SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q1 Financial Results Briefing for the Fiscal Year Ending December 2024

May 15, 2024

Event Summary

[Company Name]	Sapporo Holdings Limited
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[Time]	9:00 – 10:05 (Total: 65 minutes, Presentation: 27 minutes, Q&A: 38 minutes)
[Venue]	Webcast
[Number of Speakers]	2 Takayuki Sato — Group Operating Officer, General Manager of Accounting Department Yosuke Nakamura — General Manager of Corporate Planning Department

Presentation

Moderator: Hello, investors. Thank you for attending today's briefing on the financial results for Q1 of FY2024 of Sapporo Holdings Limited. The time has arrived, and we will now begin.

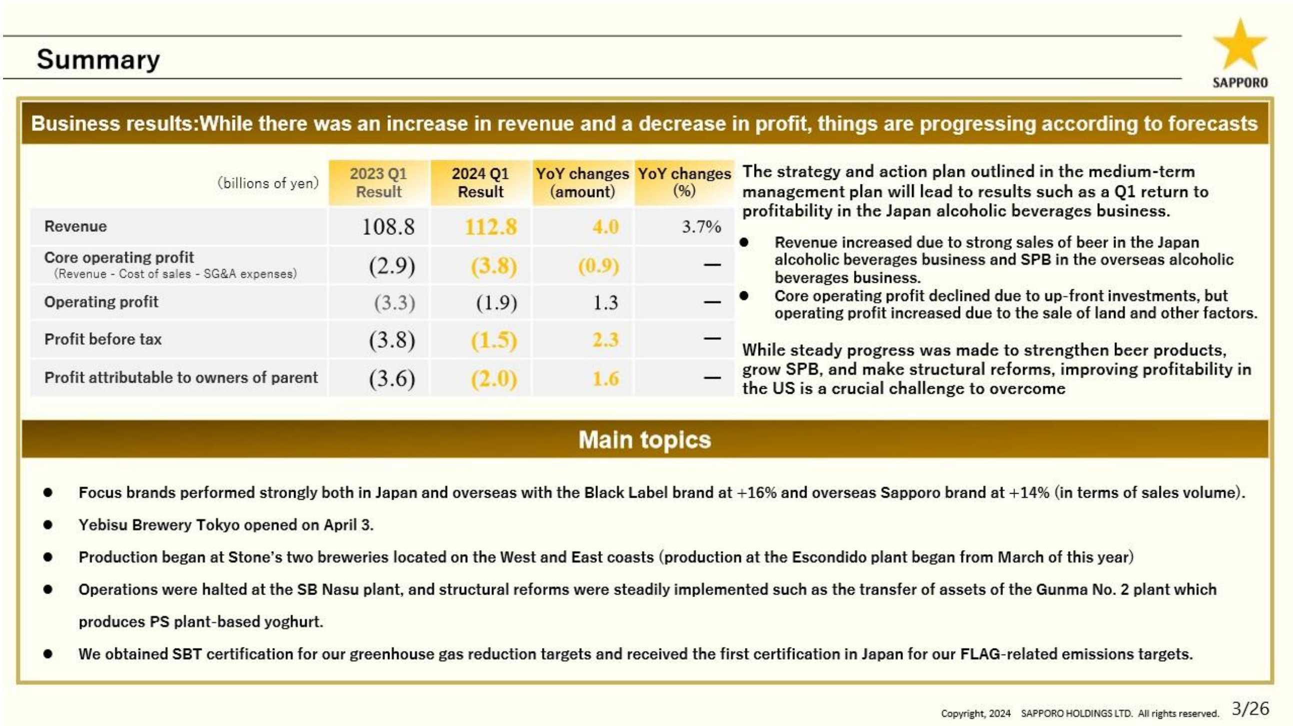
Present today are Takayuki Sato, Group Operating Officer and General Manager of Accounting Department, and Yosuke Nakamura, General Manager of Corporate Planning Department, both of Sapporo Holdings.

Please have the financial statements, supplementary materials for the financial statements, financial results presentation materials, and the PowerPoint presentation materials on hand.

Mr. Sato will begin with an overview of the Q1 financial results for approximately 25 minutes based on the PowerPoint presentation of the financial results, followed by a question-and-answer session. The entire meeting will last approximately one hour.

Now, Mr. Sato will explain. Thank you for your cooperation.

Sato: Good morning, everyone. I am Sato, from the Accounting Department of Sapporo Holdings. I will now begin with an overview of the Q1 financial results.



First, please see page three of the document. This is a summary of the financial results for this Q1.

In Q1, the alcoholic beverages business led to an increase in sales. On the other hand, core operating profit decreased due to concentrated upfront investments, but the annual plan was in line with the plan.

The increase in sales was mainly due to the success of our strategy in domestic alcoholic beverages, which focused on strengthening beer, as well as the continued growth of the Sapporo brand in overseas alcoholic beverages.

In particular, our ongoing efforts to improve profitability in the domestic alcoholic beverages business have resulted in a return to profitability in Q1.

Although core operating profit decreased due to factors such as concentrated costs for replacement of IT equipment, progress for the year is on track according to the plan.

In this context, we recognize that improving profitability and creating synergies in the US market, where we acquired Stone the year before last, are our crucial challenges at present.

In addition, operating income and other income items increased compared to the previous year due to gains on the sale of land and other factors.

Regarding the main topics as stated, in Japan, due to efforts to strengthen beer, especially our mainstay brands, and while demand is expected to shift further from new genres to beer following the revision of the liquor tax in October last year, Black Label has achieved significant growth of 16% compared to the previous year.

Furthermore, overseas, sales of the Sapporo brand continued to grow, up 14%, and in the US market, we estimate that growth will exceed the total demand for imported beer. Our analysis indicates that this is largely attributed to an increase in handling by Costco, Walmart, and other US-based chains.

Continuing to the Yebisu brand, Yebisu Brewery Tokyo opened on April 3. A larger-than-expected number of visitors attended the exhibition, which was covered by a number of media outlets, and this greatly contributed to strengthening information dissemination.

As for our efforts in the US, in March of this year, we also started production at Stone's western plant, the Escondido plant, and we have started manufacturing Sapporo brand products at both the east and west plants. We are now accelerating our efforts to create synergies, such as reducing logistics costs through these efforts.

As part of structural reform efforts, in the domestic alcoholic beverages business, we have decided to suspend operations at the Nasu plant. We are committed to further concentrating management resources and establishing an optimal manufacturing system.

Regarding the domestic food and beverage business, we have also decided to transfer the assets of plant-based yoghurt plant. This will allow us to concentrate management resources, develop products in areas of concentration, and strengthen manufacturing and sales.

Regarding sustainability initiatives, the Company has obtained SBT certification for its greenhouse gas emission reduction targets. We continue to make efforts to achieve the FLAG-related emission targets, including the first domestic certification.

