



SAPPORO

Sapporo Group Business Results Presentation for the Three Months Ended March 31, 2020

May 14th 2020

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

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Business Results

Impact of the Novel Coronavirus Outbreak (COVID-19)



▶ Sapporo Group's response policy and measures <https://www.sapporoholdings.jp/announce/dit/?id=8643>

- We are continuing production and logistics operations at our business bases in and outside Japan so as to fulfill our responsibility of supplying products to customers.
- Employees are telecommuting as a rule and business trips both domestic and international are banned to prevent the spread of infection and mitigate risks
- Collaboration and cooperation with local communities through provision of relief supplies and donations.

▶ Impact on the FY2020 first quarter operating results

The impact on revenue and core operating profit in the first quarter and main factors are as follows.

(billions of yen)	Impact on revenue	Impact on core operating profit	Main factors
Group	(5.0)	(2.0)	
Alcoholic beverages in Asia including Japan	(3.4)	(1.2)	Sales of commercial-use beer such as bottled and keg products at Sapporo Breweries declined.
Restaurants	(1.3)	(0.7)	Sales of Ginza Lion and other restaurants at Sapporo Lion declined.

*The impact on Food & Soft Drinks and Real Estate has been negligible so far, but sales at vending machines, and Café de Crié and other restaurants have been stagnant.

▶ Impact on full year operating results for FY2020(ref:p20)

With regard to the consolidated earnings forecast for FY2020, the difficulty in reasonably calculating the impact of the novel coronavirus outbreak means the Company is unable to disclose fair and reliable forecast figures to shareholders and investors at this time. The Company has therefore opted to omit the forecast figures and will submit them to a review. The Company will promptly disclose the forecasts once it becomes possible to reasonably calculate the forecast figures.

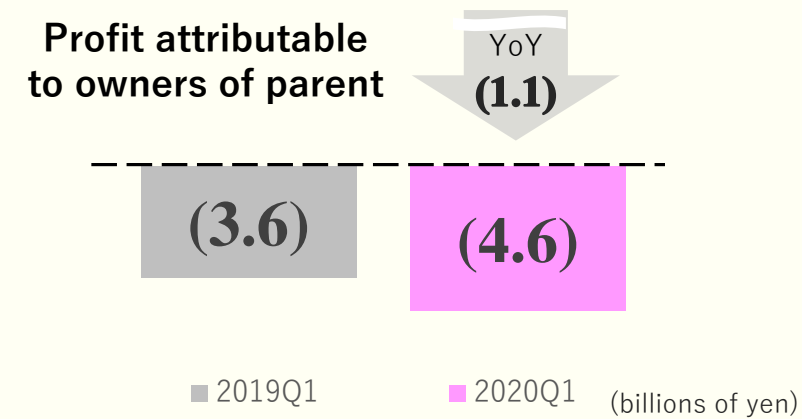
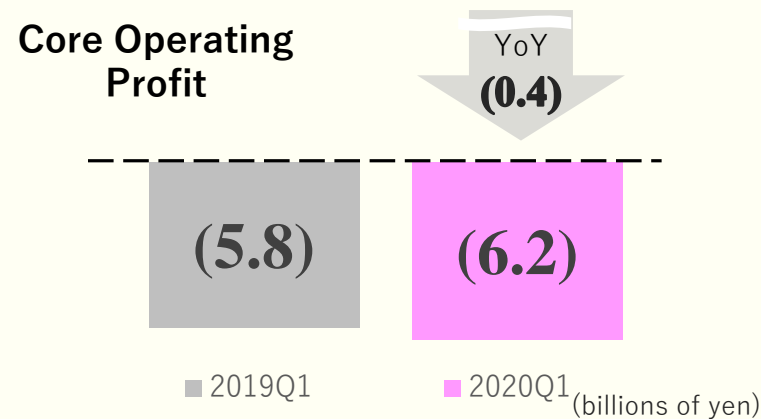
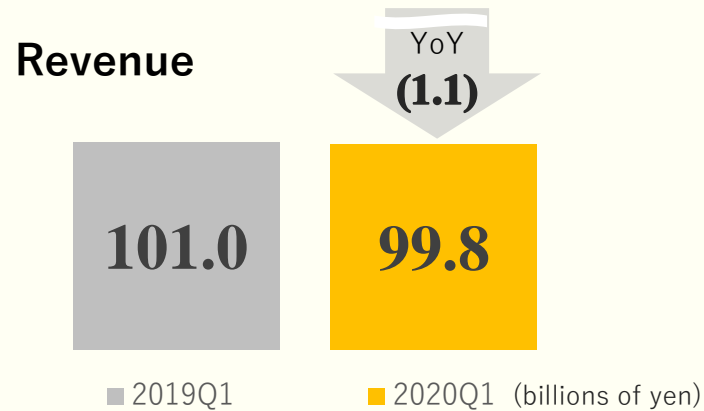
Results Highlight



(billions of yen)	2019 1Q	2020 1Q	YoY changes (amount/%)	
Revenue	101.0	99.8	(1.1)	(1.1%)
Revenue (Excluding liquor tax)	77.4	77.1	(0.3)	(0.3%)
Overseas revenue	16.2	15.2	(0.9)	(5.8%)
EBITDA	0.2	(0.1)	(0.3)	-
Core operating profit	(5.8)	(6.2)	(0.4)	-
Core operating profit margin	(5.7%)	(6.2%)	-	-
Operating profit	(4.1)	(6.1)	(1.9)	-
Profit attributable to owners of parent	(3.6)	(4.6)	(1.1)	-
D/E ratio (times) ※Net	1.3	1.4	-	-

*The balance of net debt excludes the balance of lease obligations.

- Overall revenue and profit declined. Food & Soft Drinks achieved revenue and profit growth and Real Estate performed solidly, but profitability worsened for Alcoholic Beverages, where the impact of the novel coronavirus outbreak appeared early on.



- Alcoholic Beverages: New genre products led the year-on-year increase in sales volume of beer and beer-type beverages in Japan, but revenue declined reflecting slow performance by commercial-use beer, RTDs, and restaurants.
- Food & Soft Drinks: While restaurants, vending machines, and commercial-use products struggled, lemon-based drinks led the year-on-year growth in sales volume of soft drinks. Segment revenue increased as food also performed strongly together with the full-year contribution of increased earnings from the consolidation of Yasuma.

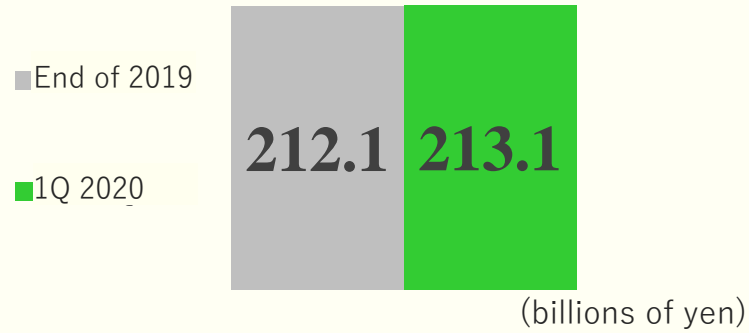
- Alcoholic Beverages: Profit declined due to sluggish performance for commercial-use beer and restaurants.
- Food & Soft Drinks: Profit increased due to revenue growth and the impact of cost reductions.

- There was a gain on sales of real estate in the previous fiscal year.

Results Highlight

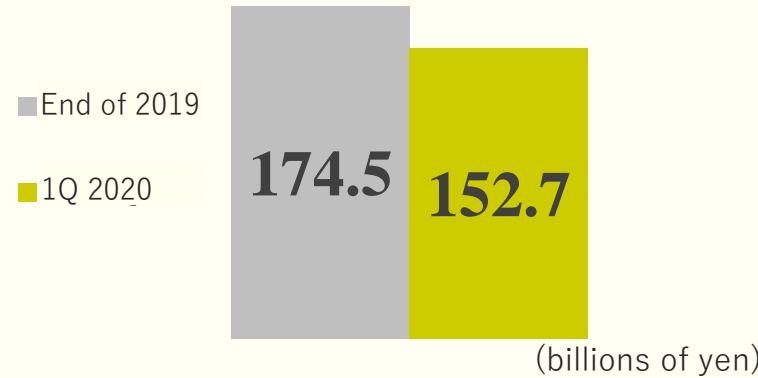


Balance of net debt

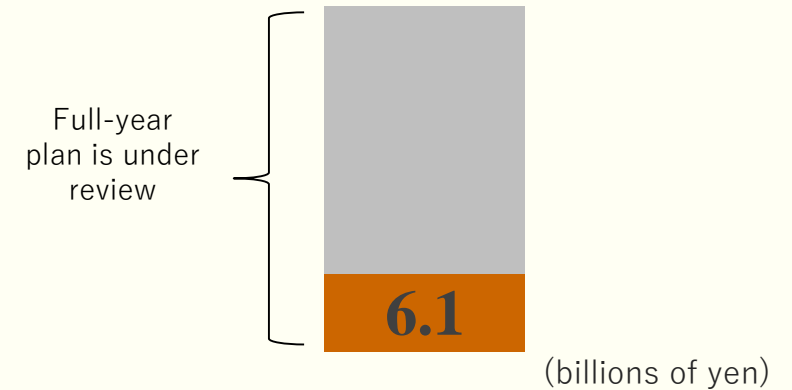


D/E ratio (net) **1.4** times YoY change **+0.1** times

Equity



Capital expenditure (cash basis)



Transformation of the Group management platform



<January-March>

- Head office now simplified and muscular on the back of strengthened governance from the transition to a Company with Audit and Supervisory Committee as well as the streamlining of Sapporo Holdings <https://www.sapporoholdings.jp/news/dit/?id=8611>
- Sapporo Group companies were recognized under the “2020 Certified Health & Productivity Management Outstanding Organizations Recognition (Large Enterprise Category)” program <https://www.sapporoholdings.jp/news/dit/?id=8602>
- Sapporo Wellness Lab launched “Switch Lactic Acid Supplement” <https://www.sapporoholdings.jp/news/dit/?id=8609>

Group Topics

<January-March>

- Donation of sales at events such as the Dosanko Appreciation Day and the Sapporo Beer Festival <https://www.sapporoholdings.jp/news/dit/?id=8563>
- Comprehensive Partnership Agreement concluded between Fukushima Prefecture and Sapporo Holdings Ltd., and Sapporo Breweries Ltd. <https://www.sapporoholdings.jp/news/dit/?id=8564>

Revenue by Segment



(billions of yen)	2019 1Q	2020 1Q	YoY changes (amount)	YoY changes (%)
Revenue by Segment	101.0	99.8	(1.1)	(1.1%)
Alcoholic Beverages	66.3	63.4	(3.0)	(4.5%)
Japan & Asia	50.0	48.7	(1.3)	(2.6%)
North America	10.3	10.2	(0.1)	(1.4%)
Restaurants	6.1	4.5	(1.5)	(25.5%)
Food & Soft Drinks	28.5	30.3	1.8	6.5%
Real Estate	6.1	6.1	(0.0)	(0.2%)
Other	0.0	0.0	0.0	18.9%

