



SAPPORO

## Business Strategy Briefing on Overseas Alcoholic Beverages

Sapporo Breweries Ltd.

Seiji Ubukata Director and Managing Executive Officer

Masahiro Kurokawa Managing Executive Officer

※In this document, the name abbreviations are used

SUSA : SAPPORO U.S.A.,INC.

Stone : STONE BREWING CO., LLC

SPB : SAPPORO PREMIUM BEER

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  - Area strategy: Past and Future Initiatives (PP.12-22)
  - Global Brands Strategy (P.23)
  - Global Human Resources Strategy (P.24)

# The vision of the Sapporo Group

## Management Philosophy

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

Utilizing the assets of “Highly Unique Brands” and “Engaging with customers and communities,”

We have created a unique brand experience in 2 domains : "time" and "space."

With the essence of “richness” that changes with the times,

We will contribute to the “richness“ of nature, society, and the spirit that will lead to tomorrow.

## 【Our Value】

**Through the Time and Space where all our businesses is playing , we contribute to Well-being of People and Local Communities.**



# Sapporo Group's Medium-Term Management Plan

## Basic Policy 「Beyond150～Transforming the business structure for new growth～」

### Structural Reforms

#### Decisive action based on portfolio management

- Businesses positioned as “Restructuring” and “Divestment” are drastically managed by 2024

### Strengthen and Growth

#### Realize growth in overseas and core businesses

- Accelerate North American Alcoholic Beverage and Overseas Soft Drinks
- Focus on domestic beer and cultivate RTD brands
- Diversification of the profit structure of the Real estate business

### Financial Targets

- ROE : 8%
- EBITDA: approximately 10%  
Compound Annual Growth Rate (CAGR)
- Overseas Sales: approximately 10%  
Compound Annual Growth Rate (CAGR)

### Non-Financial Targets

- Reduction of greenhouse gas emissions (All compared to 2022)  
Scope 1, 2 SBT \*1 certification level  
42% reduction in 2030 (21% reduction in 2026)  
Scope 3 SBT certification level  
25% reduction in 2030 (12.5% reduction in 2026)  
※1Submitted and accepted commitment letter to SBTi
- Ratio of female directors and female managers : 12% or more※2

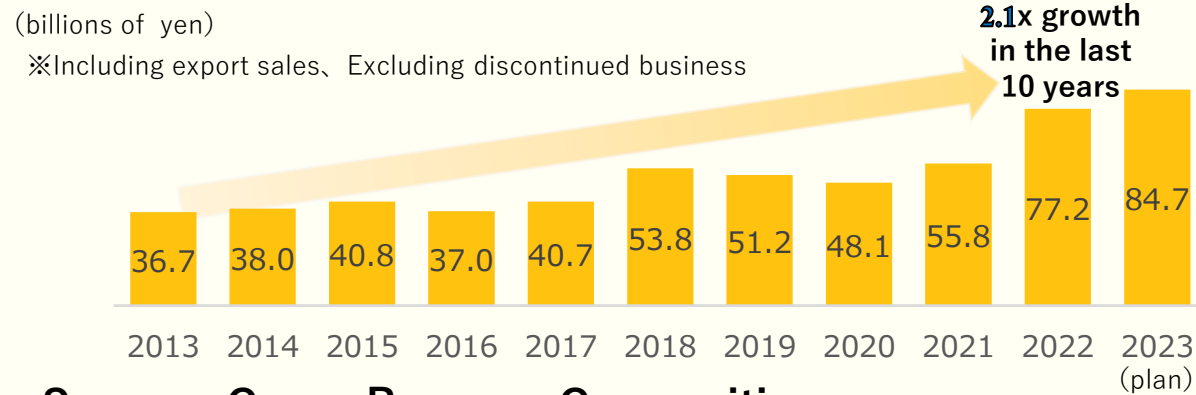
※1 SBT(Science Based Targets) The greenhouse gas emission reduction target set by a company consistent with the level required by the Paris Agreement.

※2 22-year results: 8.3% for female executives and 5.4% for female managers

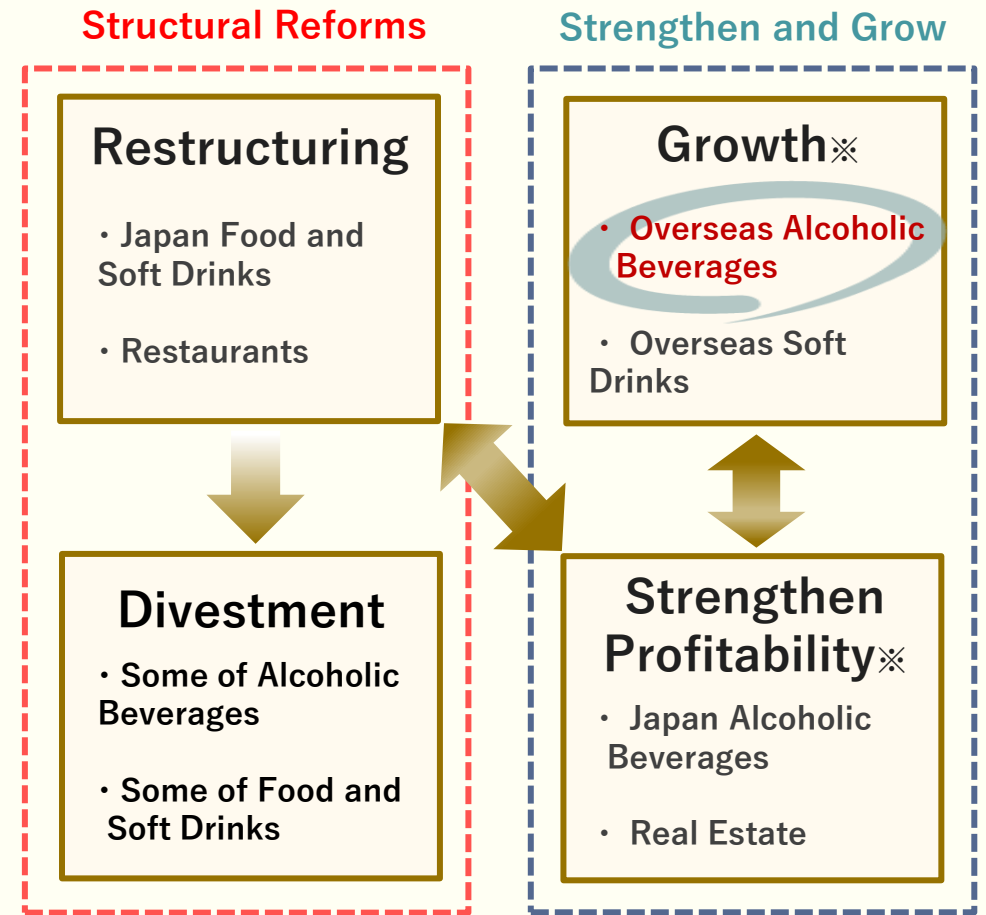
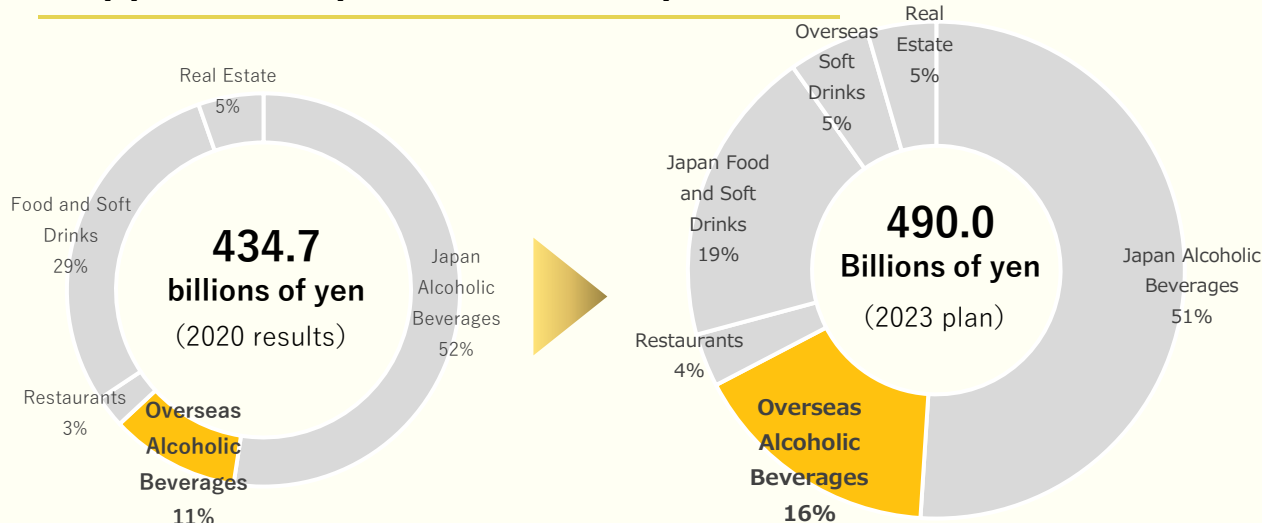
# Positioning of Overseas Alcoholic Beverages in the Sapporo Group

