SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q2 Financial Results Briefing for the Fiscal Year Ending December 2021

August 10, 2021

Event Summary

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[Participants]	
[Number of Speakers]	3

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Yoshihiro Iwata	Managing Director
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Nobuyoshi Miura	Citigroup Global Markets Japan Inc.

Presentation

Moderator: Good afternoon, investors. Thank you for participating in the Q2 financial results briefing for the fiscal year ending December 2021 of Sapporo Holdings Limited. It is now time to start, so we will begin.

Mr. Masaki Oga, President and Representative Director, Sapporo Holdings Limited; Mr. Yoshihiro Iwata, Managing Director, Sapporo Holdings Limited; and Mr. Hiroyuki Nose, President and Representative Director, Sapporo Breweries Limited are attending the meeting today.

Please prepare the financial statements, supplementary explanatory materials for the financial statements, and PowerPoint presentation of the financial statements at hand. First, Mr. Oga and Mr. Iwata will give an overview of the Q2 financial results based on the PowerPoint presentation of the financial results for about 40 minutes, followed by a question-and-answer session. The entire meeting is scheduled to last approximately 1.5 hours.

The conference call will now begin. First, Mr. Oga will give an explanation. Please begin.

Summary: Business Results for 2021 2Q and Full-Year Earnings Forecast for 2021

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Business Results for 2021 2Q

Revenue: 199.7 billion yen (down 0.3 billion yen YoY)
Sales were at the same level YoY as commercial-use beer and restaurant sales in Japan declined due to the impact of COVID-19, while sales of home-use alcoholic beverages in Japan and international alcoholic beverages increased.

Core operating profit: (3.5) billion yen (up 1.6 billion yen YoY)
While the restaurant-related business struggled, core business profit improved, due in part to reductions in expenses resulting from cost structure reforms implemented since last year.

Profit attributable to owners of parent: 12.3 billion yen (up 18.8 billion yen YoY)
Profit soared due to sale of investment property.

Full-Year Earnings Forecast for 2021 (refer to page 24 for details)

• The full-year earnings forecasts have been revised in light of the ongoing impact of COVID-19 in addition to the progress toward plans up to the second quarter.

➡ **Revenue and core operating profit have been revised down (No changes to operating profit and other profit categories, or to the plan for revenue and profit growth (YoY))**

Earnings Forecast (billions of yen)	Initial plan for 2021	Revised plan for 2021	Amount of revision	Results for 2020	Difference
Revenue	468.2	447.2	(21.0)	434.7	12.5
Core operating profit	9.0	6.7	(2.3)	4.3	2.4
Operating profit	18.0	18.0	0.0	(15.9)	33.9
Profit attributable to owners of parent	12.0	12.0	0.0	(16.1)	28.1

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Oga: Hello, everyone. I am Oga of Sapporo Holdings. Thank you very much for coming to the remote event.

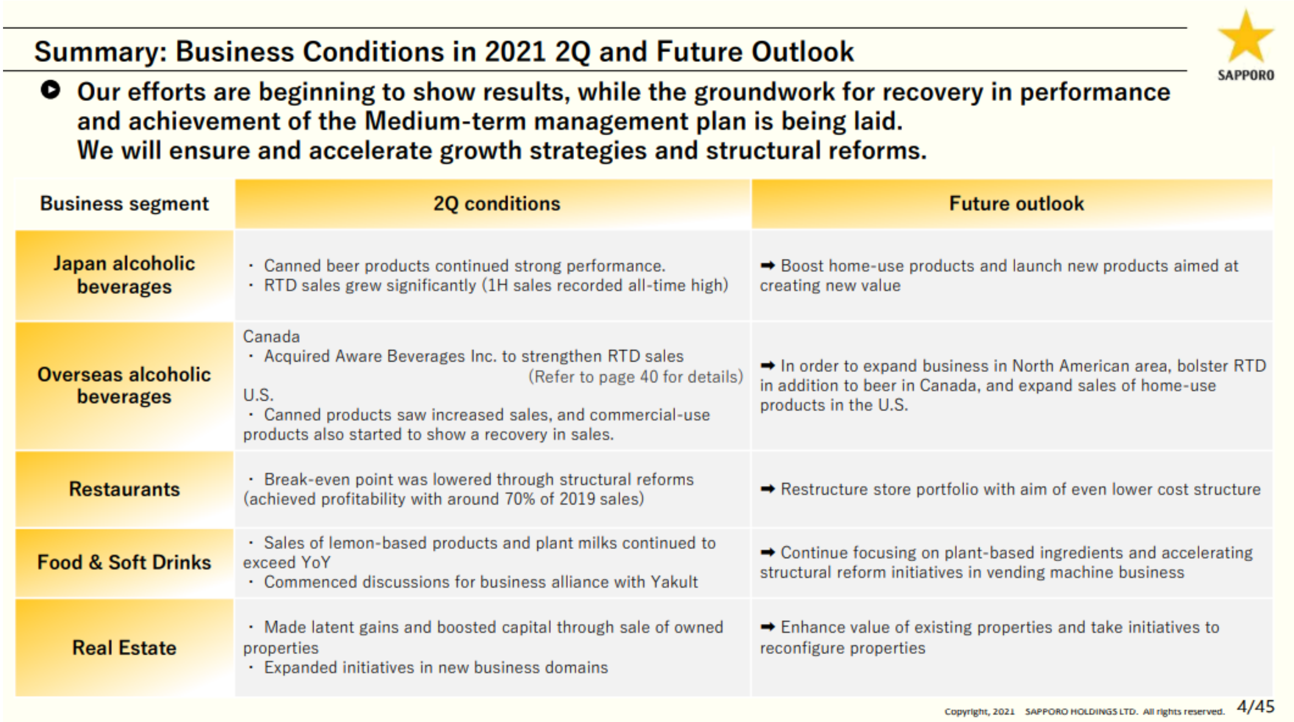
I would like to start with page 3 of the PowerPoint.

First of all, sales and profits for H1 of the fiscal year were about the same as the previous year. While restaurant sales declined due to further struggles, and beer sales for commercial use also declined, we were able to make up for the decline with home-use alcoholic beverages and overseas business, resulting in sales on par with the previous year. However, it deviated from the plan by about 10%. The result was about 10% worse.

Core operating profit is in the direction of improvement, and it can be said that the effects of the various initiatives we have taken are starting to show, but the figure was a negative JPY3.5 billion. This is due to the impact of the sales revenue falling short of the plan as mentioned earlier.

The final profit for Q2 was JPY12.3 billion, a significant increase from the previous year. This is a result of the sale of investment real estate, which led to a significant increase in profits.

Based on the results of Q2, we have decided to revise both sales revenue and core operating profit downward in terms of the full-year business forecast. However, there will be no change in operating profit and final profit attributable to owners of parent.



Page 4. The following is the status of Q2 and future developments for each business division.

Looking ahead, we are assuming that vaccination will proceed according to the government's target, and that the trend will recover from early autumn to the end of the year.

As for alcoholic beverages, during the interim period, total demand, so-called beer demand, increased, and demand for new genres in particular did not do well. Therefore, we will focus on beer-based products and core brands, as well as new products that will create a new beer culture.

Overseas, we are doing relatively well. With Canada continuing to perform well, we believe that our overseas beer business will be the key to future growth. So, in order to support the growth of the US, we will not only make investments for the future in H2 of this year, but we will also accelerate these investments for the future. This is the shape of things to come.

In the area of restaurants, we have reduced the number of stores and are changing to a leaner business structure, and if demand recovers, we will soon be able to generate profits. We would like to wait for the time in that sense.

With regard to food and beverages, we have always said that we must be clear about what we will do and what we will stop doing, but there are still some things that we have not decided. As for the structural reform of the vending machine business, although there are other parties involved, we are trying to reach a target within H2 of this fiscal year. In such a situation, I believe that H2 of the year is the time to make our business as a food and beverage company worthy of existence in the future.

In the real estate business, although there are some headwinds in terms of office demand, the details of the commercial facility to be built after Mitsukoshi in Yebisu Garden Place are almost finalized, and we will take more detailed measures, including increasing the value of existing properties. I would like to overcome H2 of the year with this in mind, and connect it to the future.

That's all I have to say.

Moderator: Thank you very much for your explanation.

Mr. Iwata will continue with the explanation. Please.

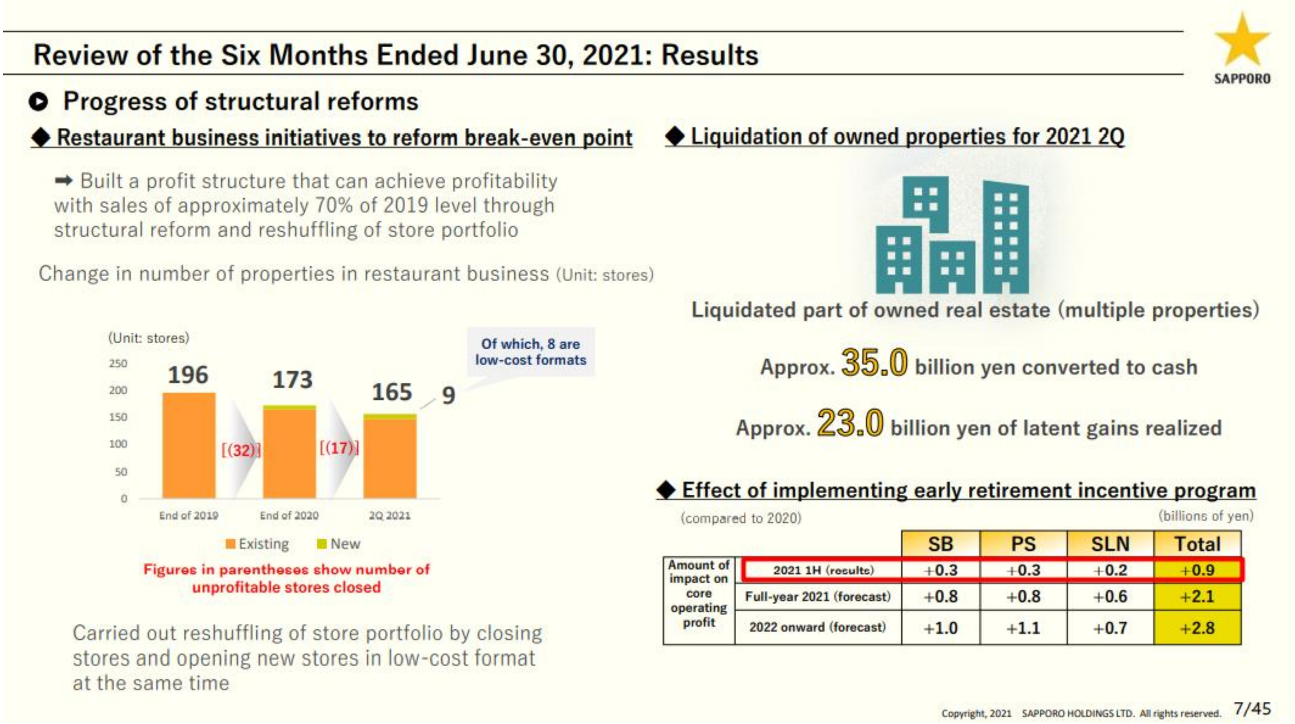
Iwata: This is Iwata.

