



Sapporo Group Business Results Presentation for the Six Months Ended June 30, 2019

August 6, 2019

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

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Progress of Structural Reform

● **Steady progress has been made with structural reform of businesses facing issues**
We plan to disclose the details by the time of reporting full-year earnings results for 2019

*Republished

SPEED 150

First Medium-Term Management Plan
(2017-2019)

Transformation with unprecedented speed
Towards shift to growth stage

2017 - 2018

2019

2020 -

- <Achievements>
- Transformation of the Group management platform
 - Strengthening of core brands

<Topics>

- **Structural reform and foundation building**

- Law revision towards unification of liquor taxes
- Tokyo Olympic and Paralympic Games
- 130th anniversary of Yebisu beer

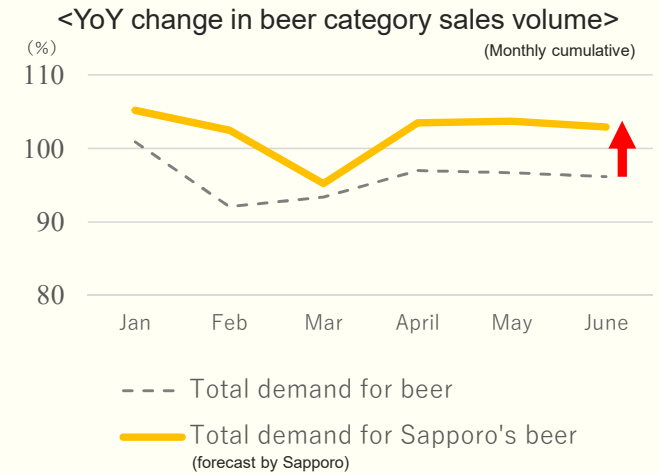
- <Issues>
- Major environmental changes in the alcoholic beverage and soft drinks businesses in Japan and overseas
 - ⇒ Has resulted in delayed progress

We have positioned 2019 as a year of change in which we will clarify and tackle the issues facing the group

Dynamic growth of the Sapporo Group

Strengthening of Beer Business and Approach to Low Price Category

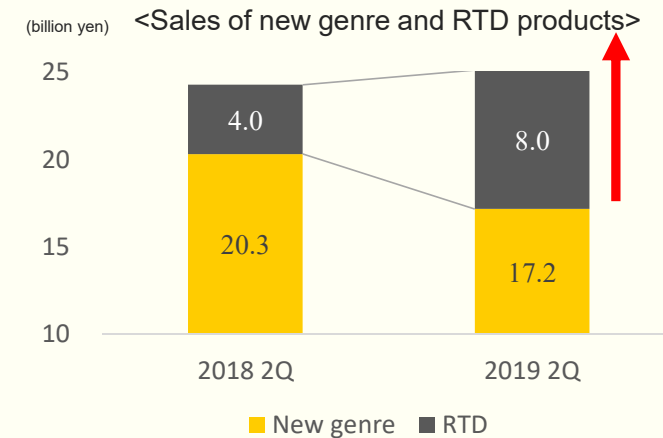
Steady progress made with strengthening of beer business



Relaunch of Mugi to Hop and continued growth of RTD will be key factors in the low-cost category




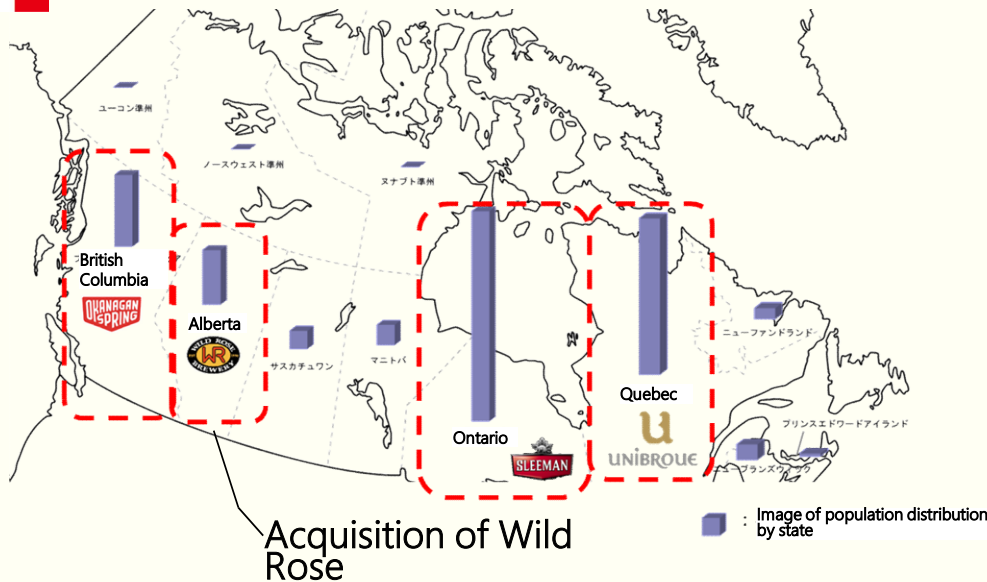
Mugi to Hop to be relaunched on August 27



Promote Global Business Expansion

▶ Rising logistics costs have been weighing on profits in North America
 We will build optimal SCM frameworks that enable production near crucial areas and put together a strong brand portfolio to aim for medium- to long-term growth.

 = Crucial areas

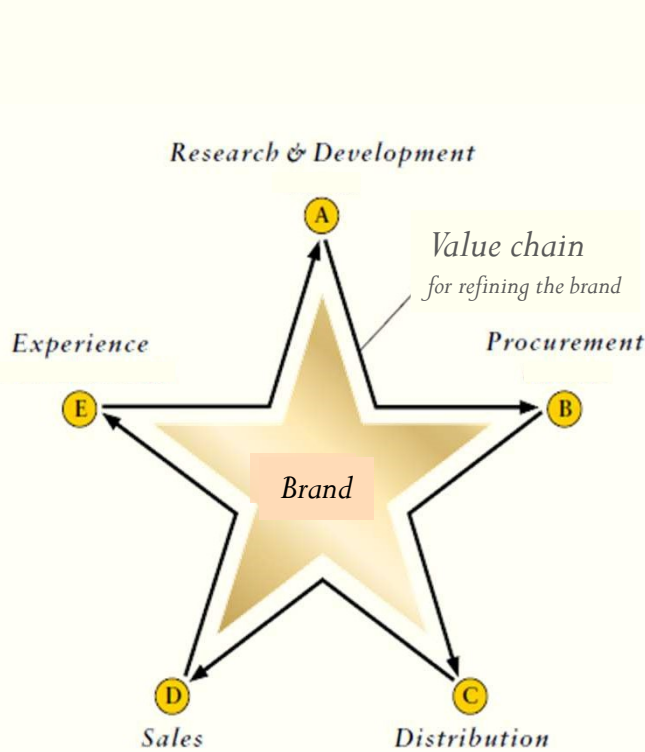


We acquired Wild Rose, which, although small in size, has a high market share in Calgary in Alberta Province, and enabled us to secure a local brand and production base in one of the four crucial areas of Sleeman.

Other than Anchor, we don't have any other local brands or production bases in California or the three other crucial areas, which together account for 40% of our sales. We will build a brand portfolio and SCM frameworks like we have in Canada, but this will take time.

Accelerate Growth in the Food Field

Procurement of ingredients is one of Yasuma Co., Ltd.'s strengths
 We will pursue strengthening of the value chain and build a unique presence in specific categories



- A** - Create synergies based on R&D
- B** - Ingredient procurement strengthened with acquisition of Yasuma
 - Began lemon cultivation in Hiroshima Prefecture
- C** - Completion of soymilk yogurt plant
 - Cup soup manufacturing facility under construction
- D** - Expand food field with emphasis on delicious taste, health, and convenience, and focus on fields where our presence can be felt
- E** - Emphasize spaces where the brand can be experienced in the food field as well



Approx. 70% market share



Approx. 20% market share



Approx. 90% market share



Developed miso powder with processing technology

Utilize strengths in the alcoholic beverages business

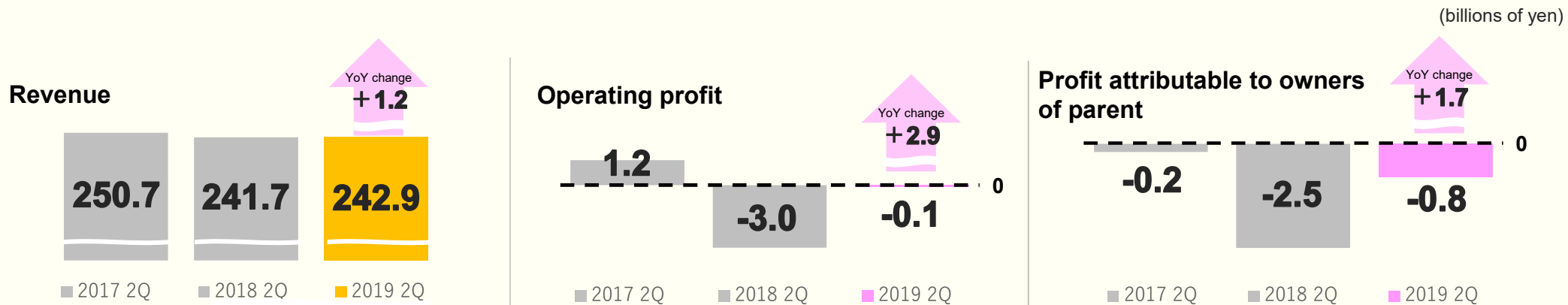
Overwhelming market share in Okinawa



Business Results

Second-Quarter 2019 Highlights

The alcoholic beverages business (Japan) led growth, and revenue increased, but North American beverages and food & soft drinks facing issues
Give priority to brand reinforcement and structural reform rather than short-term business performance



- While beer and RTD in Japan performed strongly in the alcoholic beverage business, slowdown of new genre products and impact of exchange rate on North American alcoholic beverages resulted in a revenue decline of ¥1.2 billion
- Revenue of the food & soft drinks business increased ¥2.4 billion, as sales were boosted by consolidation of Yasuma and the recovery of North American beverages

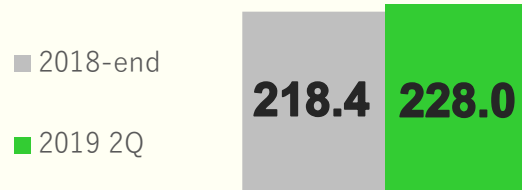
- Operating profit increased ¥2.9 billion, as cost control in the alcoholic beverages business (Japan) and improvement in product mix more than offset the profit decline in the food & beverages business

- Loss narrowed as operating profit improved

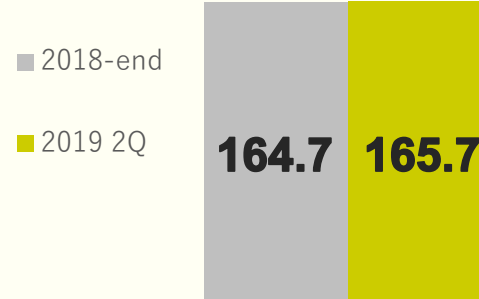
Second-Quarter 2019 Highlights

(billions of yen)

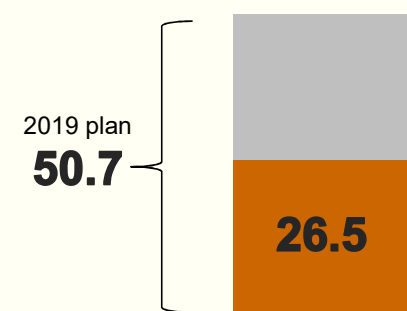
Balance of net debt



Equity



Cash basis investment



D/E ratio (net) **1.4** times YoY change ± 0.0 times

Transformation of the Group management platform



- Lightweight beer can lids received prize at 43rd Kinoshita Awards (See slide 21)

Group topics

- Sapporo Holdings announces its support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) <https://www.sapporoholdings.jp/news/dit/?id=8186>
- Four beer companies to expand joint beer pallet collection initiative to cover entire country (See slide 31) http://www.sapporobeer.jp/news_release/0000022164/index.html
- Launched Hottokenaido, a co-creation initiative, to support people taking on new challenges in Hokkaido (See slide 32)


Revenue by Segment

2019



(billions of yen)

	2018 2Q	2019 2Q	YoY changes (amount)	YoY changes (%)
Revenue by Segment	241.7	242.9	1.2	0.5%
Alcoholic Beverages	151.0	149.8	(1.2)	(0.8)%
Japan & Asia	114.0	113.6	(0.4)	(0.4)%
North America	23.8	23.3	(0.5)	(2.0)%
Restaurants	13.2	12.9	(0.3)	(2.1)%
Food & Soft Drinks	75.8	78.2	2.4	3.2%
Japan & Asia	62.4	63.5	1.1	1.7%
North America	13.4	14.7	1.3	10.1%
Real Estate	12.1	12.0	(0.0)	(0.2)%
Other	2.9	2.9	(0.0)	(1.0)%

