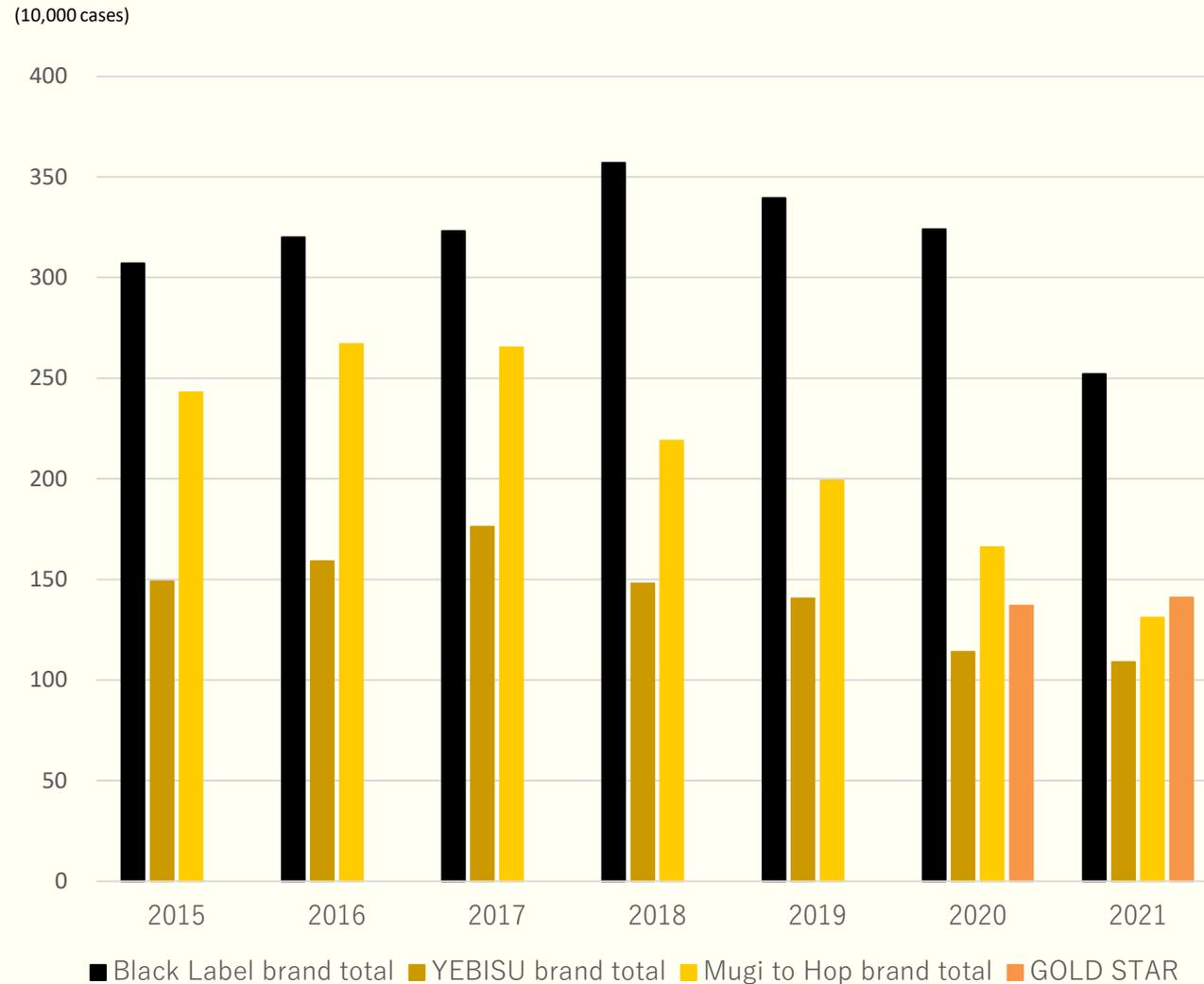
(cumulative of each month)



Appendix : Alcoholic Beverages (Japan)