Now, I would like to provide an overview of the financial results for Q2 and the full-year forecast.

Page 6 of the PowerPoint presentation. First of all, I would like to explain the results up to Q2.

Sales of Black Label and YEBISU cans continued to be strong, as in the previous fiscal year. As for RTDs, which had been an issue in the previous fiscal year, Koime no Lemon Sour newly launched this year has been very popular and is selling well. Following the success of brands such as Otoko Ume, which has been selling well for some time, RTD sales reached a record high in H1 of the current fiscal year.

For the Sapporo brand in North America, there was a large increase of 26% due to the expansion of initiatives in canned beer as well as a recovery in commercial use. Sales of lemon beverages, soy milk, and other plant milks also continued to be strong.

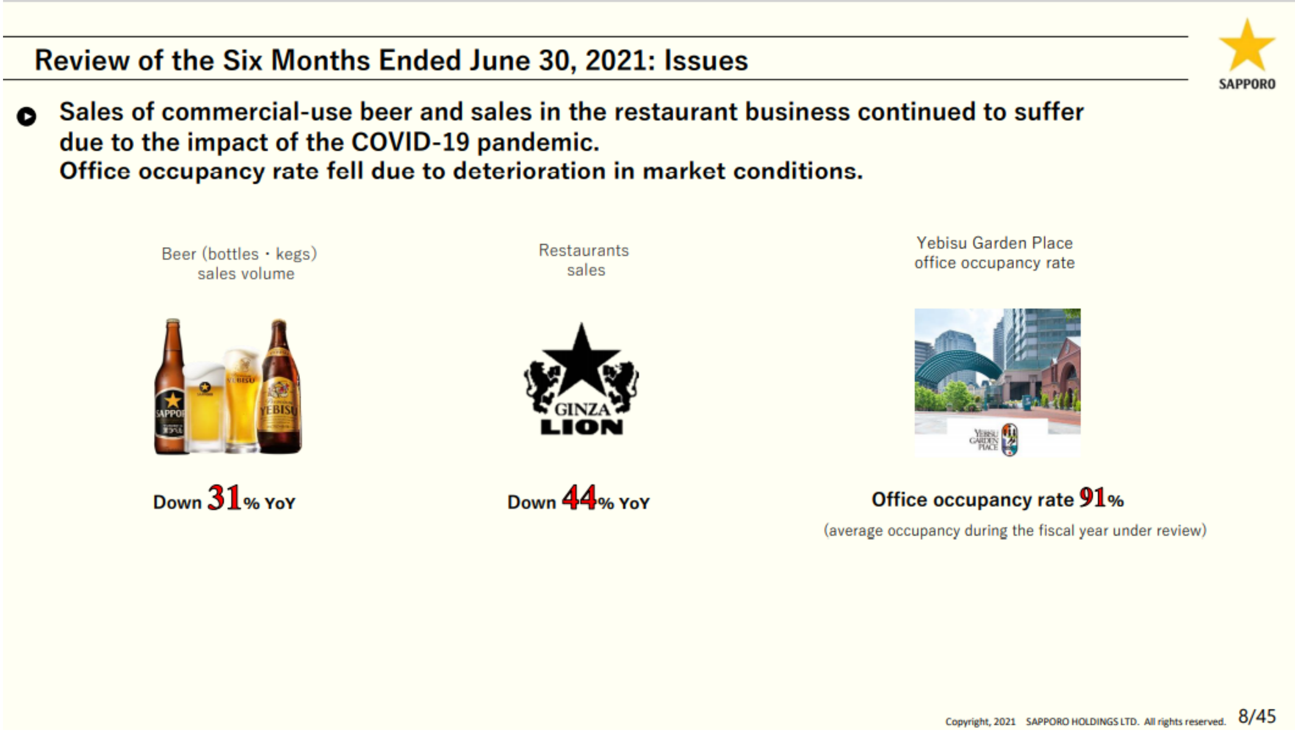


Page 7. We will discuss our structural reform efforts.

This is an initiative to reform the break-even point of the restaurant business. Since last year, we have been closing loss-making stores, relocating our head office, and opening new lightweight stores with a high takeout ratio, which has resulted in a profit structure that can return to profitability with about 70% of sales compared to 2019.

This is an effort to review our real estate portfolio. Including investment real estate, we generated approximately JPY35 billion in cash from the sale of properties in H1 of this fiscal year. In addition, we will earn a gain of approximately JPY23 billion from the sale. We intend to use the cash gained to reduce debt and invest in the growth of our real estate business.

As for the effect of early retirement incentive program by each company implemented in the previous fiscal year, the contribution will be JPY2.1 billion for the entire company this fiscal year, as it was implemented during the term, and there will be a full year contribution for the next fiscal year, which is expected to be about JPY2.8 billion.



Page 8. The issues.

After all, the impact of COVID-19 on commercial beer, and on the restaurant business. In addition, due to the worsening real estate market, the occupancy rate of offices in Yebisu Garden Place has declined.

Sales of bottled beer and barrel beer were down 31% in H1 of the fiscal year, and sales in the restaurant business were down 44% YoY. Due to the worsening of the real estate market, the occupancy rate of Yebisu Garden Place has declined. The average occupancy rate of Yebisu Garden Place for H1 of the year was 91%, down from 100% in the January to June period of the previous year.

Results Highlight

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(billions of yen)	2020 2Q Result	2021 2Q Result	YoY changes (amount)	YoY changes (%)
Revenue	200.0	199.7	(0.3)	(0.1%)
Revenue（Excluding liquor tax）	151.6	151.1	(0.5)	(0.3%)
Overseas revenue	30.7	34.7	4.0	13.1%
EBITDA	6.4	6.9	0.6	9.2%
Core operating profit	(5.1)	(3.5)	1.6	-
Core operating profit margin	(2.5%)	(1.7%)	-	-
Operating profit	(9.4)	19.1	28.5	-
Profit attributable to owners of parent	(6.4)	12.3	18.8	-
D/E ratio（times） ※Net	1.4	1.2	(0.3)	-

The balance of debt excludes the balance of lease obligations.

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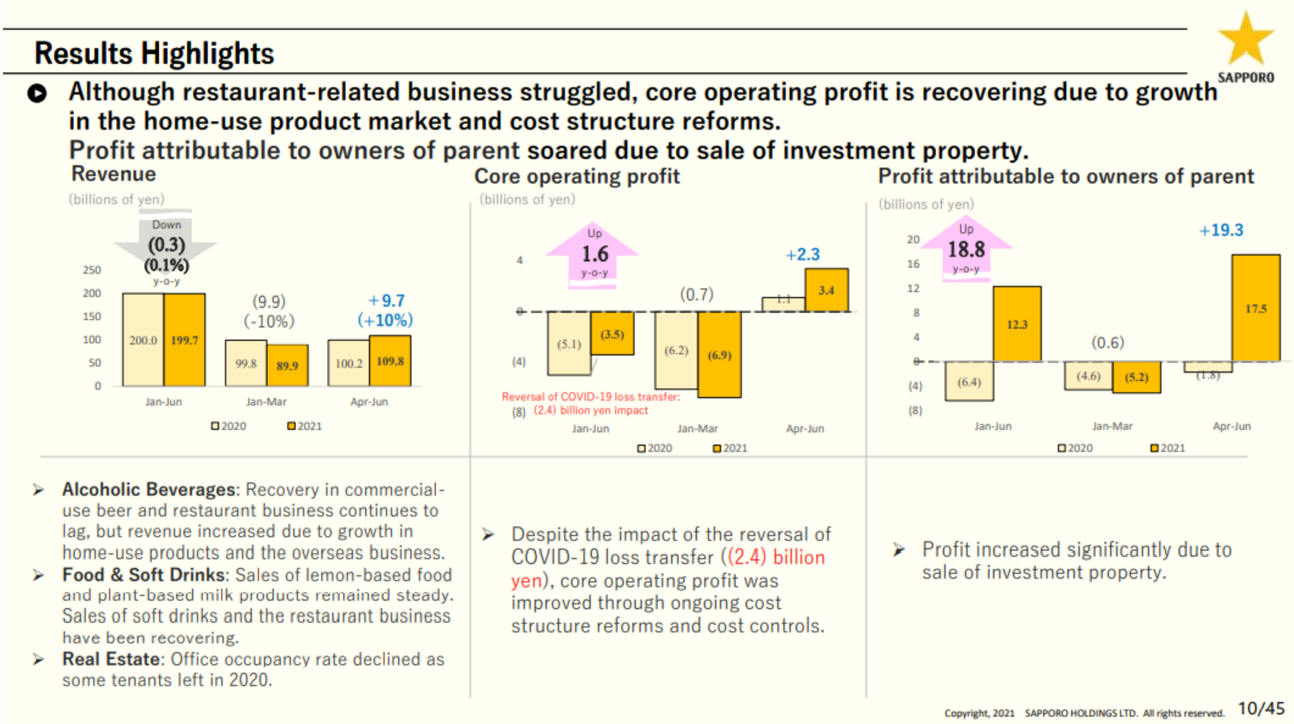
Page 9, the highlights of the Q2 results.

Sales revenue was JPY199.7 billion, almost the same level as the previous year, thanks to significant contributions from the domestic alcoholic beverage home-use market and overseas alcoholic beverage sales, despite the impact of COVID-19, which led to lower sales in the restaurant business and the domestic alcoholic beverage business for commercial use.