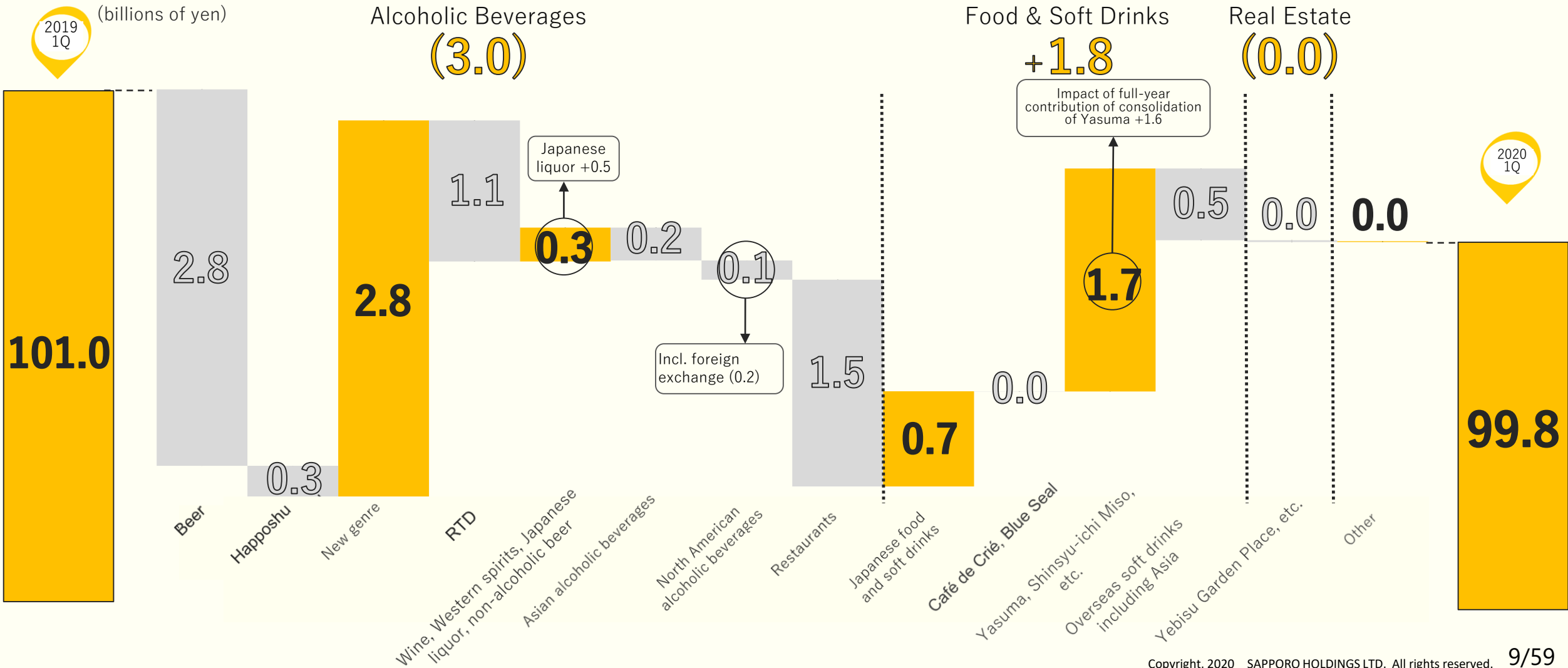
Factors are explained in the next slide

Main Factors Contributing to Changes in Revenue



Revenue declined ¥1.1 billion YoY due to stagnation of beer, RTDs, and restaurants, despite growth of new genre sales and contribution from Yasuma consolidation.

■ = Increase
■ = Decrease



Core Operating Profit by Segment



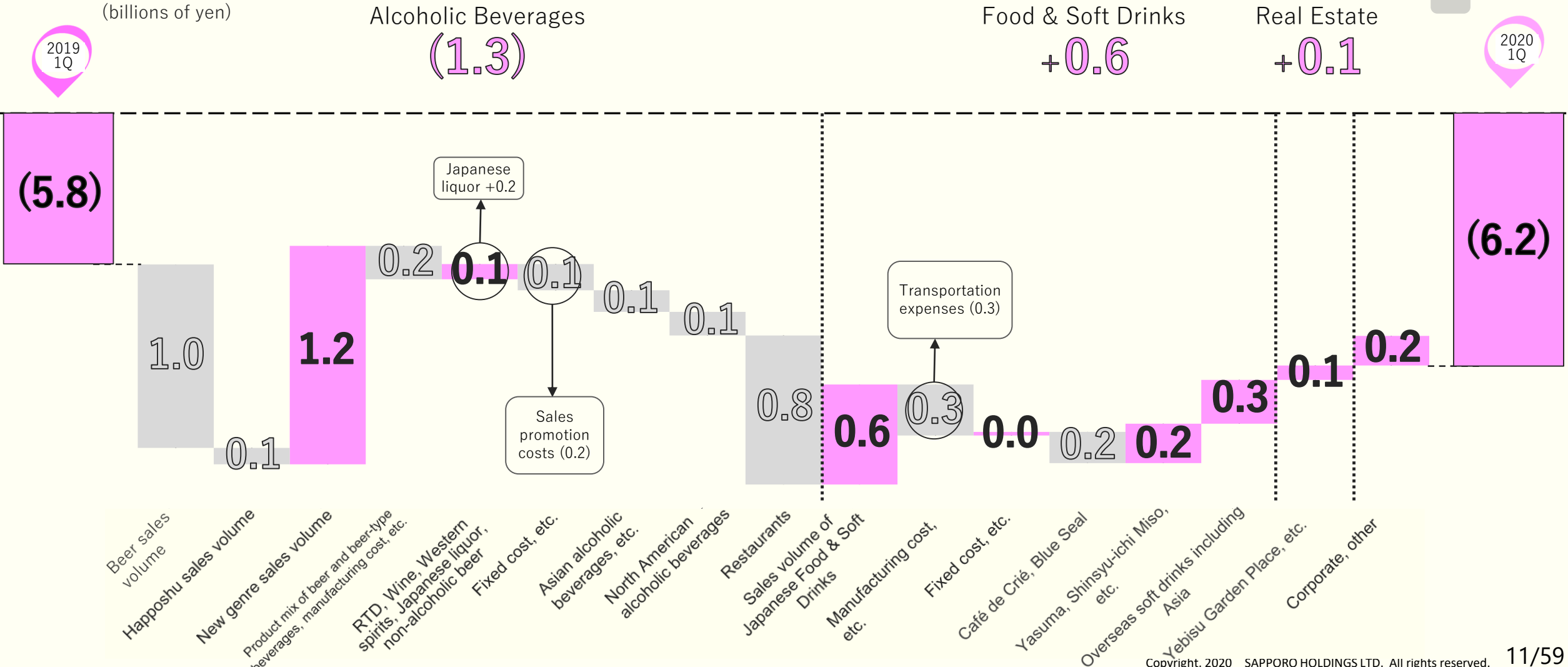
(billions of yen)	2019 1Q	2020 1Q	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	(5.8)	(6.2)	(0.4)	-
Alcoholic Beverages	(3.4)	(4.6)	(1.3)	-
Japan & Asia	(2.5)	(2.8)	(0.3)	-
North America	(0.5)	(0.6)	(0.1)	-
Restaurants	(0.3)	(1.2)	(0.8)	-
Food & Soft Drinks	(2.0)	(1.4)	0.6	-
Real Estate	1.1	1.2	0.1	7.3%
Other • General corporate and intercompany eliminations	(1.5)	(1.4)	0.2	-

Factors are explained
in the next slide

Main Factors Contributing to Changes in Core Operating Profit

Core operating profit declined ¥0.4 billion due to decline in beer sales volume and restaurant stagnation, despite increased profit from Food & Soft Drinks and strong new genre performance

■ = Increase
■ = Decrease
2020
1Q



Profit attributable to owners of parent



(billions of yen)	2019 1Q	(Details)	2020 1Q	(Details)
Core operating Profit	(5.8)		((6.2))	
Other operating income	2.7	Proceeds from sale of Yebisu Square +1.9	0.4	
Other operating expenses	1.1		0.2	
Operating Profit	(4.1)		(6.1)	
Profit before tax	(4.5)		(6.3)	
Income taxes	(0.9)		(1.6)	
Profit	(3.8)	Loss from discontinued operations(1.0)	(4.7)	
Loss attributable to non-controlling interest	(0.2)		(0.1)	
Profit attributable to owners of parent	(3.6)		(4.6)	

Alcoholic Beverages

▶ Revenue and profit declined due to impact of novel coronavirus outbreak, even as total domestic sales volume of beer and beer-type products increased

 Positive	<ul style="list-style-type: none"> ➢ Strong performance of Black Label (cans) continued ➢ New product GOLD STAR performing strongly ➢ Sales volume of Sapporo Premium in North America exceeded previous year's level
	<ul style="list-style-type: none"> ➢ Sales volume of commercial-use beer and RTDs declined ➢ Restaurants including Ginza Lion struggled

<Future initiatives>

- Strengthen household market-related measures
- Respond to struggling outlets in the restaurant business
- Secure profit by controlling fixed costs, capital expenditure, and sales promotion expenses
- Improve manufacturing, supply-demand, and logistics structures to respond to stock-out/wastage risks

▶ Black Label brand canned products grew, new genre also strong due to contribution from GOLD STAR

Black Label brand canned product sales volume



Up **14%** YoY

New genre sales volume



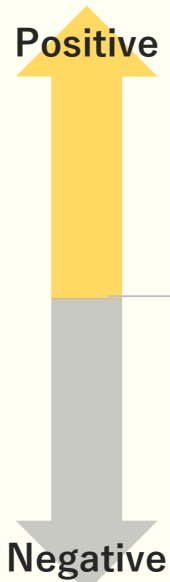
Up **35%** YoY



<Topics>

- 2020 Sapporo Breweries Business Policy https://www.sapporobeer.jp/news_release/0000011762/
- Sales of GOLD STAR exceed 1 million cases https://www.sapporobeer.jp/news_release/0000011879/
- Limited sale of Hokkaido Kiseki no Mugi Kitanohoshi (launched on May 12) https://www.sapporobeer.jp/news_release/0000011908/

▶ **Revenue and profit increased as sales volume of both soft drinks and food rose YoY, despite struggling with the impact of the novel coronavirus outbreak**



- ▶ Kireto Lemon continues to perform strongly
 - ▶ LEMON MADE, reintroduced as a full-year product, also performing strongly
 - ▶ Sales volume of food products rose YoY due to “stay-at-home” demand
 - ▶ Scale of soy beans and chilled products business continued to expand
-
- ▶ Vending machine and commercial-use products sales volume declined
 - ▶ Café de Crié and other restaurants struggled

<Future initiatives>

- ▶ Strengthen household market-related measures
- ▶ Withdraw from unprofitable locations in the vending machine business
- ▶ Pursue further growth in the food field
- ▶ Secure profit by controlling fixed costs, capital expenditure, and sales promotion expenses
- ▶ Improve manufacturing, supply-demand, and logistics structures to respond to stock-out/wastage risks