- Top line remains on a growth trend and accounts for 16% of Group revenue
- Placed under “Strengthening/Growth” in the business portfolio’s organization

## Overseas Alcoholic Beverages Segment Revenue (liquor tax included)



## Sapporo Group Revenue Composition



※Prioritize investment in core business to strengthen growth and profitability, and make business a pillar of profit.



# Positioning of Overseas Alcoholic Beverages in the Sapporo Group

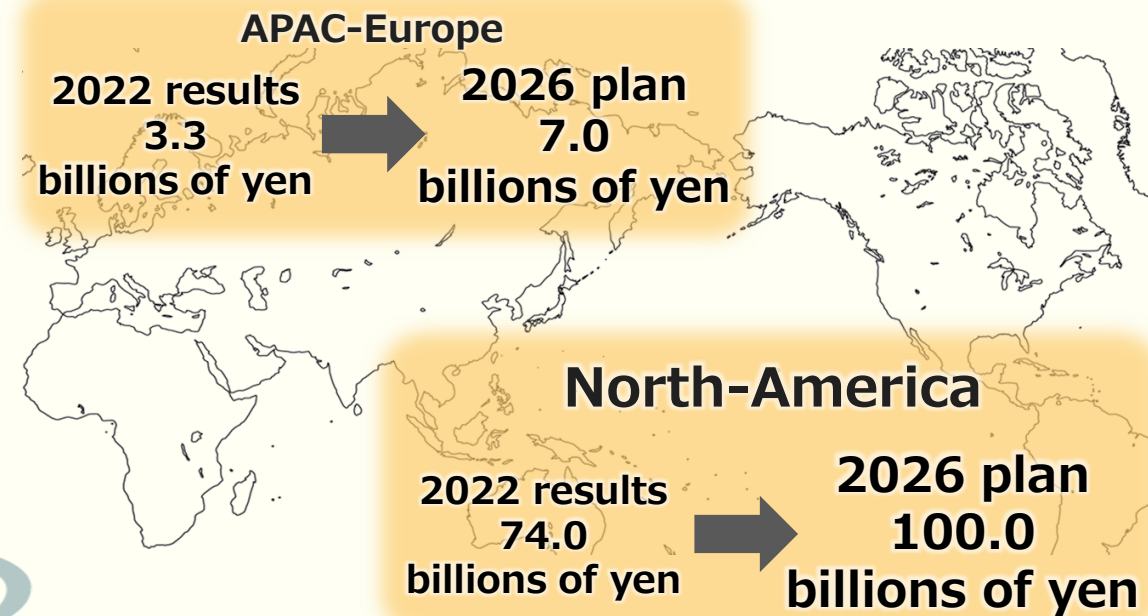
- Target for revenue of ¥107.0 billion by 2026 by 2026
- Target for core operating profit margin of 6.2% by 2026

## Revenue and Core Operating Profit

※Overseas Alcoholic Beverages segment + Export business

	2022 Results	2023 Plan	2026 Plan
Revenue	77.2 billions of yen	84.7 billions of yen	107.0 billions of yen
Overseas Alcoholic Beverages segment	74.0 billions of yen	80.0 billions of yen	100.0 billions of yen
Export business	3.3 billions of yen	4.7 billions of yen	7.0 billions of yen
Core operating profit	0.2 billions of yen	1.0 billions of yen	-
Overseas Alcoholic Beverages segment	(0.3) billions of yen	0.5 billions of yen	-
Export business	0.4 billions of yen	0.5 billions of yen	-
core operating profit margin			6.2%
Revenue Compound Annual Growth Rate (CAGR)			approximately 10%

## North America becomes a growth driver



# Steady Business Expansion



## Acquisition of STONE BREWING CO., LLC

Further acceleration of the speed of business growth due to the acquisition of production bases in the U.S.

## Completion of brewery in Long An, Vietnam



First brewery built in Vietnam by a Japanese beer manufacturer\*  
Promotion of business expansion of the Sapporo brand in the continuously growing APAC market  
\*Per our Company's research  
※ See P.22 for details on our history in APAC and Europe

## Purchase of shares of Canada's SLEEMAN BREWERIES LTD.



Acquisition of the 3rd beer manufacturer in Canada with an established reputation in premium beers  
Achievement of a smooth PMI\*\* due to similar approach on craftsmanship

\*\*post-merger integration



## Establishment of SAPPORO U.S.A., INC. in the U.S.

Preservation of "Japanese quality" due to commitment to quality and ingredients, gain in visibility and praise in the U.S.

## Launch of beer exports to the U.S.

Start of global expansion with Japanese-food restaurants as main sales partners

1964

1984

2006

2011

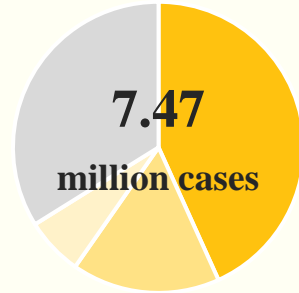
2022

2023-

Business Overview  
History

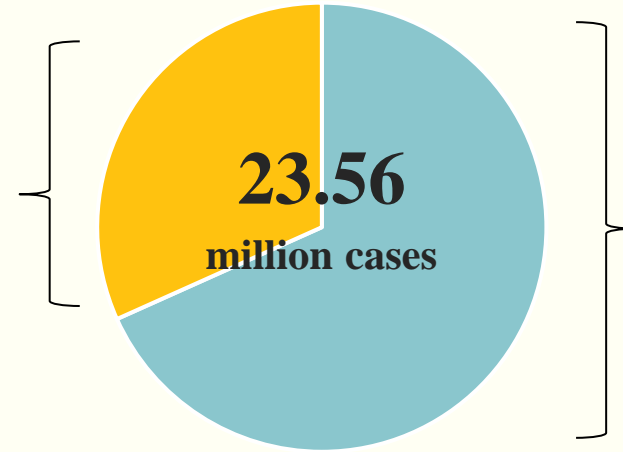
# Expansion of Sapporo brand and overseas brands focused on North America

★Sapporo brand  
Composition of sales volume by area  
Sapporo brand sold mainly in America



■ The U.S. ■ Canada ■ Vietnam ■ Export

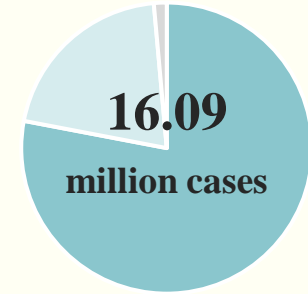
★Overseas  
Composition of sales volume by Brands