 Factors are explained
in the next slide

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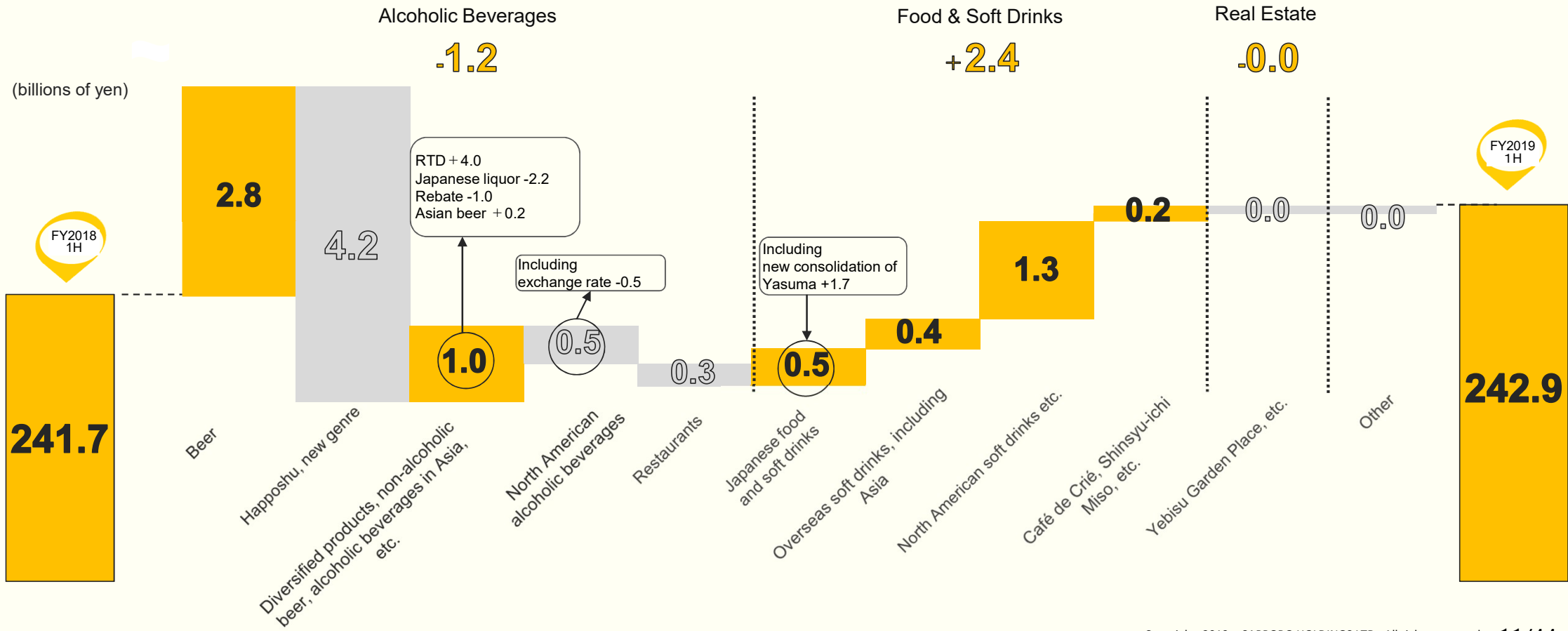


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Main Factors Contributing to Changes in Revenue

In addition to growth of beer and RTD, consolidation of Yasuma and improvement in North American soft drinks more than offset decline in happoshu and new genre products

+ = Increase
- = Decrease



Operating Profit by Segment

Profit by Segment

2019

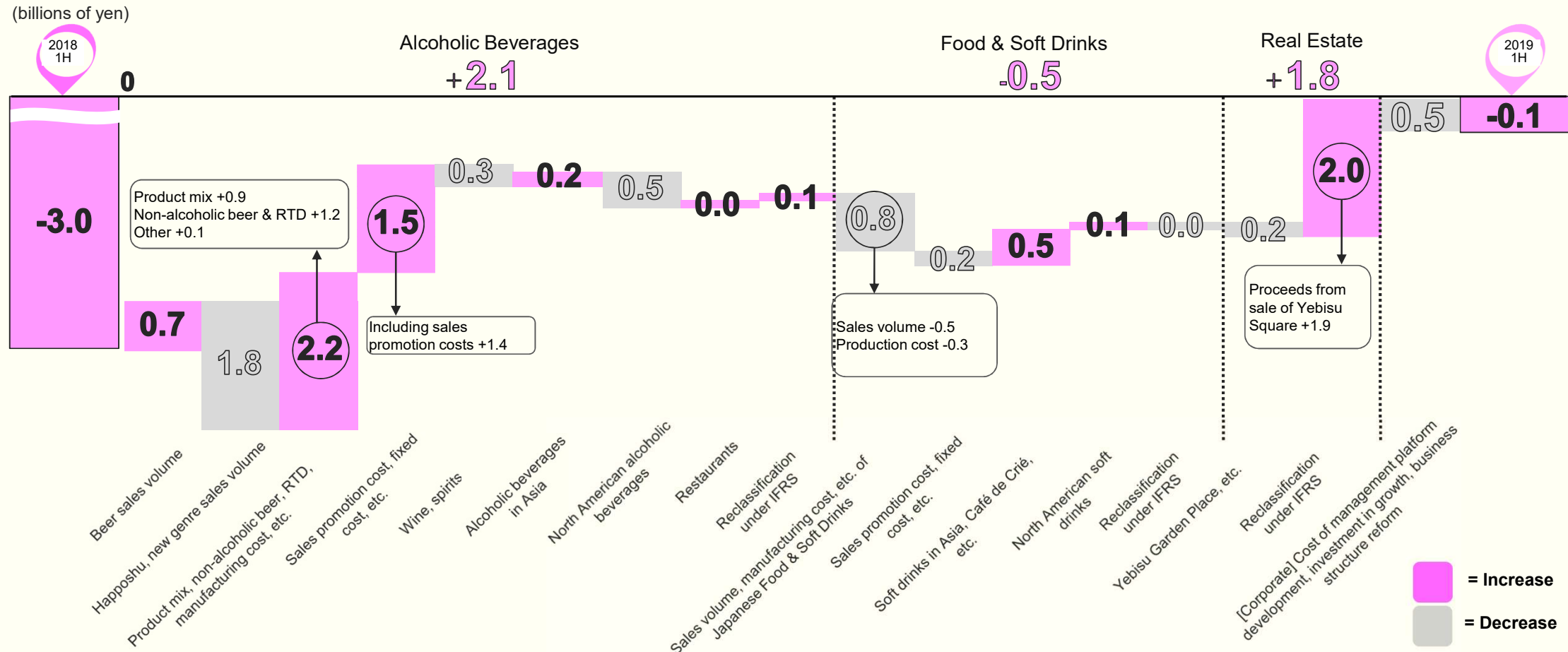


(billions of yen)

Operating Profit by Segment	2018 2Q	2019 2Q	YoY changes (amount)	YoY changes (%)
Operating Profit by Segment	(3.0)	(0.1)	2.9	-
Alcoholic Beverages	(2.7)	(0.6)	2.1	-
Japan & Asia	(2.2)	0.4	2.6	-
North America	0.1	(0.6)	(0.7)	-
Restaurants	(0.5)	(0.4)	0.0	-
Food & Soft Drinks	(1.7)	(2.2)	(0.5)	-
Japan & Asia	(1.4)	(1.9)	(0.6)	-
North America	(0.4)	(0.3)	0.1	-
Real Estate	4.6	6.3	1.8	39.4%
Other	0.0	(0.2)	(0.2)	-
General corporate and intercompany eliminations	(3.2)	(3.5)	(0.3)	-

Main Factors Contributing to Changes in Operating Profit


Contribution from cost control and product mix improvement through strengthening of beer business
Sale of investment real estate in 1Q, and improvement of operating profit to almost flat year-on-year level



*Reclassification under IFRS: Other non-operating revenues and expenses as well as extraordinary income and loss.



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Alcoholic Beverages

Situation in 2Q

Future initiatives, etc.

Positive

- (1) Continued to strengthen beer business in Japan
Sales of both Black Label and Yebisu in cans increased
- (2) RTD sales doubled year on year
- (3) Strong performance of Sapporo Premium continued in North America



- (1) The beer market continues to decline and there are gaps with the forecast, but the mainstay brands have trended steadily. We will pursue brand strengthening with focus on the Liquor Tax Act revision.
- (2) We will grow 99.99 as the core RTD product. First, we will give priority to expanding sales and harvest profits from next year onwards.
- (3) SKU reduction at retail outlets continues to be positive for Sapporo brand. Incentive measures have been effective and shipment of can products to CVS chains has been increasing.

- (4) New genre products declined year on year
- (5) Total demand in the Canadian market declined about 3%* due to low temperatures and flooding, etc. Revenue at Sleeman increased on a local currency basis due to active investment of marketing funds, but operating profit declined
- (6) The beer market in San Francisco continues to stagnate Anchor is facing a difficult time



- (4) The biggest problem facing Mugi to Hop is declining popularity among customers in their 40s and 50s. Based on the results of analysis, we will fully relaunch the product (on Aug 27) and move forward with initiatives to curb the impact of the consumption tax hike.
- (5) We will work to maximize the impact of marketing investment. The ratio of can products has been increasing also in Canada and we will introduce products and production frameworks reflecting this trend.
- (6) While market conditions are expected to remain adverse, we are pushing ahead with rebranding and framework enhancement.

Negative

*Estimate for January-May period

Situation in 2Q

Future initiatives, etc.

Positive

- (1) Lemon-based food products continue to be strong (**up 12%**)
- (2) Consolidation of Yasuma contributed to revenue
- (3) Performance of overseas soft drinks (Asia) is showing a recovery
- (4) Signs of improvement in profitability of North American soft drinks



- (1) Propose commercial-use products and broadening of applications to expand the market
- (2) Reduce future ingredient procurement risk.
Create synergies with POKKA SAPPORO Food & Beverage in various value chains such as product development.
- (3) We are working on reconstruction of the overseas soft drinks business (Asia), and Singapore and major export destinations have been steady (excluding UAE).
- (4) Food service (FS) grew. Production efficiency also improved.

Negative

- (5) Sales of soft drinks declining as the number of vending machines in Japan falls
- (6) Sales of soup products declined



- (5) & (6) We will work on product promotion, including promotion of new products, in the lead up to the peak seasons.



Real Estate

Situation in 2Q

Future initiatives, etc.

Positive

- (1) Mainstay properties maintained high occupancy rates
- (2) Purchased Meguro Villa Garden, Ebisu Minami Building, Sreed EBISU, etc. Moved forward with urban renewal and strategic reshuffling of the property portfolio.



- (1) Aim for stable growth through regular maintenance and repair and measures to increase value.
- (2) Continue to promote urban development through strategic reshuffling of property portfolio.

-Nothing of note

Negative

Special factors in the business results

Impact of exchange rates on operating profit is minimal

<Special factors in business results (YoY)>

Business segment	Details	Impact on revenue	Impact on operating profit
Alcoholic Beverages	Wild Rose Brewery LTD. Consolidated from 2Q of 2019	-	-
Food & Soft Drinks	Yasuma Co., Ltd. Consolidated from 2Q of 2019 * 1Q :Balance sheet only	Approx. 1.7 billion	-