Financial Highlights

SAPPORO

(billions of yen)	2023 Q1 Result	2024 Q1 Result	YoY changes (amount)	YoY changes (%)
Revenue	108.8	112.8	4.0	3.7%
Revenue (Excluding liquor tax)	85.2	88.6	3.4	4.0%
Overseas revenue	25.9	28.5	2.6	10.2%
EBITDA	2.0	1.3	(0.7)	(35.9%)
Core operating profit (Revenue - Cost of sales - SG&A expenses)	(2.9)	(3.8)	(0.9)	—
Core operating profit margin	(2.7%)	(3.4%)	—	—
Other operating income (expense)	(0.3)	1.9	2.2	—
Operating profit	(3.3)	(1.9)	1.3	—
Profit attributable to owners of parent	(3.6)	(2.0)	1.6	—

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Please continue to page four of the document. I would like to add some additional information on the financial highlights. Sales revenue for Q1 of this fiscal year was JPY112.8 billion, up 3.7% from the previous year. Core operating profit was a loss of JPY3.8 billion, decreased by JPY0.9 billion from the previous year. Please understand that the decline in profit is due to the upfront investment in promotion expenses and the replacement of IT equipment.

In addition, net income improved compared to the previous year due to the impact of gains on the sale of land and other factors. Overseas sales revenue, which is positioned as a key indicator in the medium-term management plan, increased 10.2% over the previous year, but we hope that you will understand that Q1 was affected by the depreciation of the yen.

Financial Highlights

SAPPORO

(billions of yen)	2023 Q1 Result	2024 Q1 Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	**108.8**	**112.8**	**4.0**	**3.7%**
Alcoholic Beverages	76.6	80.6	4.1	5.3%
Japanese	54.0	55.7	1.7	3.1%
Overseas	18.3	20.3	2.0	11.1%
Restaurants	4.3	4.6	0.4	8.3%
Food & Soft Drinks	26.8	26.6	(0.2)	(0.9%)
Japanese	20.2	19.7	(0.5)	(2.5%)
Overseas	6.6	6.8	0.3	3.9%
Real Estate	5.3	5.5	0.2	3.2%
Other	0.0	0.0	0.0	11.9%

(billions of yen)	2023 Q1 Result	2024 Q1 Result	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	**(2.9)**	**(3.8)**	**(0.9)**	-
Alcoholic Beverages	(0.5)	(0.2)	0.3	-
Japanese	(0.2)	0.6	0.8	-
Overseas	(0.4)	(1.0)	(0.5)	-
Restaurants	0.1	0.2	0.1	62.6%
Food & Soft Drinks	(0.3)	(0.6)	(0.2)	-
Japanese	(0.7)	(0.7)	(0.0)	-
Overseas	0.4	0.2	(0.2)	(59.0%)
Real Estate	(0.0)	(0.2)	(0.2)	-
Other・General corporate and intercompany eliminations	(2.1)	(2.8)	(0.7)	-

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Please continue to page five of the document. This is the financial highlights by business segment. First, look at the table on the left, revenue from sales. Except for the domestic food and beverage business, all businesses reported an increase in sales. The largest increase in revenue was in the domestic alcoholic beverages business, up JPY1.7 billion due to a combination of ongoing efforts to strengthen beer sales and the trend toward a return to beer following last year's liquor tax revision.

In the overseas alcoholic beverages business, while Sapporo brands performed well, sales of overseas brands in Canada declined from the previous year, resulting in a decline in revenue in terms of local currency. However, due to the significant impact of the yen's depreciation, the results have been an increase in revenue when calculated in yen.

In the restaurants business, COVID-19 was still in category 2 from January to March last year, and sales are also recovering steadily from January to March this year, resulting in a YoY increase in revenues.

In the food and beverage business, we have been working to improve profitability in Japan by further reducing SKUs and vending machines.

For overseas beverages, the impact of the depreciation of yen resulted in an increase in revenue in Japanese yen. However, due to the impact of the suspension of sales of export business that occurred last year, the results in local currency terms were almost the same as the previous year.

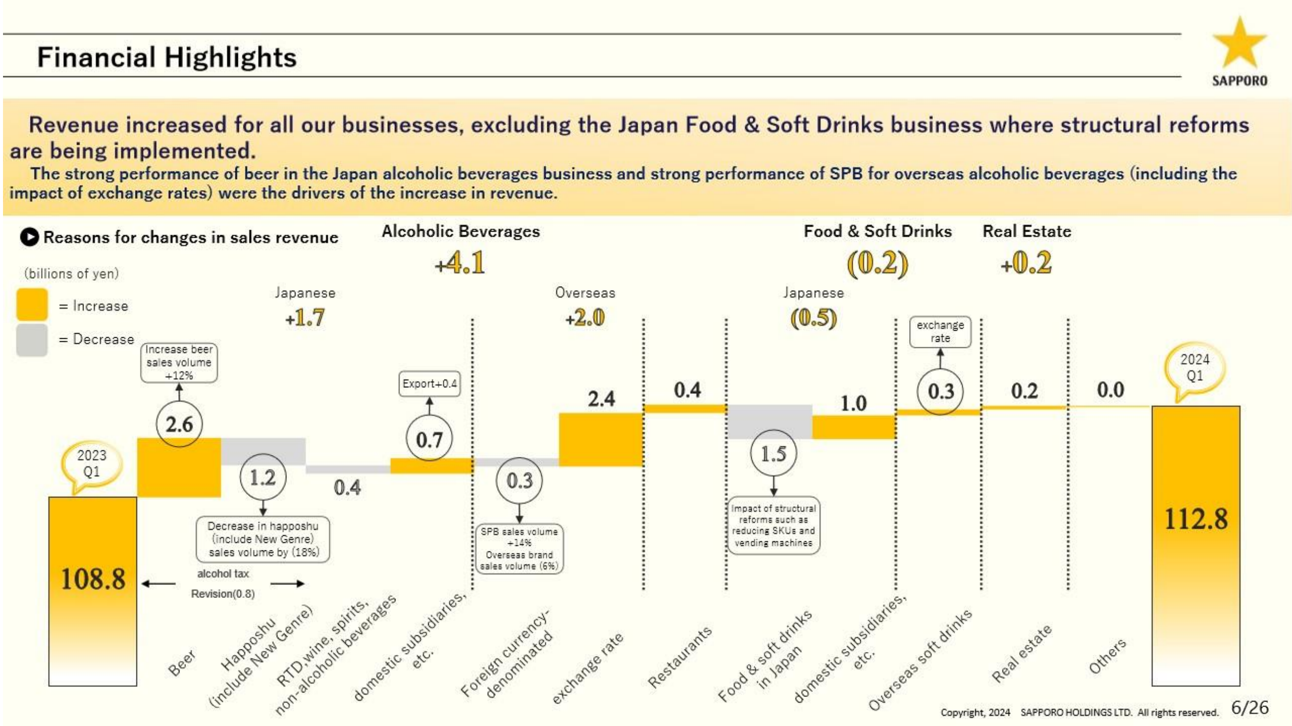
In the real estate business, the office market in Tokyo has been improving since the beginning of this year, and the occupancy rate of YGP's office building is also improving. The increase in revenues covered the decrease in sales due to the sale of a property at the end of last year.