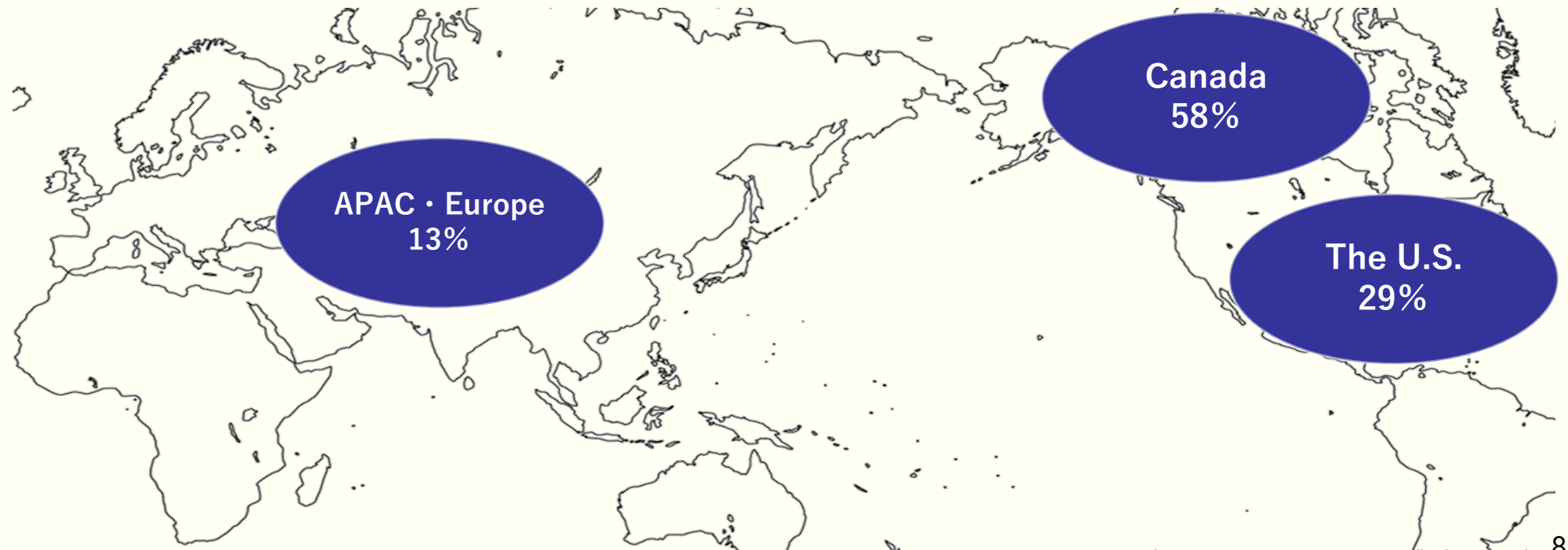
■ Overseas brand ■ Sapporo brand

(based on 2023 volume plan/cases)

★Overseas brand  
Composition of sales volume by Brands  
Main overseas brand is Canada's Sleeman



■ Sleeman ■ Stone ■ Others



Business Overview  
Global Expansion



# Expansion of overseas brands and Sapporo brand in each country with a focus on Premium

(based on 2023 volume plan)

Canada

The U.S.

APAC • Europe

**Premium**  
(including craft beer)

**20%**

SAPPORO  
Sleeman  
Okanagan Spring  
Unibroue

**100%**

SAPPORO  
Stone  
Unibroue

**100%**

SAPPORO

**Main-stream**

**26%**

Sleeman

## List of Premium brands (including craft beer)



Sleeman  
(Honey Brown)



Okanagan  
Spring  
(1516)



Unibroue  
(Blanche de Chambly)



Sapporo



Stone  
(Stone IPA)



Stone  
(Delicious IPA)



Stone  
(Buenaveza Lager)

**Value**

**54%**

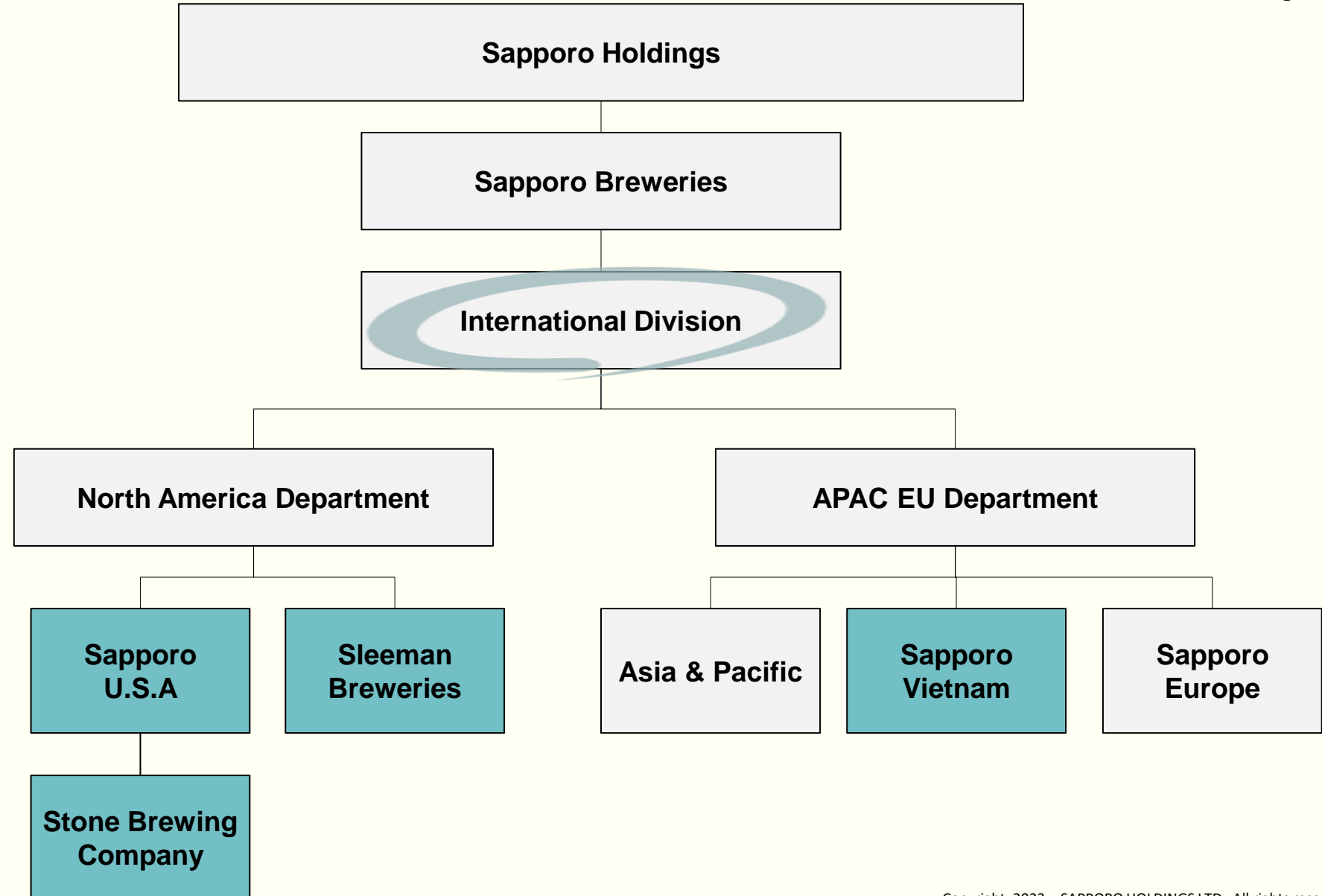
Old Milwaukee  
Pabst Blue Ribbon

Business Overview

Main Brands

# The structure enables governance application in the International Division despite transfer of management rights to local

(As of August 31, 2023)



Business Overview

Diagram of  
Organizational  
Structure

# Growth Strategy for Overseas Alcoholic Beverages (Summary)



## [Medium-Term Vision 2026]

Reach 10 million cases of Sapporo-branded beer sold, a **revenue of ¥107.0 billion** and a **core operating profit margin of 6.2%** by 2026, and continue to shine all over the world as a Premium beer brand from Japan.