▶ **Lemon-based products and food products in general were strong**

Lemon-based drink sales volume



up **48%** YoY

Lemon-based food product sales volume



up **5%** YoY

Soup sales volume



up **6%** YoY

Soy beans and chilled products sales volume



up **59%** YoY

<Topics>

- ▶ Donated part of LEMON MADE sales to support pediatric cancer research

https://www.pokkasapporo-fb.jp/company/news/release/200124_01.html

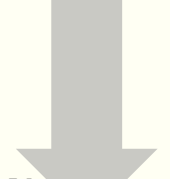
Real Estate

▶ High occupancy rates maintained at core properties, which are performing solidly

Positive



- High occupancy rates maintained at core properties



Negative

- Struggled in commercial areas

<Future initiatives>

- Secure profit by controlling fixed costs, capital expenditure, and sales promotion expenses

<Topics>

- Sapporo Real Estate through to final screening round and pitch contest grand prix of the Ebisu Sustainable City Business Contest https://www.sapporo-re.jp/pdf/sapporore/store/storage/cname_20200115093425.pdf

Corporate, Other

▶ We will steadily pursue the establishment of a simple and compact business structure for achieving the objectives of Group Management Plan 2024

<Key points>

- Downsize the headcount of Sapporo Holdings workforce to one third through organizational reform to create a simple and muscular head office

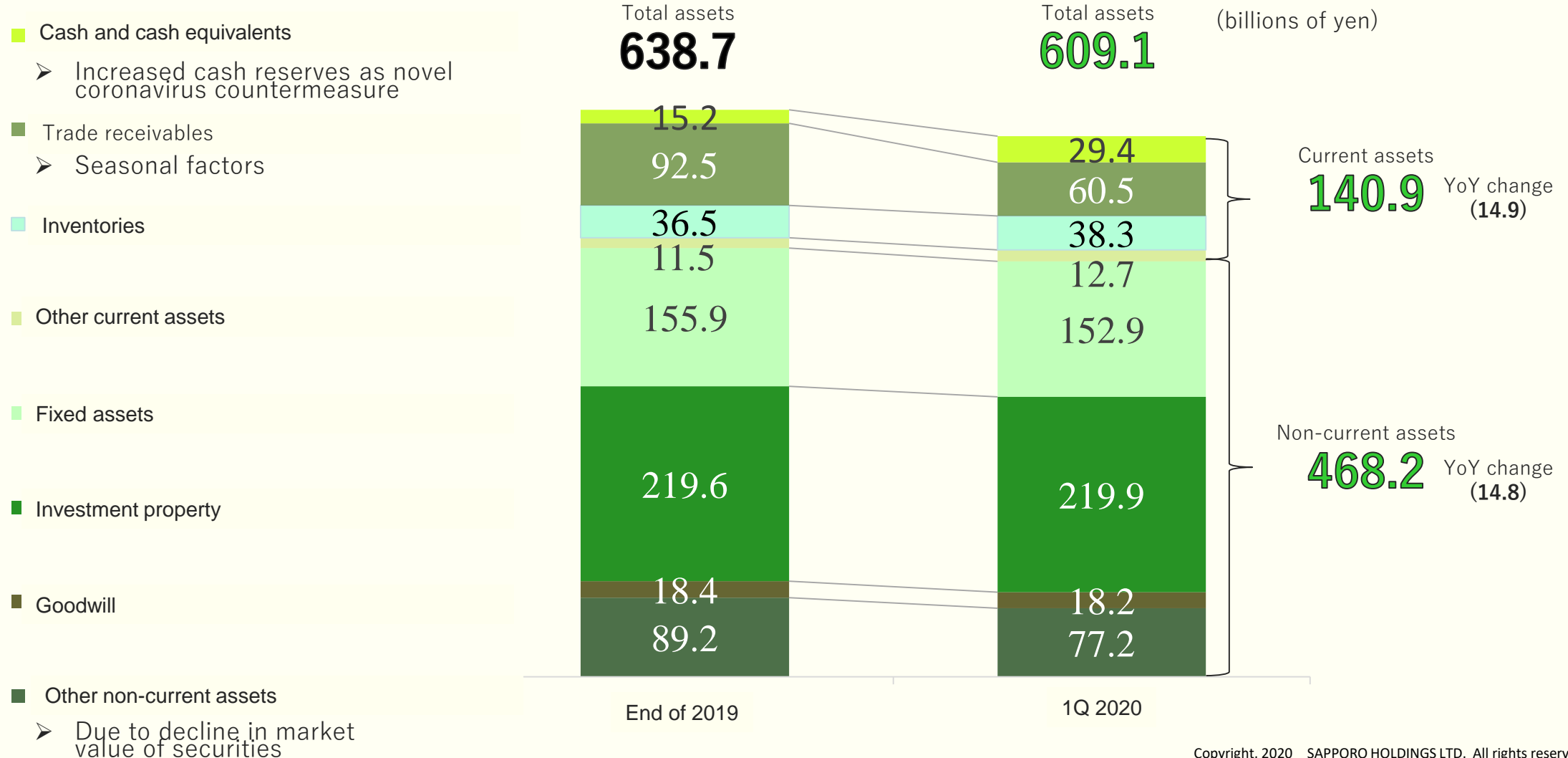
<Future initiatives>

- Streamline business processes through promotion of BPR and pursue further workstyle innovation with increased use of teleworking, etc.

Changes in Balance Sheets



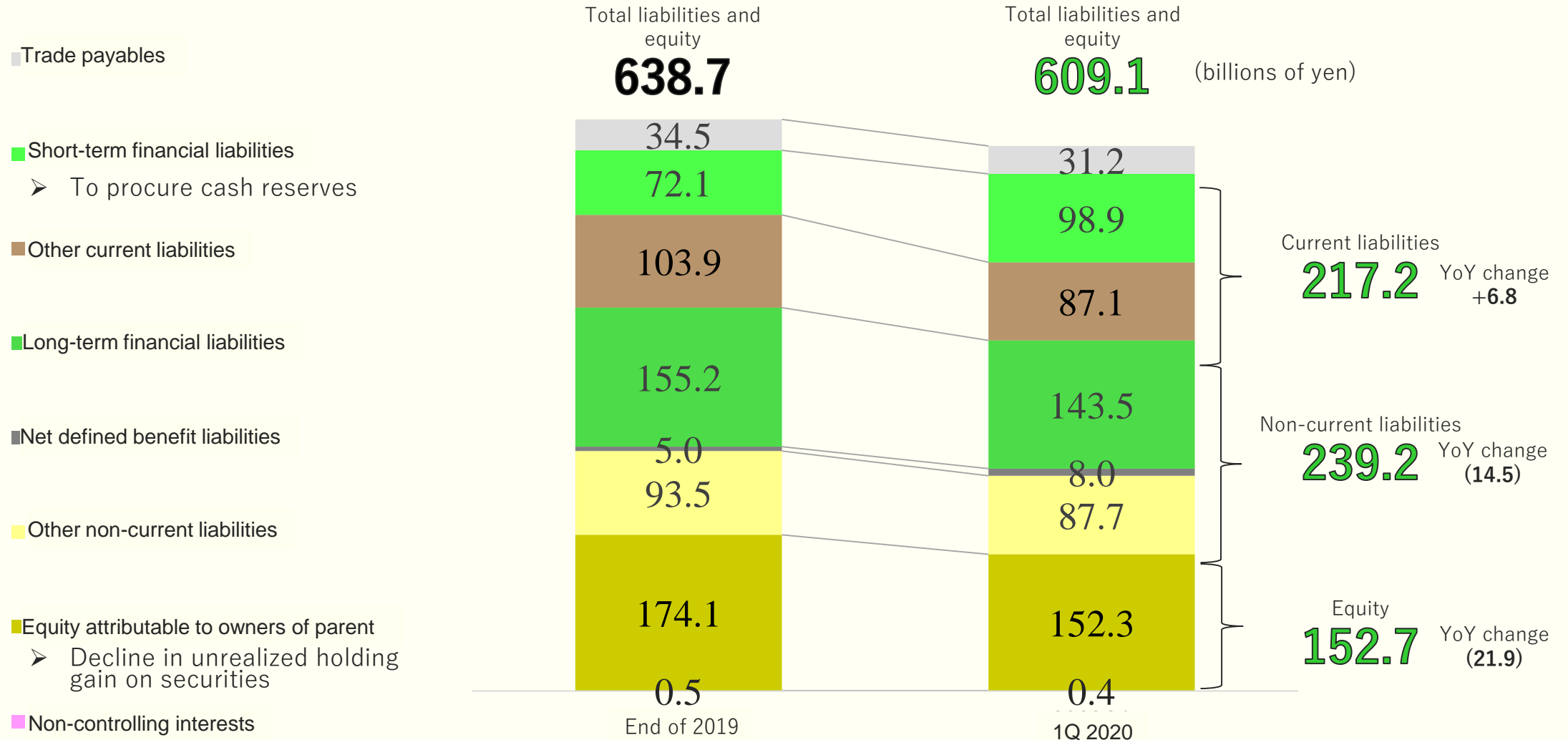
▶ Total assets decreased ¥29.6 billion from year end



Changes in Balance Sheets



▶ Total liabilities declined ¥7.8 billion from year end, total equity fell ¥21.9 billion

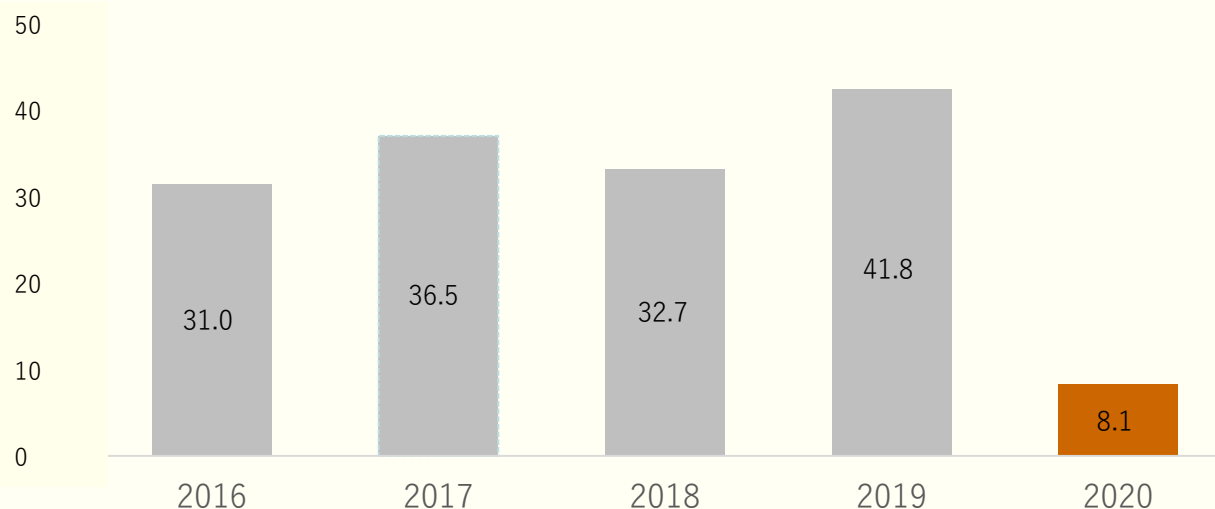


▶ Investment on a cash basis was ¥8.1 billion

<Consolidated cash flow (CF) statement>

(billions of yen)	2019 1Q results	2020 1Q results	Change	Change (%)
CF from operating activities	4.8	11.2	6.4	132.2%
CF from investing activities	2.6	(7.1)	(9.7)	-
Free CF	7.5	4.2	(3.3)	(44.1)%
CF from financing activities	(5.2)	10.2	15.4	-

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



<Investment total (①+②+③)> **¥8.1 billion**

① **Capital expenditure** (cash basis) : **¥6.1 billion**

(Property, plant and equipment, intangible assets, investment property)

<Major items>

- “Alcoholic beverages,” “Food,” and “Soft Drinks”-related: **¥2.7 billion**

- Sapporo Breweries plant-related: ¥0.8 billion

- Pokka Sapporo plant-related: ¥0.6 billion

- Sleeman Breweries plant-related: ¥0.6 billion

- Investment properties: **¥2.7 billion**

- Group-wide other: **¥0.7 billion**

② **Lease fees: ¥0.9 billion**

(excluding lease fees for renting restaurant premises)

③ **Other investments: ¥1.1 billion**

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

Revision of Consolidated Earnings Forecasts

Revision of Consolidated Earnings Forecasts

▶ Revision of Consolidated Earnings Forecasts 2020

The businesses of the Sapporo Group have been impacted by the novel coronavirus outbreak since March. While there are sectors in which sales have been growing thanks to increased stay-at-home consumption since authorities issued requests for people to refrain from non-essential outings, sales of commercial-use products have declined. Moreover, restaurants, which are included in the Alcoholic Beverages and Food and Soft Drinks businesses, are temporarily closing or shortening their operating hours in response to requests to do so from authorities following the state of emergency declaration in April.