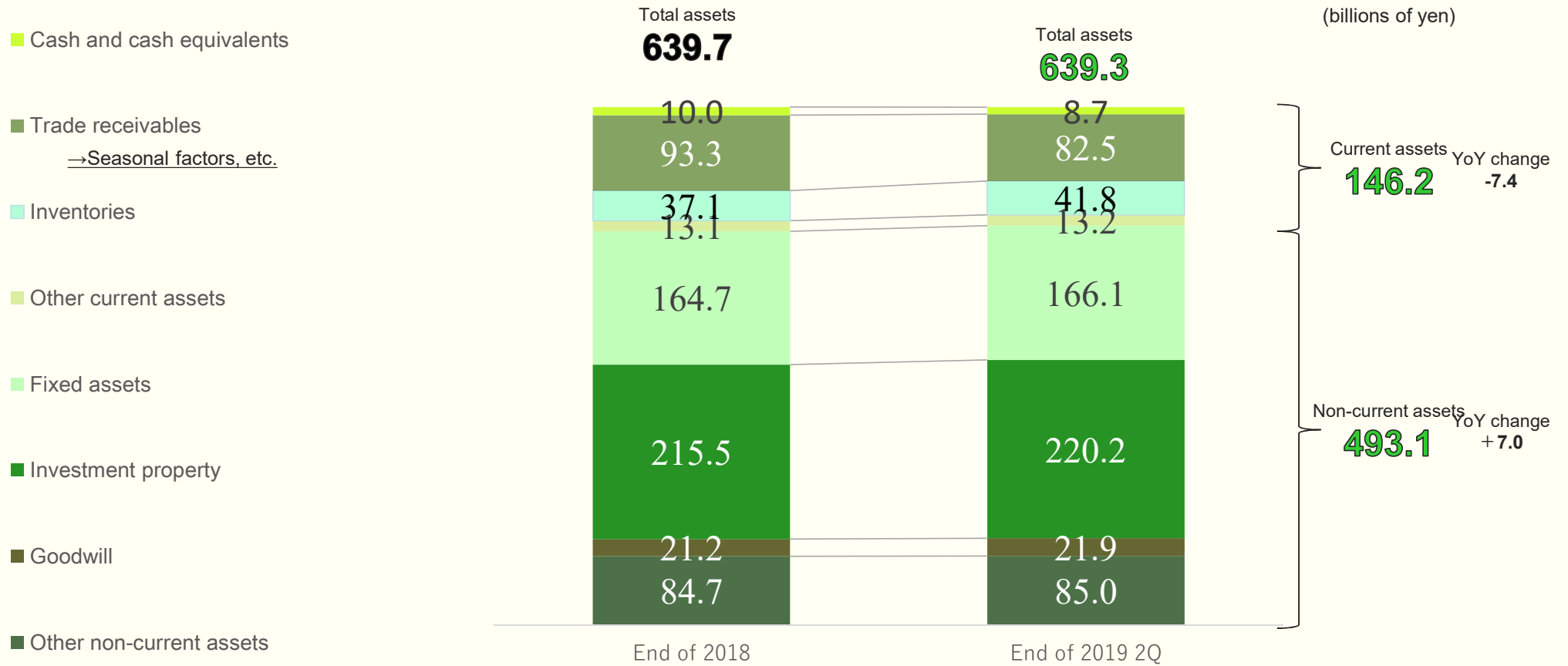
∴ negligible impact

<Impact of foreign exchange rates (currency translation)>

	2018 2Q	2019 2Q		Impact on revenue	Impact on operating profit
\$US	¥108.68	¥110.06	*Average rates for the quarter	Approx. -¥0.5 billion	-
EUR	¥131.55	¥124.32			
\$CAN	¥85.06	¥82.56		-	-
\$SG	¥81.94	¥80.99		-	-

Changes in Balance Sheets

▶ Total assets decreased ¥ 0.4 billion from year end



Changes in Balance Sheets

🕒 Total liabilities declined ¥1.4 billion from year end, total equity increased ¥1.0 billion

Trade payables

Short-term financial liabilities

Other current liabilities

→Decrease in liquor tax payable, etc.

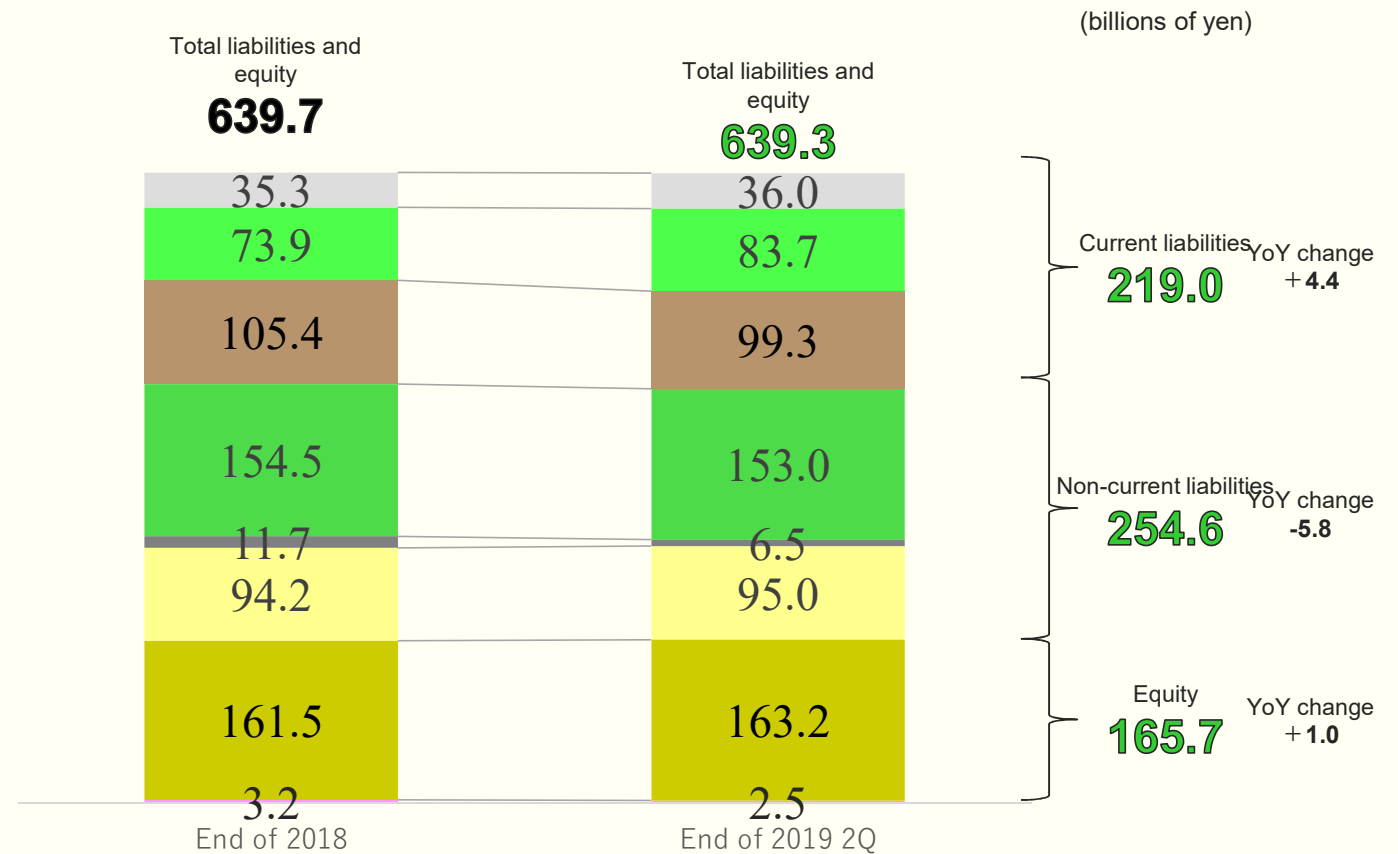
Long-term financial liabilities

Net defined benefit liabilities

Other non-current liabilities

Equity attributable to owners of parent

Non-controlling interests





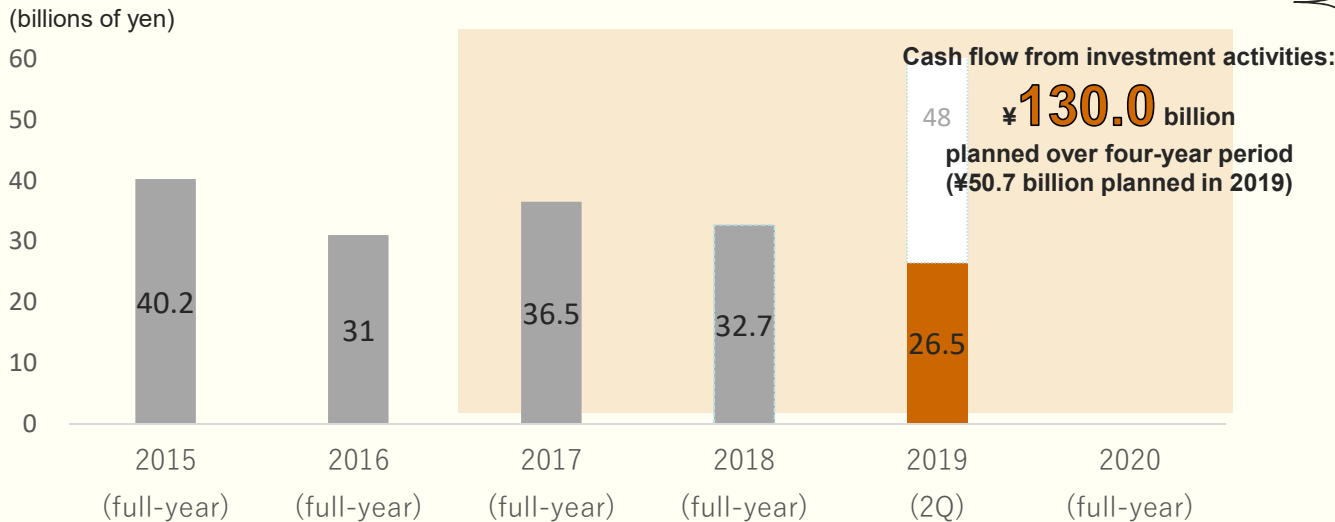
Financial Status

Investment on a cash basis was ¥26.5 billion

<Consolidated cash flow (CF) statement>

	2018 2Q	2019 2Q	Change	Change (%)
CF from operating activities	11.1	13.6	2.6	23.1%
CF from investing activities	-11.5	-14.9	-3.4	-
Free CF	-0.4	-1.3	-0.8	-
CF from financing activities	-2.1	0.1	2.2	-

<Changes in amount of investment (cash basis)>



① <Capital expenditure>

about **¥8.5 billion** in consolidated total

(property, plant and equipment, intangible assets)

<Major items>

· “Alcoholic Beverages,” “Food,” and “Soft Drinks”-related: about ¥6.8 billion

Domestic beer plant system upgrade work: About ¥2.0 billion

Capital investment at Sleeman: About ¥0.5 billion

· Pokka plant facilities-related: About ¥2.0 billion and so on
· Group-wide infrastructure optimization, etc.: About ¥1.4 billion

② <Investment properties>

about **¥12.4 billion** in consolidated total

③ <Lease fees> about **¥2.0 billion** in consolidated total

*Excluding lease fees for renting restaurant outlets

④ <Other investments> about **¥3.6 billion** in consolidated total

(including long-term prepaid expenses, investment securities, etc.)

①+②+③+④ <2019 2Q investment total>

(cash basis; including recurring capital expenditure and lease fees)

about **¥26.5 billion**

Transformation of the Group Management Platform

R&D



Lightweight beer can caps won prize at 43rd Kinoshita Awards

-CO2 emission reduction of as much as 1,200 tons a year by reducing the amount of aluminum used-

On June 18, Sapporo Breweries Ltd. received a prize at the 43rd Kinoshita Awards in the “*Kaizen* and Rationalization Category”¹ hosted by the Japan Packaging Institute. The prize was awarded for the “development of lightweight aluminum can caps for beer-taste beverages.”

The technology Sapporo has developed makes it possible to reduce the weight of can caps by about 7%. Replacing all of the can caps of all beer-type products of the company (including beer-taste beverages) with these newly developed can caps, would result in an annual CO2 emissions reduction of approximately 1,200 tons (based on figures for 2018).

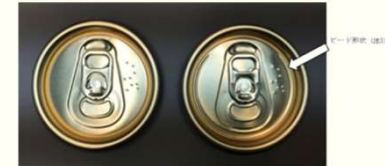
The characteristic feature of these new caps is that they achieve the same quality levels as conventional caps despite being thinner. This is achieved by using a newly devised forming technique that employs beading² on the surface of the cap.

Moreover, it does not require large-scale capital investments on the part of either can or beer manufacturers and almost no adjustments to production processes are necessary at beer manufacturers, which means easy deployment in the industry.

The can caps were designed and manufactured by Daiwa Can Company, and Sapporo Breweries carried out evaluation for practical use in a joint initiative.

Sapporo Breweries began using the caps it at its Chiba brewery in May 2018 ahead of other breweries and has shipped more than 200 million cans featuring the new caps so far.

The company plans to gradually start using the caps at other plants in stages and will promote it as a new industry standard for environment-friendly packaging.



¹ Kinoshita Award: A commendation project established to commemorate the long-standing achievements in the industry of the late Mr. Matasaburo Kinoshita, who was the second chairman of the Japan Packaging Institute. Prizes are awarded every year to those who achieved remarkable results in packaging research and development as well as improvement and rationalization, and those who made distinguished achievements in the creation of new packaging fields during the fiscal year.

² A groove machined onto the surface of the can caps.