Have our global human resources display their pioneering spirit all over the world, achieve tremendous growth as a business that drives the Sapporo Group and build a platform that grows even stronger.



## Mission

Deliver pleasant and rich lifestyles to customers around the world through high-quality products and services

## Business Policy

<b>Management Decision</b> Expand product development, manufacturing, marketing and sales activities that help realize the mission, with an “on-site-first” and “globally-optimized” approach.	<b>Product Strategy</b> Brand development based on the two axes NATIONAL and REGIONAL Product development adapted to local markets Diffusion of SPB’s Global Brand Policy and rules
<b>Area Strategy</b> Acceleration of expansion in the North American market Profit acquisition and platform building in the APAC and European markets	<b>SCM Strategy</b> “Value Chain Creation” that targets a reduction in logistics costs and stable quality through local production for local consumption
<b>Management Platform</b> (1) Improvement of organizations and systems, construction of cooperation schemes with Japan (2) Strengthening of governance (3) Diversity and inclusion (4) Global human resource development	



# Corporate Information (As of December 31, 2022)

Company name	SLEEMAN BREWERIES LTD.
Established	1834
Number of employees	515
Bases	Head office (Guelph, Ontario, Canada) 4 breweries (Guelph, Vernon, Chambly, Calgary)
Business field	Beer manufacturing and sales
Main area	Top 4 provinces* accounting for over 80% of aggregate demand The top 4 provinces* are also our Company's main area <small>*4 provinces of Alberta, British Columbia, Ontario, and Quebec</small>



Area Strategy

Canada

## Steady results generated since the acquisition in 2006

### Sales amount

# 2.7x

(compared to the time of acquisition in 2006)

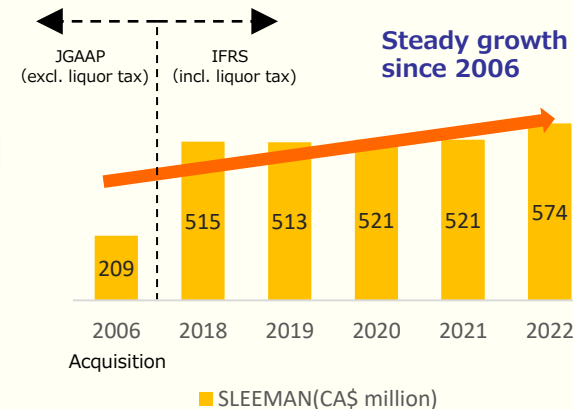
### Canada's domestic market share

## 3rd in Canada

# 5% ▶ 10%

(compared to the time of acquisition in 2006)

### SLEEMAN Revenue in local currency (before elimination of inter-company transactions)



Ranked among Canada's top 25 brands (Jan.-Jun. 2023 Results)

- Pabst Blue Ribbon (10)
- Old Milwaukee (12)
- Sleeman Clear 2.0 (17)
- Sapporo (22)
- Sleeman Original (23)



# Appropriate Response to Various Issues, Construction of a Stable Management Platform



## Issues

### Time of acquisition

- Decrease of market share
- Management from a short-term perspective
- Vertically-split structure and inefficiency in organization

### Changes in the external environment

- Slowdown of the growth in beer volume (lower aggregate demand)
- COVID-19
- Sharp rise in ingredient prices

## Response

Improvements and maintenance are carried out with a focus on local members, while incorporating the strengths of Sapporo and maintaining the base

- ✓ From the decentralization of power to “One Sleeman”
- ✓ Standardization of processes, cultivation of a continuous improvement mindset
- ✓ Improvement of brewery quality
- ✓ Execution of effective marketing investments

Introduction of new Vision Mission Value “Getting Better” becomes the common language of employees

- ✓ Great strides in quality improvement

### Formulation and implementation of the Medium-Term Management Plan

- ✓ Improvement of Gross Margin
- ✓ Cost Structure Reforms
- ✓ Investments in New Growth Opportunities



Area Strategy

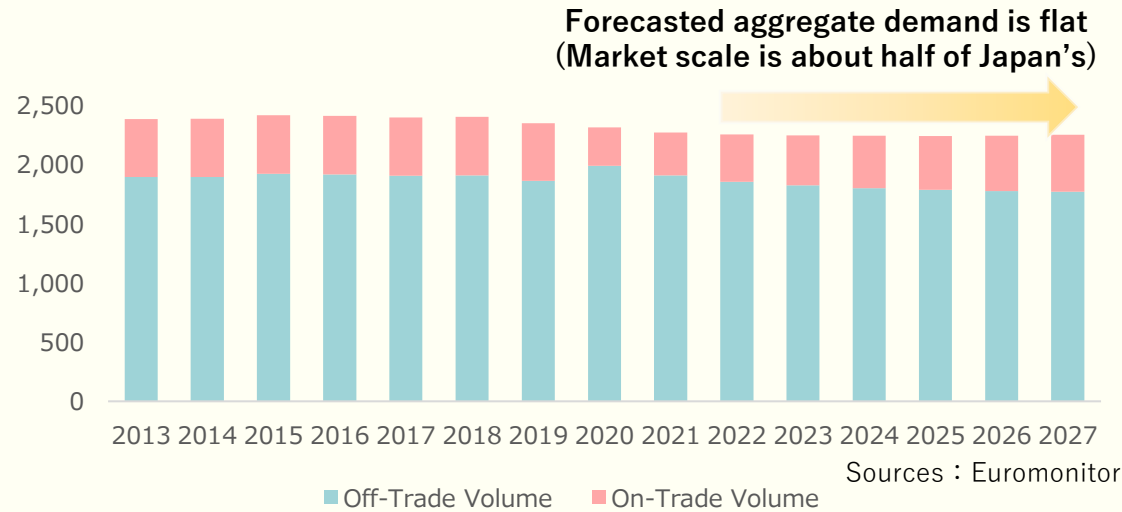
Canada





# Promotion of profitability improvements in beer where expectations for rise of aggregate demand are low and strengthening of initiatives toward Beyond Beer such as RTD with room for growth