The Sapporo Group is placing utmost priority on the health and safety of its employees and taking measures to prevent the spread of the novel coronavirus including thorough implementation of teleworking, and encouraging employees to stay at home and avoid the “3Cs” (closed spaces, crowded places, and close contact with others) when going out, including during outings unrelated to work duties. At the same time, to fulfill its responsibility as an alcoholic beverage, food, and soft drink manufacturer to supply products to customers, the Group is continuing to produce and supply beer-taste products and other alcoholic beverages, drinking water, soup products, and lemon-based products while taking every measure to ensure the safety of employees and prevent the spread of infection.

It is currently difficult to predict when the novel coronavirus pandemic will end, when the state of emergency will be lifted, and in which municipalities it will be lifted first, and this uncertain business environment is expected to continue. Under these circumstances, it is extremely difficult to provide a reasonable earnings forecast and the consolidated earnings forecast for the fiscal year ending December 31, 2020 is therefore yet to be determined. The Company will disclose the forecast as soon as this becomes possible. Regarding dividends, we will maintain our previous forecast.

Appendix

Appendix : Major sales volume & sale



Sales Volume:Beer (Japan)

(10,000 cases)

	Jan. 1 - Mar.31, 2019	Jan. 1 - Mar.31, 2020	Change	Change(%)
Sapporo Draft Beer Black Label (total)	—	—	—	(4.7%)
YEBISU (total)	—	—	—	(19.9%)
1 Beer (total)	—	—	—	(9.4%)
2 Happoshu (total)	—	—	—	(15.6%)
3 New genre beer products (total)	—	—	—	35.4%
Beer, happoshu, and new genre (total 1+2+3)	—	—	—	3.3%
Non-alcoholic beer taste beverage	14	11	(3.0)	(21.4%)

*Following the agreement of the Brewers Association of Japan, the sales volume of domestic beers and beer-type beverages are disclosed only in the second and fourth quarters.

Sales Volume:Beer (International)

(10,000 cases)

	Jan. 1 - Mar.31, 2019	Jan. 1 - Mar.31, 2020	Change	Change(%)
Overseas brand (SLEEMAN, Anchor, etc.)	279	277	(2)	(0.7%)
Sapporo brand	84	87	3	3.6%
North America	362	364	1	0.3%
Sapporo brand	58	34	(23)	(40.3%)
Other areas	58	34	(23)	(40.3%)
Total	420	398	(22)	(5.3%)

Sales:Beer (Japan) *including liquor tax

(billions of yen)

	Jan. 1 - Mar.31, 2019	Jan. 1 - Mar.31, 2020	Change	Change(%)
Beer	30.3	27.5	(2.8)	(9.3%)
Happoshu	1.7	1.4	(0.3)	(15.6%)
New genre	8.0	10.9	2.8	35.4%
Subtotal	40.1	39.8	(0.2)	(0.6%)
Rebate subtracted from sales	(2.2)	(2.4)	(0.1)	—
Total	37.8	37.5	(0.4)	(0.9%)

Sales:Alcoholic Beverage (Japan)

(billions of yen)

	Jan. 1 - Mar.31, 2019	Jan. 1 - Mar.31, 2020	Change	Change(%)
Domestic wines	0.9	0.9	(0.0)	(1.7%)
Imported wines	1.6	1.5	(0.1)	(3.9%)
Wine (total)	2.6	2.4	(0.2)	(6.8%)
RTD, Spirits and Shochu (total)	8.7	8.3	(0.4)	(4.3%)
Subtotal	11.4	10.7	(0.7)	(5.7%)
Rebate subtracted from sales	(2.3)	(2.0)	0.3	—
Total	9.1	8.8	(0.3)	(3.5%)

Sales:Food & Soft Drinks (Japan)

(billions of yen)

	Jan. 1 - Mar.31, 2019	Jan. 1 - Mar.31, 2020	Change	Change(%)
Soft Drinks	13.1	13.7	0.6	4.5%
Food (Lemon · Soups · Soy milk, chilled products)	6.7	7.1	0.5	6.7%

Appendix : Alcoholic Beverages (Japan)



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

(Jan – Mar)

[Beer and beer-type beverages total] up **3%** YoY

- ✓ Beer: down **9%** y-o-y
- ✓ Happoshu: down **16%** y-o-y
- ✓ New genre: up **35%** y-o-y

<Major domestic brands: YoY change in sales volume>

(Jan – Mar)

- ✓ Black Label brand
down **5%** y-o-y
(cans: up **14%** y-o-y)



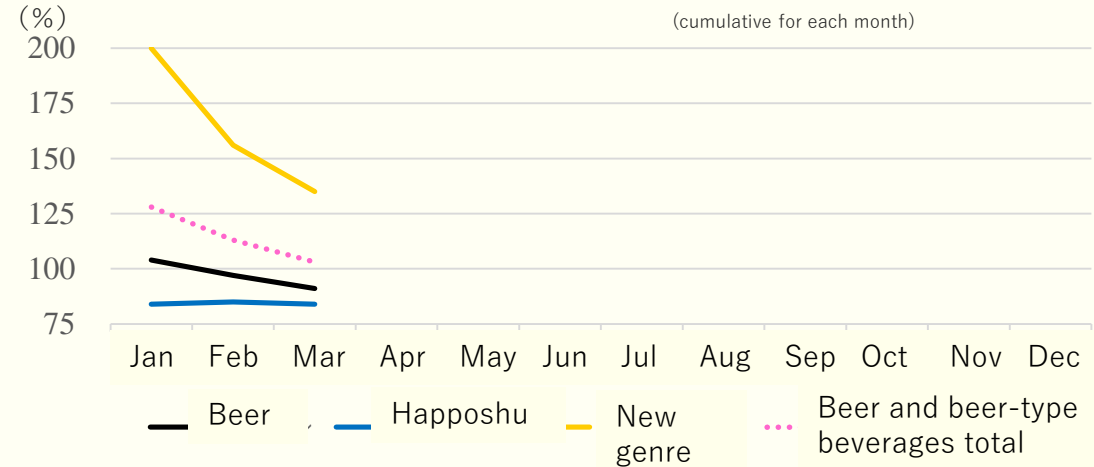
- ✓ Yebisu brand
down **20%** y-o-y



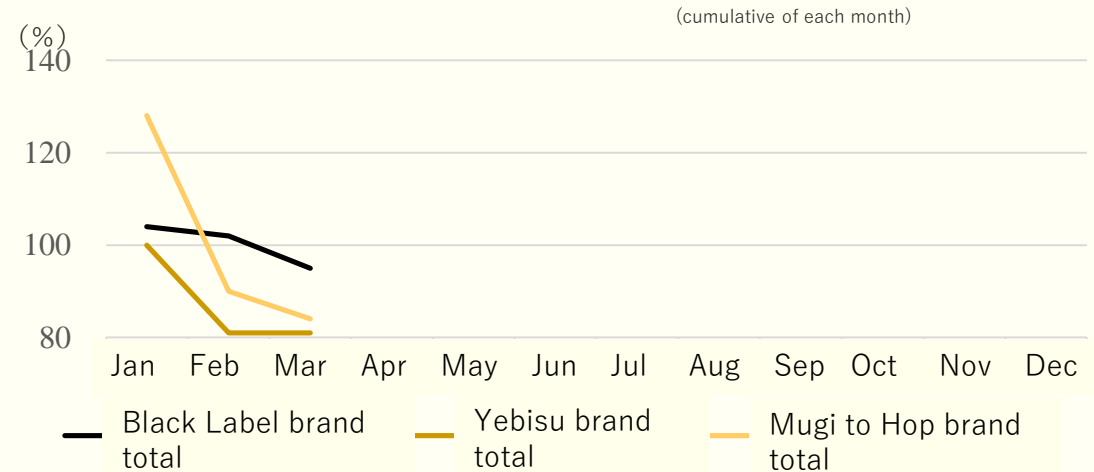
- ✓ Mugji to Hop brand
down **16%** y-o-y