< Main brand Jan- Mar Sales volume change >



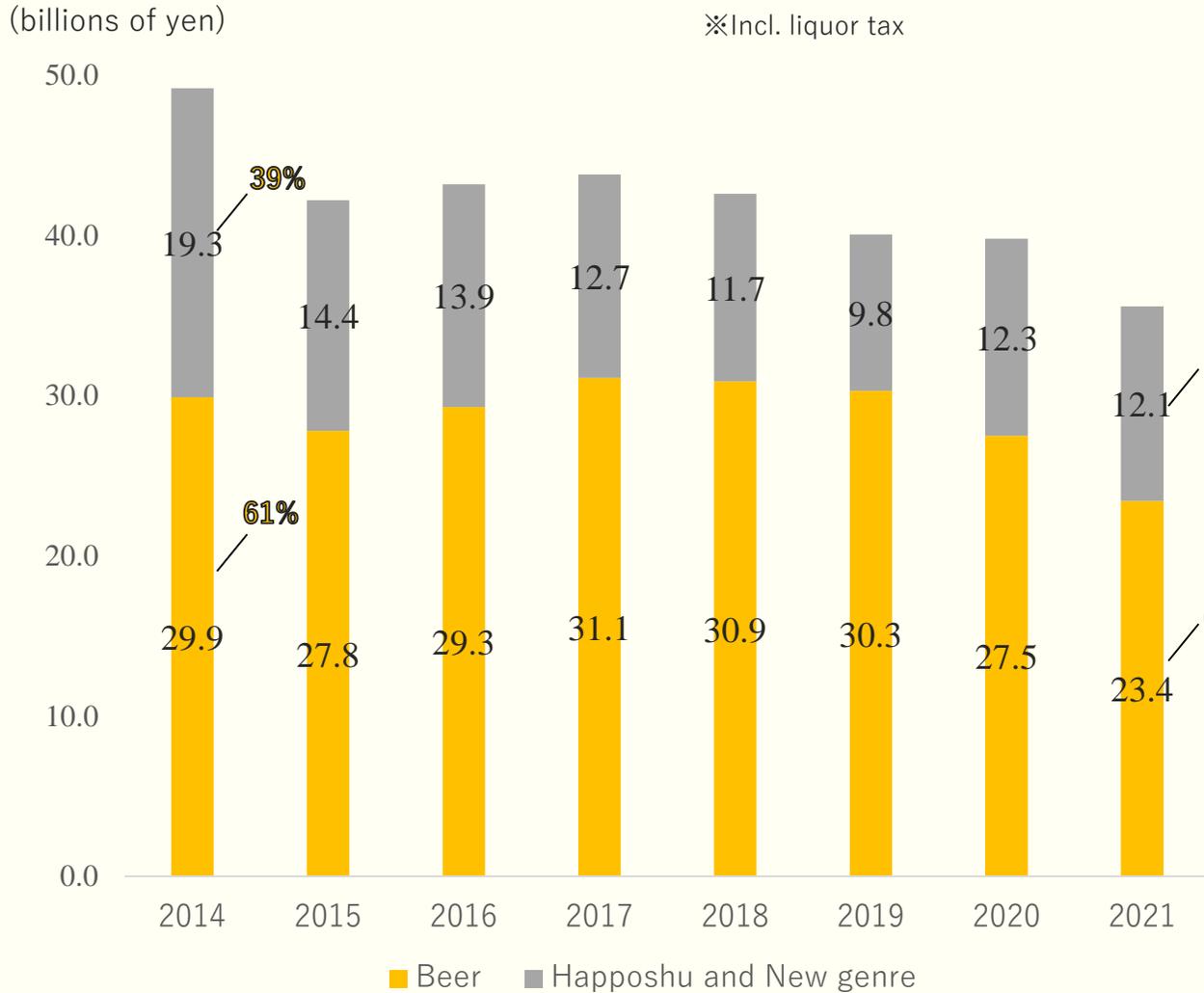
< Beer lineup sales volume (Jan- Mar break down) >



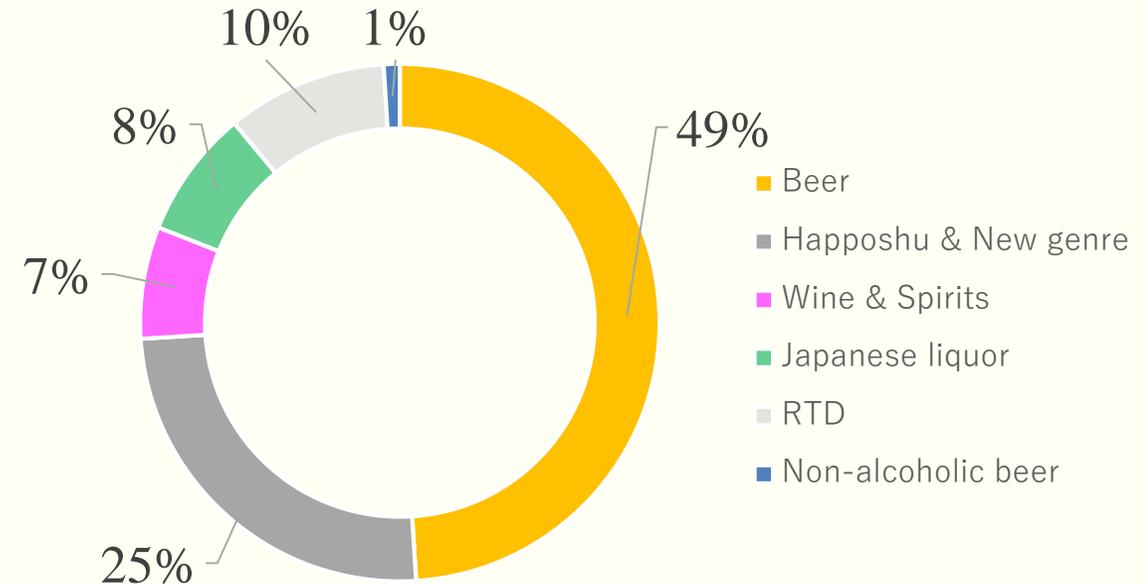
Appendix : Alcoholic Beverages (Japan)