Appendix

Appendix: 2018 2Q (Previous year's result) Conversion Table of Revenue, Operating Profit by Segment

* () denotes new segment	Former segments (5 business domain structure)	New segments (3 business domain structure)	Difference	Remarks
Revenue (billions of yen)	241.7	241.7	-	
Japanese Alcoholic Beverage (Alcoholic Beverages)	113.4	151.0	37.6	
International (-)	37.8	-	(37.8)	<ul style="list-style-type: none"> • North American alcoholic beverages and Vietnam moves to Alcoholic Beverages ¥24.5 billion • North American soft drinks moves to Food & Soft Drinks ¥13.4 billion
Food & Soft Drinks (Food & Soft Drinks)	59.6	75.8	16.1	
Restaurants	13.2	-	(13.2)	• To Alcoholic Beverages ¥13.2 billion
Real Estate (Real Estate)	12.1	12.1	-	
Other	5.7	2.9	(2.8)	• Shinshu-ichi Miso moves to Food & Soft Drinks ¥2.8 billion
	Former segments (5 business domain structure)	New segments (3 business domain structure)	Difference	Remarks
Operating profit	(3.0)	(3.0)	-	
Japanese Alcoholic Beverage (Alcoholic Beverages)	(2.3)	(2.7)	(0.4)	
International (-)	(0.2)	-	0.2	<ul style="list-style-type: none"> • North American alcoholic beverages and Vietnam moves to Alcoholic Beverages ¥0.2 billion • North American soft drinks moves to Food & Soft Drinks ¥-0.4 billion
Food & Soft Drinks (Food & Soft Drinks)	(1.3)	(1.7)	(0.5)	
Restaurants	(0.5)	-	0.5	• To Alcoholic Beverages ¥-0.5 billion
Real Estate (Real Estate)	4.6	4.6	-	
[Corporate] Other	(3.3)	(3.2)	0.1	• Shinshu-ichi Miso moves to Food & Soft Drinks ¥-0.1 billion

Appendix : Major sales & sale volume

Alcoholic Beverages(Japan)

(10,000 cases)

	Jan. 1 - Jun.30, 2018	Jan. 1 - Jun.30, 2019	YoY	Fiscal 2018 Actual	Full-year estimate for fiscal 2019	YoY
Sapporo Draft Beer Black Label (total)	778	778	100%	1,687	1,760	104%
YEBISU (total)	360	353	98%	857	870	102%
1 Beer (total)	1,303	1,342	103%	2,991	3,100	104%
2 Happoshu (total)	127	99	78%	257	200	78%
3 New genre beer products (total)	617	520	84%	1,217	1,150	95%
Beer, happoshu, and new genre (total 1+2+3)	2,047	1,961	96%	4,466	4,450	100%
Non-alcoholic beer taste beverage	47	35	75%	93	85	92%

(billions of yen)

	Jan. 1 - Jun.30, 2018	Jan. 1 - Jun.30, 2019	YoY	Fiscal 2018 Actual	Full-year estimate for fiscal 2019	YoY
Domestic wines	2.3	2.1	92%	4.7	5.3	115%
Imported wines	3.5	3.6	103%	8.2	9.3	113%
Wine (total)	5.8	5.7	99%	12.9	14.7	114%
RTD, Spirits and Shochu (total)	15.8	18.2	115%	35.3	41.2	117%
Subtotal	21.7	24.1	111%	48.3	55.9	116%
Rebate subtracted from sales	(3.5)	(4.7)	—	(8.5)	—	—
Total	18.1	19.3	107%	39.8	—	—

*Full year estimate for rebate subtracted from sales is not disclosed.

Beer (International)

(10,000 cases)

	Jan. 1 - Jun.30, 2018	Jan. 1 - Jun.30, 2019	YoY	Fiscal 2018 Actual	Full-year estimate for fiscal 2019	YoY
Overseas brand (SLEEMAN, Anchor, etc.)	662	645	97%	1,368	1,398	102%
Sapporo brand	305	319	105%	628	711	113%

Soft Drinks (POKKA SAPPORO FOOD & BEVERAGE)

(10,000 cases)

	Jan. 1 - Jun.30, 2018	Jan. 1 - Jun.30, 2019	YoY	Fiscal 2018 Actual	Full-year estimate for fiscal 2019	YoY
Soft Drinks(*1)	2,031	1,954	96%	4,370	4,450	102%

*1 : Excludes sales other than Japan and soy milk drinks sales in Japan

Sales (including liquor tax)

(billions of yen)

	Six months ended June 30, 2018 IFRS	Six months ended June 30, 2019 IFRS	Change	Change (%)
Beer	71.5	74.4	2.8	4.0%
Happoshu	4.9	3.8	(1.1)	(22.4)%
New genre	20.3	17.2	(3.1)	(15.5)%
Subtotal	96.8	95.3	(1.4)	(1.5)%
Rebate subtracted from sales	(5.2)	(5.1)	0.2	—
Total	91.5	90.3	(1.2)	(1.4)%

Sales (excluding liquor tax)

(billions of yen)

	Six months ended June 30, 2018 IFRS	Six months ended June 30, 2019 IFRS	Change	Change (%)
Beer	35.2	37.0	1.8	5.0%
Happoshu	2.7	2.1	(0.6)	(22.7)%
New genre	14.1	11.9	(2.2)	(15.4)%
Subtotal	52.1	51.0	(1.0)	(2.0)%
Rebate subtracted from sales	(5.2)	(5.1)	0.2	—
Total	46.8	45.9	(0.9)	(1.8)%

Appendix : Alcoholic Beverages (Japan)

【Beer】 (Sales volume)

- ✓ Jan- Jun **up 3%** y-o-y
- ✓ Black Label brand total : **Unchanged** y-o-y
(Sales of the canned version : **up 5%** y-o-y)
- ✓ Yebisu brand total : **down 2%** y-o-y

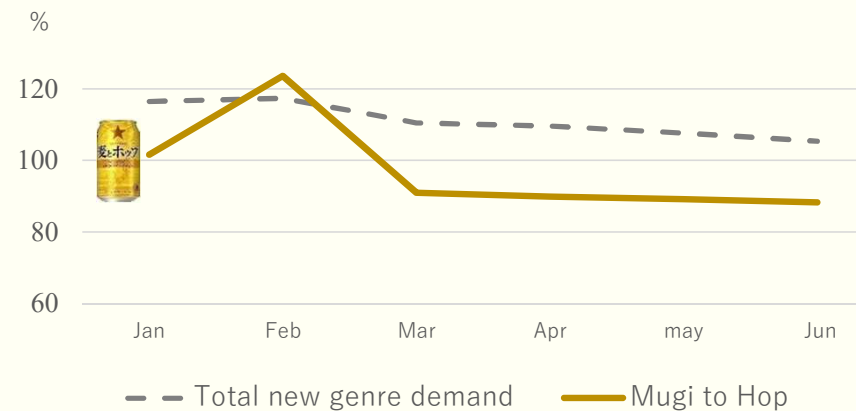
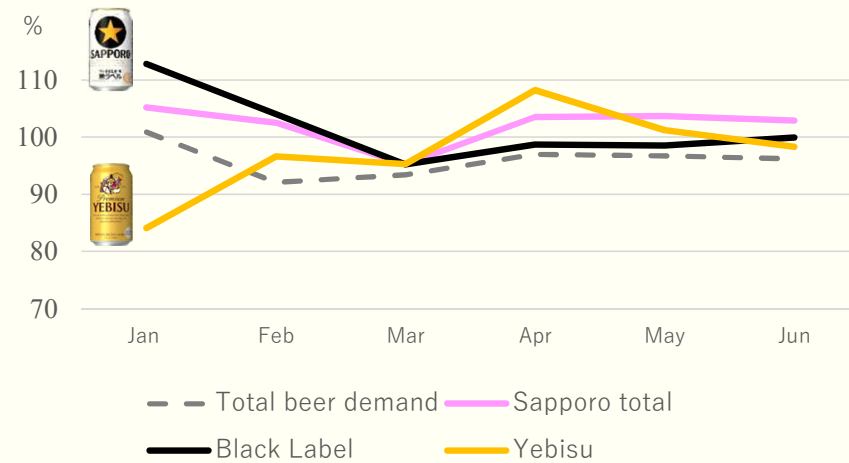
【Happoshu and new genre】 (Sales volume)

- ✓ Jan- Jun **down 17%**
- ✓ Mugi to Hop brand total : **down 12%** y-o-y

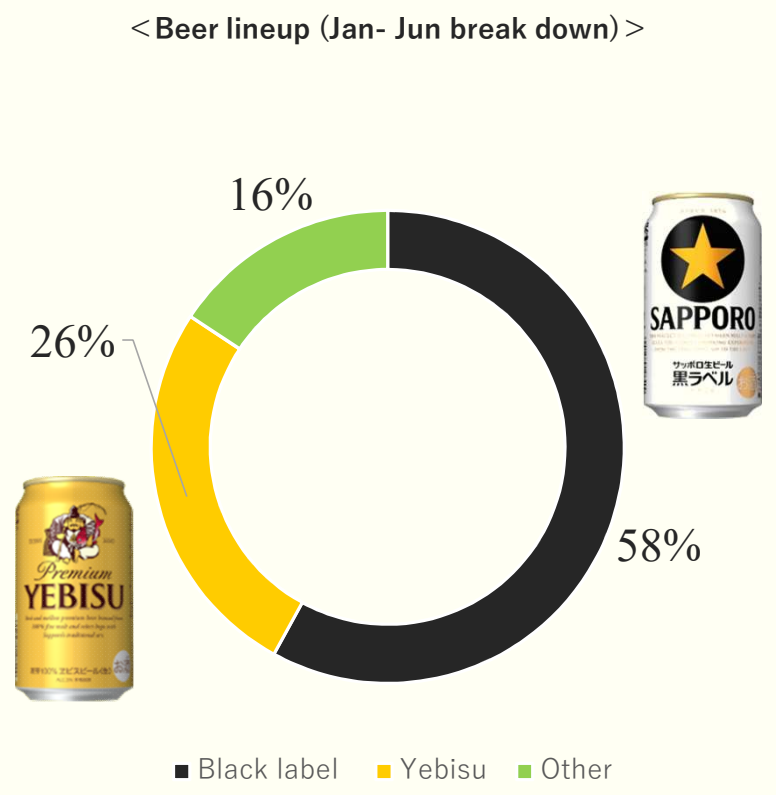
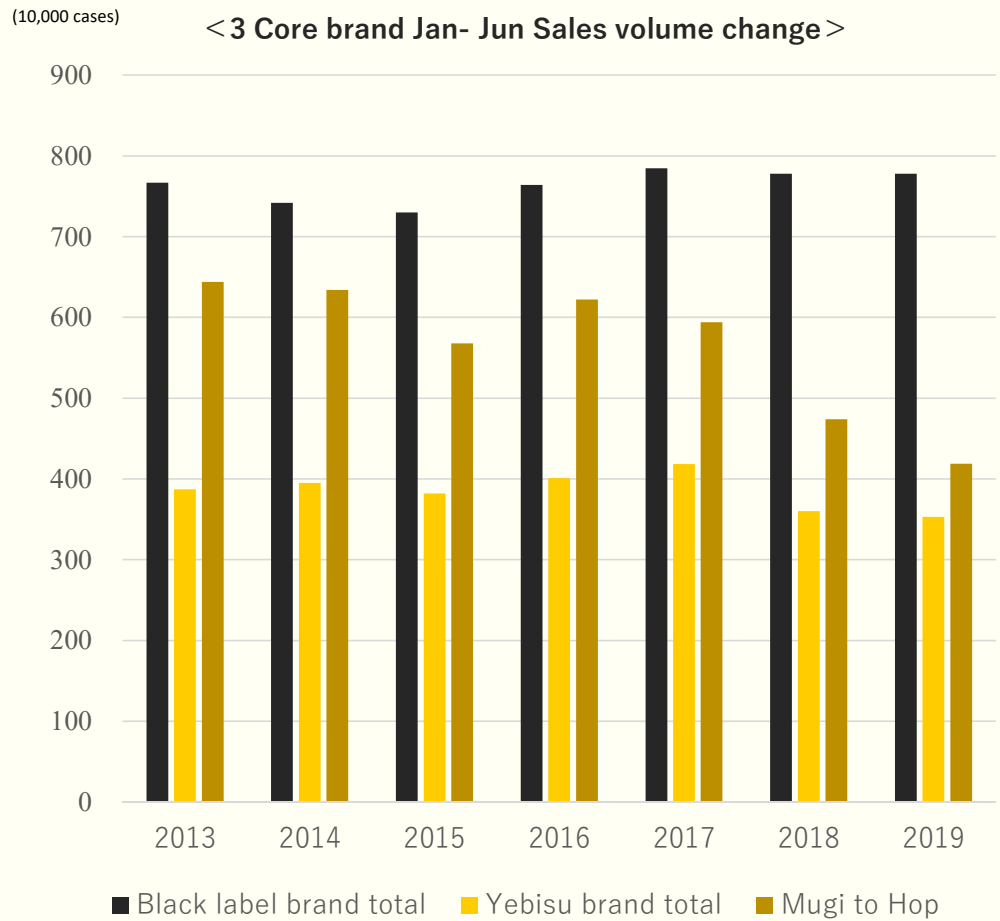
【Wine, Spirits and other】 (Sales revenue)

- ✓ Wine : **down 1%** y-o-y
- ✓ RTD : **up 100%** y-o-y
- ✓ Spirits : **up 16%** y-o-y
- ✓ Japanese liquor : **down 28%** y-o-y

< Y-o-y change in sales volume of 3 core brands > (Cumulative sales)