Core operating profit was a loss of JPY3.5 billion, an improvement of JPY1.6 billion from the previous year due to cost structure reforms implemented since last year and the effect of increased sales in domestic alcoholic beverages for home use and overseas business.

Operating profit was JPY19.1 billion, a significant increase due to gains on the sale of real estate and the reversal of losses related to COVID-19 that were posted last year.

Profit attributable to owners of parent was JPY12.3 billion, which is an increase of JPY18.8 billion.

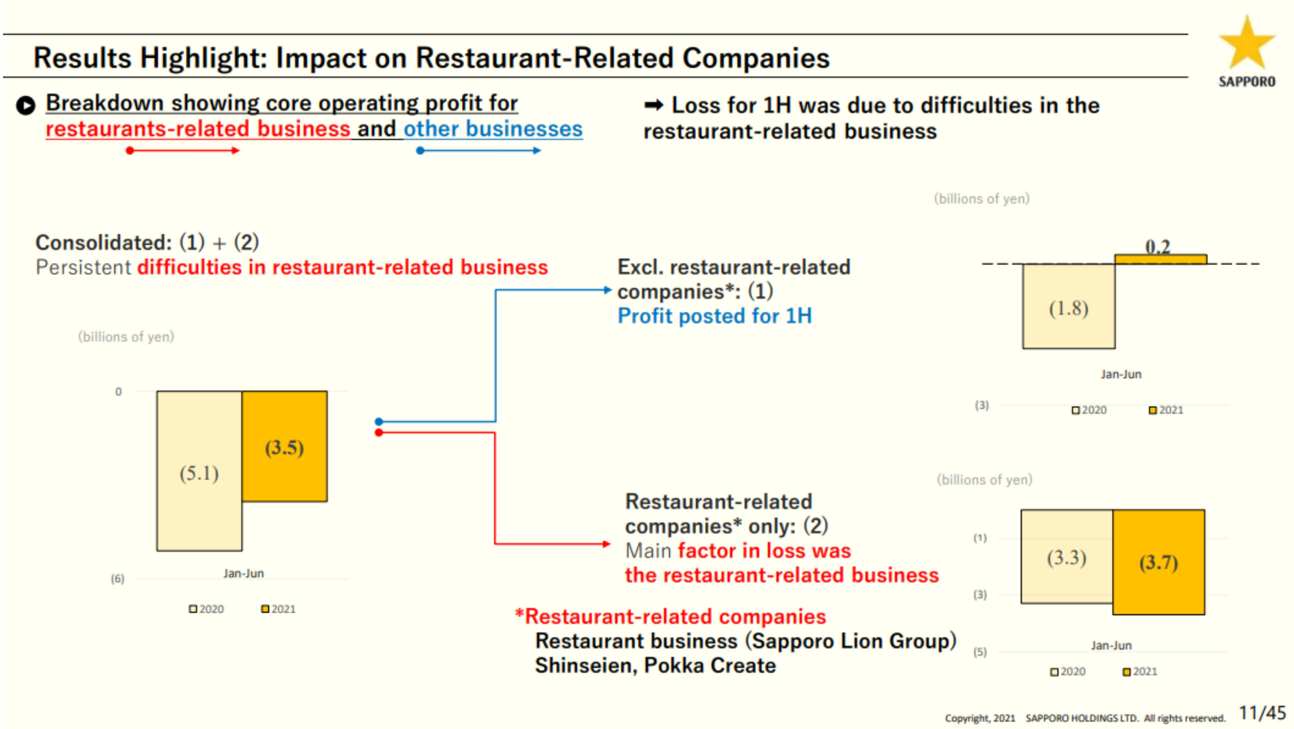


Page 10, the highlights section breaks down sales, core operating profit, and profit attributable to owners of parent by quarter.

Last year was affected by COVID-19 from Q2. If you look at Q1, the previous year was before COVID-19, and this year is after COVID-19, so there was a decrease in both sales and profits. In Q2, both of which are after COVID-19, profits increased this fiscal year due to growth in the home-use market and contributions from overseas. Overall, sales were at the same level as the previous quarter, but we were able to make up for the loss in Q1 in Q2.

The same is true for core operating profit. In Q2, in addition to the increase in sales, the effect of cost reduction contributed to a large increase, and the January to June period saw an improvement of JPY1.6 billion compared to the previous year.

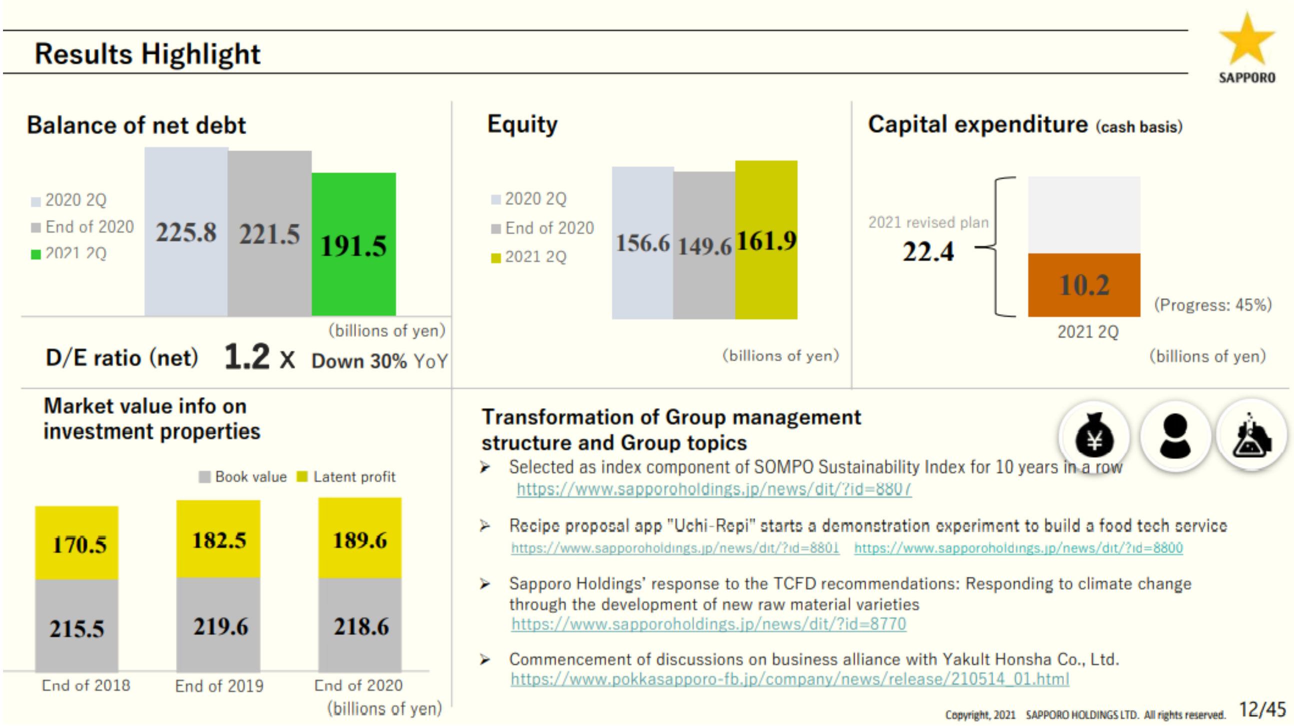
As for the final profit on the right, the gain on the sale of real estate was recorded in Q2, which resulted in a large increase in profit for the full year.



Page 11.

As I mentioned last time, in terms of the impact of restaurant-related business, we have a sub-segment called the restaurant business within the alcoholic beverages segment, but in addition to that, we have a company called Shinseien, which operates Sapporo Beer Garden, within the domestic alcoholic beverages segment. In addition, Café de Crié, which is in the café business, is included in the food and beverage segment, which means that in addition to the restaurant segment centered on the Lion Group, Shinseien in the alcoholic beverage segment and café in the food & soft drinks are considered to be restaurant-related companies.

We have made a distinction between restaurant-related companies and other companies. Restaurant-related companies posted a deficit of JPY3.7 billion for the January to June period, a JPY400 million deterioration from the previous year, while businesses other than restaurant-related companies posted a surplus of JPY200 million, a JPY2 billion improvement from the previous year.



Page 12. I would like to continue with the highlights, and I will explain the key points here, focusing on B/S-related issues.

In terms of net financial debt, we mainly used the cash generated from the sale of real estate to reduce financial debt. As a result, net financial debt was JPY191.5 billion, a reduction of JPY30 billion from the end of the previous fiscal year.

Total shareholders' equity increased to JPY161.9 billion, partly due to the contribution of profits. As a result, the D/E ratio was able to recover to the pre-COVID-19 level of 1.2 times.

Revenue by Segment

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(billions of yen)	2020 2Q Result	2021 2Q Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	200.0	199.7	(0.3)	(0.1%)
Alcoholic Beverages	130.4	130.5	0.2	0.1%
Japanese	103.2	102.7	(0.5)	(0.5%)
Overseas	21.7	24.8	3.1	14.3%
Restaurants	5.5	3.1	(2.4)	(44.1%)
Food & Soft Drinks	58.1	58.0	(0.1)	(0.2%)
Real Estate	11.5	11.1	(0.4)	(3.1%)
Other	0.1	0.1	0.0	5.6%

Factors are explained in the next slide

13/45

I would like to continue with sales revenue by segment. Page 13.

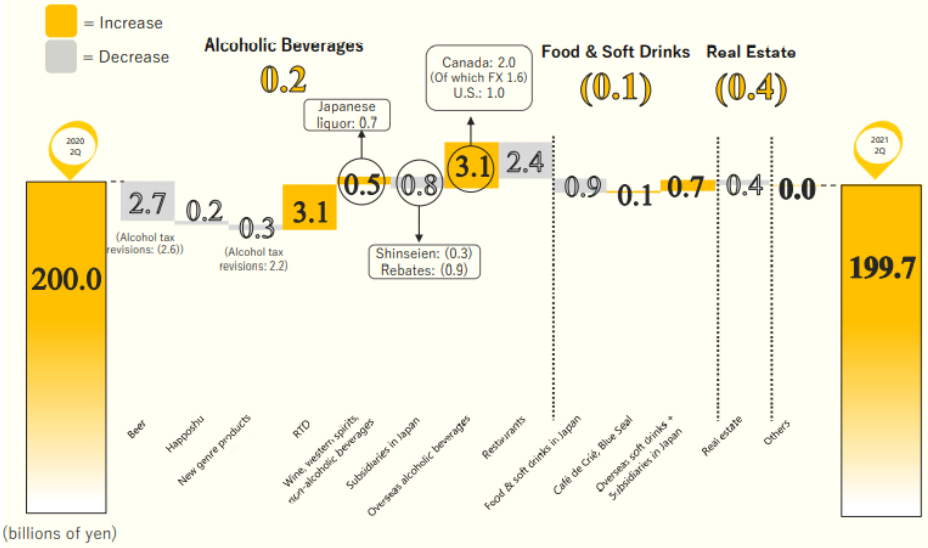
The overall sales revenue was almost the same as the previous year, although there were some unevenness depending on the business.