Forecast of Canadian domestic aggregate beer demand

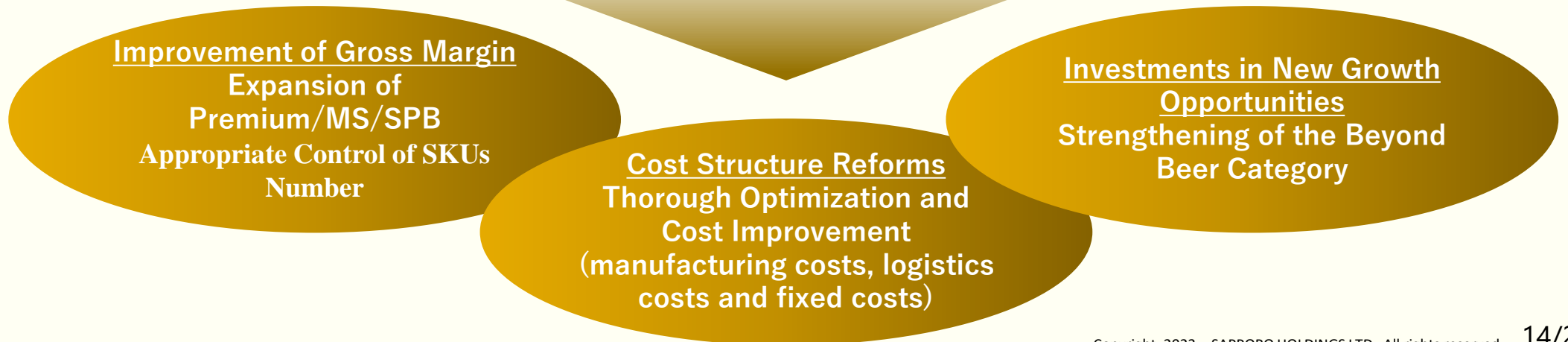


Forecast of Canadian domestic aggregate RTD demand



Area Strategy

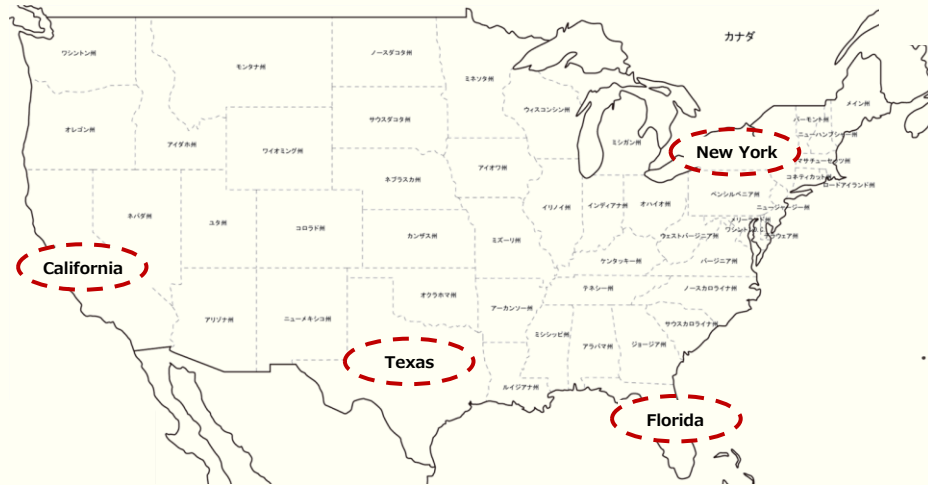
Canada





# Corporate Information (As of December 31, 2022)

- Company name ①SAPPORO U.S.A.,INC.  
②STONE BREWING CO., LLC
- Established ①1984  
②1996
- Number of employees ①60  
②195
- Bases Head office (San Francisco, CA)  
2 breweries (Escondido CA、 Richmond VA)
- Business field Beer importations, manufacturing, sales,  
and restaurants business
- Main area The four areas of California, Texas, Florida,  
and New York are strategic markets.



Area Strategy

The U.S.

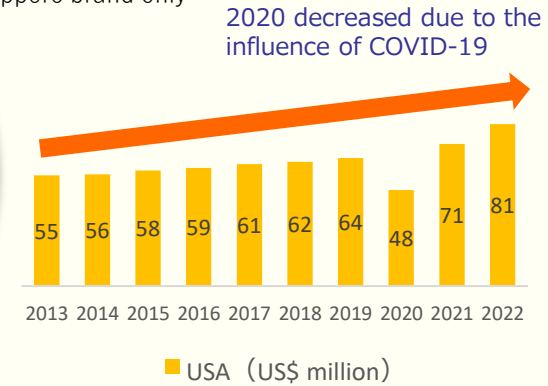
# Steady improvement in presence since the start of beer exports in 1964

Sales amount

**1.5x**

(10 years since 2013)

Sapporo U.S.A. Revenue in local currency  
(before elimination of inter-company transactions)  
\*Sapporo brand only



SPB

Asian beers within the U.S.

**NO.1\* for 37 consecutive years**

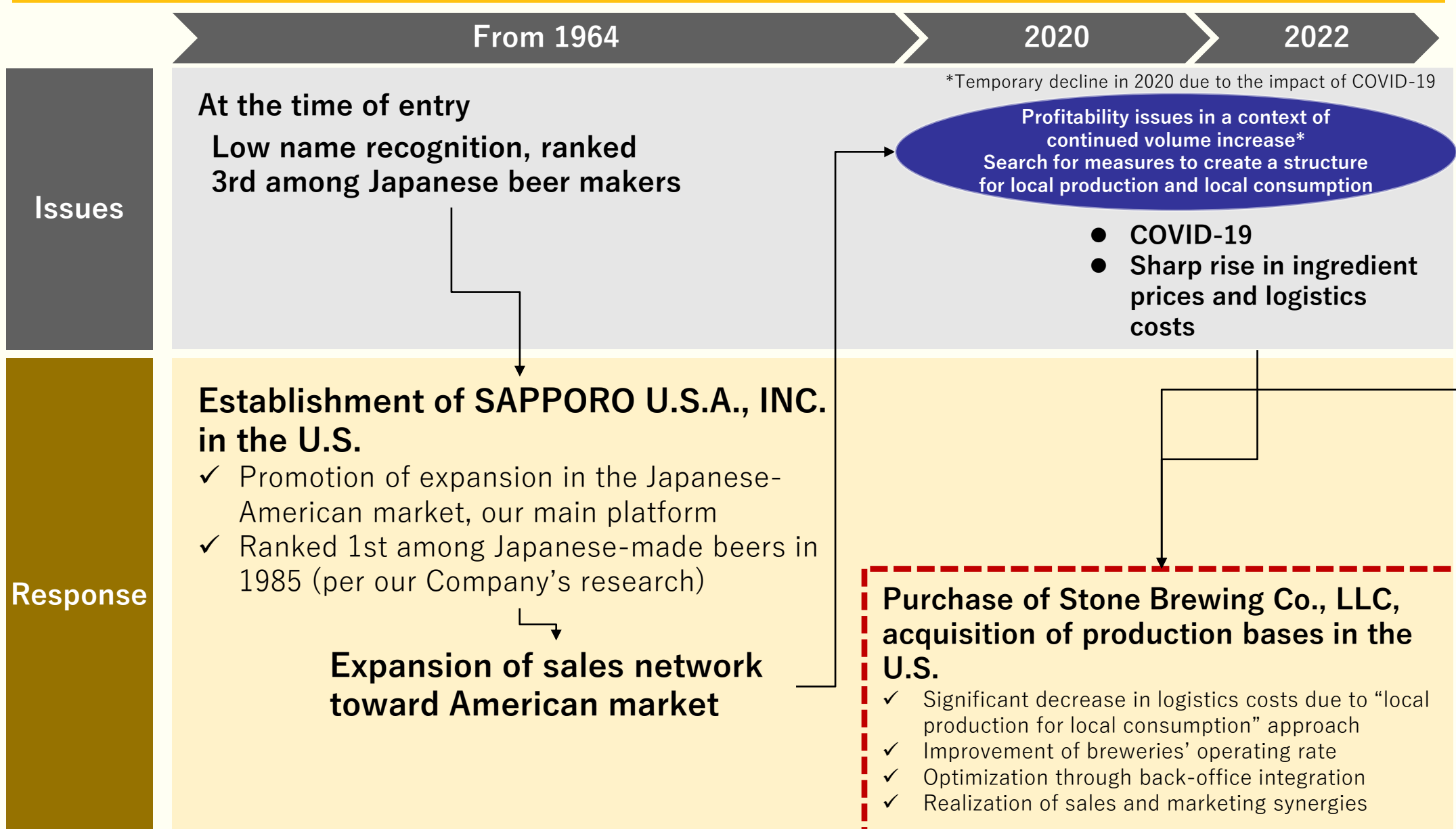
\*Per our Company's research



# Purchase of Stone Brewing Co., LLC to realize further growth, acquisition of long-coveted production bases in the U.S.



Area Strategy  
The U.S.