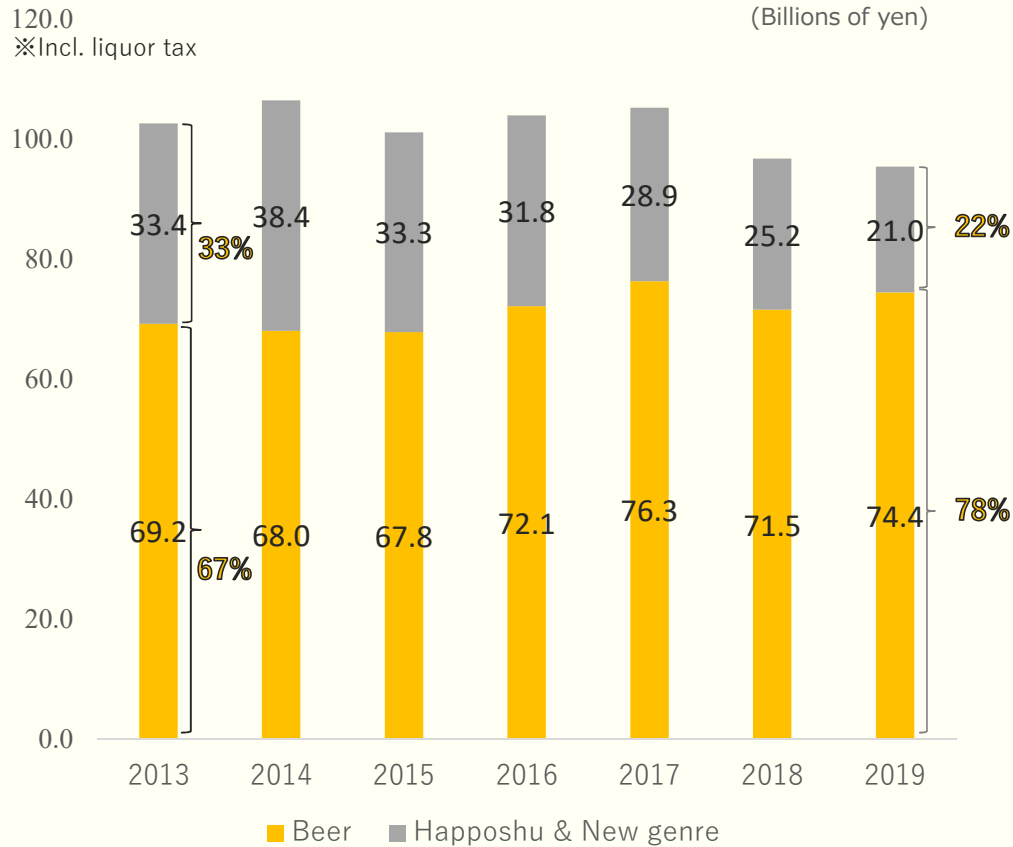
Appendix : Alcoholic Beverages (Japan)



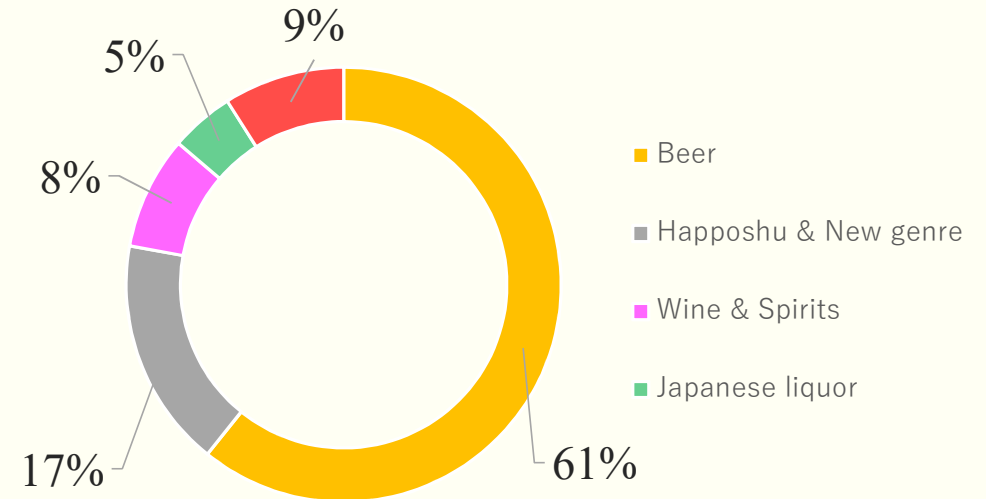
Appendix : Alcoholic Beverages (Japan)

< Jan- Jun sales revenue >

(Billions of yen)



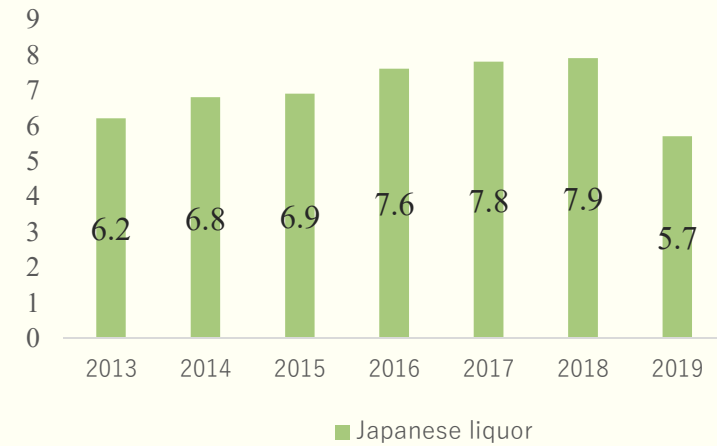
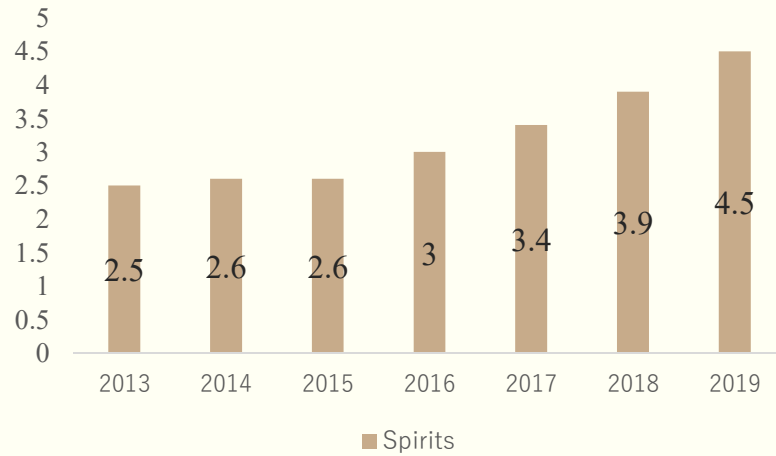
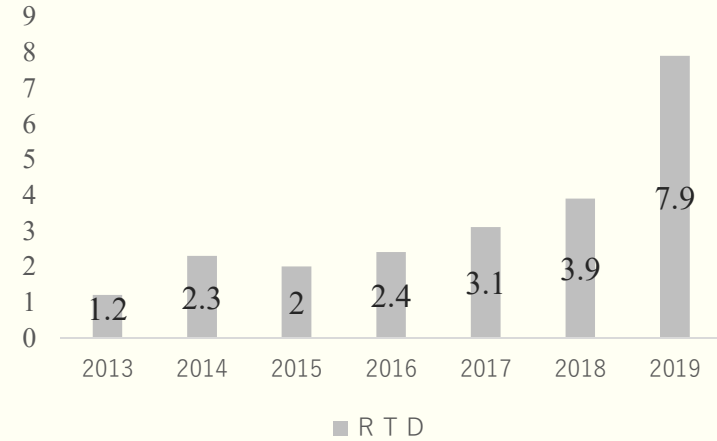
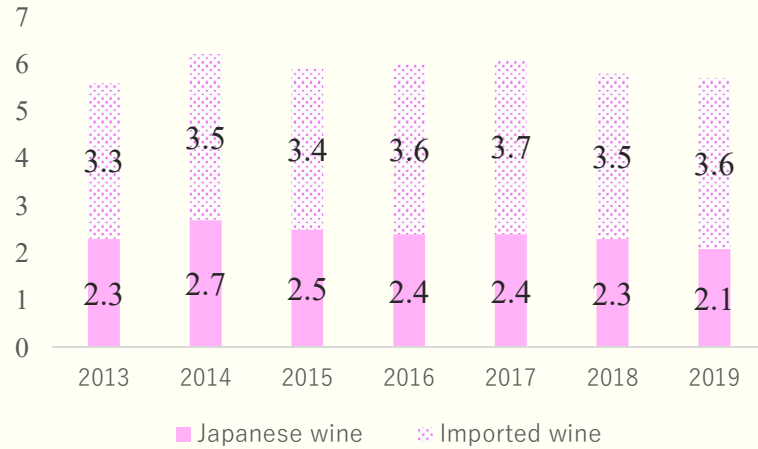
< Jan- Jun sales breakdown by category >



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

Appendix : Alcoholic Beverages (Japan)

< Jan- Jun sales revenue > (Billions of yen)



Appendix : Major New Alcoholic Beverages (Japan) Product Launches in Apr, May, and Jun

*incl. improved products (*1)



Sapporo Draft Beer Black Label Extra Brew



Limited version of Yebisu

CLASSIC



Limited version of Sapporo Classic



Limited version of Sapporo Classic

麦とホップ



Limited version of Mugito Hop



Limited version of Mugito Hop



Hokkaido Draft Beer



Sapporo Draft One (*1)

SAPPORO CHU-HI 9999
フォーナイン



9 9 . 9 9 < Four Nines > Clear ice



Lemon The Rich series



Plum cocktail Umekaku Gold kiwi

Skal 愛のスコール ホワイトソー



Ai no Skal White Sour series

キレートレモンソー



Kireto Lemon Sour Boost

NECTAR ソー



Nectar sour

▶ The Sapporo Draft Beer Black Label THE BAR opens first year-round antenna shop

Offering the “perfect draft beer” to customers at “the moment beer is most delicious”

Sapporo Breweries Ltd. opened the Sapporo Draft Beer Black Label THE BAR in basement level 1 of GINZA PLACE on July 5. The idea of the bar is to be exceedingly particular about the quality of the perfectly served draft beer it provides.

Based on the concept that the “moment when beer is most delicious is when it is one’s first glass of the day,” the shop is a year-round beer bar that is particular about offering the perfect draft beer as the first drink of the day for the customers, who can enjoy Black Label poured in three different ways.

We have positioned the Black Label brand as a pillar to underpin the strengthening of the beer business, and consider the high quality worldview and drinking experience embodied by “the perfect draft beer” as an important customer contact opportunity. We have been holding limited-time events around the country with an “experience the perfect draft beer” theme, with the aim of encouraging as many customers as possible to savor a perfect Black Label experience. This time around, we opened our first year-round antenna shop in Ginza, where the company launched beer hall culture in Japan 120 years ago, and will continue to create further opportunities for contacts with customers.



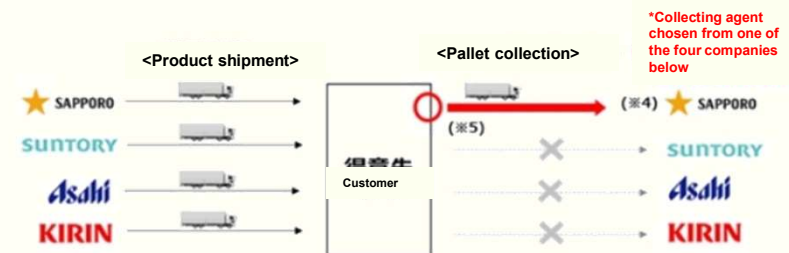
Nation-wide implementation of joint collection of beer pallets by four beer companies

Sapporo Breweries Ltd. (President: Hideya Takashima), Suntory Beer Ltd. (President: Kenji Yamada), Asahi Breweries, Ltd. (President: Kenichi Shiozawa) and Kirin Brewery Company, Ltd. (President: Takayuki Fuse) have agreed to incrementally expand the joint beer pallet collection initiative, implemented in the Tohoku area since November 2018, to also cover the greater Tokyo area, Tokai, and Kyushu areas. Further, the collection is scheduled to be expanded to other areas from November 2019 so as to cover the entire nation.

Following the area expansion in July, CO2 emission reduction accelerated further thanks to improvement in loading rates of the vehicles and reduction in the distances covered for collection, and annual CO2 emission is calculated to go down by about 4,778t (down about 47%) compared to existing levels for the four beer manufacturers together.

P-Pallets, standardized pallets for the alcoholic beverages industry, have been in use since 1992. The standardization of P-Pallet management operations (standardization of receipts and introduction of a common transaction system) has been making progress since the incorporation of the P-Pallet Common Users Association in 2013, but pallet collection from customers was being handled individually by each company.