In the alcoholic beverages business, sales were JPY130.5 billion, up 0.1%. In the domestic alcoholic beverages business, the sales volume of canned beer, RTD, and other products for the home-use market offset a decline in sales volume in the commercial market, resulting in sales remaining almost unchanged from the previous year. The Sapporo Lion Group's restaurant business saw a significant decline of JPY2.4 billion, or 44%. In the overseas alcoholic beverages business, sales increased by JPY3.1 billion, or 14%, due to an increase in sales volume in the US and the impact of foreign exchange rates.

Sales in the food and beverage business and the real estate business were about the same as the previous year, or slightly down.

Main Contributors to Changes in Revenue

Revenue of RTD and overseas alcoholic beverages rose, but declined for restaurants and soft drinks despite a recovery trend, resulting in a slight decrease of 0.3 billion yen year on year.



(billions of yen)

	YoY changes Total	1Q	2Q
Total	(0.3)	(9.9)	9.7
Alcoholic Beverages	0.2	(6.7)	6.9
Japanese	(0.5)	(3.9)	3.4
Beer	(2.7)	(4.1)	1.4
Happoshu	(0.2)	(0.1)	(0.2)
New genre products	(0.3)	(0.1)	(0.2)
RTD	3.1	1.3	1.8
Wine, western spirits, non-alcoholic beverages	0.5	(0.2)	0.7
Subsidiaries in Japan	(0.8)	(0.7)	(0.1)
Overseas	3.1	(0.1)	3.2
Restaurants	(2.4)	(2.7)	0.3
Food & Soft Drinks	(0.1)	(2.8)	2.7
Food & soft drinks in Japan	(0.9)	(1.9)	0.9
Café de Crié, Blue Seal	0.1	(0.6)	0.7
Overseas soft drinks + Subsidiaries in Japan	0.7	(0.3)	1.0
Real Estate	(0.4)	(0.4)	0.1
Others	0.0	0.0	(0.0)

 14/45

Next, on page 14, I would like to explain the main factors behind the increase and decrease in sales.

Sales of beer, happoshu, and new genres decreased by JPY3.2 billion in total.

Sales of RTDs, which are performing well, increased by JPY3.1 billion, and sales of Japanese liquor increased by JPY0.7 billion.

Overseas, in addition to the solid performance of SLEEMAN BREWERIES LTD. in Canada, SAPPORO U.S.A., INC. saw significant growth in sales of the Sapporo brand as a result of efforts in the home-use sector and a recovery in the commercial-use sector, which resulted in a significant increase in sales in local currency terms. In addition to this, there was also a foreign exchange effect, resulting in an increase in sales of JPY3.1 billion.

In the restaurant business, revenue decreased by JPY2.4 billion, which was largely due to the closure of stores or reduced hours of operation as a result of emergency declarations or priority measures to prevent the spread of COVID-19.

As for the food and beverage business, the domestic food and beverage business posted a negative JPY0.9 billion. Overseas, sales in Singapore were very strong and increased by JPY700 million.

In the real estate business, there was a negative impact of JPY400 million due to a decrease in the occupancy rate of Yebisu Garden Place.

Core Operating Profit by Segment

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(billions of yen)	2020 2Q Result	2021 2Q Result	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	(5.1)	(3.5)	1.6	-
Alcoholic Beverages	(3.8)	(2.9)	0.9	-
Japanese	(0.9)	(0.3)	0.6	-
Overseas	(0.5)	0.2	0.7	-
Restaurants	(2.5)	(2.9)	(0.4)	-
Food & Soft Drinks	(2.6)	(1.1)	1.5	-
Real Estate	4.6	3.8	(0.8)	(17.9%)
Other・General corporate and intercompany eliminations	(3.3)	(3.2)	0.1	-

Factors are explained in the next slide

 15/45

Page 15. I would like to explain the core operating profit by segment.

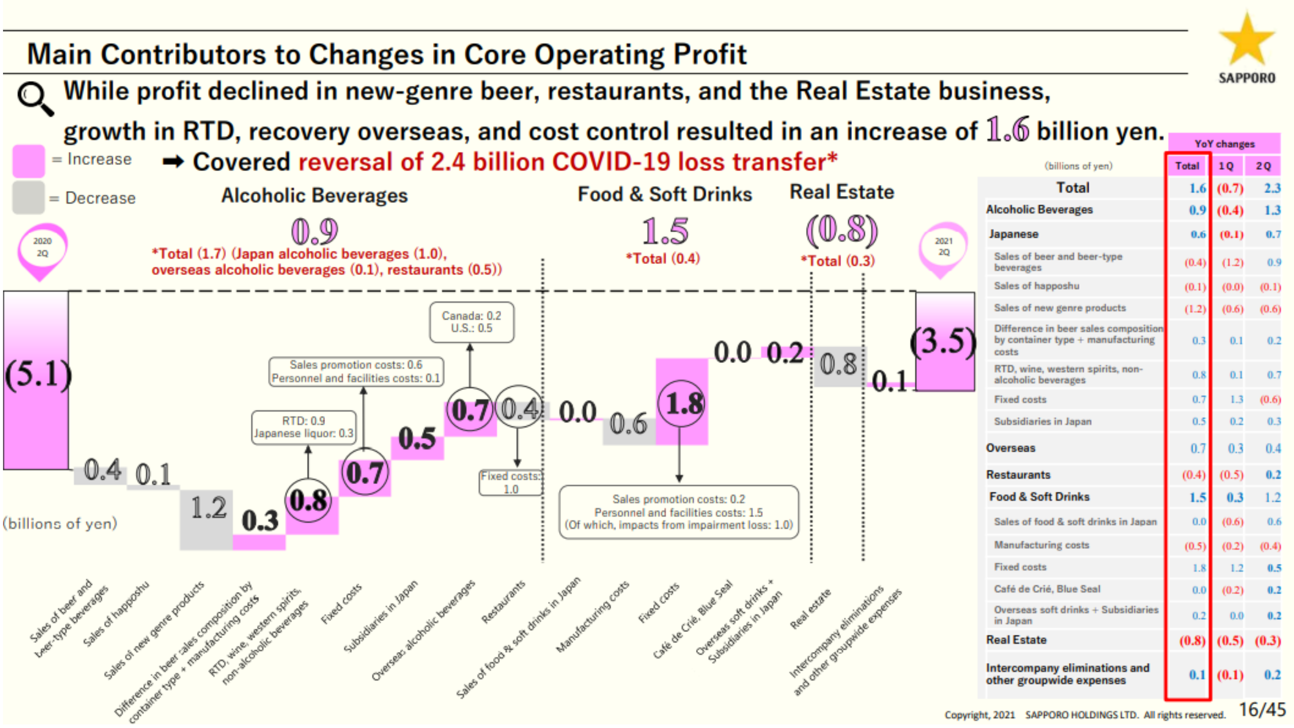
The consolidated total is a deficit of JPY3.5 billion, which is an improvement of JPY1.6 billion over the previous year.

In the alcoholic beverages business, profitability improved by JPY900 million. In domestic alcoholic beverages, the marginal profit decline in beer sales volume was offset by a JPY600 million improvement due to the effect of cost reductions, in addition to the effect of increased sales of RTD and Japaneseliquor. In addition, overseas sales of alcoholic beverages increased by JPY700 million due to higher sales. In the restaurant business, sales decreased by JPY2.4 billion, but we were able to limit the decrease to JPY400 million from the previous year by closing loss-making stores.

As a result, the alcoholic beverages business improved by JPY900 million.

In the food and beverage business, the improvement was JPY1.5 billion, mainly due to cost reduction effects. Of this amount, we mentioned last fiscal year that depreciation and amortization expenses for this fiscal year would be JPY2 billion due to the impairment of fixed assets, but JPY1 billion, half of that amount, contributed to the improvement in H1.

In the real estate business, income decreased by JPY800 million, due to the JPY300 million that was transferred to other operating loss in the previous fiscal year, which was not there this fiscal year, as well as the decrease in rent of Yebisu Garden Place.



Page 16. This is the main reason for the change in core operating profit.

Domestic alcoholic beverage sales improved by JPY0.6 billion, as a decrease in beer sales was offset by an increase in the product mix, RTD and Japanese liquor sales, and a reduction in fixed costs.

Overseas alcoholic beverage sales increased by JPY0.7 billion, mainly due to higher sales.

In the restaurant business, the decrease in sales was offset by the reduction of fixed costs in the business, resulting in a decrease of JPY400 million.

The total profitability of the alcoholic beverages business improved by JPY900 million.

In the food and beverage business, income increased by JPY1.3 billion for domestic food and beverage, the cost and product mix was offset by the reduction of fixed costs. Overseas, sales in Singapore were strong, increasing by JPY200 million. In total, the increase was JPY1.5 billion. In the café business, both sales and core operating profit were almost the same as the previous year.