< Jan- Mar sales revenue >



< Jan- Mar sales breakdown by category >



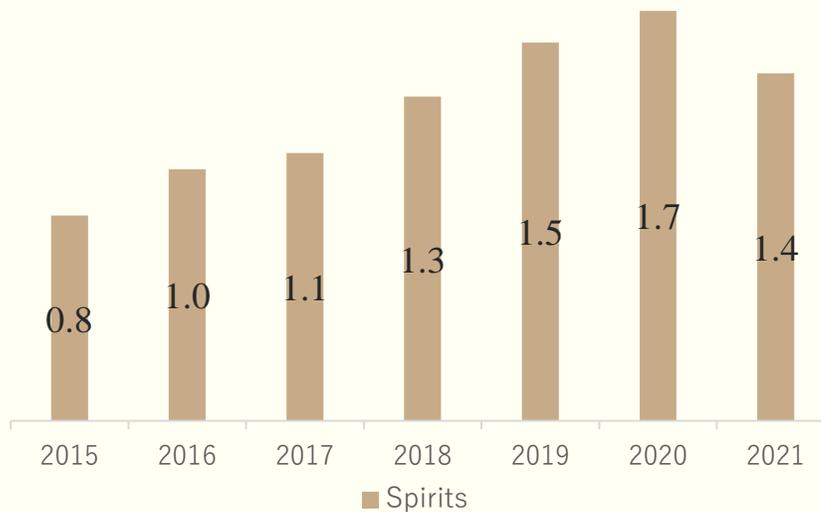
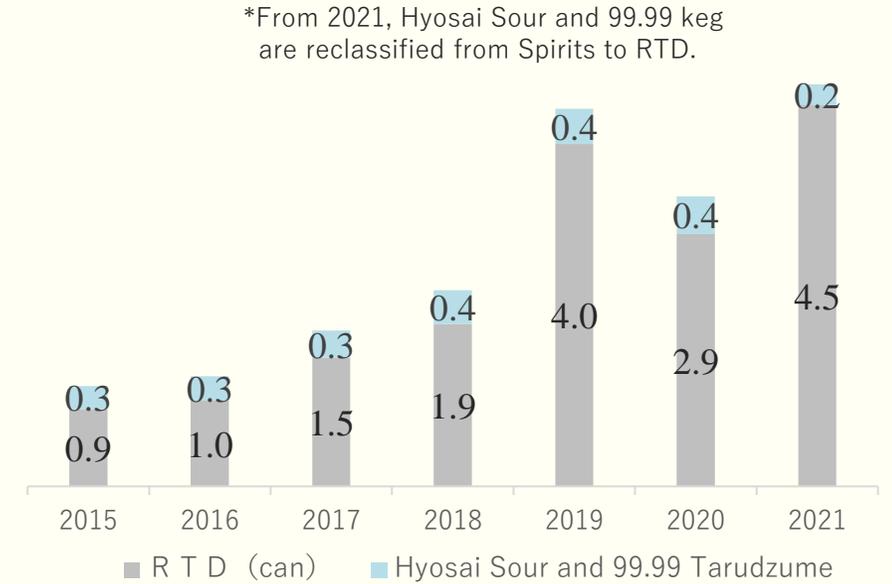
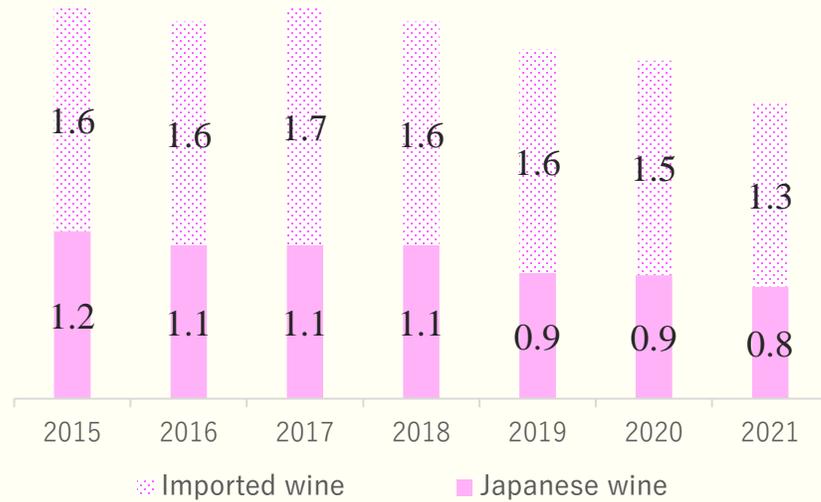
*Before subsidiary companies sales, elimination of inter- company transactions and rebate deduction

*From 2021, Hyosai Sour and 99.99 keg are reclassified from Spirits to RTD.