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



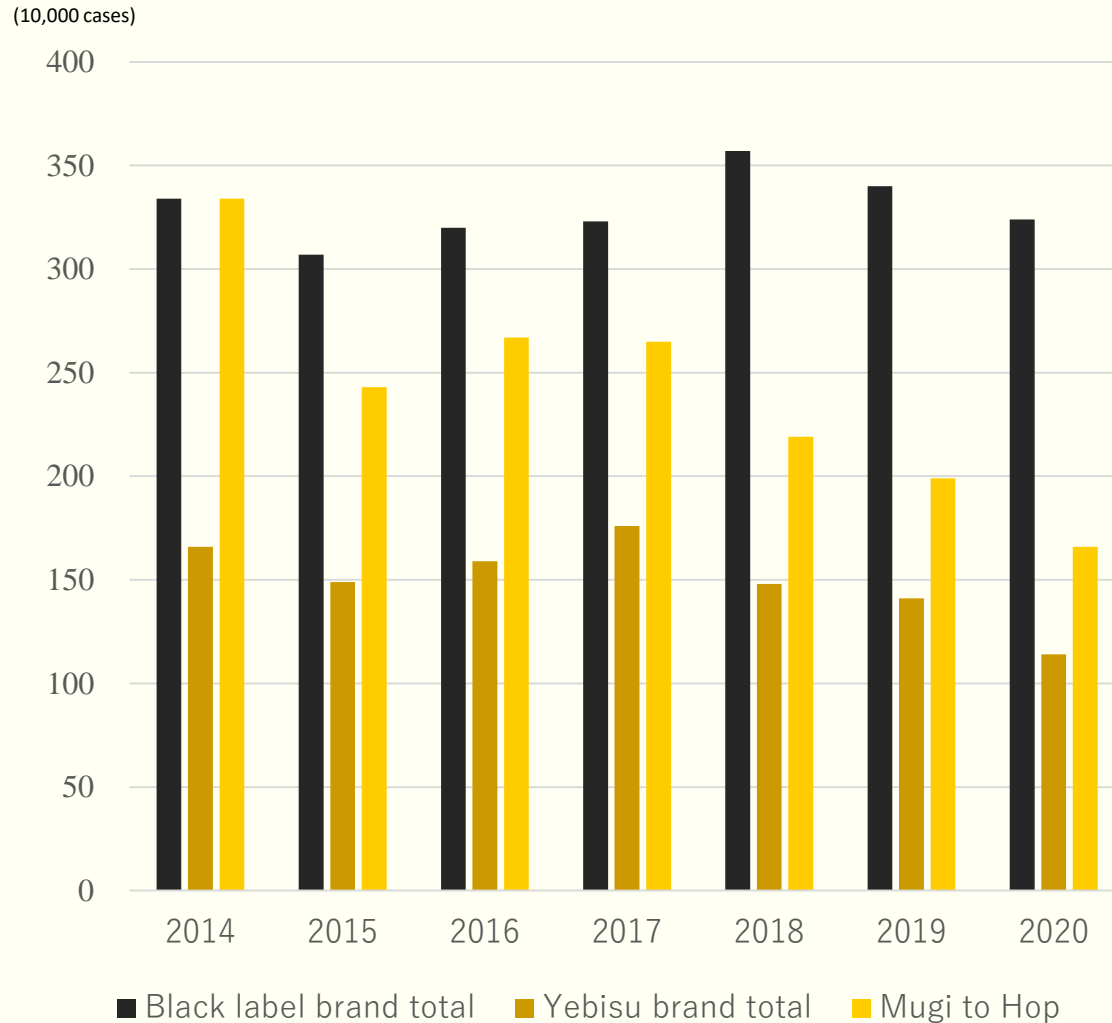
<YoY changes in sales volume of main brands>



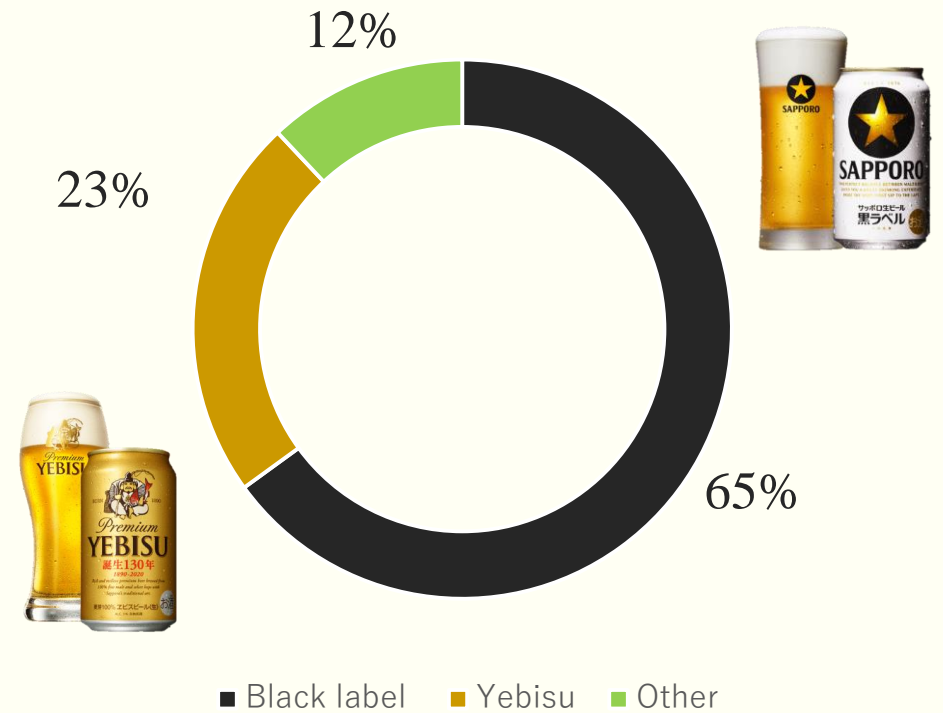
Appendix : Alcoholic Beverages (Japan)



< Main brand Jan- Mar Sales volume change >



< Beer lineup (Jan- Mar break down) >



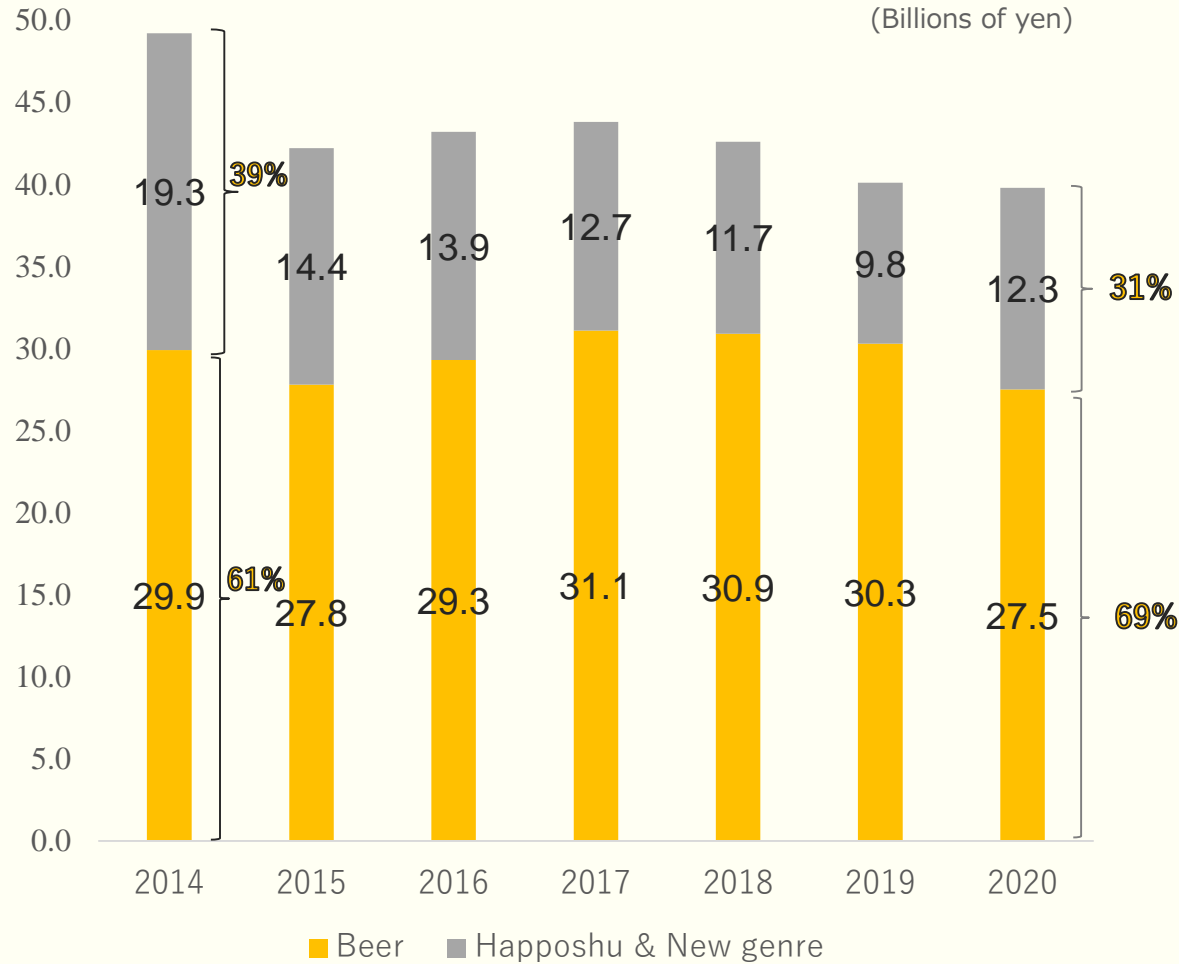
Appendix : Alcoholic Beverages (Japan)



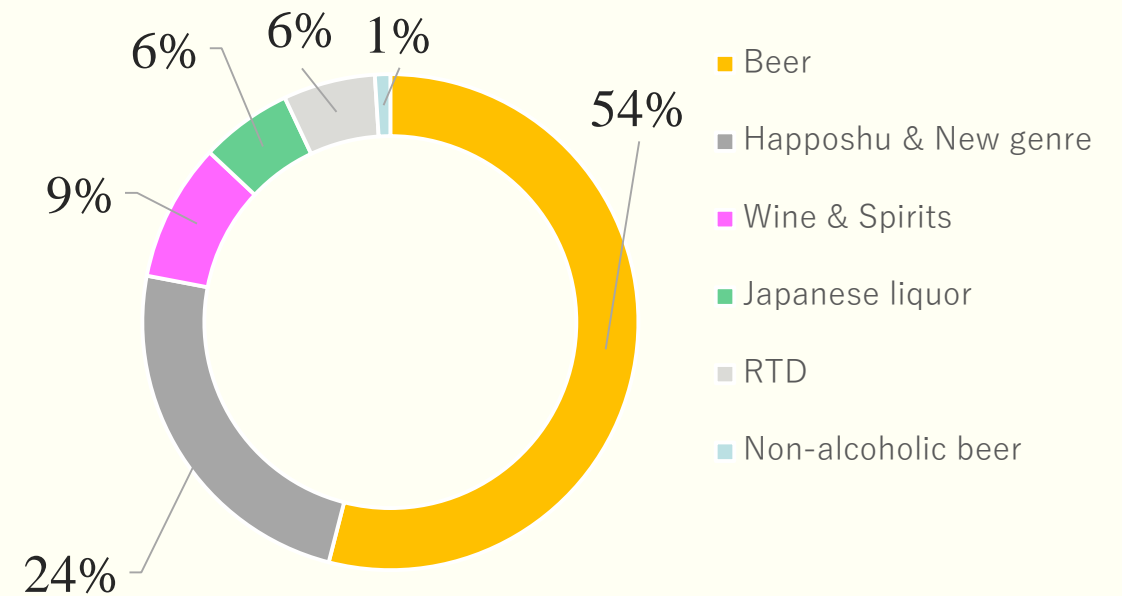
< Jan- Mar sales revenue >

※Incl. liquor tax

(Billions of yen)