**Issues**

**Response**

From 1964

2020

2022

**At the time of entry**  
Low name recognition, ranked 3rd among Japanese beer makers

\*Temporary decline in 2020 due to the impact of COVID-19

**Profitability issues in a context of continued volume increase\***  
Search for measures to create a structure for local production and local consumption

- COVID-19
- Sharp rise in ingredient prices and logistics costs

**Establishment of SAPPORO U.S.A., INC. in the U.S.**

- ✓ Promotion of expansion in the Japanese-American market, our main platform
- ✓ Ranked 1st among Japanese-made beers in 1985 (per our Company's research)

**Expansion of sales network toward American market**

**Purchase of Stone Brewing Co., LLC, acquisition of production bases in the U.S.**

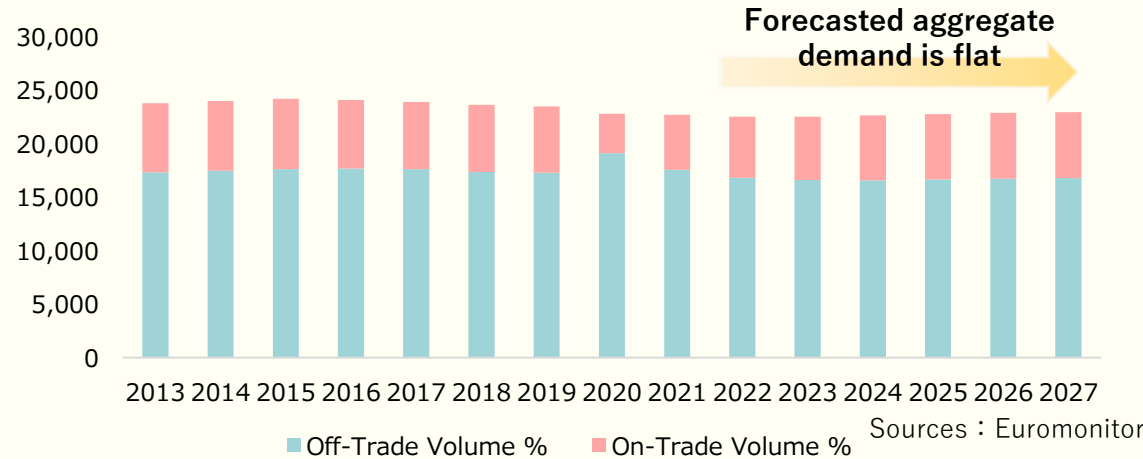
- ✓ Significant decrease in logistics costs due to "local production for local consumption" approach
- ✓ Improvement of breweries' operating rate
- ✓ Optimization through back-office integration
- ✓ Realization of sales and marketing synergies



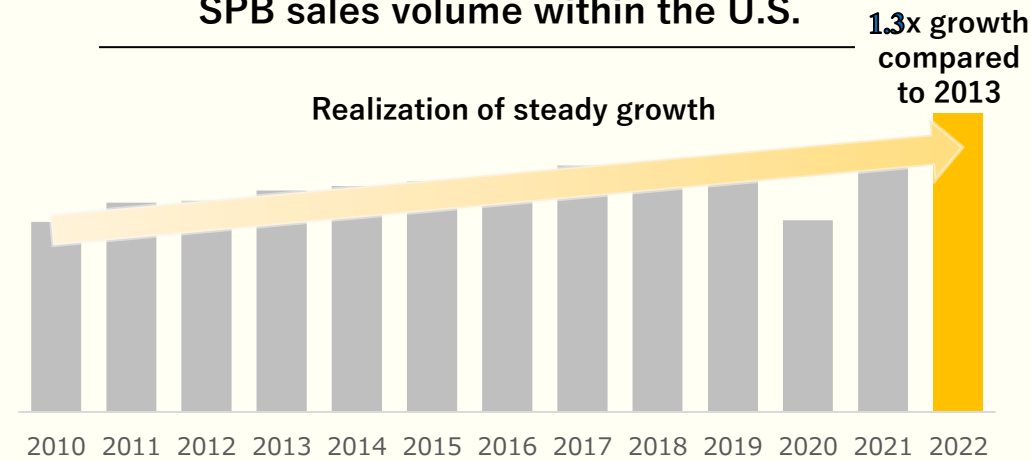
# SPB still on a growth trajectory, strengthening of product line expansion in American household-oriented chains

## Prompt realization of synergies with Stone Brewing Co., LLC, profitability improvements through value chain creation

Forecast of The U.S. domestic aggregate beer demand



SPB sales volume within the U.S.



Area Strategy

The U.S.

**Further Growth of SPB**  
**Product Line Expansion in American Household-Oriented Chains**  
 (Details P.18)

**Early Realization of Synergies with Stone**  
**“Value Chain Creation” in local production from local consumption**  
 (Details PP.19-20)

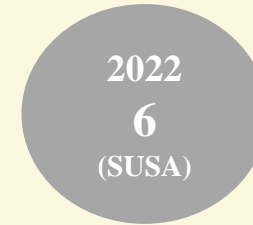


# Product Line Expansion in American Household-Oriented Chains



(1) **Acceleration of SPB chain** building through integration of sales structure of SAPPORO U.S.A., INC. and Stone Brewing Co., LLC

[Sales chain Personnel]



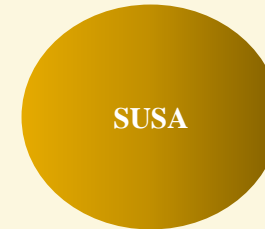
Area Strategy

The U.S.

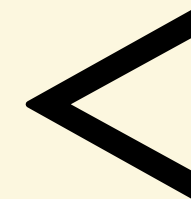
(2) Number of stores for Stone Brewing Co., LLC is 3 times higher than SAPPORO U.S.A., INC.  
**Opportunities for further growth**

[POD\*]

Points of Distribution



(Target: Household-oriented chains)



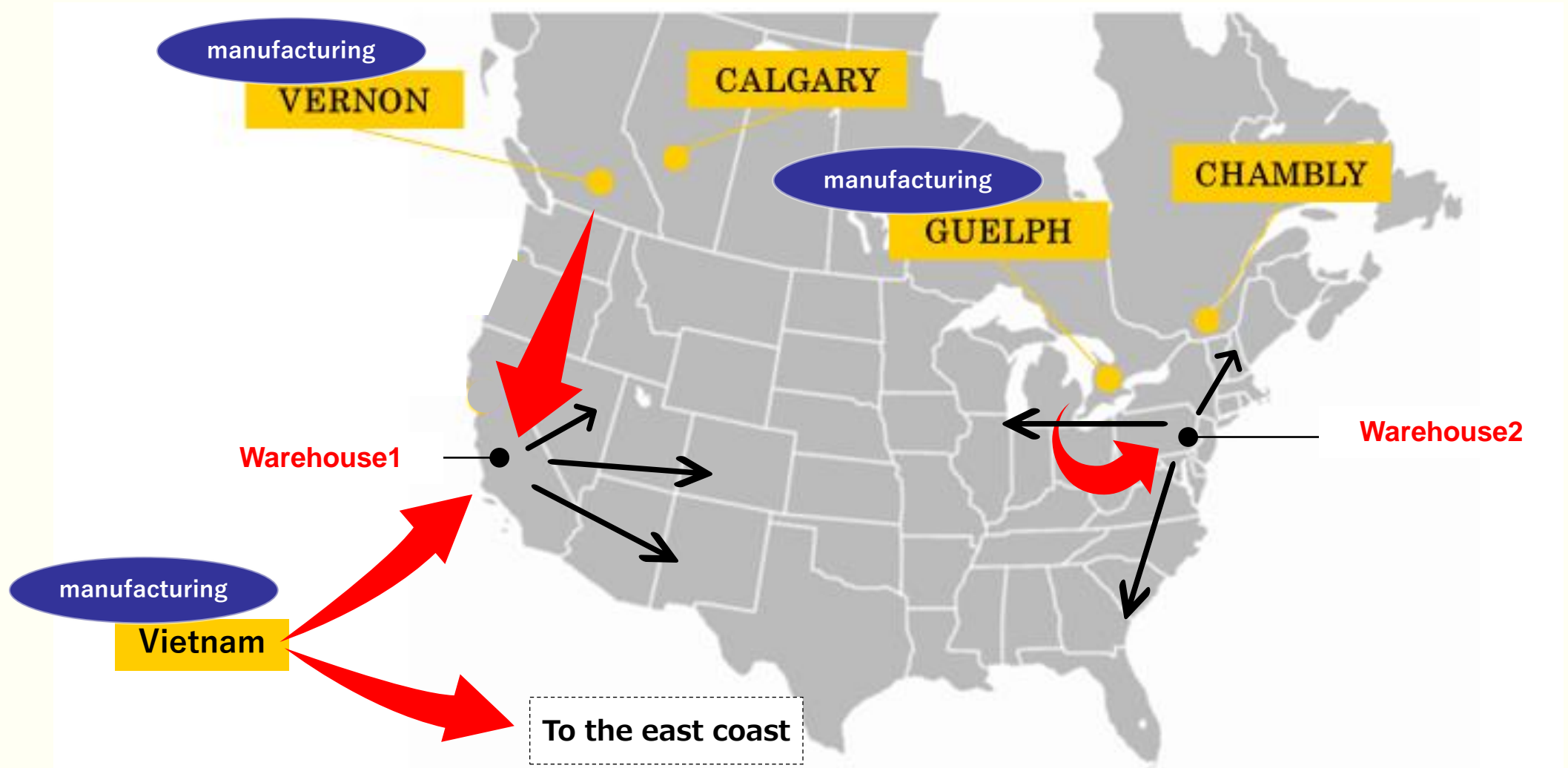
- Despite inclement weather, SPB volume **increased 2% YoY** in the January-June 2023 launch period as a new organization
- Product line expansion also continues with adoption decisions in major American chains