Customers with a total of 10,000 or more pallets of P-Pallet Common Users Association members collected from their premises per annum are eligible for joint pallet collection, and the four companies will share the burden of P-Pallet collection (by selecting the collecting agent for each customer) and the collecting agent will collect the pallets for the four companies*1 from each customer.



*1 P-Pallets of four beverage companies belonging to the group of the four beer companies are also included in the joint collection

Launch of “Hottokenaido,” a co-creation initiative that supports new endeavors in Hokkaido

-First initiative of its kind in the world!? Support the project by having a drink!-

Sapporo Breweries, Ltd., under the slogan “What can we do for our hometown?” has been cooperating with the government of Hokkaido, where the company was established, and carrying out initiatives aimed at contributing to the revitalization of the region. We thus started a co-creation initiative “Hottokenaido” on June 6, 2019 aimed at developing a community that brings together “challengers” who want to take on new projects and “supporters” who want to support their activities.

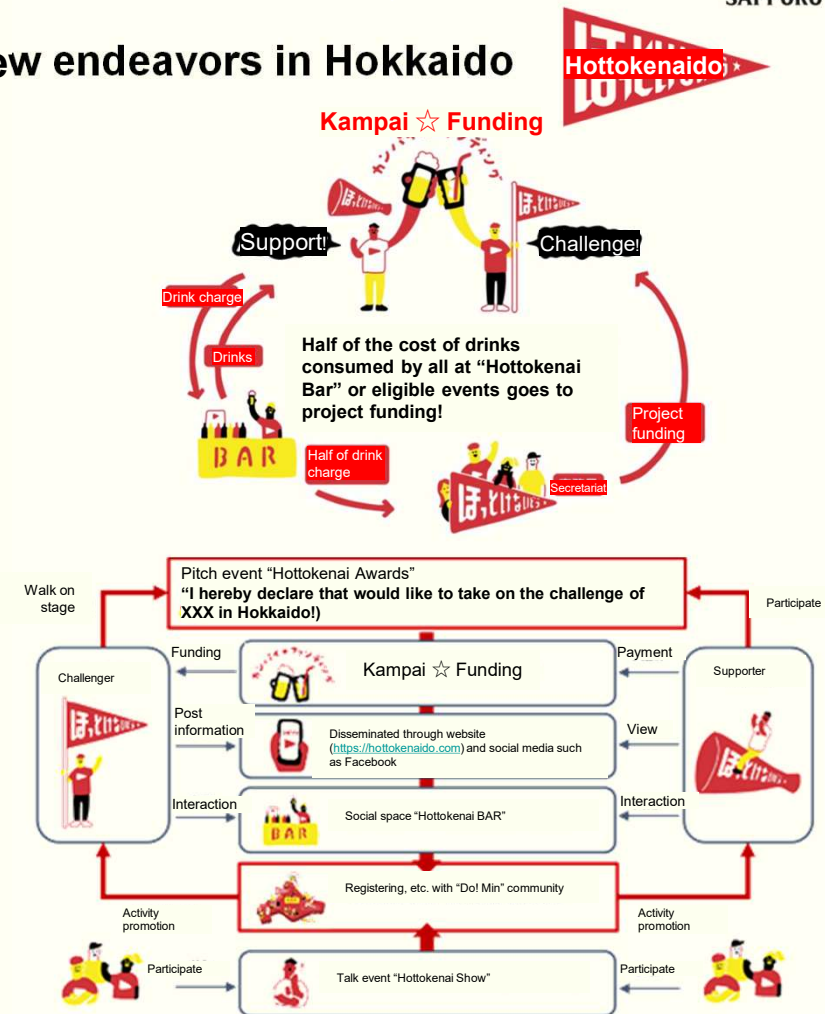
At the center of the campaign is the “Hottokenai Awards (presentation event),” where “Kampai ☆ Funding,” which offers funding for projects announced by challengers, will be held.

“Kampai ☆ Funding” is an initiative, maybe the first such initiative in the world, where half the amount paid for a drink at the “Hottokenai Bar*1” is used to fund the project you wish to support.

Sapporo Breweries, through this initiative, will continue to support further revitalization of Hokkaido.

*1 Permanent store in Sapporo, Hokkaido. Limited-time-only store in Tokyo. See website below for details.

Initiative name: Hottokenaido
 Launched on: June 6, 2019
 Site: <https://hottokenaido.com/>



Appendix : Alcoholic Beverages (Overseas)

【Overseas brand】 (Products of Sleeman and Anchor)

✓ Jan- Jun down **3%**

【Sapporo brand】

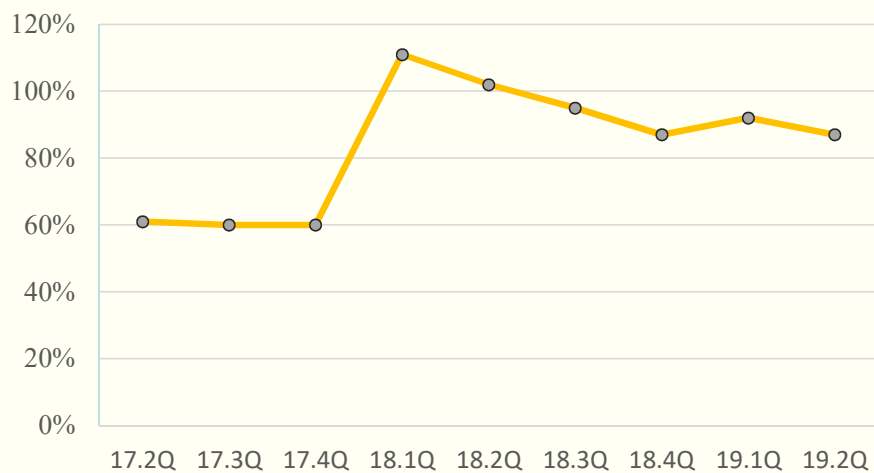
✓ Jan- Jun up **5%**

【Vietnam】

✓ Jan- Jun up **15%** (including export)

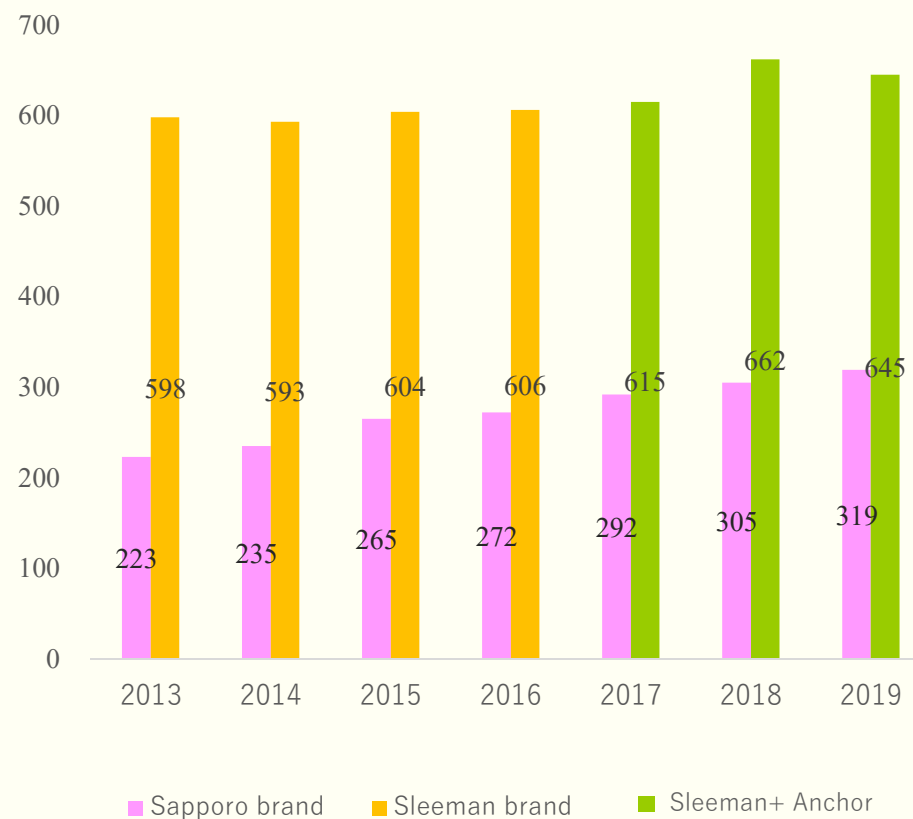


<Y-o-y change in domestic sales volume in Vietnam>



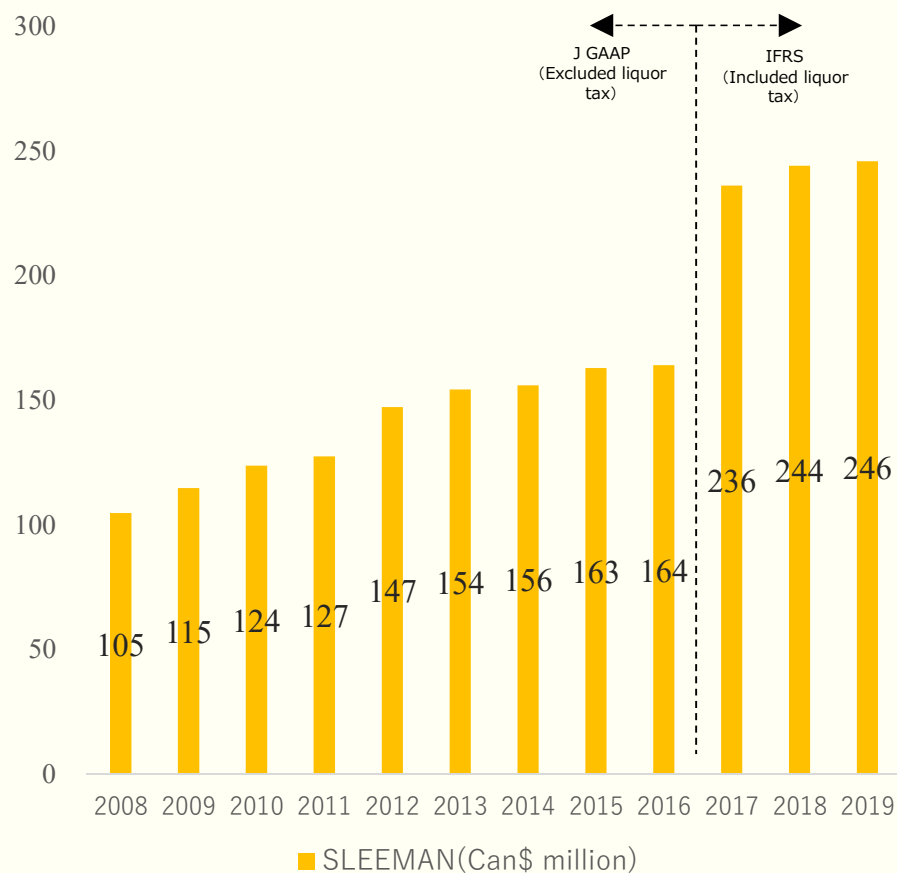
<Overseas sales volume (Jan-Jun)>

(10,000 cases)

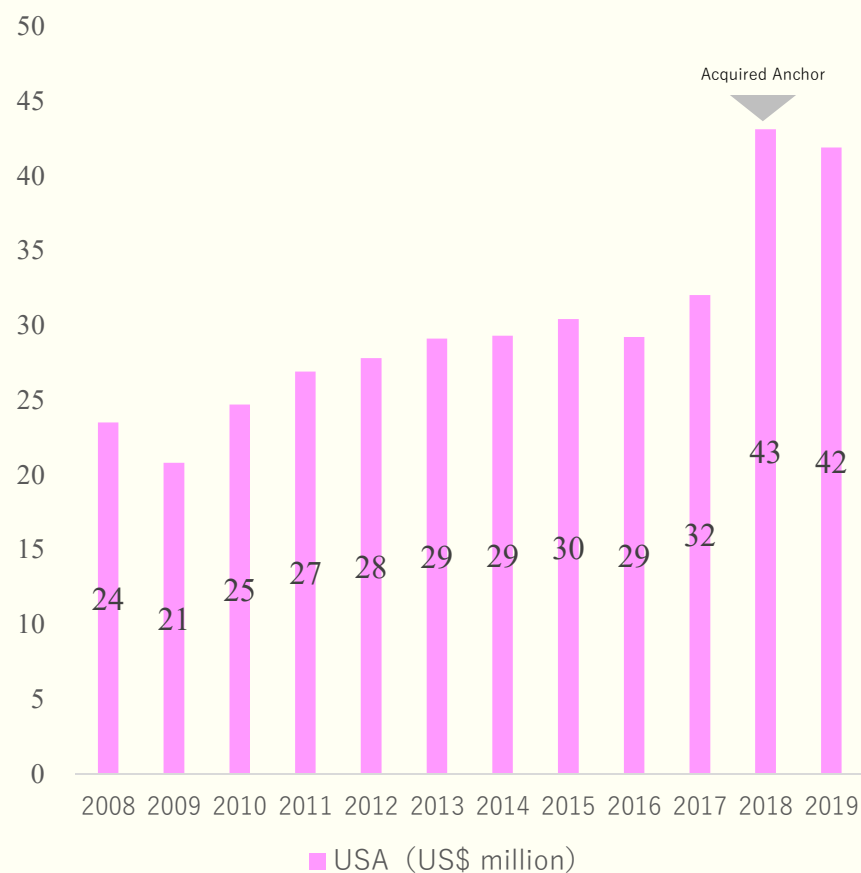


Appendix : Alcoholic Beverages (Overseas)

< Sleeman : Sales revenue in local currency (Jan- Jun) >
*before elimination of inter- company transactions



< Sapporo U.S.A.& Anchor : Sales revenue in local currency (Jan- Jun) >
*before elimination of inter- company transactions





SAPPORO

Appendix: Alcoholic Beverages (Overseas)

Acquired Wild Rose Brewery, Canada (hereinafter referred to as "WR")



<Company profile>

- Location: Calgary, Alberta, Canada
- Established: 1996
- Annual sales: 2018: 20,928HL (about 165,000 cases of large bottles)
- Production capacity: 33,300HL/year (about 261,000 cases of large bottles)
- Sales breakdown: 100% premium brand
- Sales by province: Alberta 100% (of which 74% in Calgary City)
- Sales by container: Kegs 60%, bottles (one-way) 28%, can 12%
- Sales: 2018 – approx. 8 million \$CA

<Background to acquisition>

- The province of Alberta (AB) was the last of the four strategic markets that Sleeman entered and it is currently an area with the highest growth rate in sales and high contribution levels (grew close to 10% last year).
- As Sleeman did not own any regional brand or production base in the Prairie Provinces (Alberta, Saskatchewan, and Manitoba), it had been considering carrying out M&A activities there for some time.