Appendix : Alcoholic Beverages (Japan)



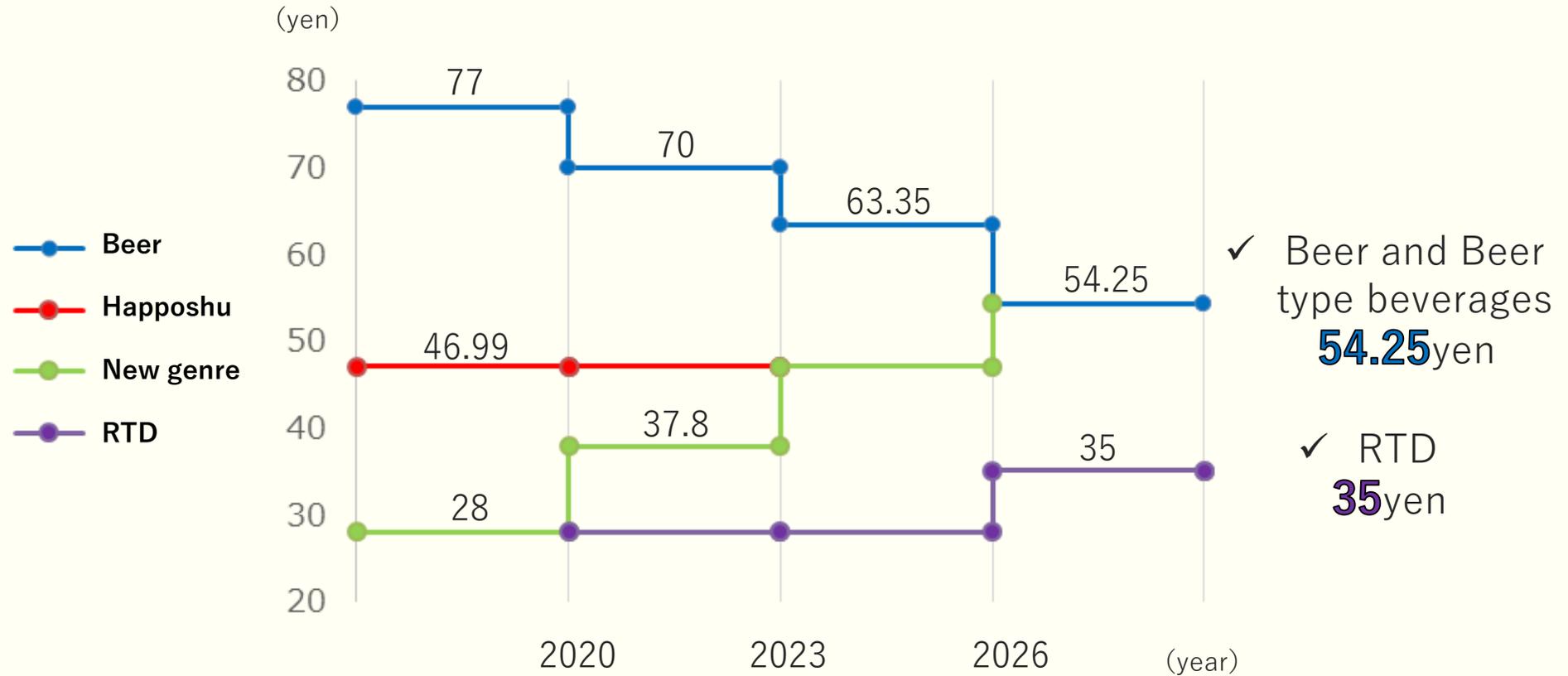
< Jan- Mar sales revenue > (billions of yen)



Appendix : Alcoholic Beverages (Japan)



< Changes in the amount of liquor tax per 350 ml >



Appendix : Alcoholic Beverages (Overseas)



< Overseas beer : YoY change in sales volume >

【North America Total down 6% y-o-y
(Jan - Mar)