Next, please see the table on the right of core operating profits. Although profits increased in the domestic alcoholic beverages and restaurants businesses, profits in other businesses and segments decreased in the consolidated totals due to upfront expenses.

In the food and beverage business, the overall profit decreased slightly due to a decline in exports and aggressive investment in sales promotion overseas. In the real estate business, profit decreased due to one-time costs associated with the opening of a hotel in Sapporo.

However, in the alcoholic beverages business, there was a significant improvement in profits in Japan, where the business returned to profitability in Q1. However, overseas profit decreased due to deteriorating market conditions in Canada and increased costs associated with the transfer of manufacturing to the US.

Looking ahead, we will work to realize synergies and improve profitability, especially in the US. The replacement cost of IT equipment is included in the other and general corporate and intercompany eliminations category.



Please continue to page six of the document. I would like to supplement the overview of sales revenue with a waterfall chart.

First, total sales in the alcoholic beverages business increased by JPY4.1 billion.

Of this amount, domestic alcoholic beverages sales increased by JPY1.7 billion. First, sales of beer, on which we are focusing, increased by JPY2.6 billion, or 12% on a volume basis. However, Happoshu (including new genre) , sales decreased by JPY1.2 billion, or 18% on a volume basis. In addition, as mentioned in domestic subsidiaries, etc., exports increased by JPY0.4 billion.

As for overseas alcoholic beverages, sales in foreign currencies decreased by JPY0.3 billion, but sales of Sapporo brand products increased by 14%. On the other hand, the result for foreign brands, such as Sleeman, decreased by 6%. In terms of net sales, the weaker yen had a positive impact, resulting in a JPY2 billion increase in yen.

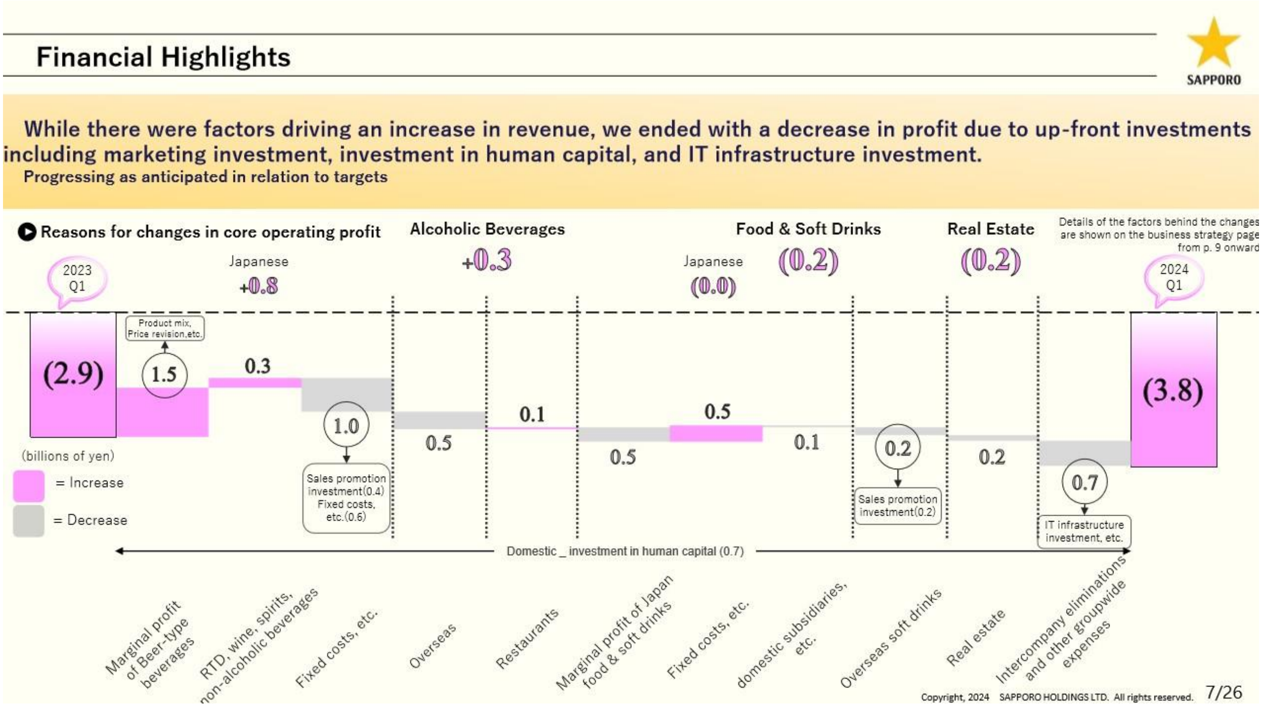
In addition, restaurants sales increased by JPY0.4 billion. On an existing stores basis, both the number of customers and average spend per customer exceeded the previous year's levels for all months from January to March.

Next is the food and beverage business. Revenue decreased by JPY0.2 billion.

In Japan, sales increased by JPY1 billion, partly due to price revisions at subsidiaries. On the other hand, POKKA SAPPORO reported a JPY1.5 billion decrease in sales, partly due to the impact of structural reforms, including a reduction in the number of SKUs and vending machines. In total, the domestic sales amounted to minus JPY0.5 billion.

Overseas sales increased due to the effect of the yen’s depreciation, but on local currency basis, sales in Malaysia grew significantly, but exports were negative, so total sales on local currency basis were at the same level as the previous year.

Real estate sales increased by JPY0.2 billion.



Continuing on page seven, we will supplement the overview of core operating profits with a waterfall chart here as well.

First, the alcoholic beverages business totaled an increase of JPY0.3 billion.

Domestic alcoholic beverages increased by JPY0.8 billion to 1.8 billion, mainly due to an increase in marginal profit. On the other hand, there was a JPY0.4 billion increase in investment in sales promotions, and as mentioned in the section on fixed costs, etc.,such as investment in human capital , there was a minus JPY0.6 billion

Overseas alcoholic beverages reported a decrease of JPY0.5 billion. Firstly, Canada was negative JPY0.5 billion due to decreased volume and a worsening product mix due to deteriorating market conditions. In the US, sales of the Sapporo brand expanded, but fixed costs were incurred in advance due to the phased transfer of manufacturing operations, resulting in negative JPY0.3 billion. On the other hand, in Vietnam, the Tet sales season from January to March was a good success, resulting in an increase in profit of JPY0.2 billion.