VELVET FOG



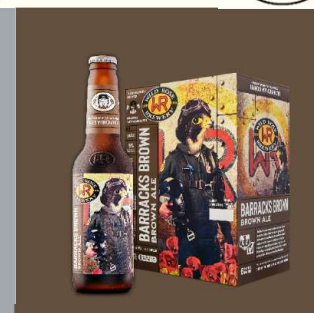
**WRASPERRY
ALE**



IPA



ELECTRIC AVENUE



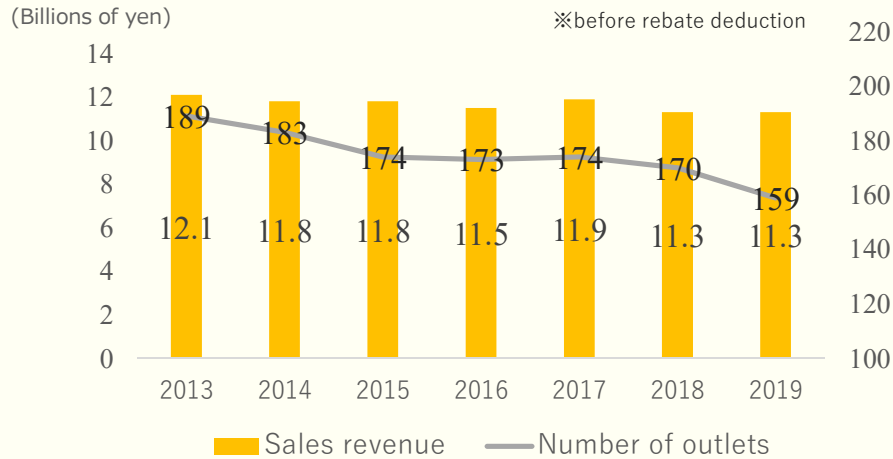
**BARRACKS
BROWN**



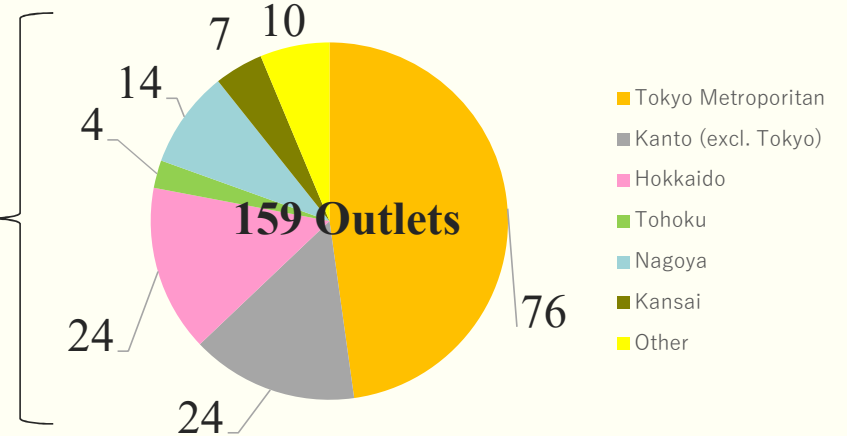
HIGH HARVEST

Appendix : Alcoholic Beverages (Restaurants)

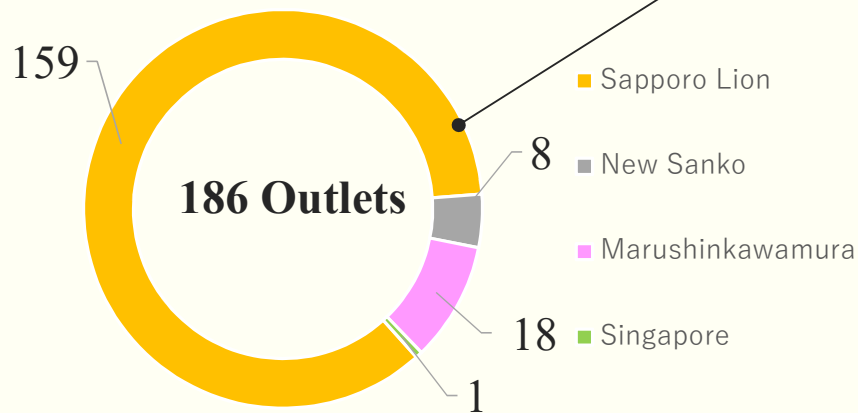
< Sales revenue and number of Sapporo Lion Outlets >



< Sapporo Lion outlets > As of June 30, 2019



< Total number of outlets >



< Brands >



(1~6月累計)

Appendix : Food & Soft Drinks

【Lemon based-drinks】

✓ Jan-Jun **up 6%** y-o-y
(Sales volume)



【Lemon-based food products】

✓ Jan-Jun **up 12%** y-o-y
(Sales volume)



【Unsweetened tea drinks】

✓ Jan-Jun **Unchanged** y-o-y
(Sales volume)



【Soups】

✓ Jan-Jun **down 7%** y-o-y
(Sales volume)



【Coffee drinks】

✓ Jan-Jun **down 11%** y-o-y
(Sales volume)



【Soy milk, chilled products】

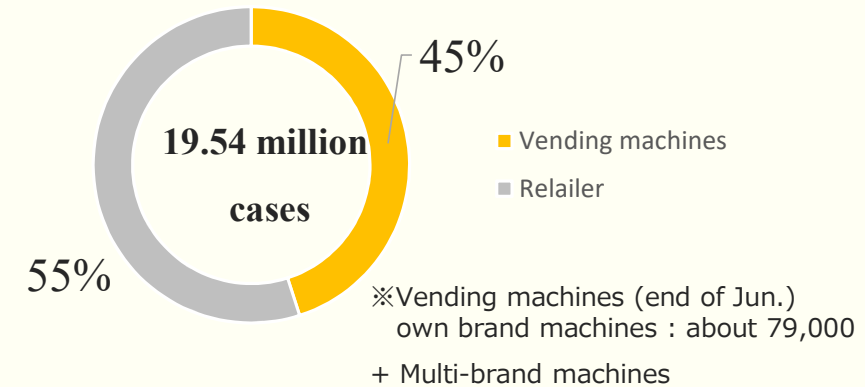
✓ Jan-Jun **up 4%** y-o-y
(Sales volume)



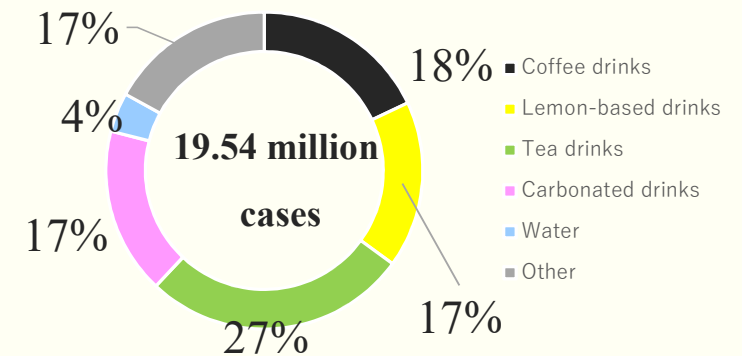
【U.S. Soft drinks】

✓ Jan-Jun **up 10%** y-o-y
(Sales revenue after elimination of inter-company transactions)

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

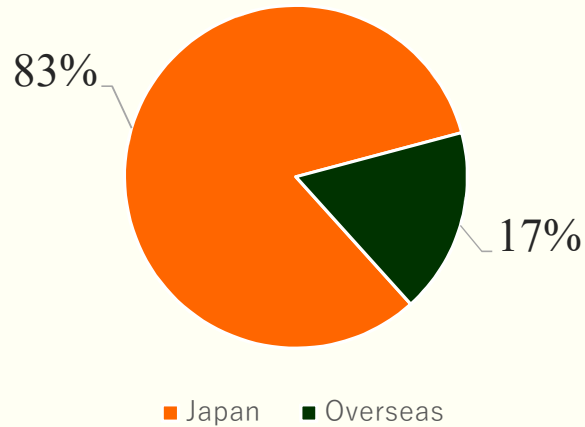


< Japanese soft drinks
Sales composition by genre (Jan- Jun)>

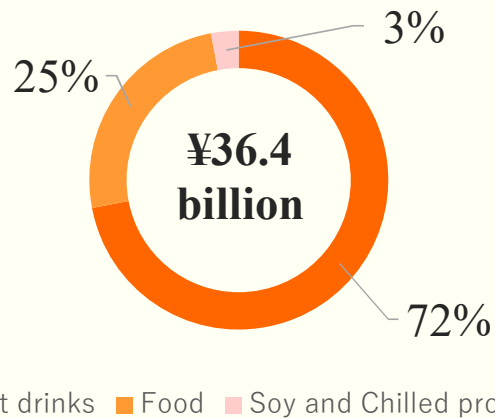


Appendix : Food & Soft Drinks

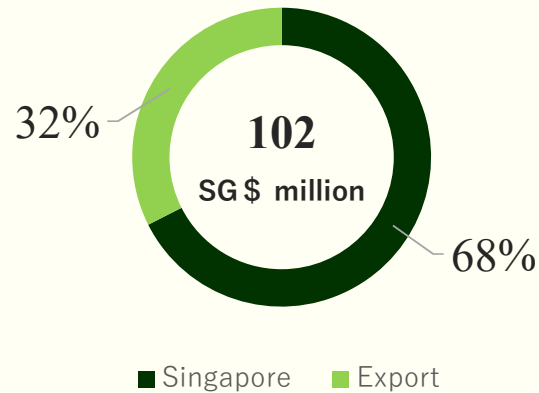
<< Food & Soft Drinks segment
Revenue break down by geographic area >>



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



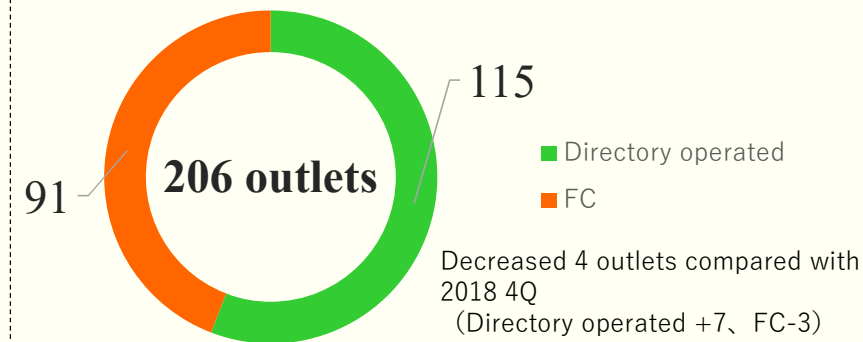
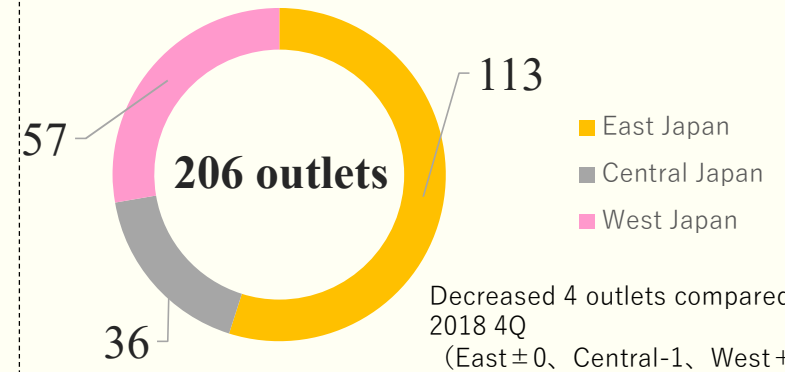
< Overseas soft drinks
POKKA Corporation (Singapore)
Sales composition (Jan- Jun)



【Pokka Create Co., Ltd.】

✓ Jan- Jun Sales revenue **¥ 4.3 billion**
up **1%** y-o-y

< Number of outlets as of Jun 30, 2019 >



Appendix: Major New Food & Soft Drinks (Japan) Product Launches in Apr, May, and Jun



SOYBIO Soymilk yogurt



Unsweetened tea (Hokkaido Yasashii Umacha)



Jikkuri kotokoto Soup



Almond Breeze series



Purune jelly



LEMON MADE



レモネードスタンド普及協会
LEMONADE STAND PROMOTION ASSOCIATION

Lemonade Stand Promotion Association: Child cancer donation

Start of lemon cultivation in Osakikamijima Town (Hiroshima)

POKKA SAPPORO Food & Beverages Ltd. started cultivation of lemon in Osakikamijima Town, Toyoda-gun, Hiroshima Prefecture, in April 2019 with the aim of revitalizing lemon production in Japan.