Profit attributable to owners of parent

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(billions of yen)	2020 2Q Result	(Details)	2021 2Q Result	(Details)
Core operating Profit	**(5.1)**		**(3.5)**	
Other operating income	0.6		24.5	Gain on sales of non-current assets: 23.2 billion yen COVID-19 related subsidies: 0.9 billion yen
Other operating expenses	5.0	Coronavirus losses 3.4 Early retirement program lump sum payments 1.2	1.9	Coronavirus losses 0.8
Operating Profit	(9.4)		**19.1**	
Profit before tax	(9.9)		**19.1**	
Income taxes	(3.4)		6.8	
Profit	(6.6)		**12.3**	
Loss attributable to non-controlling interest	(0.1)		(0.1)	
Profit attributable to owners of parent	**(6.4)**		**12.3**	

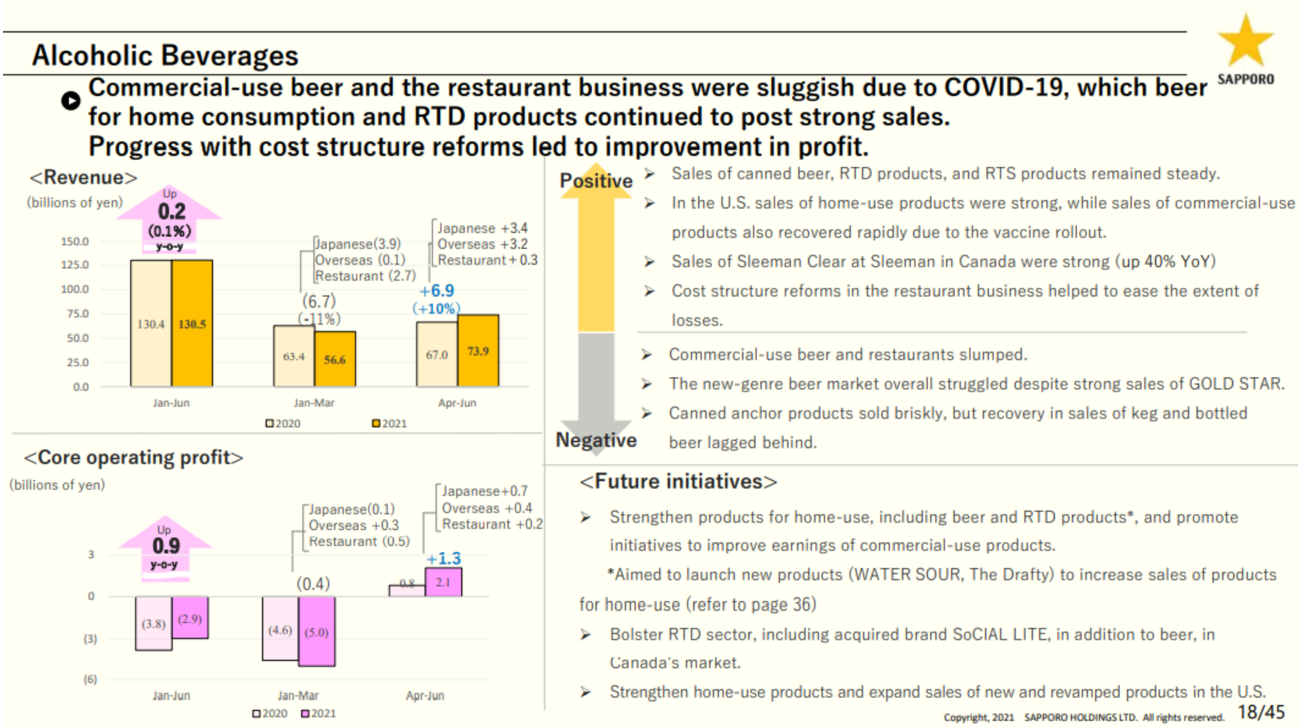
 17/45

Page 17. I would like to explain the profit items from operating profit to profit attributable to owners of parent.

In other operating revenue, there was a gain on the sale of real estate of approximately JPY23 billion, for a total of JPY24.5 billion, a significant increase. Other operating expenses decreased from the previous year to JPY1.9 billion due to the transfer of COVID-19-related expenses to other losses.

As a result, operating profit was JPY19.1 billion, an increase of JPY28.5 billion from the previous fiscal year.

In addition, profit attributable to owners of parent was JPY12.3 billion, an increase of JPY18.8 billion from the previous fiscal year.



Page 18 shows the sales revenue and core operating profit by quarter, positive/negative factors and initiatives for the alcoholic beverage business.

In Q1, sales in each sub-segment of alcoholic beverages declined due to the impact of COVID-19. As for Q2, revenue increased compared to the previous year, as the previous year was affected by COVID-19. Overseas, there was a rebound in sales due to COVID-19, and domestically, there was an increase in cans for home use and RTDs, and in addition, there was growth in canned beer overseas, which resulted in a slight increase in sales for the January to June period.

As in the case of sales, core operating profit also improved from the previous year in the January to June period, as the negative results of Q1 were reversed in Q2.

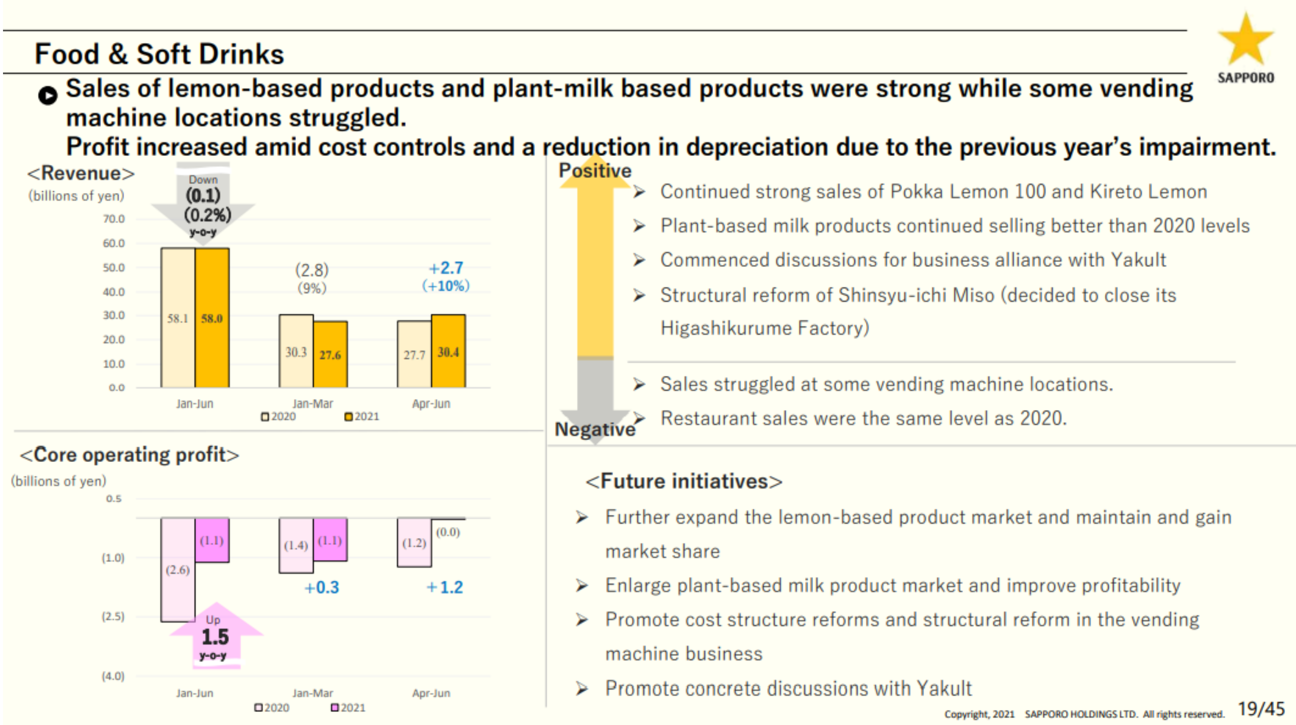
On the positive side, sales of cans for home use continued to be strong for Black Label and YEBISU, and RTDs such as Koime no Lemon Sour were strong. Overseas, in addition to the recovery of the commercial market in the US, sales of Sapporo brand cans were strong. In Canada, the SLEEMAN brand is strong and sales are on par with the total demand.

The negative factor is that beer for commercial use and restaurant outlets are struggling. Sales of GOLD STAR were higher than the previous year, but unfortunately the total sales of new genres were lower than the previous year. As for Anchor in the US, sales of cans have been very strong since the renewal, but the recovery of bottles and barrels has been slightly delayed.

In H2 of this fiscal year, we will also launch new products such as WATER SOUR and The Drafty in order to further accelerate the trend of beer and RTD and expand the demand for home drinking.

In Canada, in addition to beer, we will strengthen our RTD business by adding SoCIAL LITE, which we acquired.

In the US, we will work to expand cans, including the renewed Sapporo brand, so that we can continue the positive trend of H1.



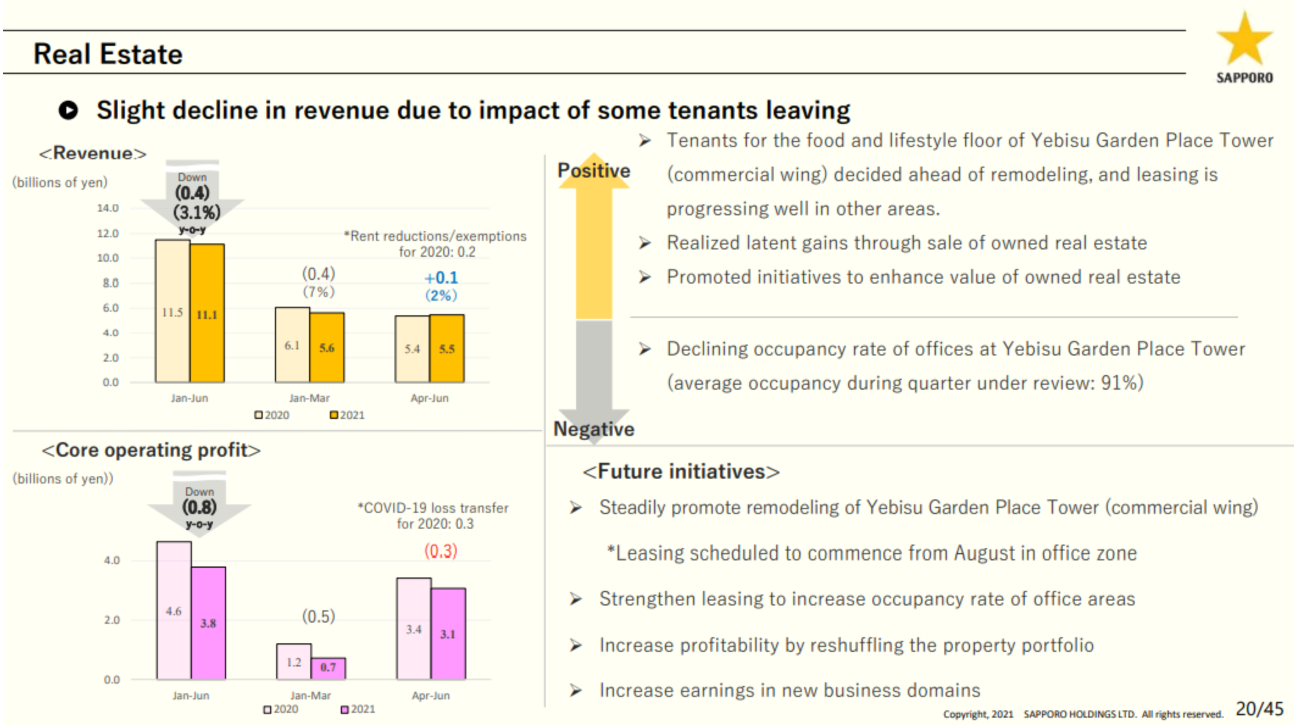
Page 19. We have listed the food and beverages by quarter as well.