In restaurants business, income increased by JPY0.1 billion due to the effect of increased sales.

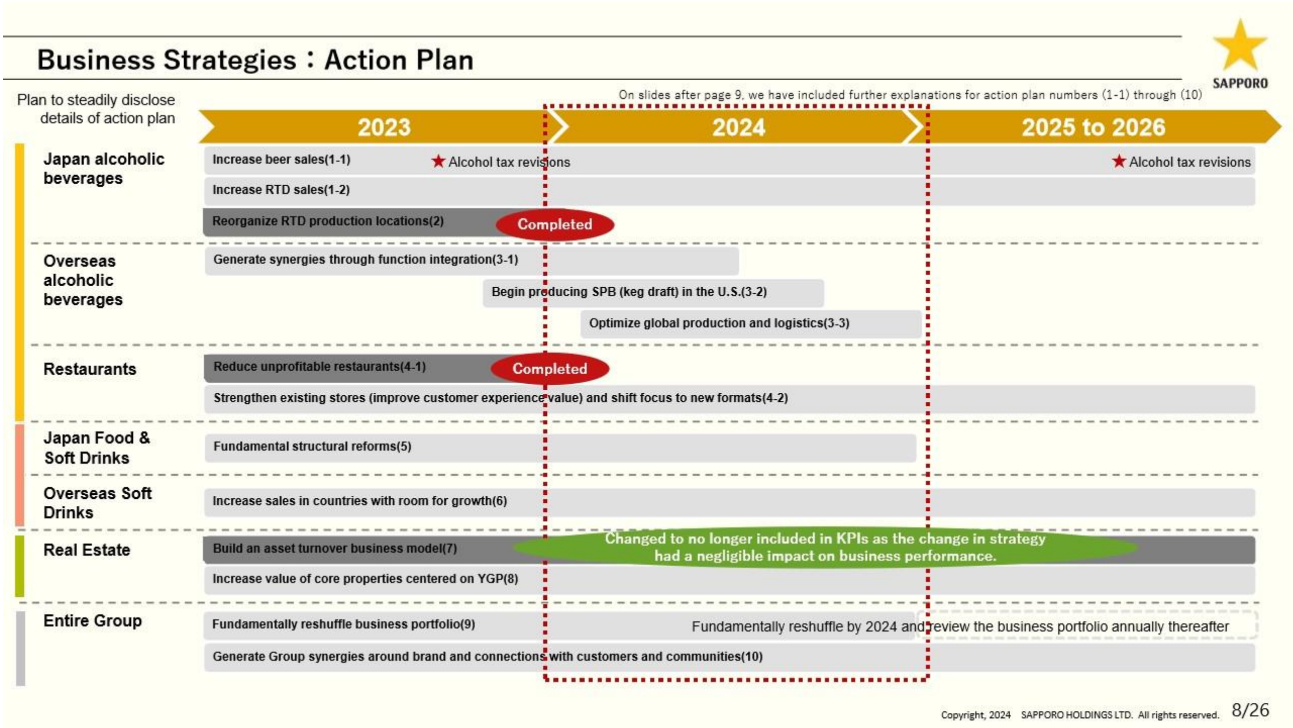
Next, the total of the food and beverage business decreased by JPY0.2 billion.

Domestic sales were almost on par with the previous year. Although fixed costs were reduced as part of structural reforms which reduced sales, Q1 did not show an increase in profit due to human capital investment and other factors.

Overseas beverage business reported a decrease of JPY0.2 billion, although we have achieved a large increase in sales in Malaysia. This is because we are also investing in sales promotion upfront, and there’s decrease in profit from export business.

The real estate business reported a decrease in profit of JPY0.2 billion. YGP has also seen a recovery in office occupancy and profit growth, but the impact of the decrease of revenue from the property sold last year and the one-time costs of the hotel in Sapporo were also factors in the decline in profit in Q1.

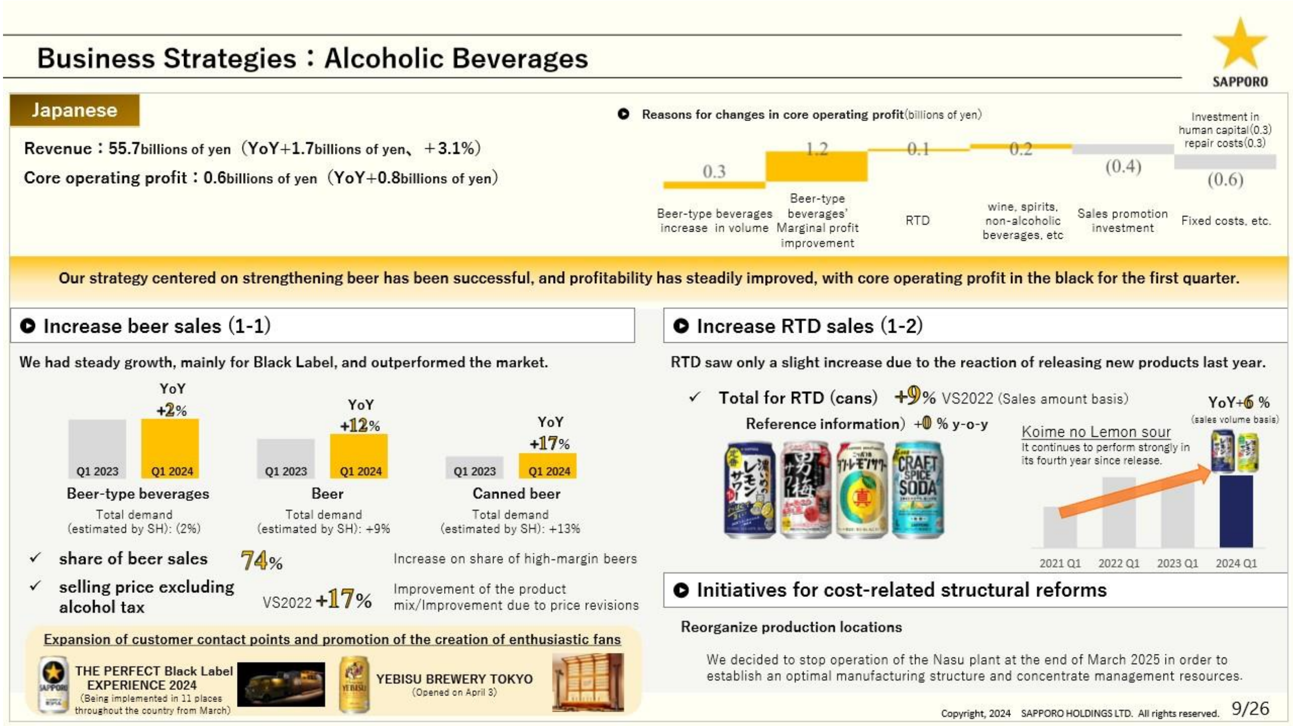
These are the supplements in the waterfall chart.