✓ Overseas brand
up 0% y-o-y



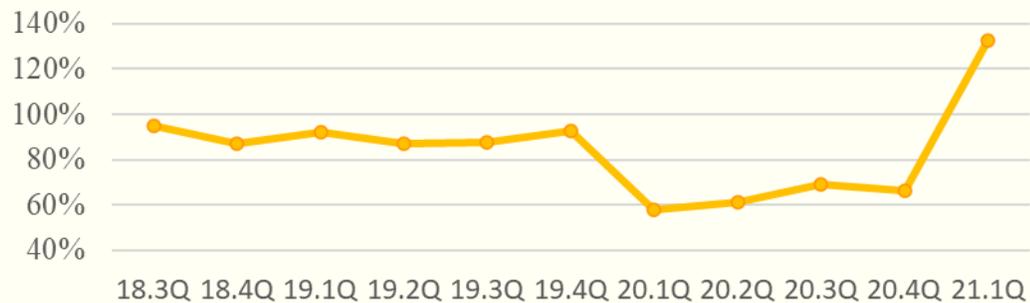
✓ Sapporo brand
down 26% y-o-y



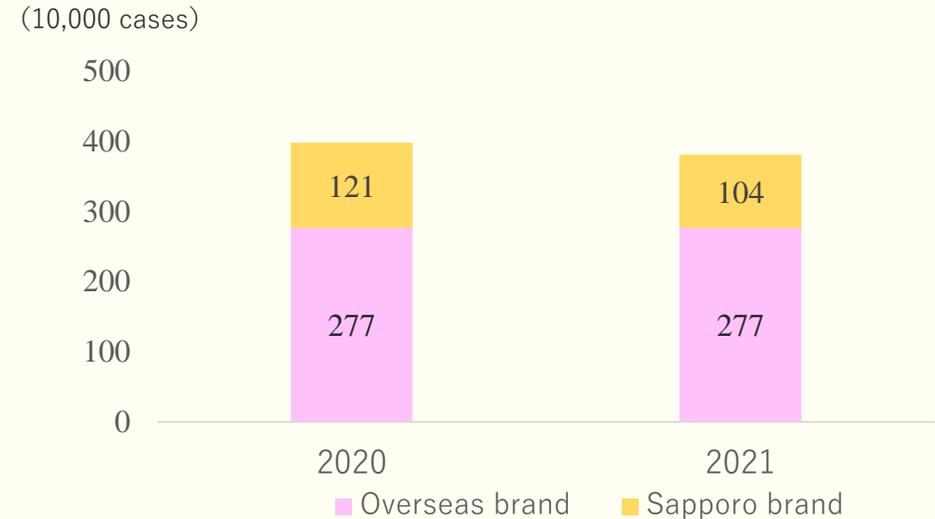
【Other Areas Total】 up 18% y-o-y
(Main area : Asia pacific , Europe , Oceania) (Jan - Mar)

✓ Sapporo brand : up 18% y-o-y

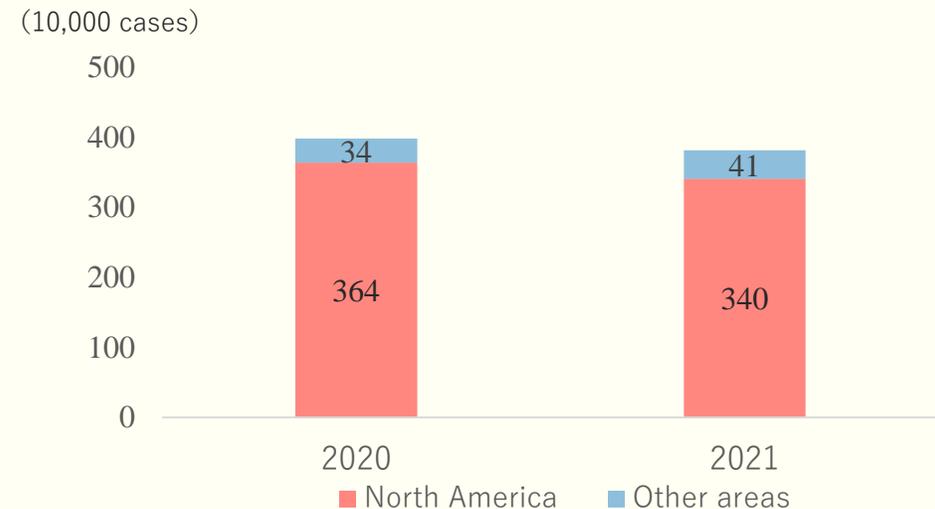
< Y-o-y change in domestic sales volume in Vietnam >



< Overseas sales volume by brand (Jan-Mar) >



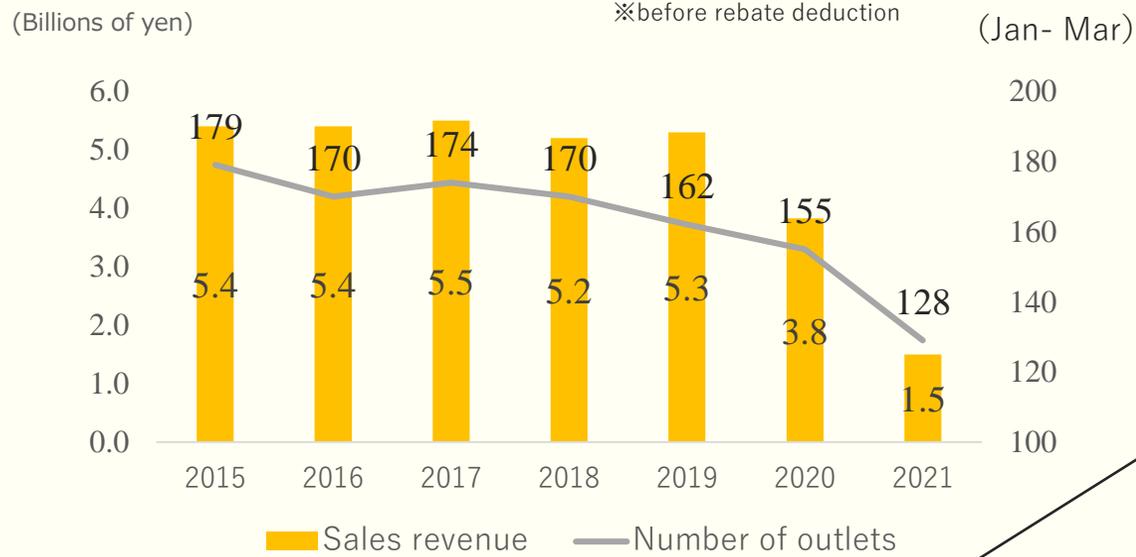
< Overseas sales volume by Area (Jan-Mar) >