< Jan- Mar sales breakdown by category >

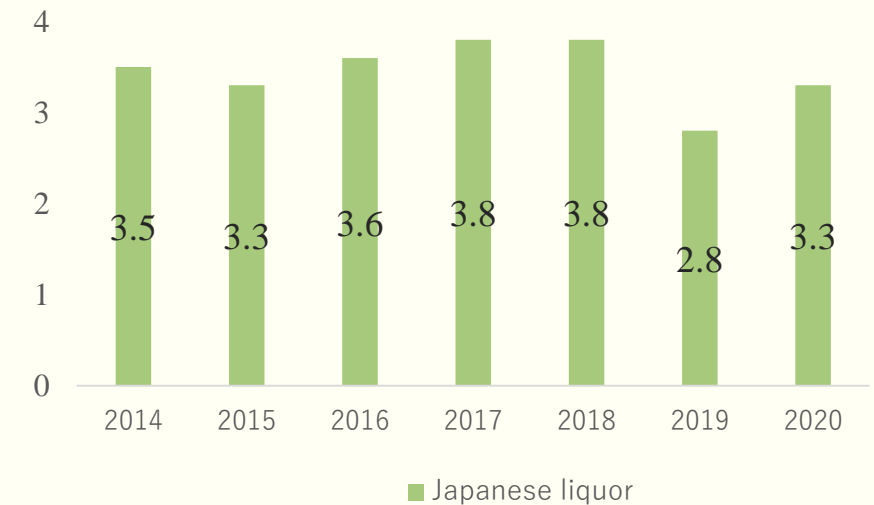
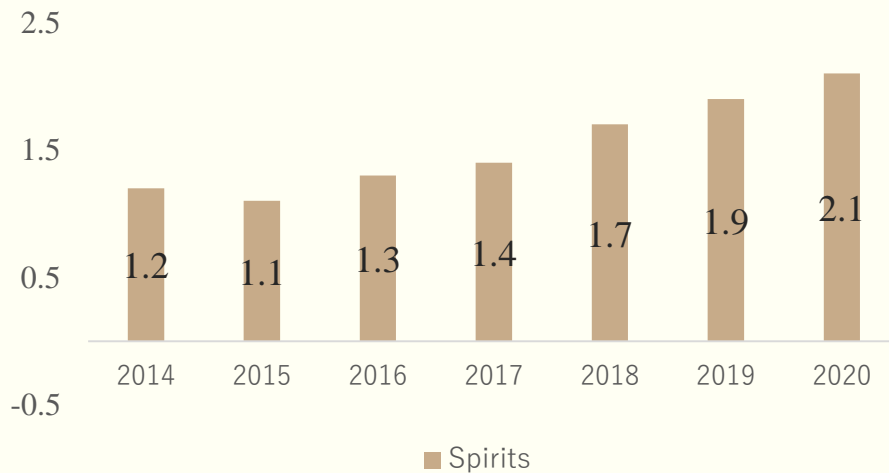
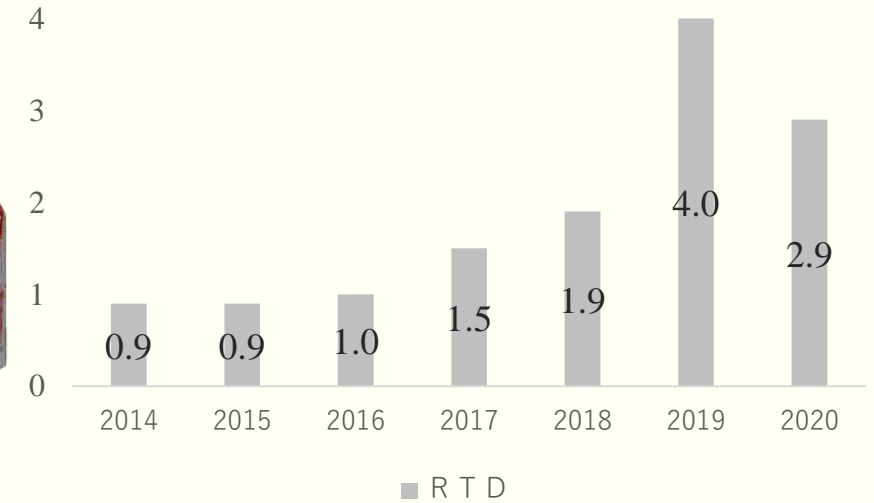
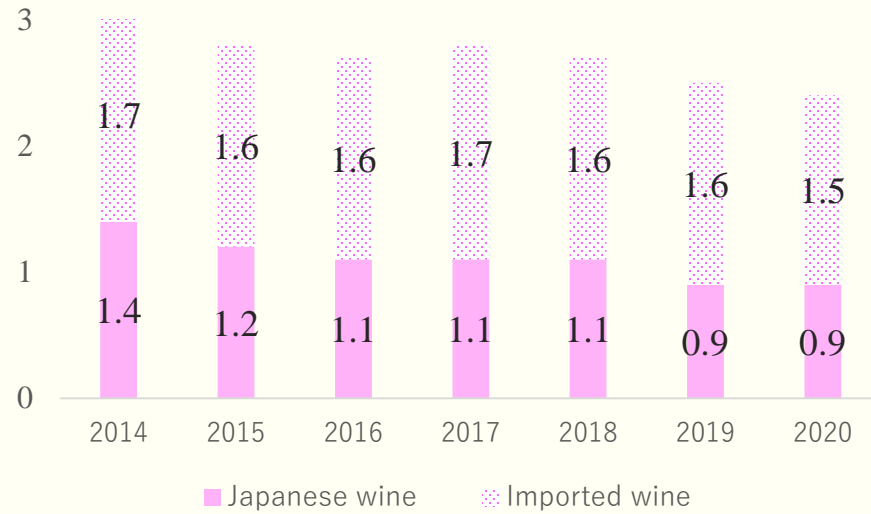


*before subsidiary companies sales, elimination of inter- company transactions and rebate deduction

Appendix : Alcoholic Beverages (Japan)



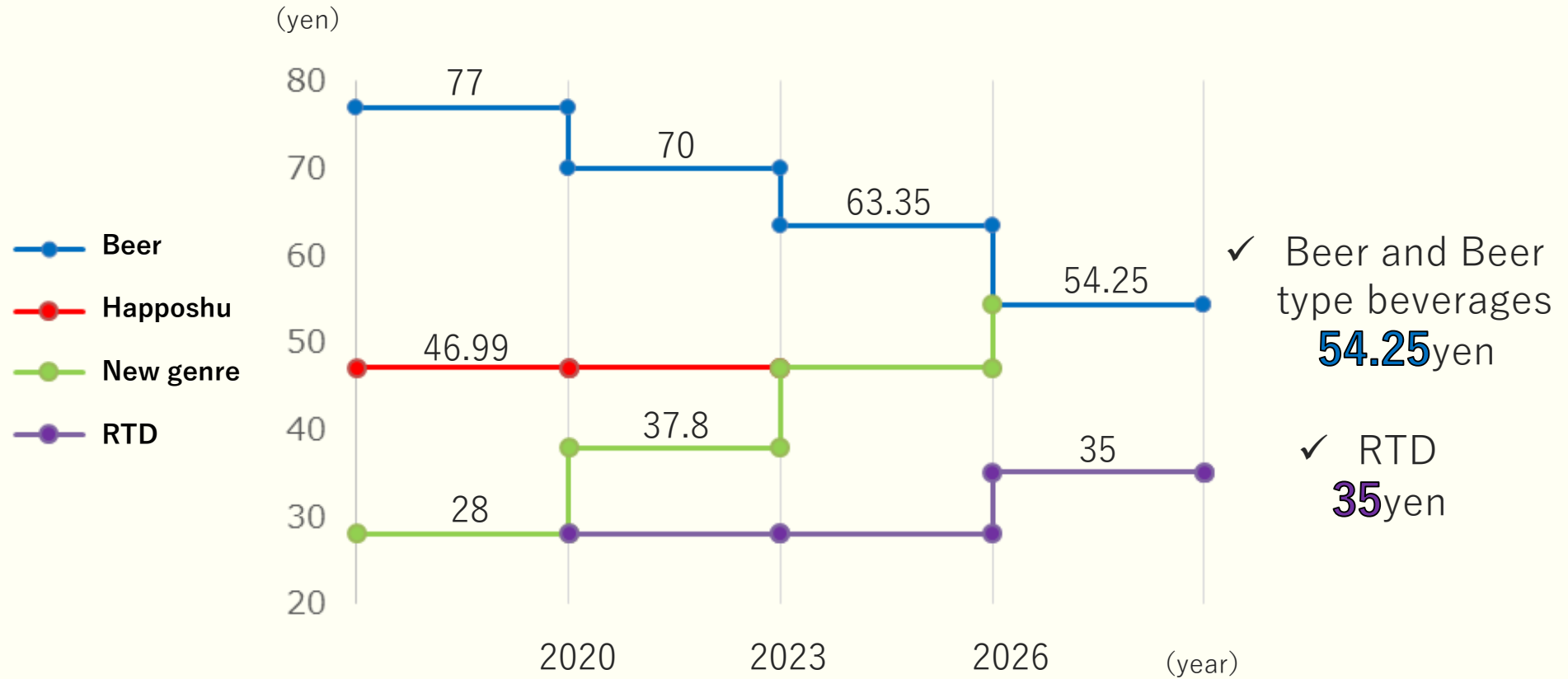
< Jan- Mar sales revenue > (billions of yen)



Appendix : Alcoholic Beverages (Japan)



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



Appendix : Alcoholic Beverages (Overseas)



< Overseas beer : YoY change in sales volume > [North America Total] **Unchanged** y-o-y

(Jan - Mar)

✓ Overseas brand
 down **1%** y-o-y



✓ Sapporo brand
 up **4%** y-o-y

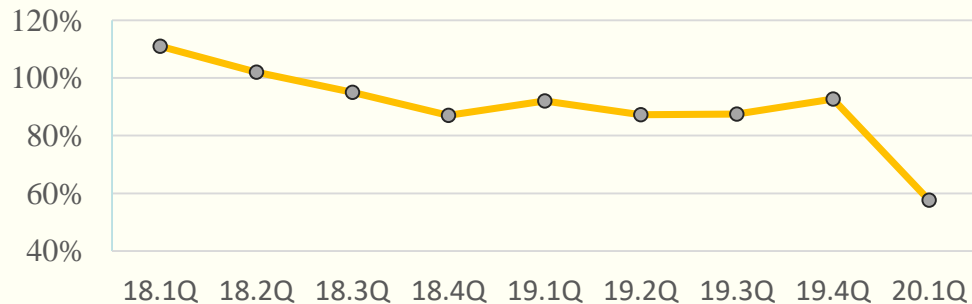


[Other Areas Total] down **40%** y-o-y

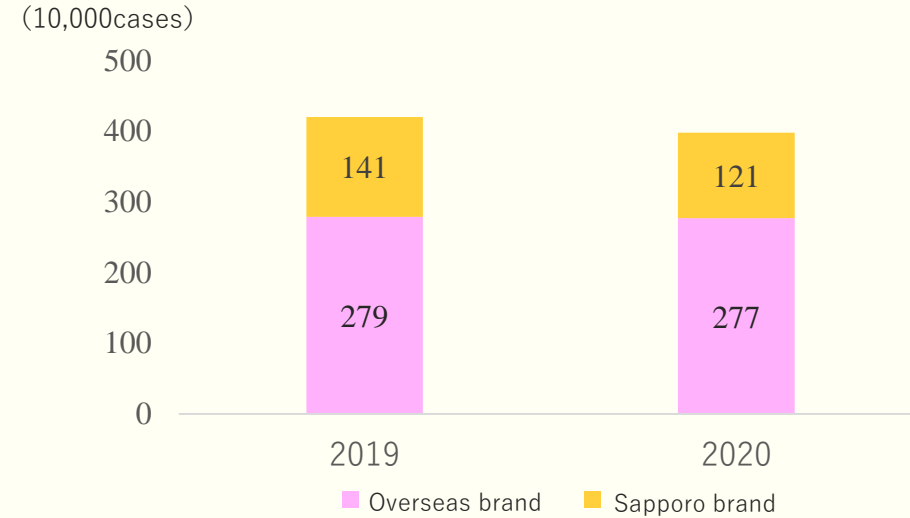
(Main area : Asia pasific、 Europe、 Oceania) (Jan - Mar)