# Toward Value Chain Creation in local production from local consumption (current scheme)

Shipped from Guelph and Vernon in Canada to U.S. warehouses, and to wholesalers in each state  
A portion is shipped from Vietnam to Eastern and Western warehouses by sea



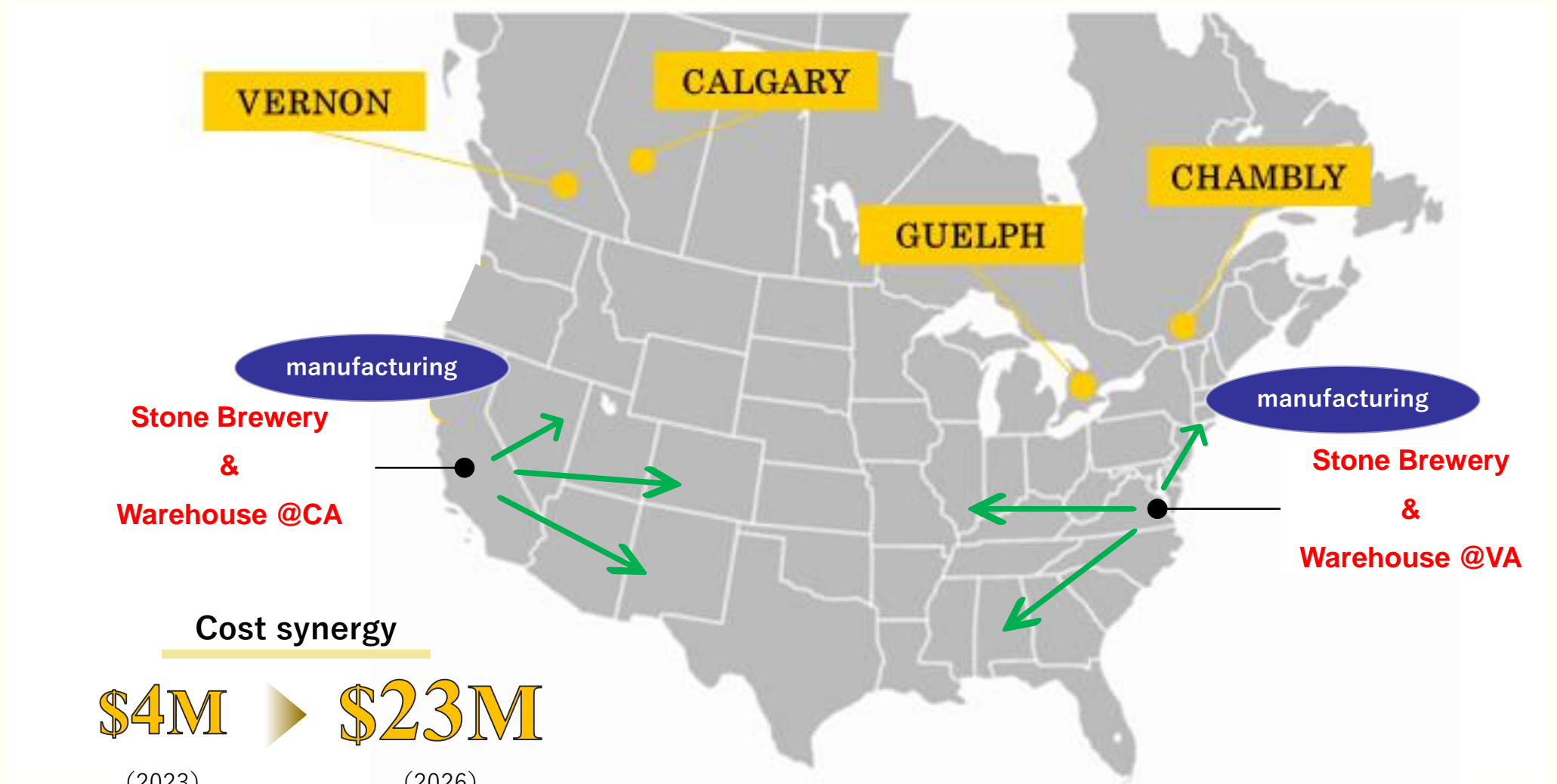
Area Strategy

The U.S.



# Toward Value Chain Creation in local production from local consumption (scheme after production start at Stone)

Significant decrease in logistics costs expected following production start at Stone as both production and consumption turn local within the U.S.



※Including synergies due to function integration

Area Strategy

The U.S.



# Draft Beer Kegs: Growth Drivers in Vietnam

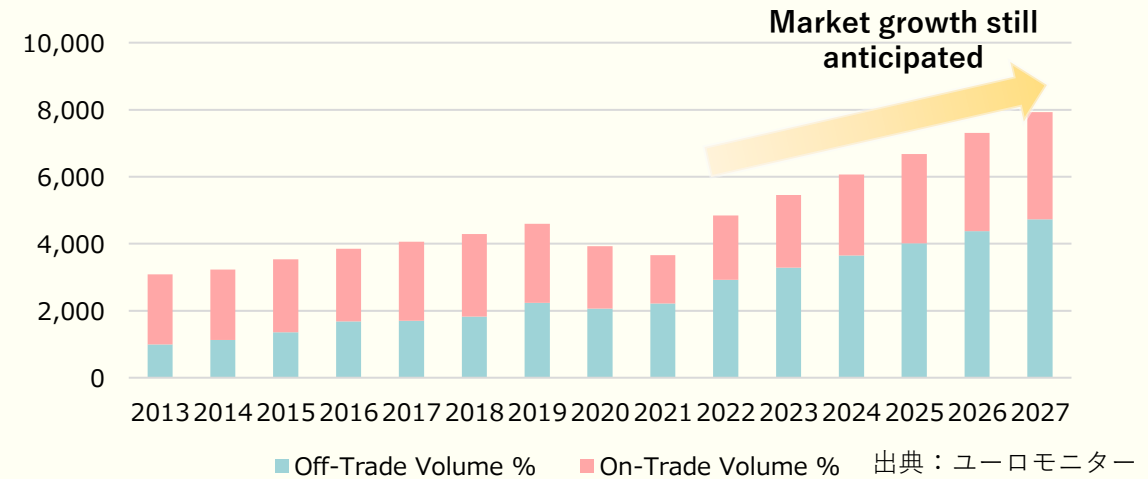
## Corporate Information (As of December 31, 2022)

### <Vietnam>

Company name	SAPPORO VIETNAM LTD.
Established	2010
Bases	Head office (Ho Chi Minh) 1 breweries (Long An)
Business field	Beer manufacturing and sales