As with alcoholic beverages, Q1 was also negatively affected by COVID-19. In Q2, sales increased due to a recovery in vending machines and other products from the previous year. The deficit has also decreased significantly.

In terms of positive and negative factors, the positive part is that POKKA Lemon and other lemon foods and beverages continue to perform extremely well. Soy milk, yogurt, almond milk, and other plant milks are also doing well. Shinsyu-ichi Miso Co., Ltd. will close the Higashi Kurume Plant, which had some old equipment, and work to reduce fixed costs.

As for the negative points, we are currently working on the removal of loss-making locations and other measures to reduce fixed costs, but we are currently studying the possibility of implementing drastic measures as soon as possible, and we would like to implement these drastic measures as soon as possible.

We also announced in May that we were considering a business alliance with Yakult, and although we have nothing new to say at this point, we are currently working on the details to give it a proper shape.



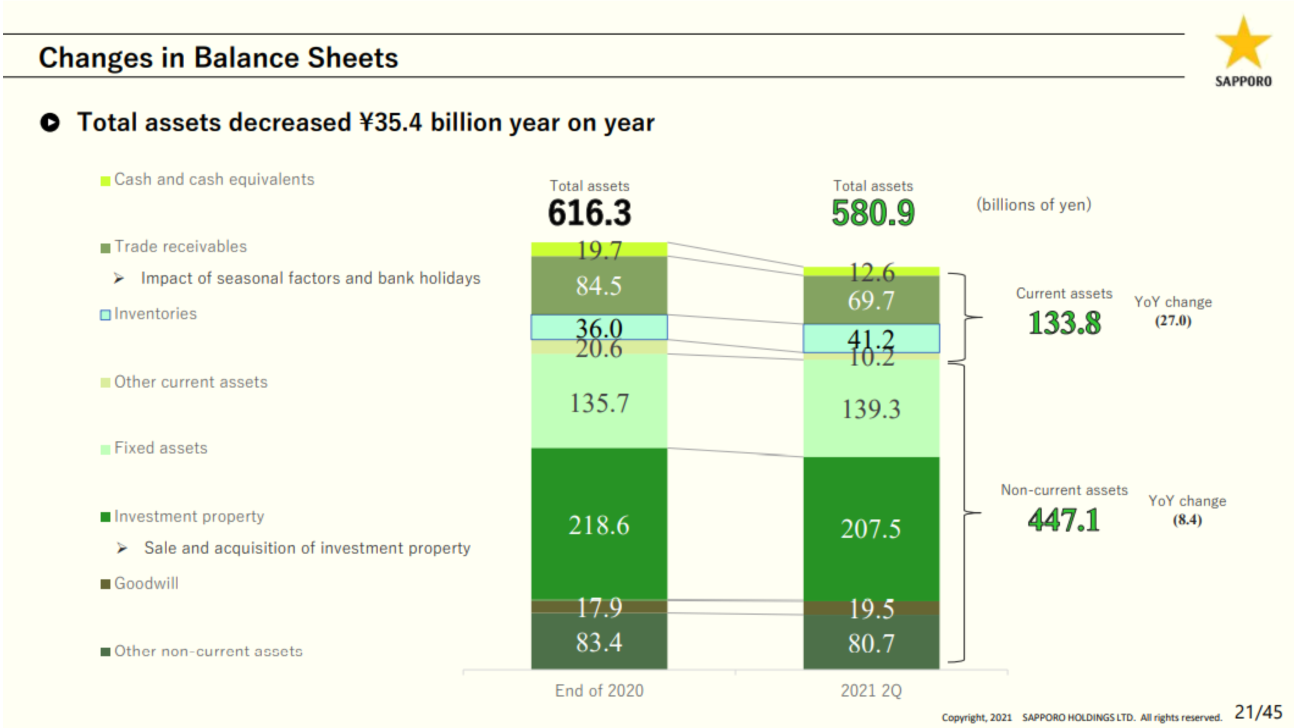
Page 20. The real estate business.

In terms of real estate sales revenue and core operating profit by quarter, sales revenue improved in Q2 compared to the previous year, but decreased slightly for the full year.

In terms of core operating profit, there was a loss of JPY0.3 billion transferred to other losses due to COVID-19 in the previous fiscal year, and the negative impact of the Yebisu Garden Place operation was also included in the negative figure of JPY0.8 billion.

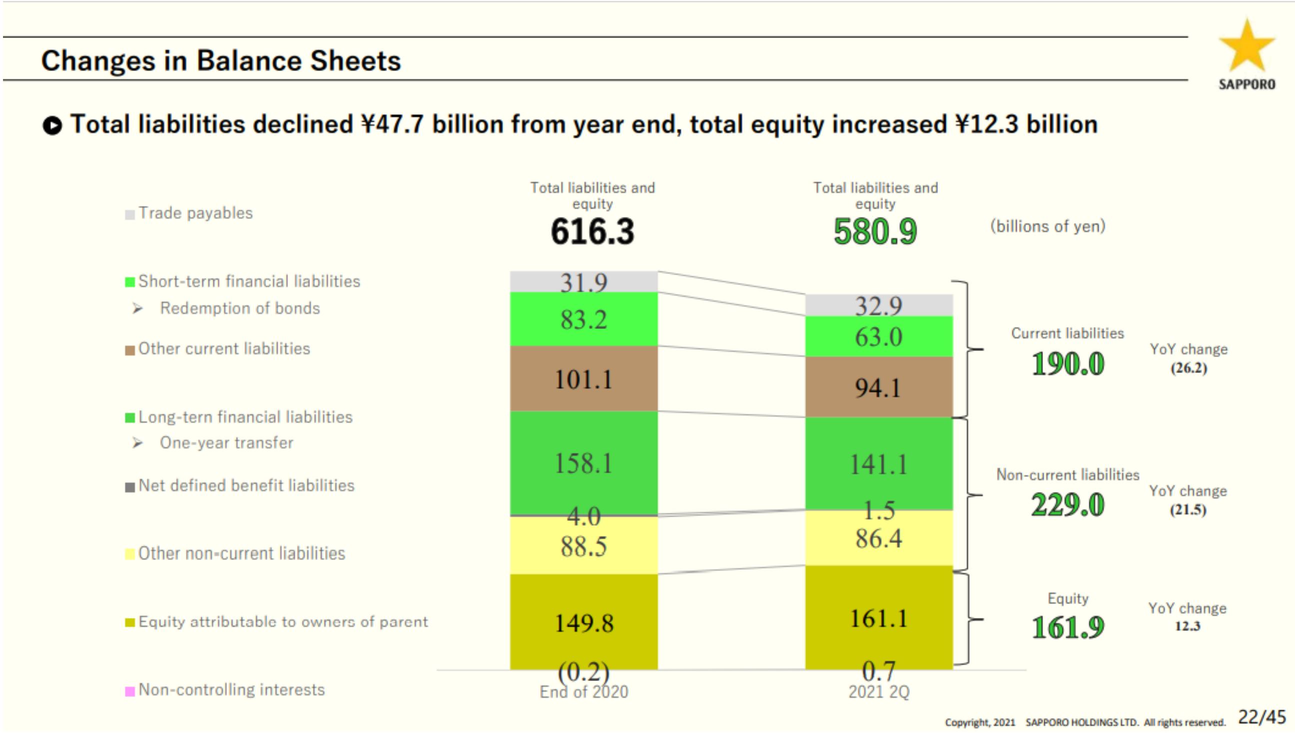
We have already announced the B2 portion of the commercial building in Yebisu Garden Place, which is the former site of Mitsukoshi, and the progress of the renovation and leasing of the first and second basement floors is proceeding smoothly. Next month, we will be able to provide a full explanation of the renovation of the commercial building. We have already sold Ebisu First Square and realized the unrealized profit.

As for negative factors, the occupancy rate of the Garden Place office building has been declining since the previous fiscal year due to worsening demand in the real estate office market. As for future initiatives, we will steadily promote the renovation of the commercial building, which is scheduled to open next year, as well as leasing initiatives to improve the occupancy rate of rental properties, including Garden Place.