Please continue to page eight. This page explains the progress of the action plans in the medium-term management plan. The action plan in the table (2) Reorganize RTD production locations for domestic alcoholic beverages and (4) Reduce unprofitable restaurants have been completed.

In addition, we are currently reviewing the action plan (7) in the real estate business in accordance with the change in strategy.

Thus, regarding the action plans set forth in the medium-term management plan, we will continue to build on our strategies to achieve this 2026 goal while updating and revising them as appropriate.



I will now explain the overview by business segment. Please see page nine of the document.

The first is the domestic alcoholic beverages business.

As stated, strategies centered on strengthening beer have been successful, profitability has steadily improved, and core operating profit was in the black in Q1, with sales revenue of JPY55.7 billion, an increase of JPY1.7 billion, or 3.1%, from the previous year. Core operating profit was JPY0.6 billion, an improvement of JPY0.8 billion from the previous year.

Regarding the progress of the action plan, first, with regard to the strengthening of beer, while total demand for beer-type beverages is estimated to be minus 2%, we have achieved an increase of 2%, with results for the period from January to March surpassing those of the previous year.

Among them, we estimate that beer exceeded total demand by 12%, compared to 9% of the total beer demand, and canned beer by 17%, compared to 13% of the total canned beer demand.

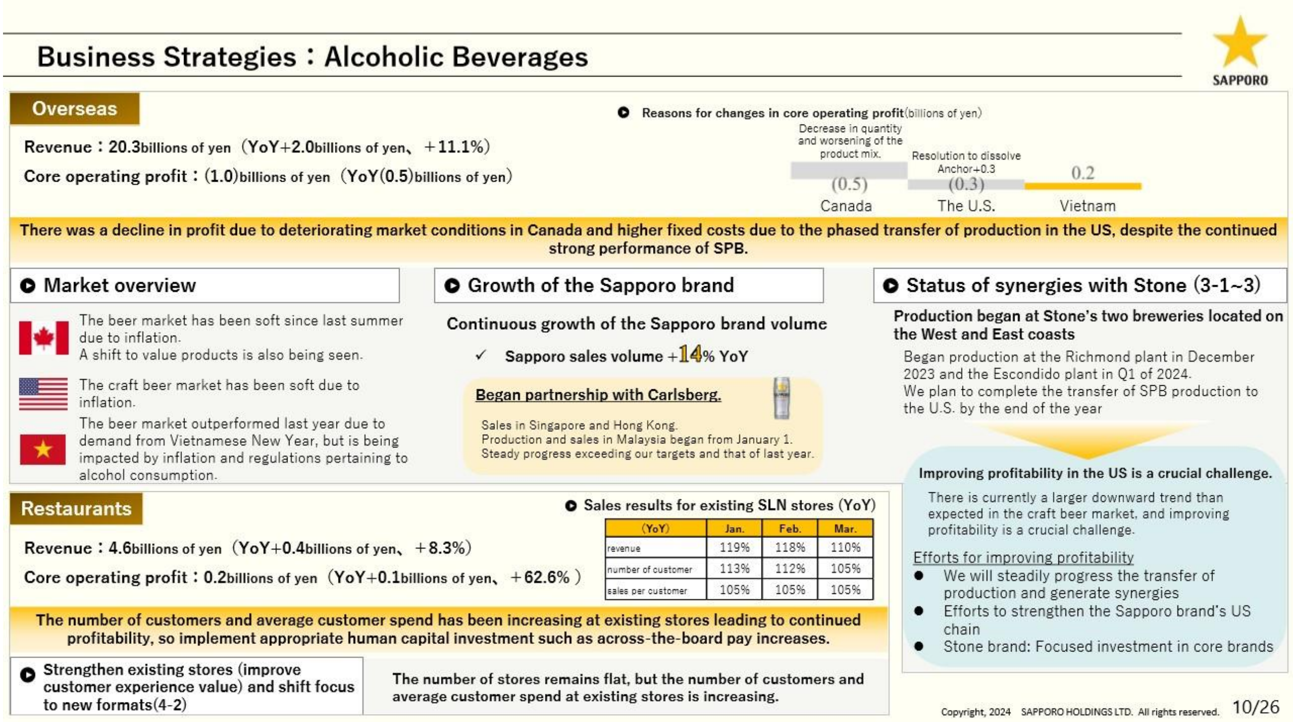
The ratio of beer to total sales was also 74%, further increasing the ratio of highly profitable beer, and the unit price of beer excluding liquor tax was 17% higher than in 2022, the starting point of the mid-term plan. We are making improvements by improving the product mix and revising prices.

In the future, we will continue to expand customer contact points and create enthusiastic fans through initiatives such as Yebisu Brewery Tokyo, which opened on April 3, and THE PERFECT Black Label EXPERIENCE 2024, which is being implemented this year.

Next is the right side, increase RTD sales. As for RTDs, due to the reactionary effect of new product sales, sales were almost the same level as the previous year. Compared to 2022, which is the starting point of the medium-term management plan, the increase in RTD sales is 9%.

In particular, Koime no Lemon Sour , now in its fourth year on the market, continues to do well.

In addition, as part of our cost-related structure reform efforts, we have made a decision to suspend operations at the Nasu plant.



Continuing the next page, I would like to explain overseas alcoholic beverages in the alcoholic beverages business.

First, sales revenue was JPY20.3 billion, an increase of JPY2 billion, or 11.1%, over the previous year, and core operating loss was JPY1 billion, a decrease of JPY0.5 billion over the previous year.

Regarding the general situation of the market, the Canadian beer market has been affected by inflation since last summer and has been weak. Under these circumstances, we are seeing a decline in sales volume and a shift to value products in the market. Under such circumstances, although Sleeman achieved a slight increase in market share, profit decreased due to a decline in volume and a worsening mix of products.

In the US, the craft beer market continues to be weak due to inflation and other factors. On the other hand, the import beer category performed well. Under such circumstances, the volume of Stone brand products is currently declining, but we intend to further expand sales by concentrating on core brands that are growing in the future.

In addition, the Sapporo brand is estimated to be performing well and outperforming the overall market, thanks in part to strengthened efforts with affiliated US chains.

In Vietnam, the Tet sales season was a success, and despite inflation, alcohol restrictions, and other headwinds, Q1 of this fiscal year was favorable.

As for the growth of the Sapporo brand, we achieved a significant increase of 14% on a volume basis compared to the previous year. Our efforts to expand sales not only in the US but also in other countries and regions, for example, through initiatives such as the partnership with Carlsberg, have been successful.