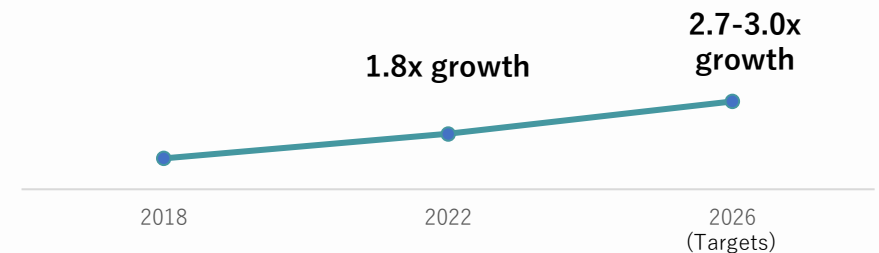


## Forecast of Vietnam domestic aggregate beer demand



## Turn Draft Beer Kegs into Growth Drivers

Number of draft keg beer distributors (growth rate with 2018 as 1)



Area Strategy

APAC  
Europe

# Cooperation with Agents focused on Key /Priority Areas (China, South Korea, Taiwan, Australia, Europe) & Development of Distributor Network In APAC and Europe

## Steady expansion of sales area

- 1965** (Hong Kong) Establishment of Sapporo Beer Hong Kong
- 1981** (China) Conclusion of contracts for beer exportations to China
- 2010** (South Korea) Sales entrusted to M's Beverage
- 2011** (Australia) Production and sales entrusted to Coopers Brewery Ltd
- 2018** (China) Agency contract with ABI
- 2019** (Europe) Establishment of Sapporo Europe B.V.

Imports of Sapporo brand from Vietnam or Japan  
Main areas: Vietnam, China, South Korea, Taiwan, Australia, Europe



### Strengthening of cooperation with agents in each country

- ✓ Strengthening of sales platform through dispatch of staff locally
- ✓ Opening up of local markets
- ✓ Spread of brand policy awareness (Holding of study meetings for agent companies)

Area Strategy

APAC  
Europe

# Diffusion and Development of Global Brand Policy Aiming for Sales of 10 Million Cases of SPB

Since exportations started in 1964, marketing in each country and expansion of sales. Growth until reaching the 10 million case-mark for the Sapporo brand in total in 2026. Due to unique marketing efforts in each country, no common brand personality across the world.

## [SPB Global Brand Strategy]

### Basic Policy

Creation of a Brand Policy shared across the world, spread of awareness and consistent marketing activities

Product  
SAPPORO PREMIUM BEER



### Place

Implementation of area strategy with The U.S, Canada, Vietnam, China, South Korea, Australia defined as priority countries

### Price

Implementation of price analysis considering competition, customers and profitability  
Execution of appropriate pricing

### Promotion

Spread of awareness of Brand Policy, development of glocalized promotion efforts

September 31, 2023

Production of brand websites (7 languages) and brand films (90 seconds)



Toward 2024

- ✓ Strengthening of communication with local staff in charge of marketing
- ✓ Promotion of initiatives such as globally standardized creative works

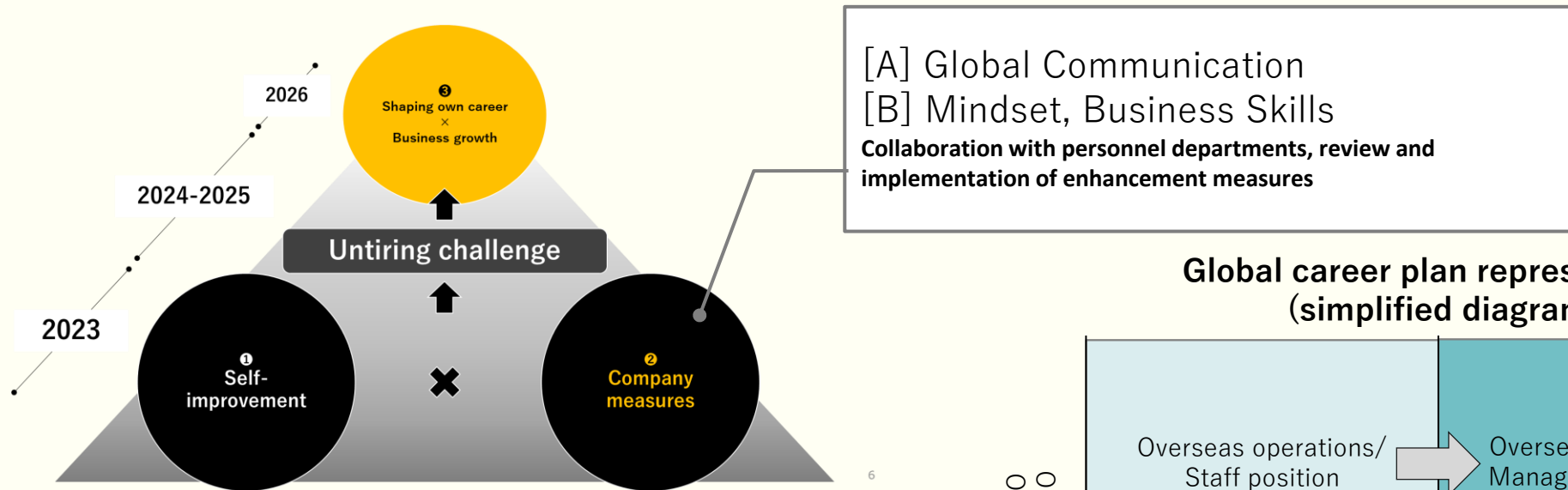
Global Brand Strategy



# Global Human Resource Development Aiming to Accelerate Global Business Expansion

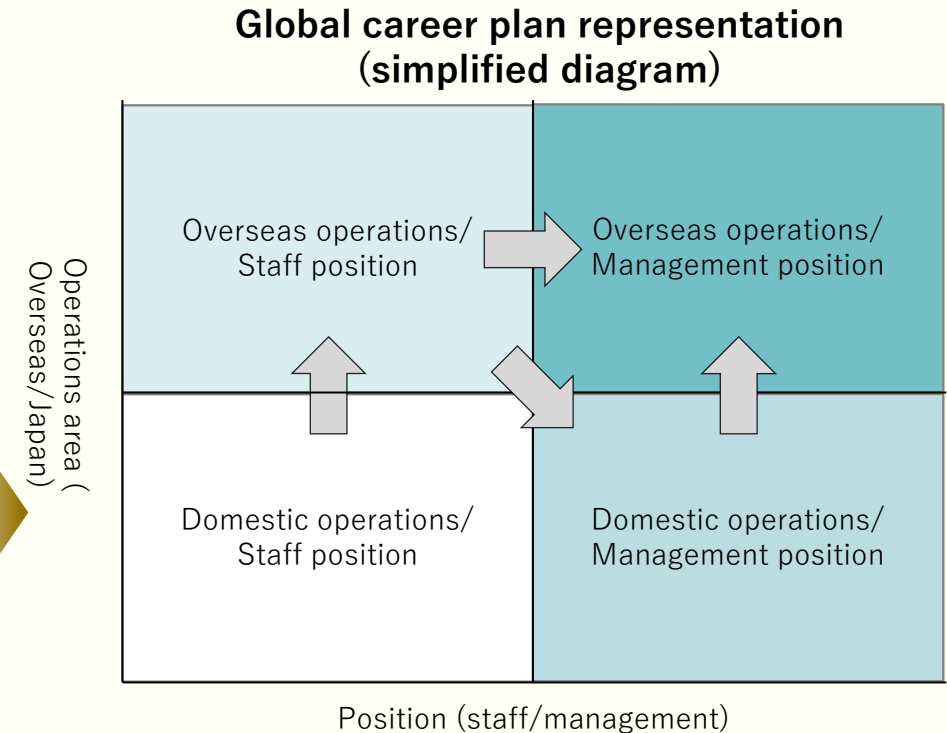
Develop global human resources (who can deliver results globally) in a planned and organized way to accelerate global business expansion

- ✓ We target business growth and self-actualization by taking on challenges persistently



- ✓ Development of candidates for future local management roles

Introduction of unique trainee system, study-abroad programs  
By giving young employees gain international experience, we aim to strengthen future local management



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



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