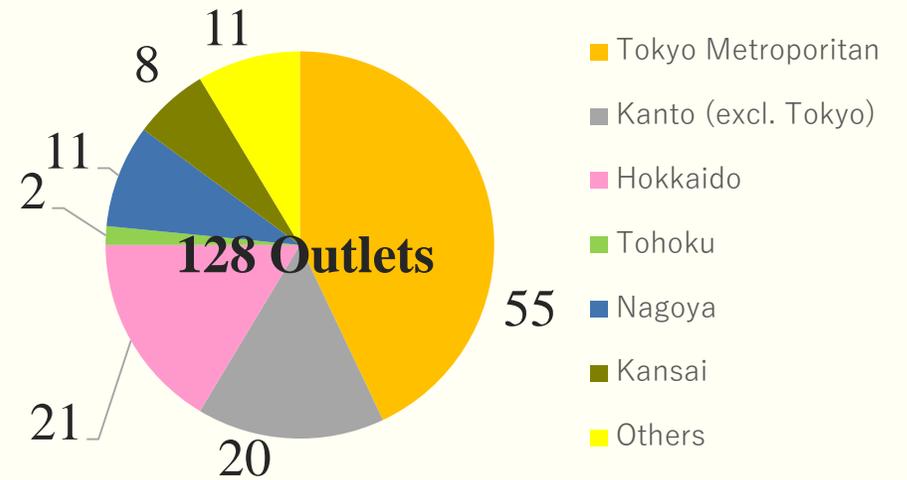
Appendix : Alcoholic Beverages (Restaurants)



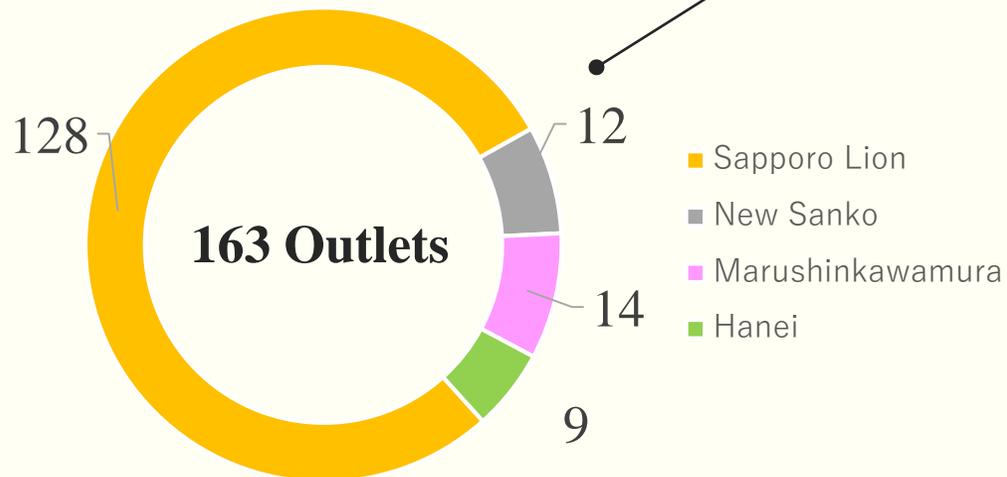
< Sales revenue and number of Sapporo Lion Outlets >



< Sapporo Lion outlets As of Mar 31, 2021 >



< Total number of outlets >



< Brands >



Appendix : Food & Soft Drinks

< Japanese soft drinks
 POKKA SAPPORO Food & Beverage >
 Sales volume & Sales by genre (Jan- Mar)

【Lemon based-drinks】

✓ **up 8% y-o-y**
 (Sales volume)



【Lemon-based food products】

✓ **up 16% y-o-y**
 (Sales)



【Unsweetened tea drinks】

✓ **down 22% y-o-y**
 (Sales volume)



【Soups】

✓ **down 2% y-o-y**
 (Sales)



【Coffee drinks】

✓ **down 10% y-o-y**
 (Sales volume)