✓ Sapporo brand : down **40%** y-o-y

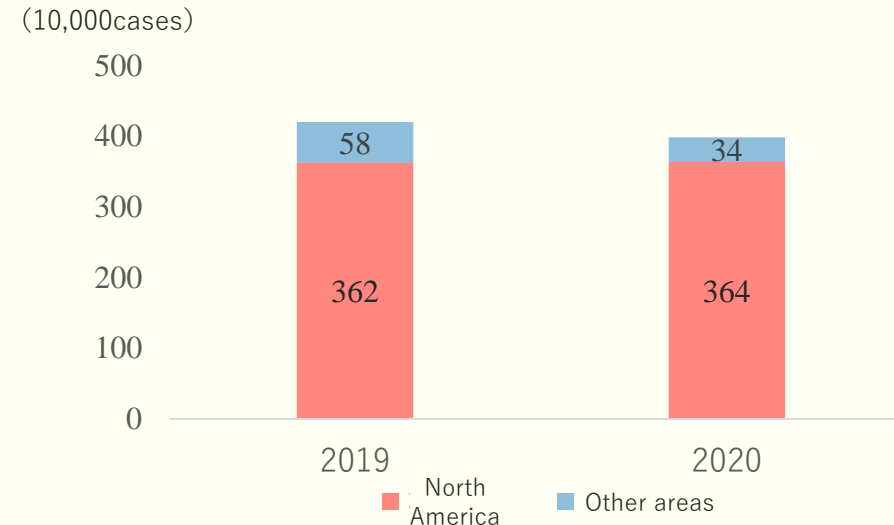
< Y-o-y change in domestic sales volume in Vietnam >



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



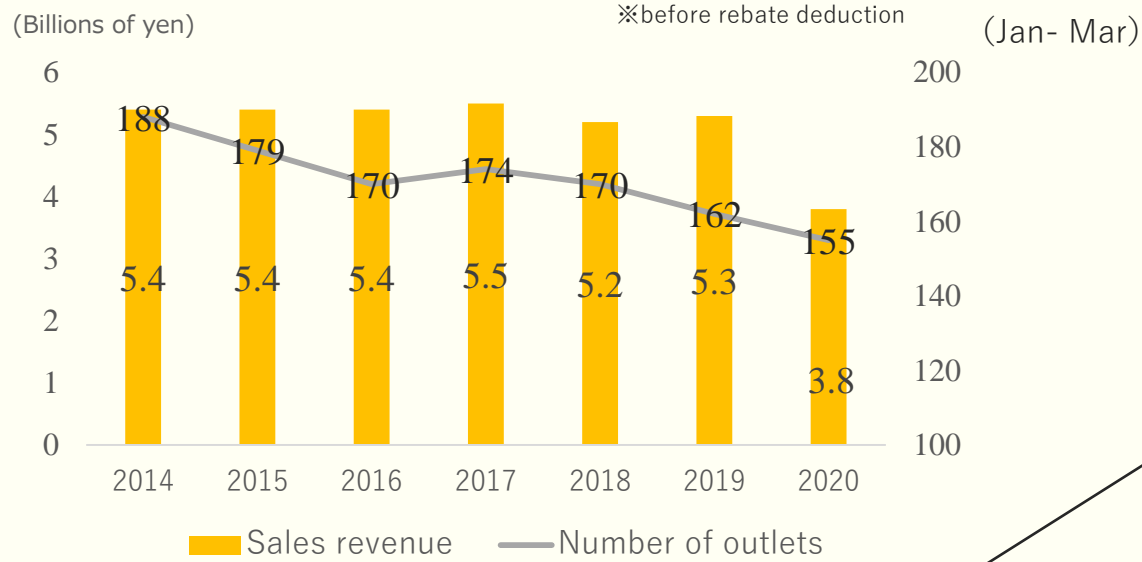
< Overseas sales volume by Area (Jan-Mar) >



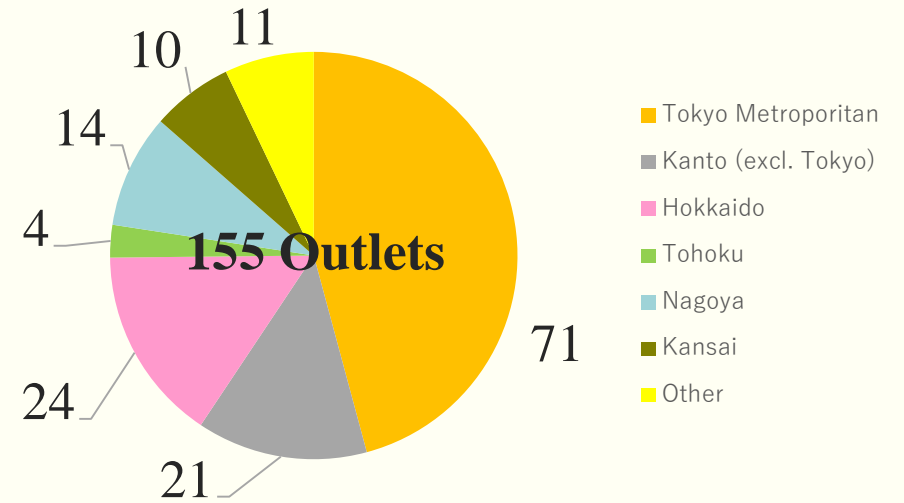
Appendix : Alcoholic Beverages (Restaurants)



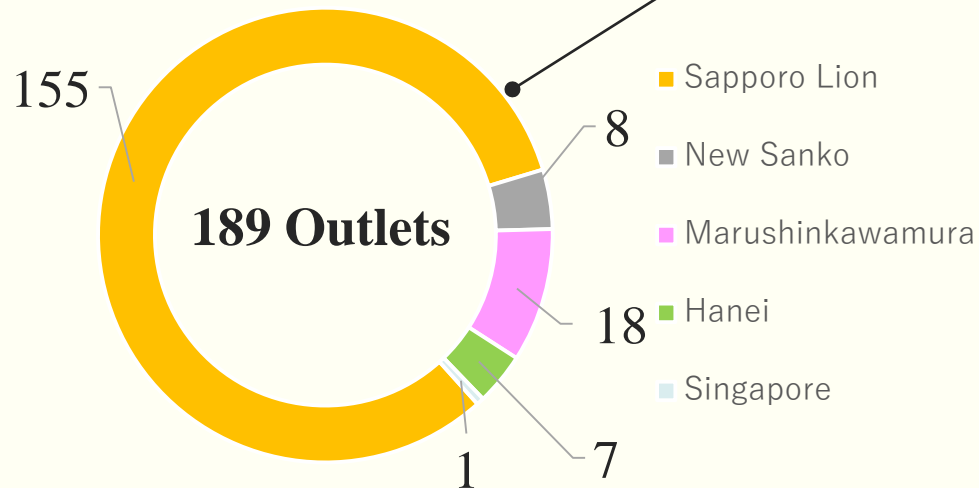
< Sales revenue and number of Sapporo Lion Outlets >



< Sapporo Lion outlets As of Mar 31, 2020 >



< Total number of outlets >



< Brands >



Appendix : Food & Soft Drinks

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

【Lemon based-drinks】

✓ up **48%** y-o-y



【Lemon-based food products】

✓ up **5%** y-o-y



【Unsweetened tea drinks】

✓ down **8%** y-o-y



【Soups】

✓ up **6%** y-o-y



【Coffee drinks】

✓ down **13%** y-o-y

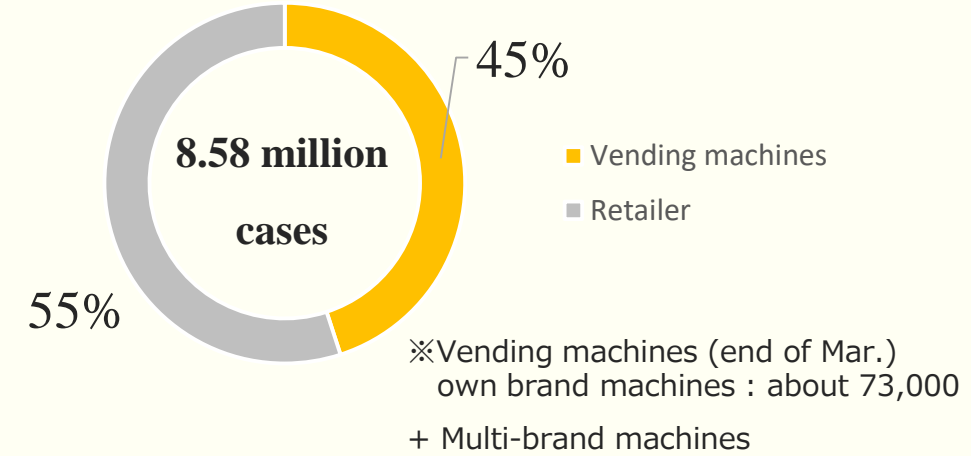


【Soy milk, chilled products】

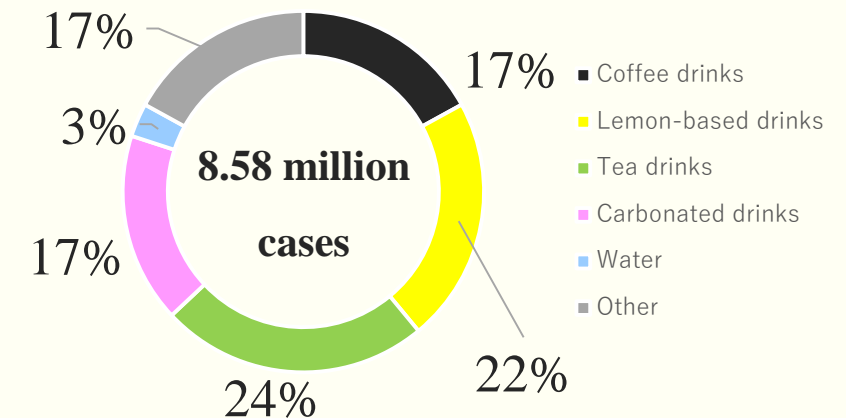
✓ up **59%** y-o-y



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



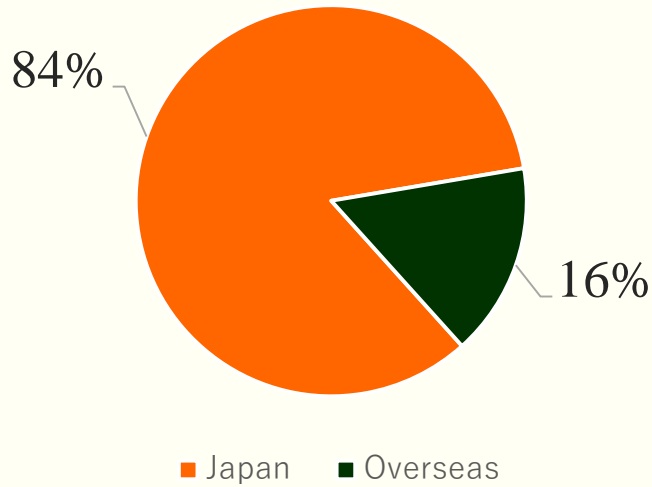
< Japanese soft drinks
 Sales composition by genre (Jan- Mar)>