Ever since starting the lemon business in 1957, we have been proposing a lifestyle with lemons to our customers through the development of lemon-based products and research related to the fruit. Of late, with the demand for lemon increasing, the market for lemons produced in Japan is also expanding.¹

At the same time, there is a shortage in production and supply of lemon due to the aging and lack of successors of lemon farmers in Japan, and it has become difficult to sufficiently cater to the rising demand. Based on the recognition that stable production is necessary to achieve sustainable expansion in lemon demand in the country, we aim to contribute to the further revitalization of the domestic lemon market by engaging ourselves in the cultivation of lemon, gaining an understanding of the challenges involved, and promoting lemon production together with the farmers. Lemon cultivation is being carried out at the town of Osakikamijima in Hiroshima Prefecture, with which we have been cooperating based on an agreement signed with the town regarding the promotion of lemon, and we will continue to engage in the development of agricultural environments working together with the local community.



¹ Source: Ministry of Agriculture, Forestry and Fisheries: Survey on specialty fruit tree production and shipment trends - cumulative statistics on cultivation conditions by type of tree

² A partnership agreement was signed in February 2013 between parent Sapporo Holdings and Hiroshima Prefecture for the improvement of lemon production in Hiroshima, and in April 2016 we entered into a business alliance with JA Hiroshima Yutaka agricultural cooperative and a comprehensive agreement with Osakikamijima Town, Toyoda-gun, Hiroshima Prefecture, as well as an alliance agreement in April 2017 with Kure City, Hiroshima Prefecture, aimed at revitalizing the lemon industry and the region.

Acquired Yasuma Co., Ltd., a company with strengths in spices and seasonings

<Company profile>



- Established: 1947
- Capitalization: 90 million yen
- Employees: Approx. 200
- Locations: Tokyo Head Office, Osaka Office, Yokohama Plant, Shizuoka Plant, Shizuoka R&D Center

<Background to acquisition>



Yasuma's strengths

- (1) Strong procurement network for diverse raw materials and products led by high-quality spices and herbs from countries around the world
- (2) Technological capabilities, quality control, and R&D capabilities
- (3) Ability to develop applications that can respond swiftly to customer demands

→ The acquisition was carried out in order to strengthen raw material procurement capabilities as we aim to expand our activities in the food field.
It is also expected to create synergies with POKKA SAPPORO Food & Beverage in product development, etc.

スパイス・ハーブ

アニス	コリアンダー (パクチー/香菜)	タイム
オールスパイス	サフラン	タラゴン
オニオン (玉ねぎ)	山椒 (和山椒、花椒)	ディル
オレガノ	シナモン/カシア	ナツメグ
おろし (にんにく、生姜)	ジュニパーベリー (西洋ねずの実)	バジル
ガーリック (にんにく)	ジンジャー (生姜)	パセリ
カファライム (こぶみかん)	スターニアス (八角)	パブリカ
ガランガル	セージ	スモークパブリカ
カルダモン	セロリー	フェネグリーク (メッチ)
キャラウェイ	胡椒 (ブラックペッパー、ホワイトペッパー、グリーンペッパー)	フェネル (ういきょう)
クミン	ピンクペッパー	マジョラム
クローブ (丁子)	唐辛子 (レッドペッパー、カイエン、青唐辛子、ヤラピン、ハバネロ、チボトレ)	メース
	ターメリック (うこん)	レモングラス
		ローズヒップ
		ローズマリー
		ローレル (ベイリブス)



スパイスミックス

素材や用途に合わせたご提案や、お客様のご要望にあったオリジナルミックスのご提案も可能です。

ガラムマサラ	五香粉
カレーパウダー	七味唐辛子
ソーススパイスミックス	チリパウダー
ブークカレシ	ハーブミックス



乾燥野菜・果物類

アップル (りんご)	バナナ
キャロット (にんじん)	パンプキン (かぼちゃ)
グリーンピース	レッドベルペッパー
コーン (とうもろこし)	オレンジピール
スピナ (ほうれん草)	レモンピール
トマト	



Appendix : Real Estate

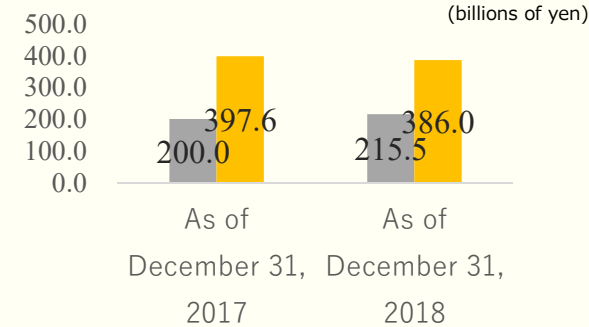
< Major rental properties & occupancy rates : (Averages for 2019 2Q) >>

	Site area (m ²)	Floor area (m ²)	Occupancy rate (%)	No. of floors
Yebisu Garden Place ⁽¹⁾	56,943	298,007	99	40 floors above ground, 5 below
Ebisu First Square	2,596	16,012	100	12 floors above ground, 1 below
Ginza Place	645	7,350	98	11 floors above ground, 2 below
Strata Ginza ⁽²⁾	1,117	11,411	100	13 floors above ground, 1 below

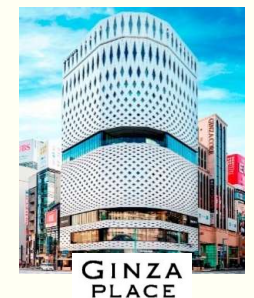
*1: The number of floors is for the office block only. Occupancy rates are for office areas only.

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

< Information about Investment property >



- Carrying value on the consolidated statement of financial position
- Fair value



(billions of yen)

< Operating profit >	2018 2Q	2019 2Q	Change
Yebisu Garden Place, etc.	3.5	3.4	(0.0)
Hokkaido	0.4	0.5	0.0
Other area & other operations	1.3	3.1	1.8
General corporate	(0.6)	(0.6)	(0.0)
Total	4.6	6.3	1.8

(billions of yen)

< EBITDA >	2018 1Q	2019 1Q	Change
Yebisu Garden Place, etc.	5.0	4.9	(0.1)
Hokkaido	0.5	0.5	0.0
Other area & other operations	1.8	1.7	(0.2)
General corporate	(0.1)	(0.1)	0.0
Total	7.2	7.0	(0.2)

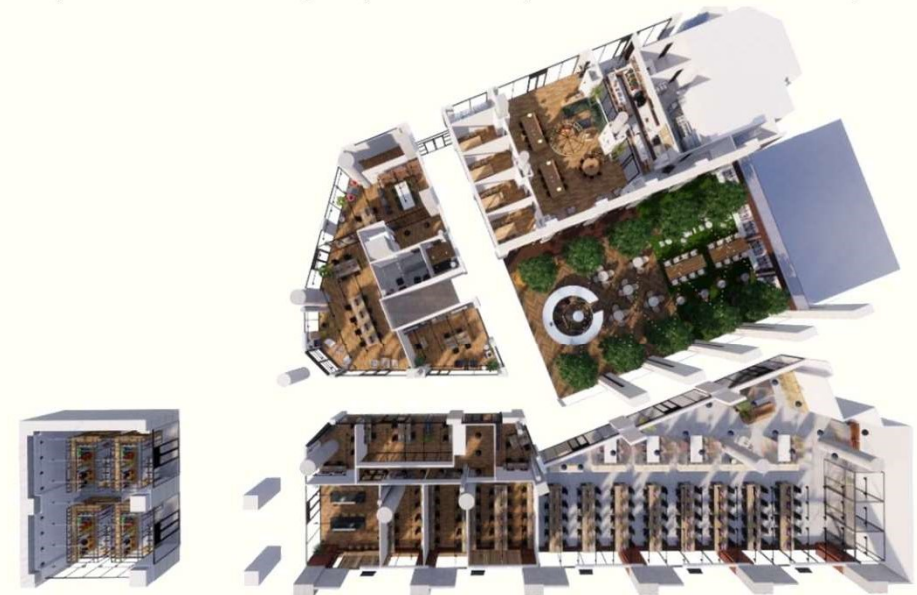
Appendix: Real Estate



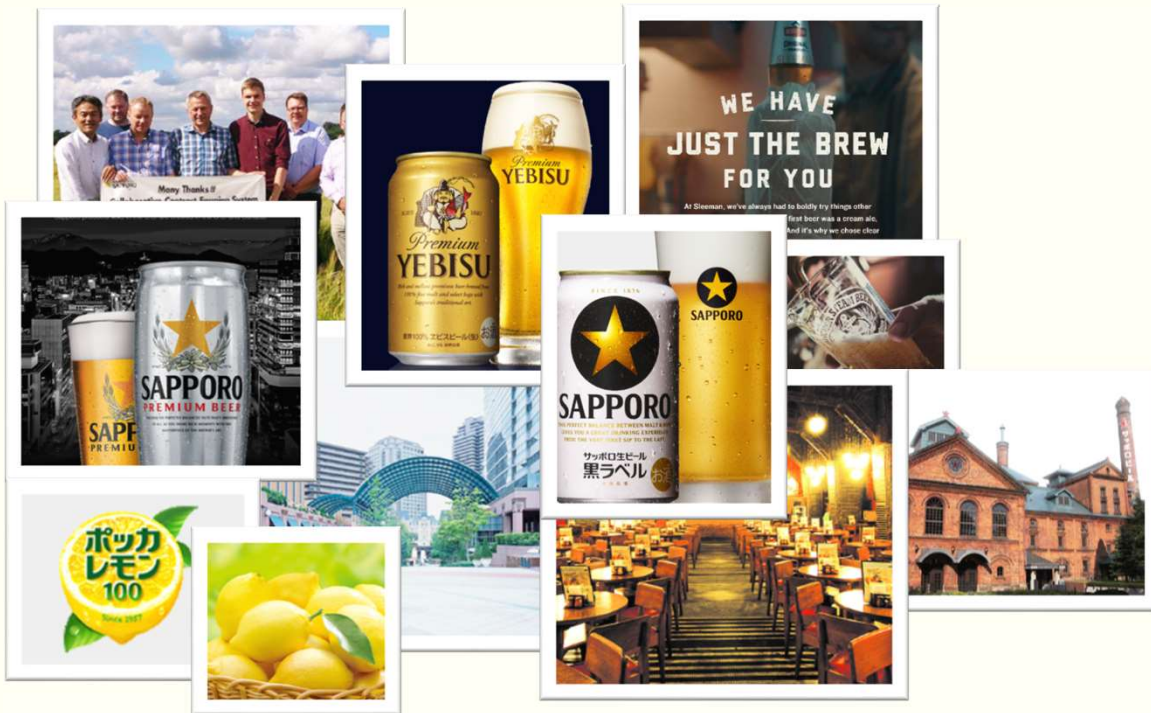
A new composite workplace offering new lifestyles to open in Yebisu Garden Place

-Scheduled to open in fall 2019-

Yebisu Garden Place (location: Ebisu 4-chome, Shibuya-ku, Tokyo), operated by Sapporo Real Estate Co., Ltd. (Head Office: Shibuya-ku, Tokyo; President: Hiroshi Tokimatsu) is marking its 25th anniversary in October 2019. In this landmark year, we will renovate a portion of basement level 1 of the Glass Square of the facility to present a space that offers a lifestyle that combines work and life and open it for business in the fall of 2019.



(Image of the facility after refurbishment)



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