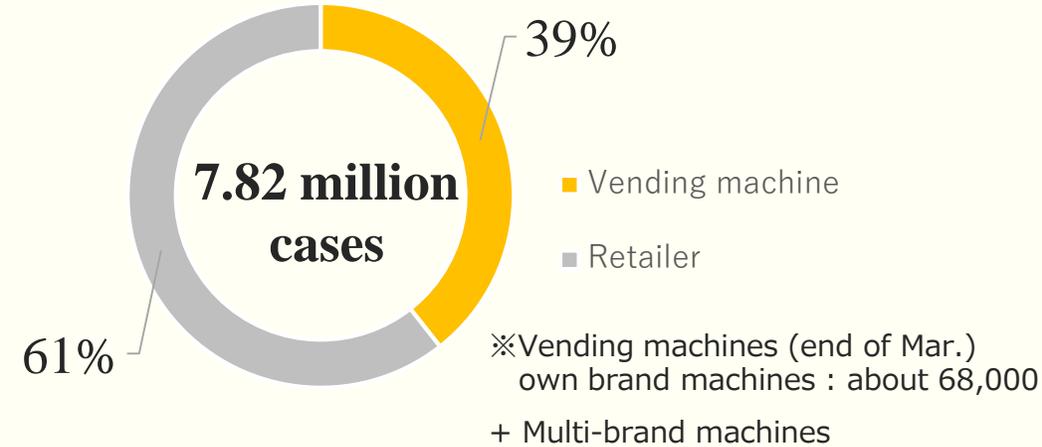


【Soy milk, chilled products】

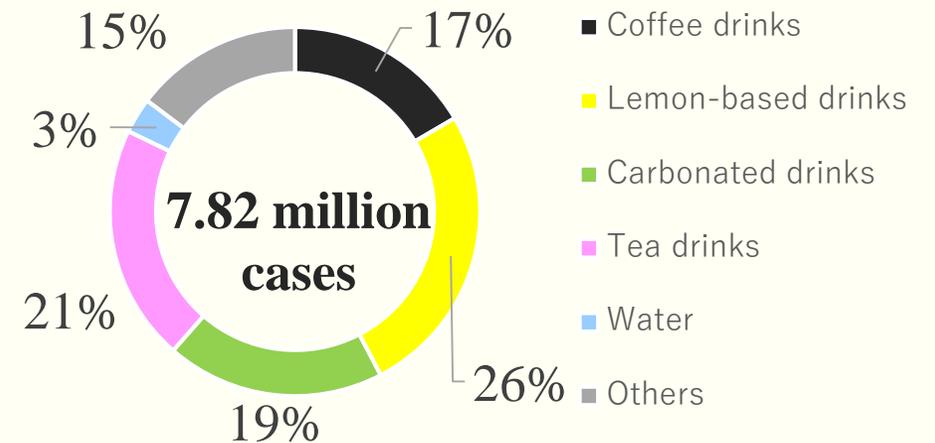
✓ **up 12% y-o-y**
 (Sales)



< Japanese soft drinks
 POKKA SAPPORO Food & Beverage >
 Sales composition by sales channel (Jan- Mar)



< Japanese soft drinks
 Sales composition by genre (Jan- Mar)>

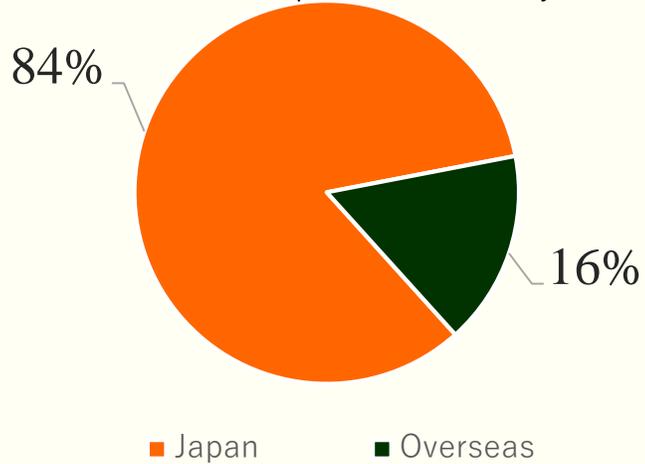


Appendix : Food & Soft Drinks



< Food & Soft Drinks segment
Revenue break down by geographic area >

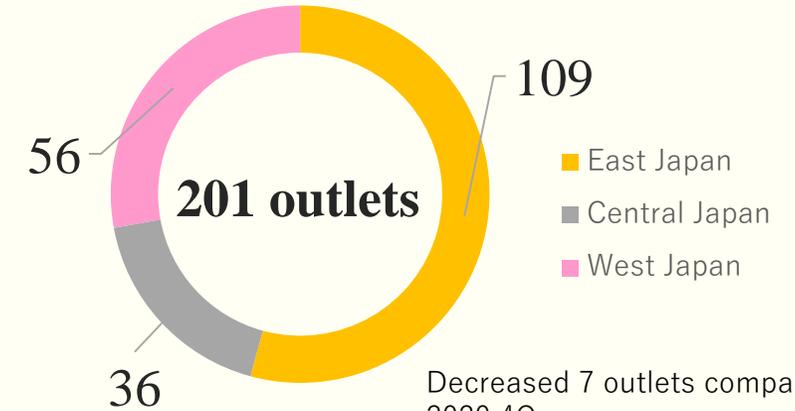
※Except connection adjustment



【 Pokka Create Co., Ltd .】

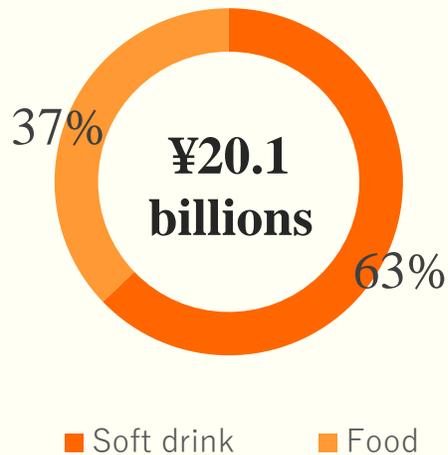
✓ Jan- Mar Sales revenue **¥ 1.6 billion**
down **24%** y-o-y