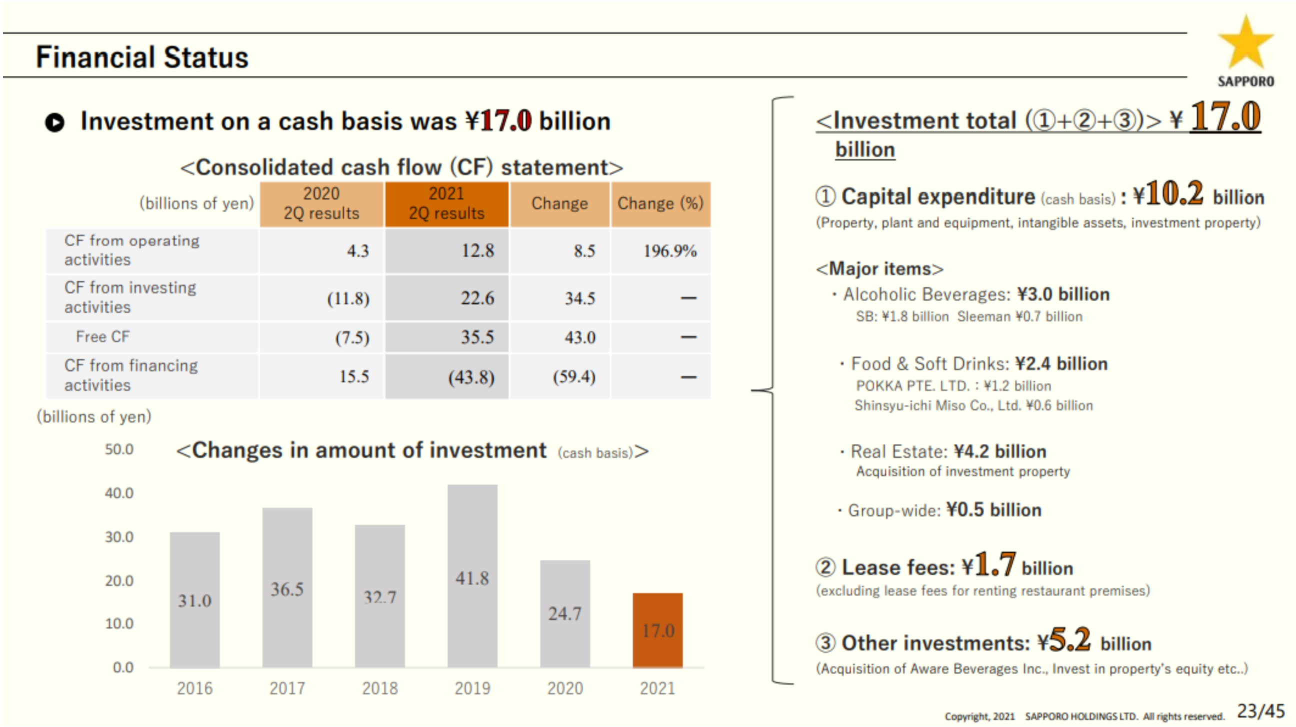
Page 21, the status of B/S. First, the assets section.

Total assets decreased by JPY35.4 billion compared to the end of the previous fiscal year to JPY580.9 billion. This was due to a decrease in current assets by JPY27 billion and a decrease in non-current assets by JPY8.4 billion, mainly due to a decrease in trade receivables caused by seasonal factors and bank operating days, and a reduction in cash and deposits on hand. The decrease in non-current assets is largely due to the sale of real estate.



Page 22. Total liabilities decreased by JPY47.7 billion from the end of the previous fiscal year to JPY419.1 billion, and the balance of financial liabilities was reduced by JPY37.1 billion due to the sale of real estate and other factors. Financial liabilities were JPY204.1 billion.

Total equity increased by JPY12.3 billion compared to the end of the previous fiscal year to JPY161.9 billion, which is largely due to the total amount of profit attributable to owners of parent this fiscal year.



Page 23 shows the H1 status related to investments and cash flow.

As for cash flow, cash flow from operating activities increased by JPY8.5 billion due to increased profit and tax refund. Investment cash flow increased significantly to JPY34.5 billion due to the sale of real estate. As a result, free cash flow was JPY35.5 billion, an increase of JPY43 billion compared to the previous fiscal year. We used those cash flows to reduce financial liabilities such as bonds, and cash flow from financing activities was negative JPY43.8 billion.

Revisions to Earnings Forecasts

SAPPORO

Sales forecast (YoY)

Downward revision of sales mainly in the restaurant-related business, based on the progress of the plan up to the second quarter and the impact of the emergency declaration, etc.

			Sales Volume & Net Sales (YoY)						Main factors
			Full year		1H		2H		
			Initial plan	Revised plan	Initial plan	Results	Initial plan	Revised plan	
Japanese Alcoholic Beverages (Sales Volume)	Beer type beverages total		+5%	(2%)	+6%	(5%)	+4%	+1%	**Forecast of total full-year demand: Initially 0%, revised to (4)%**
	Genre	Beer	+7%	+1%	+11%	(1%)	+4%	+2%	Strong sales of canned beer but recovery lagging in commercial-use market
		Happoshu	(19%)	(9%)	(21%)	(7%)	(17%)	(10%)	
		New genre	+5%	(6%)	+2%	(11%)	+7%	(1%)	Reflecting trend in new-genre beer market
	Bottles・kegs		+19%	(12%)	+16%	(31%)	+22%	+3%	**Forecast of total full-year demand: Initially 18%, revised to (15)%**
	RTD total		+22%	+48%	+16%	+48%	+27%	+48%	Continuation of 1H trends, new product launches in 2H
Restaurant (sales)			+48%	(24%)	+27%	(44%)	+67%	(5%)	Lagging recovery in restaurant market
Pokka Create (sales)			+38%	+8%	+39%	+0%	+37%	+16%	Sales expected to be at 2019 level at beginning of year

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Next, business forecast revision. I would like to explain our business forecast for the current fiscal year.

Page 25. You can see a list of how the figures in the earnings forecast at the beginning of the year have changed.

At the beginning of the year, our plan was based on the assumption that the impact of COVID-19 would be reduced by the progress of vaccinations, etc., and that the restaurant-related business would gradually recover from around the end of the Golden Week holidays. However, due to the prolonged and significant impact of the COVID-19 pandemic from the assumption at the beginning of the year, we have revised our forecasts for sales revenue and core operating profit, mainly in the restaurant-related business.

At the beginning of the year, we had assumed that total demand for beer would be 100% of the previous year's level, but our current forecast is for 96%. In this context, we have revised our forecast from 105% at the beginning of the year to 98% this time. The biggest impact of this is in the bottles and barrels part. As for bottles and barrels, as described here, we have revised our plan this time based on the assumption that we will see a decrease of 12% from last year, conversely to our former expectation of an annual increase of about 20%.

Sales in the restaurant-related business, which were expected to increase by 48% at the beginning of the year, have also been revised to a decrease of 24%. We had assumed that Café de Crié would recover this fiscal year to the level of 2019, but we have lowered our forecast for this business as well, based on the current situation.

On the other hand, for RTDs, we have revised upward our plan for the beginning of the year due to the strong sales of Koime no Lemon Sour and other products. We have also made an upward revision to our North American beer sales based on the strong performance in H1 of the fiscal year.

Revisions to Revenue Forecast by Segment

SAPPORO

(billions of yen)	2021 Initial Plan	2021 Revised Plan	Revised Amount	Details of main revisions	2019 Result	Change Amount
Revenue by Segment	468.2	447.2	(21.0)		434.7	12.5
Alcoholic Beverages	310.9	295.4	(15.5)		285.4	10.0
Japanese	245.3	232.3	(13.0)	While canned beer and RTD products showed better performance than the initial plan, sales were lower due to lagging recovery in commercial-use products.	227.9	4.3
Overseas	49.0	54.6	5.7	Canada: effect of depreciation in yen U.S.: increase in SPB* volume	46.2	8.4
Restaurants	16.7	8.6	(8.1)	Decrease in sales due to lagging recovery of commercial-use products	11.3	(2.7)
Food & Soft Drinks	133.8	129.8	(4.0)	Decrease in sales at Pokka Create	125.9	4.0
Real Estate	23.3	21.7	(1.6)	Declining office occupancy rates and lower sales in Sapporo business	23.3	(1.6)
Other	0.2	0.2	0.0		0.2	0.0

*SPB:Sapporo Premium Beer

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Next, page 26. The following information on page 26 is in comparison with the plan at the beginning of the year.

The revised forecast is sales revenue of JPY447.2 billion, down JPY21 billion from the original plan. This is a JPY12.5 billion increase from the previous year. We have revised downward our forecasts for both sales revenue and core operating profit, but we plan to maintain the trend of increased sales and profit.

Domestic alcoholic beverage sales are down JPY13 billion due to an increase in the sales forecast for beer. Overseas, we have revised the forecast upward by JPY5.7 billion, reflecting the increase in sales in North America and the effect of foreign exchange rates. For the restaurant business, the forecast has been lowered by JPY8.1 billion to JPY8.6 billion in anticipation of a delayed recovery in the commercial-use sector.

The total for the alcoholic beverages business will be JPY295.4 billion, down JPY15.5 billion from the beginning of the year. This is an increase of JPY10 billion from the previous year.

In the food and beverage segment, we have lowered our initial plan by JPY4 billion, mainly for Café de Crié.

In the real estate business, we have lowered our forecast by JPY1.6 billion in light of the current status of operations at Yebisu Garden Place, Sapporo Factory, and other facilities.

Revisions to Core Operating Profit Forecast by Segment

SAPPORO

(billions of yen)	2021 Initial Plan	2021 Revised Plan	Revised Amount	Details of main revisions	2019 Result	Change Amount
Revenue by Segment	9.0	6.7	(2.3)		4.3	2.4
Alcoholic Beverages	7.3	4.6	(2.7)		2.4	2.2
Japanese	7.2	7.2	0.0	Cost controls will cover impact of lower sales	6.7	0.6
Overseas	1.7	1.7	0.0		0.5	1.3
Restaurants	(1.6)	(4.4)	(2.8)	Impact of lower sales	(5.0)	0.6
Food & Soft Drinks	1.0	0.4	(0.6)	Impact of lower sales	(2.6)	3.0
Real Estate	8.6	8.0	(0.6)	Impact of lower sales	10.9	(2.9)
Other	(8.0)	**(6.3)**	**1.7**	Risk response costs: 1.6	(6.3)	0.1

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Page 27. I would like to explain the core operating profit by segment.

Consolidated total core operating profit will be JPY6.7 billion, which is JPY2.3 billion lower than the forecast at the beginning of the year. This is an increase of JPY2.4 billion from the previous year.