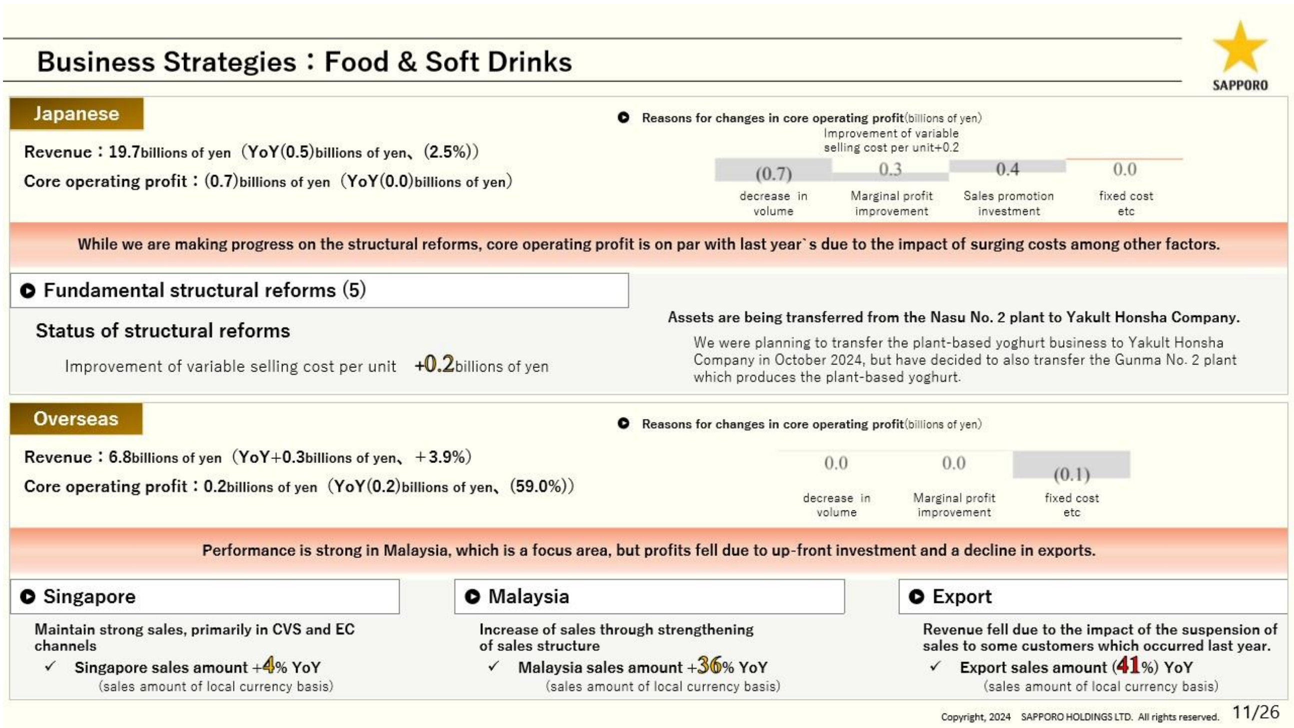
Next, on the right side, we have the status of synergies with Stone. First, Q1 of this fiscal year marks the start of production of the Sapporo brand at both the east and west plants. However, at this stage, we are still in the early stages of production and have not yet increased production volume that much, so fixed costs are still high due to this phased transfer.

Looking ahead, we recognize that improving profitability in the US is the most crucial challenge for our group. We are determined to steadily realize manufacturing synergies, expand the Sapporo brand, and improve the profitability of the Stone brand and other brands.

Next is the restaurants business. In the restaurants business, as mentioned above, the number of customers and sales per customer at existing restaurants improved, and the business remained profitable, while appropriate investments in human capital, including base salary increases, were made.

Sales revenue was JPY4.6 billion, an increase of JPY0.4 billion, or 8.3%, over the previous year. Core operating profit was JPY200 million, up JPY100 million, or 62.6%, from the previous year.

We will continue to improve the customer experience value of both the Sapporo and Yebisu brands while achieving steady and stable profit contribution.



Continuing on page 11, the food and beverage business.

First, in Japan, structural reforms made steady progress, but there were also some effects, such as the soaring cost of sales. Sales revenue totaled JPY19.7 billion, down 2.5% compared to the previous year, and core operating profit was minus JPY0.7 billion, almost the same as the previous year.

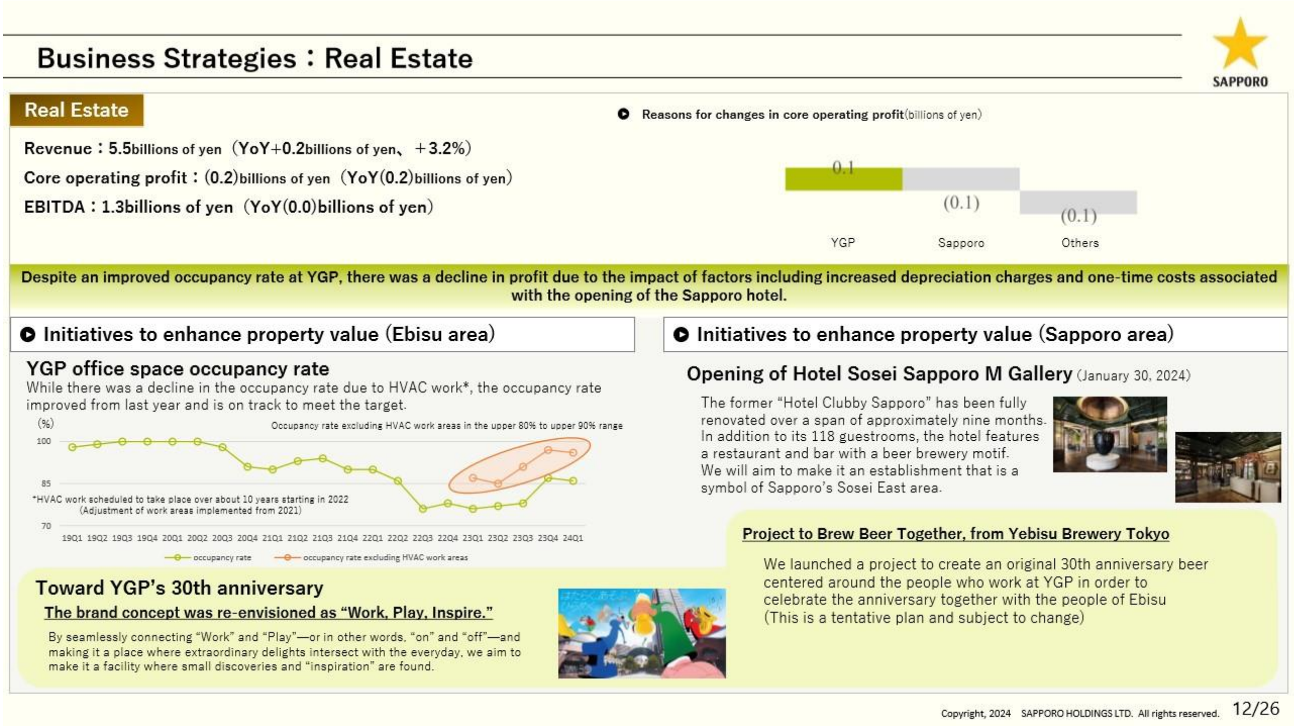
As for the progress of structural reforms, unit price reductions in variable selling expenses have resulted in a JPY0.2 billion reduction. As a major initiative, we have made a decision to transfer plant that manufactures plant-based yoghurt, and we intend to concentrate our human capital, goods, and capital on the lemon business, which we will focus on in the future.