Appendix : Food & Soft Drinks



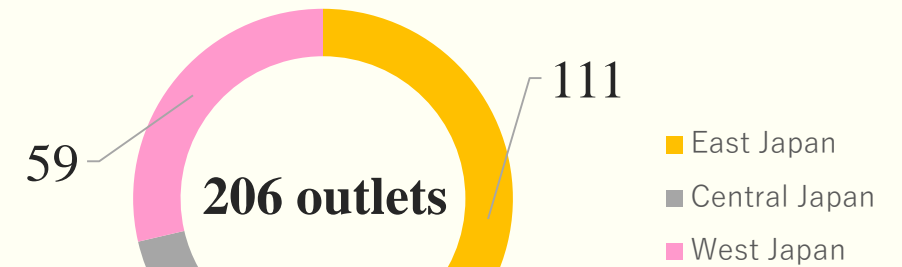
< Food & Soft Drinks segment
Revenue break down by geographic area >



【 Pokka Create Co., Ltd .】

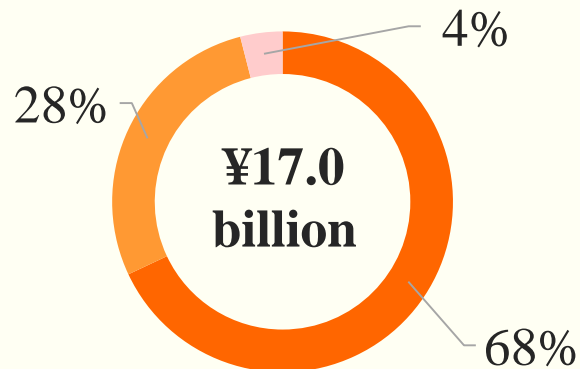
✓ Jan- Mar Sales revenue **¥ 2.1 billion**
up **2%** y-o-y

< Number of outlets as of Mar 31, 2020 >

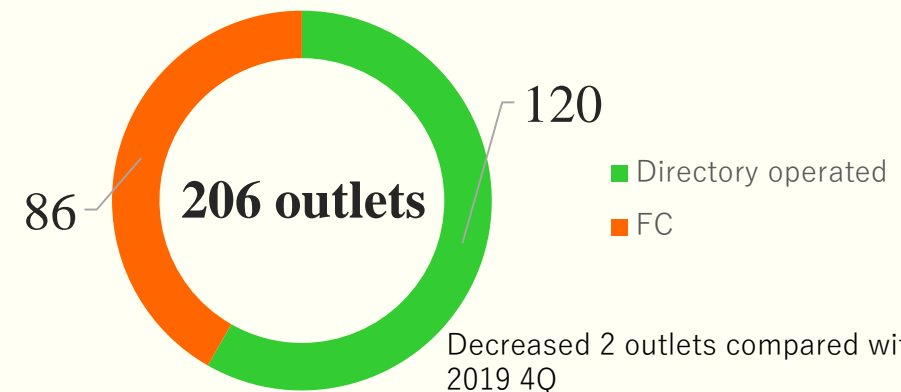
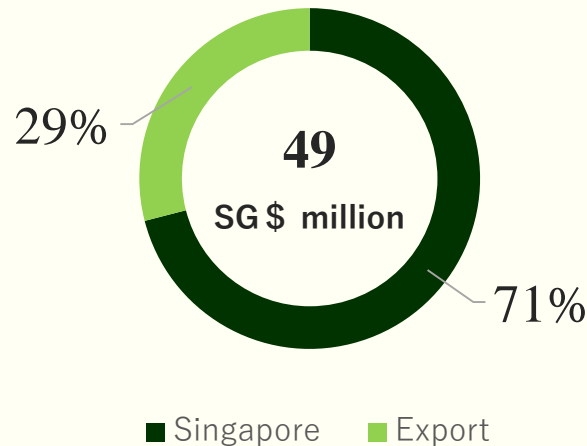


Decreased 2 outlets compared with 2019 4Q
(East -2, Central -1, West+1)

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



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



Decreased 2 outlets compared with 2019 4Q
(Directory operated -2, FC ±0)

■ Soft drinks ■ Food ■ Soy and Chilled product

■ Singapore ■ Export

Appendix : Real Estate



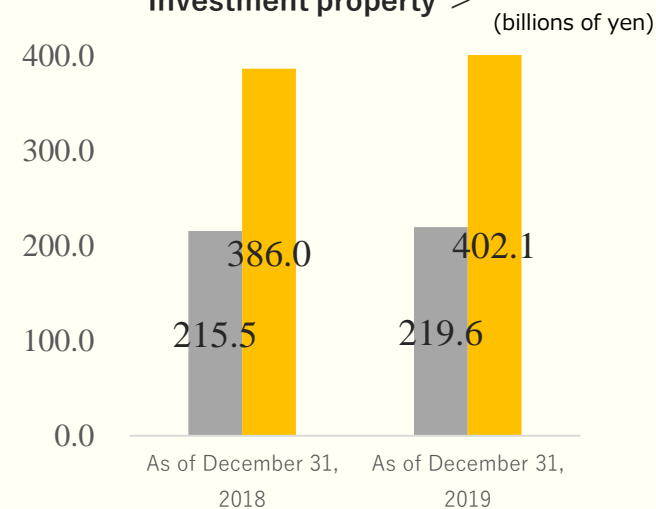
< Major rental properties & occupancy rates : (Averages for 2020 1Q) >

	Site area (m ²)	Floor area (m ²)	Occupancy rate (%)	No. of floors
Yebisu Garden Place ⁽¹⁾	56,943	298,007	100	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	100	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.

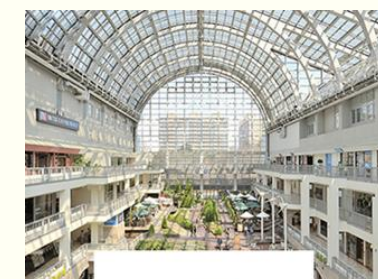
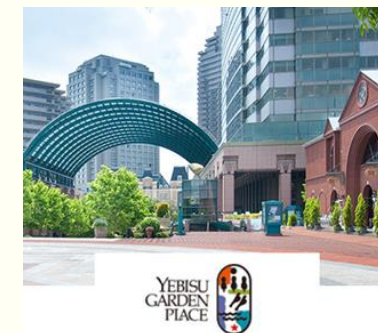
*2: Figures are for entire property. Sapporo owns 922m² of the site (sectional ownership) and 89.72% of the building (joint management)

< Information about Investment property >



■ Carrying value on the consolidated statement of financial position

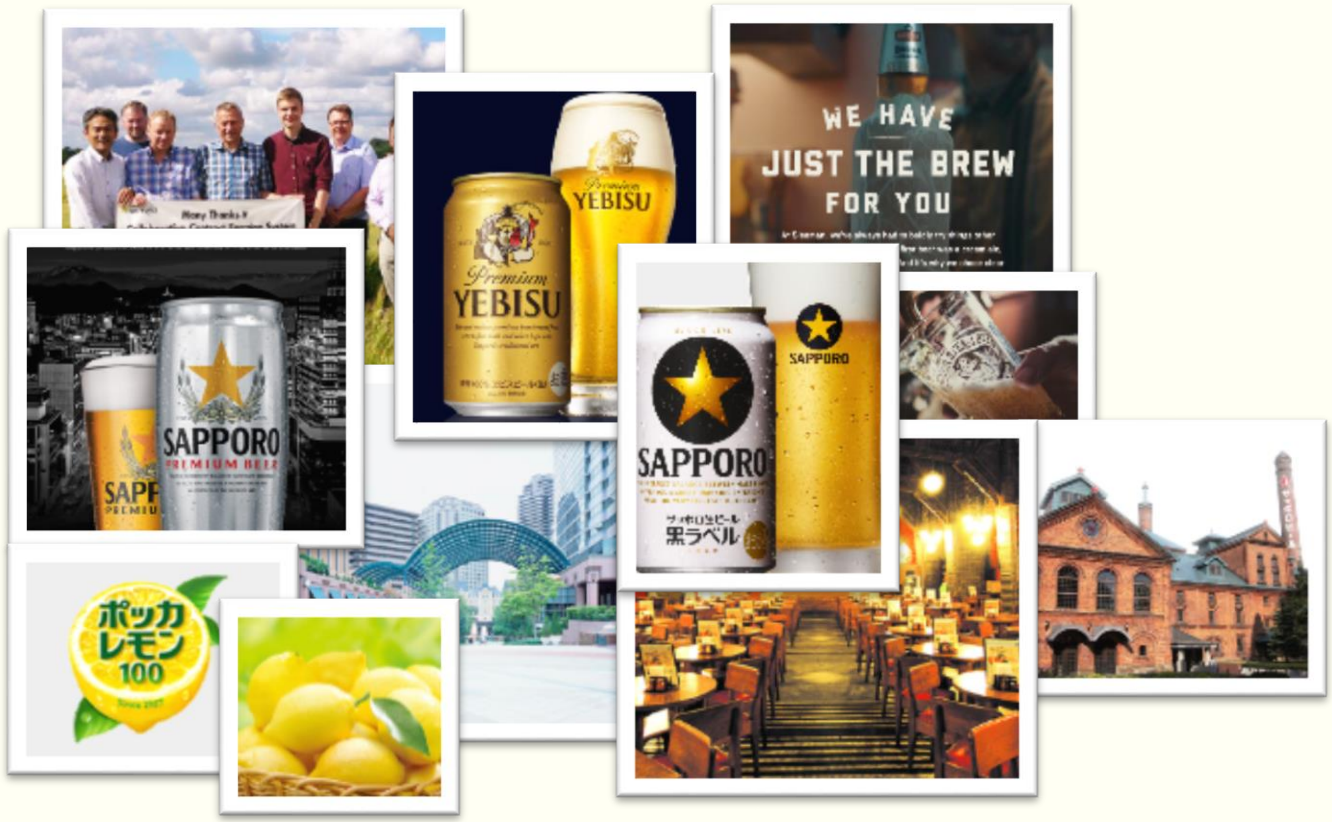
■ Fair value



< Core Operating profit >	(billions of yen)		
	2019 1Q	2020 1Q	Change
Yebisu Garden Place, etc.	1.0	1.0	0.0
Hokkaido	0.1	0.0	(0.1)
Other area & other operations	0.3	0.3	0.0
General corporate	(0.7)	(0.6)	0.1
Total	0.7	0.8	0.1

< EBITDA >

	(billions of yen)		
	2019 1Q	2020 1Q	Change
Yebisu Garden Place, etc.	1.7	1.8	0.1
Hokkaido	0.2	0.2	(0.1)
Other area & other operations	0.7	0.7	0.0
General corporate	(0.3)	(0.2)	0.1
Total	2.4	2.5	0.1



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