< Number of outlets as of Mar 31, 2021 >

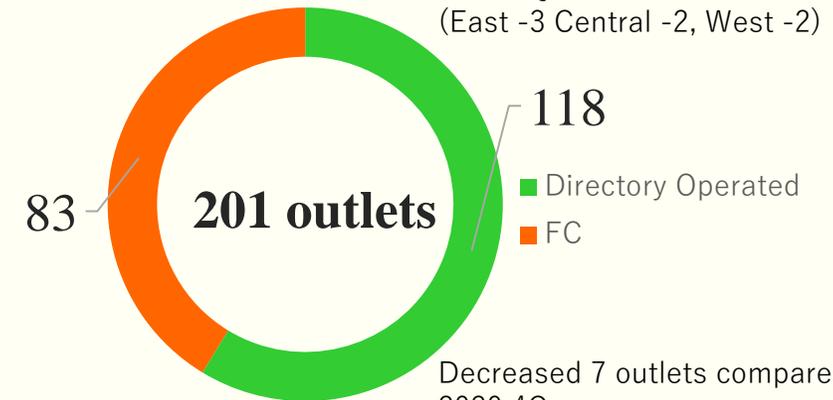


Decreased 7 outlets compared with 2020 4Q
(East -3 Central -2, West -2)

< Japanese soft drinks
POKKA SAPPORO Food & Beverage >
Sales composition (Jan- Mar)



< Overseas soft drinks
POKKA Corporation (Singapore) >
Sales composition (Jan- Mar)



Decreased 7 outlets compared with 2020 4Q
(Directory operated -4, FC -3)

Appendix : Real Estate

< Major rental properties & occupancy rates : (Averages for 2021 1Q) >

	Site area (m ²)	Floor area (m ²)	Occupancy rate (%)	No. of floors
Yebisu Garden Place ⁽¹⁾	56,943	298,007	90	40 floors above ground, 5 below
Ebisu First Square	2,596	16,012	95	12 floors above ground, 1 below
Ginza Place	645	7,350	95	11 floors above ground, 2 below
Strata Ginza ⁽²⁾	1,117	11,411	100	13 floors above ground, 1 below

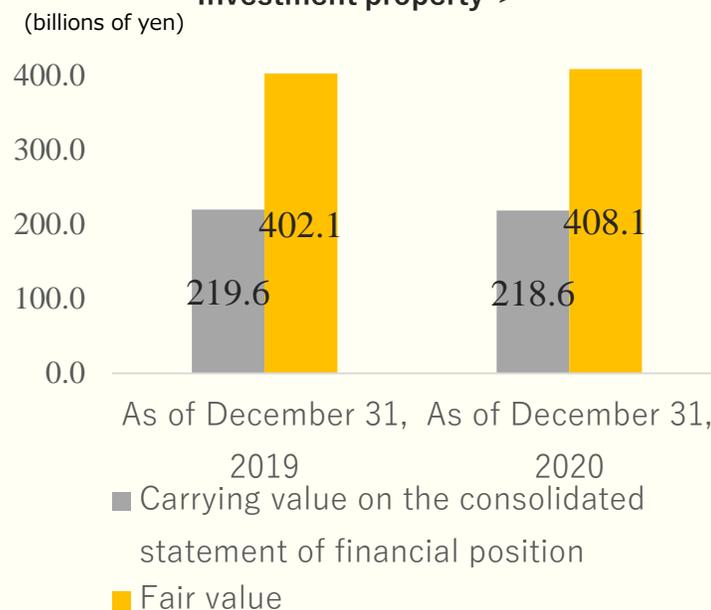
*1: The number of floors is for the office block only. Occupancy rates are for office areas only.

*2: Figures are for entire property. Sapporo owns 922m² of the site (sectional ownership) and 89.72% of the building (joint management)

	(billions of yen)		
< Core Operating profit >	2020 1Q	2021 1Q	Change
Yebisu Garden Place, etc.	1.0	0.6	(0.4)
Other area & other operations	0.4	0.4	0.0
Hokkaido	0.0	0.0	0.0
General corporate	(0.2)	(0.3)	(0.1)
Total	1.2	0.7	(0.5)

	(billions of yen)		
< EBITDA >	2020 1Q	2021 1Q	Change
Yebisu Garden Place, etc.	1.8	1.4	(0.4)
Other area & other operations	0.7	0.8	0.1
Hokkaido	0.2	0.1	(0.1)
General corporate	(0.2)	(0.2)	(0.0)
Total	2.5	2.1	(0.4)

< Information about Investment property >



As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles.



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Actual published future results may therefore differ materially from the content of this document.
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