Next will be the overseas beverages in the lower row. Sales revenue was JPY6.8 billion, an increase of JPY0.3 billion, or 3.9% over the previous year. On the other hand, core operating profit was JPY0.2 billion, down JPY0.2 billion, or 59% compared to the previous year.

In Singapore, the CVS and EC channels performed strongly, posting a positive 4% in local currency terms.

We also focused on Malaysia, where we have been strengthening our sales structure and expanding sales, resulting in a significant 36% YoY increase in sales.

On the other hand, exports were down 41% due to the suspension of sales by some of our customers last year, which was a major factor in the decline in sales.



Continuing on page 12, the real estate business.

Sales revenue was JPY5.5 billion, an increase of JPY0.2 billion, or 3.2% over the previous year. Core operating profit was minus JPY0.2 billion, a decrease of JPY0.2 billion from the previous year.

As for YGP, the occupancy rate is still low due to the ongoing air conditioning work, but the occupancy rate excluding the construction area is improving and is on par with the plan.

In Sapporo, we opened Hotel Sosei Sapporo M Gallery in January and are aiming to make it a new symbol of the Sosei East area. In Q1, there was a one-time cost for the opening of the hotel, which was also a factor in the decrease in profit.

Action Plan KPI

※1 Forex assumption: ¥130
※2 Local currency basis (Singapore dollar)

		Q1results			Full year			medium-term plan Target
		2022 Q1	2023 Q1	2024 Q1	2022	2023	2024 plan	
Japan alcoholic beverages	**Reinforcement of Beer / Improving Profitability of Beer-type Bev.**							
	Increase beer sales: share of beer sales (1-1)	59%	68%	74%	68%	73%	79%	79%
	Improve profit margin: selling price excluding alcohol tax (1-1)	-	+12% (VS2022)	+17% (VS2022)	-	+9% (VS2022)	+11% (VS2022)	+11% (VS2022)
	RTD Business Growth and Production Streamlining, Etc.							
	RTD growth: RTD sales amount (1-2)	-	+9% (VS2022)	+9% (VS2022)	-	+19% (VS2022)	+31% (VS2022)	+74% (VS2022)
	Increase production efficiency: ratio of in-house production (2)	-	-	-	73%	63%	88%	88%
Overseas alcoholic beverages	**Stone Acquisition Synergy / SPB Growth**							
	Sapporo brand volume (3-1~3)	1.45 million cases	1.69 million cases	1.89 million cases	6.61 million cases	7.16 million cases	8.09 million cases	10.0 million cases
	Cost synergy (3-1~3) ※1	-	-	-	-	$4M	$11M	$23M (VS2022)
Japan food & soft drinks	**Cost Structure Reforms** (5)	-	0.2billion	1.5billion (YoY 0.2 billion)	-	1.3billion	2.0billion (YoY 0.7 billion)	2.0billion (VS2022)
Overseas soft drinks	**Expanding Sales and Increasing Logistics Efficiency** Overseas sales amount (6) ※2 exclude OEM sales	-	+5% (VS2022)	+1% (VS2022)	-	+2.8% (VS2022)	+7.6% (VS2022)	+30% (VS2022)
Real Estate	**Increase value of YGP** Rate of increase in average rental price (8)	-	-	-	-	+0.5% (VS2022)	+2.8% (VS2022)	+2.5% (VS2022)
Entire Group	**Fundamentally reshuffle business portfolio** (9)	-	-	-	-	1.1billion (VS2022)	-	-

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Last but not least, on page 13 of the document is the list of KPIs for the action plan. Please be advised that in this Q1, we are only disclosing indicators that are suitable for quarterly disclosure.

First of all, we are making steady progress in strengthening our domestic beer business and improving the profit margin of beer products, and our full year forecast for 2024 shows that we are on track to meet the 2026 target of our medium-term management plan.

As for the growth of the RTD business, although it remained at the same level as the same period of the previous year in Q1, we intend to take steps to achieve further growth in the future. We are also making steady progress in growing the Sapporo brand of overseas alcoholic beverages.

In the food and beverage business, our domestic cost structure reforms are targeting a level that will be achieved by 2026 for the full year of this year, and we have made some slow progress in expanding overseas beverage sales due to a lack of exports. We will work to expand sales by making up for this in the future.

The above is all I have to say. I have attached pages 14 and beyond as reference materials, so I will skip the explanation and hope that you will make use of the data and information provided. That is all for now.

Moderator: Thank you for the explanation.

Main Questions & Answers

[**General**]

Q1. I would like to confirm the progress of core operating profit against the plan in the first quarter. You have explained that it progressed in line with the plan, but can you give more details regarding each business as well as your overall impression? Let us know as well if any one-time event contributed to the result.

A.1 As a one-time event, we have recorded a 700 million yen expense in “Other・General corporate and intercompany eliminations” for the replacement of IT equipment, but this expense is included in the plan.

In other businesses, there are some variations, but the results are in line with the plan.

As for a by-business analysis, Alcoholic beverages business (Japan) has greatly improved year over year, but is slightly behind the plan, as the deterioration of market conditions in March was more severe than anticipated. However, we can probably recover in April.

The overseas remains unclear so there is still some risk, but the first quarter is in line with the internal plan.

Restaurants business is progressing as planned.

Food and soft drinks in Japan are in line with the plan on a core operating profit basis. We anticipate a sharp rise in prices of raw materials and an increase in logistics costs, but we have included these factors in the plan to a certain extent, and we believe we will be able to absorb these costs while delivering a good performance.

With respect to Overseas Soft Drink business, the upfront sales promotion expenses have a negative impact, but if we can steadily expand volume while controlling these expenses, we should be able to finish in line with the plan.

In Real Estate, we recorded the opening costs of the Sapporo hotel this first quarter. We have heard that the market conditions for office buildings in the Greater Tokyo area have considerably improved, and the YGP Tower is now filled, apart from the areas under air conditioning work. Our impression of the first quarter is that we are in line with the plan.

[**Alcoholic Beverages**]

(**Japan Alcoholic beverages**)

Q2. Regarding domestic beer-type beverages in April, the market grew by about 2% and you outperformed it at 6%, with Black Label growing by around 20%. When it comes to beers, the market grew by about 11% and you outperformed it as well with a 15% increase. How do you see the impact of new products from your competitors? The month of April also appears extremely promising, with Black Label performing particularly well. What is your view on the start of the year from January to April?

A.2 We have grown by 15% in the beer category year over year, and April alone was also very positive. Black Label, in particular, is driving the growth. While some of this growth is a reactionary effect of bad weather conditions and fewer number of shipping days in March, we recognize that the market is greatly expanding overall. As each company adopts its own set of measures, we are naturally polishing our strategy as well while monitoring the situation.

Nevertheless, we do not feel a strong impact from new products launched by our competitors at this point, as we have continued to invest in our focus brands Black Label and Yebisu and the results of these efforts are now materializing. Without straying from the core initiatives, we have been working on over these past several years, we will continue to expand contact points with customers, increase exposure, and increase the number of customer experiences to continue to build fans and increase sales.

Q.3 Can you explain in plain terms the momentum experienced in sales of domestic beers? You have been able to post these results despite the competition intensifying. I guess that there is some factor at play unrelated to the expansion of customer touchpoints. I would like an explanation with regard to this situation.

Besides, with a satisfactory progression of volume, is there a possibility that you might further increase profitability by controlling marketing investments?

A.3 There are two angles here: the brand and the initiatives in sales points. From a sales point perspective, the surface increase, especially in western Japan, is now tangible. Coupled with the liquor tax reform and our efforts in brand presentation, this increase has generated synergies.

Regarding our investments in sales promotion, we are prepared for the second quarter and onward, but we will realize investments following internal evaluations and in a controlled manner. While we pay attention to sales growth and the expansion of touchpoints with customers, we will always keep profitability in mind.

Q.4 I believe May is the start of a period of competition intensification. What risks are you concerned with when it comes to maintaining the momentum?

A.4 We believe Black Label will be able to maintain its strong momentum, even considering the competition, and we want to deliver even stronger results. As for Yebisu, gold Yebisu is keeping up. The increased exposure of YEBISU BREWERY TOKYO has had its effect. We are aware of the importance of implementing initiatives to bring Yebisu to the next stage.

(Overseas Alcoholic Beverages)

Q.5 The first quarter ended with a 500 million yen profit decrease, but you expect a 1.3 billion yen profit increase in the full year forecast. This means that profit must increase by approximately 1.8 billion yen from the second quarter onward. Considering the deterioration of market conditions in Canada and the rise in fixed costs due to production transfers, how do you plan on catching up to realize the plan?

A.5 In the first quarter, a 500 million profit decrease was recorded overseas due to worsened market conditions in Canada, with the U.S. decreasing by 300 million yen.

This year's plan is set up to increase profits in the second half of the year in line with the gradual production transfers. The current decrease in profits is the result of some upfront fixed costs, but we expect a decrease in logistics costs as production volumes increase in the second half of the year. Currently, the progress is in line with the plan, but we recognize that we must thoroughly establish a production structure to be able to utilize it to the fullest and reach our targets.

Sales of the Stone brand are still sluggish, and we want to recover sales while maintaining profitability.

The Canadian market deteriorated slightly more than we anticipated, but we believe a recovery is possible at this stage. However, if the decrease were to spread or continue at the same pace, we might be at risk of not catching up.

Q.6 What is your opinion on the pace of production transfers?

A.6 We are now gradually transferring our Canadian production to the U.S. We are still bringing the 650 ml silver cups from Vietnam, but we plan to establish our production infrastructure in August this year. The plan is to finish the transfer within the year.

Q.7 The Sapporo brand overseas has grown very strongly with a 14% in volume. Can you tell us about the impact of inflation?

A.7 We believe the U.S. import beer market is very strong in some aspects, so the impact of inflation is not felt as much as domestically. With respect to the Sapporo brand, we are advancing both marketing and sales. In marketing, we are collaborating with Stone and renewing our branding. On the wholesale front, we have been able to increase sales by using Stone's connection. Since these efforts have gone well, we hope for further growth.

Q.8 With the craft beer market slowing down, the Stone brand is facing some challenges. What is the impact of this cooldown? Can you manage profit by focusing investments on your core brands?

A.8 The Stone brand has declined overall. However, a group of products within the line-up is experiencing success, so we will focus our investments on these promising products. We believe that we can still compete despite the market slowdown.

Q.9 You have started a partnership with Carlsberg. How has the number of distributor stores increased? Can you provide details on price setting for the Sapporo brand?

A.9 We have placed our brand in the high-price premium beer category from the start, so we make sure to develop it along with similarly priced products. The number of stores is also steadily increasing. This is related to branding as well, but we think an increase in distribution points will lead to future growth in sales volume.

Restaurants

Q.10 I understand the momentum behind sales is growing. Can you provide a current customer analysis, including inbound customers, and an overview of future prospects?

A.10 We recognize that Restaurants is experiencing a very strong momentum. COVID-19 was reclassified as Class 5 on May 8 last year, which in our opinion can explain the strong performance in the market overall from January to March. In such a context, we think our Group is also equipped to compete.

As we own some distinctive stores such as the store in Ginza, we are able to reliably capture inbound demand, as well as the demand during idle time (time between lunch and dinner) as a result.

Regarding the room for growth, it seems stores have now reached a pretty high capacity, so we don't think we can grow much more.

We want to carefully examine and proceed with expanding our stores, without haphazardly expanding them out, and focusing on finding locations with favorable conditions.

Our priority is to improve customer service in our existing stores.

[**Food & Soft Drinks**]

Overseas Beverage

Q.11 You expect a 1.9 billion yen improvement in profit, from a 600 million yen deficit in 2023 to a 1.3 billion yen profit this year. However, the first quarter ended with a 200 million yen profit decrease due to last year's suspensions of sales. How does this compare to your expectations? Is the stagnation of imports taken into account in the full-year forecast? I would like to confirm the forecast of a 1.9 billion yen profit increase.

A.11 We recorded a 1.8 billion yen allowance for doubtful accounts in the fourth quarter of last year. Excluding this impact, we forecast a slight increase in profit. We started with a profit decrease in the first quarter, but our perception internally is that this first result was roughly in line with the plan. The impact from the lack of exports on core operating profit in the first quarter was only a few tens of millions of yen, so it did not excessively drag down performance. We are also working to start business transactions with new customers and are preparing to begin these partnerships around the second half of this year.