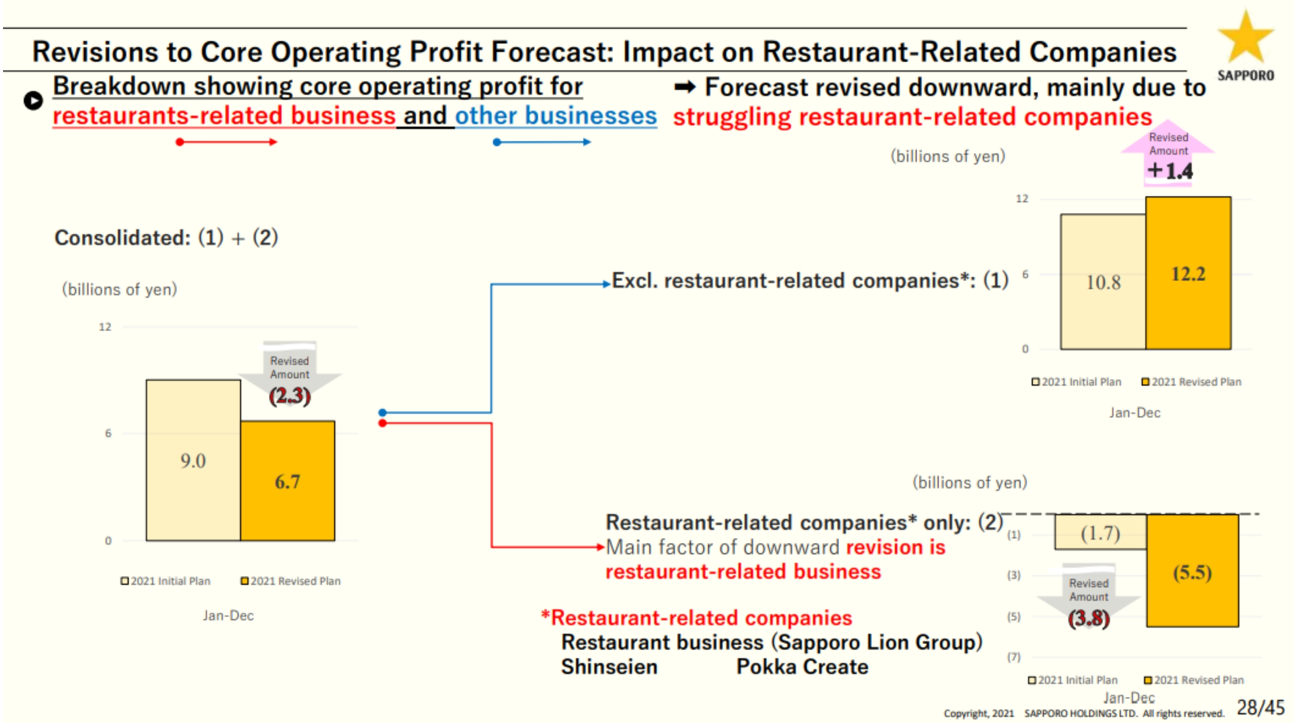
This is the alcoholic beverage business. In the domestic alcoholic beverages business, we have lowered our sales forecast for beer, but have revised our RTD sales forecast upward, and in addition to cost reductions, we have allocated JPY1.4 billion in reserve funds that we took out at the beginning of the year for domestic alcoholic beverages. The core operating profit outlook at the beginning of the year has not changed. In overseas alcoholic beverages, volume is expected to increase, but at the same time, costs are expected to rise. The core operating profit outlook at the beginning of the year has not changed. The restaurant business is forecast to post a deficit of JPY4.4 billion, down JPY2.8 billion.

Total core operating profit for the alcoholic beverages segment will be JPY4.6 billion, which is in line with our initial plan for domestic and overseas alcoholic beverages, and a downward revision for the restaurant segment, centered on SAPPORO LION LIMITED.

Food and beverage segment is revised downward by JPY0.6 billion due to lower sales.

Yebisu Garden Place is revised downward by JPY0.6 billion to JPY8 billion, taking into account the current operating status.

The JPY1.6 billion in corporate expenses that we took at the beginning of the year as a risk response was used to cover the negative impact of COVID-19 in H1.



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This refers to the restaurant-related impact throughout the year. The consolidated core operating profit for the year was initially JPY9 billion, but this time it is JPY6.7 billion, a decrease of JPY2.3 billion.

Core operating profit of restaurant-related companies will worsen by JPY3.8 billion, from a loss of JPY1.7 billion to a loss of JPY5.5 billion for the full year.

For businesses other than restaurant-related companies, it is conversely increased by JPY1.4 billion from JPY10.8 billion to JPY12.2 billion.

Profit attributable to owners of parent target

- **Operating profit and the profit categories below it were unchanged from the initial plan.**

(billions of yen)	2021 First Plan	2021 Revised Plan	Revised Amount	主な修正内容	2019 Result	Change Amount
Core operating Profit	9.0	6.7	(2.3)		4.3	2.4
Other operating income, expenses	9.0	11.3	2.3		(20.2)	31.5
Operating Profit	18.0	**18.0**	0.0		(15.9)	33.9
Profit before tax	17.0	**17.0**	**0.0**		(19.4)	36.4
Income taxes	5.0	5.0	0.0		(2.8)	7.8
Profit	12.0	**12.0**	**0.0**		(16.6)	28.6
Profit attributable to owners of parent	12.0	12.0	0.0		(16.1)	28.1

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In terms of profit attributable to owners of parent, we have changed only the other operating revenue section. Other operating revenue was changed from JPY9 billion to JPY11.3 billion. Our assumption of JPY9 billion at the beginning of the year includes JPY14 billion in gains from the sale of real estate, JPY3 billion from structural reforms, and JPY2 billion from ordinary retirement.

In revised plan, gain on sale of real estate is JPY23 billion. As for the structural reforms, we do not have anything concrete to report at this time, but we will continue to allocate JPY3 billion for the full year. Normal retirement of JPY2 billion is not changed from the beginning of the year. Since we cannot foresee the recovery of COVID-19 in the near future, we would like to maintain our initial forecast for operating profit and other profits.

Please refer to page 30 onward for more information on domestic alcoholic beverages and other data.

This concludes my presentation. Thank you.

Moderator: Thank you very much for your explanation.

Question & Answer

Moderator: We will now begin the question-and-answer session.

When it is your turn and the moderator calls your name, please let us have your company name and your name followed by your question.

We will now begin the question-and-answer session. Also, in order to answer questions from as many people as possible, we will limit the number of questions to 2 per person.

Mr. Saji of Mizuho Securities Co., Ltd.

Saji: Thank you very much. I have 2 questions, but I will ask them 1 at a time.

First, President Oga mentioned that there is room for future growth overseas, especially in North America. The plans at beginning of the fiscal year for the overseas brands and the Sapporo brand were each revised downward in North America. In particular, the Sapporo brand was expected to grow by nearly 20%, but the plan is revised for a considerable decline.

I would like you to explain about the North American area what was different from the initial outlook at present. On the other hand, in addition to new products, you have acquired Aware Beverages Inc. this time, and I think you are going to strengthen RTD more clearly. In light of the current short-term situation, how do you plan to strengthen RTD in Canada and North America based on this acquisition? Please let me know if you can sort that out as well. This is the first point. Please.

Moderator: The first question about room for future growth, strengthening of RTD, and the future will be answered by Mr. Nose, President of Sapporo Breweries Limited.

Nose: Thank you very much, Mr. Saji. I am Nose.

Saji: Thanks.

Nose: Regarding the growth of Sapporo Premium and the Sapporo brand in North America, when we made the plan for this year last year, we were a little more positively expecting the recovery trend of commercial-use products in particular. In the end, we're still starting in this July, where the on-premise part of the business wasn't very good, but the strength has been changing in the opposite direction since the most recent Q2, and it's changing to a state where we can factor it in a little more positively.

In addition, the so-called kegs, or barrels. The sales promotion of cans for home use is also going well, and it's having a very positive effect. So, over H2 of the year, I see Sapporo Premium as a little more positive.

As for RTD, as you mentioned, we acquired an RTD brand last year. It's almost the same in Japan and overseas, but as a beer company, we need to grow our RTD business. We have our own brands in Canada, but from the point of view of the speed of growth, it is better for us to acquire existing brands through M&A and hope for their growth, in terms of economic rationality and speed. I have high expectations for the growth of Aware Beverages.

At the same time, Aware Beverages did not originally have a large number of salespeople, so the salespeople at SLEEMAN will be working on so-called listing activities together with west and east, which we hope will be positive for the next year and beyond.

At the same time, the US side of the business, whose distributor is a company called SAPPORO U.S.A., does not have any RTDs. So, in what way to penetrate has been discussed here as well, but if we want to further grow the strength of being a beer company, it's the same as in Japan, but I think the growth of RTD is something we can't wait for, so this is where we want to try. That's all.

Saji: Thank you very much. Other companies have already disclosed and announced a considerable recovery in North America, so is it correct to say that although the numbers have dropped considerably, the actual situation has improved considerably?

Iwata: This is Iwata.

If you look at the second page of the supplementary materials, I may not have explained it correctly, but in terms of overseas alcoholic beverages, at the beginning of the year, we announced 3.55 million cases, but we have revised our full-year forecast to 3.74 million cases, which is an upward revision of about 200,000 cases.

As for other overseas brands and the Sapporo brand in other areas, there were no revisions, so we have revised the overseas beer sales upward by approximately 200,000 cases.

Saji: I see.

Iwata: In addition to the increase in sales volume, there was also an effect of foreign exchange rates, so we have significantly increased the sales revenue. This is JPY54.6 billion, an increase of JPY5.7 billion compared to the original plan. That is all.

Saji: I understand. Thank you.

Secondly. There have been some reports that the domestic beer market as a whole is in a severe situation, but the number of young people drinking beer is increasing, and the canned beer market in particular is very favorable. I think there have been some reports that this is driving the sales.

How does your company view the market situation now? And if there is anything that is slightly different from the past, please explain it to us. That's all.

Moderator: Thank you for your question. Now, Mr. Nose would like to answer about the beer market, the situation and the differences.

Nose: This is Nose.

As you said, or rather, what has happened in the course of the past year and a half of this COVID-19 pandemic is that the opportunity to eat or drink outside has decreased, and the opportunity to drink at home has increased dramatically. This is 1 thing that has become life pattern, and it is true that more and more young people are choosing beer as the alcoholic beverage to be chosen at that time.

It comes up in our data, although I forget the exact number, that the ratios of consuming beer at home during the week has increased by about 1 day. That's where I feel the incorporation of standard brands is having a positive effect.

At the same time, because of the Olympics this time, young people who have not had many opportunities to come into contact with beer, especially at home, now have the opportunity to drink it at home, and I believe that this has created a situation where people are choosing to drink beer.

From a beer maker's point of view, this is a once-in-a-lifetime opportunity. You mentioned that young people are losing interest in beer, but we are aware that the beer industry is clearly changing. According to some data, even among Jan-Jun, the number of purchaser in younger age group, those in their 20s, has increased 1.6 times in Black Labels, and for YEBISU, almost twice as much.

So, I think it will be interesting to see what happens after the end of COVID-19 pandemic, but the fact that they have already touched it will not change, so from our point of view, we would like to set up a marketing campaign in that sense. That's all.

Saji: I understand. Thank you.

Moderator: Thank you very much, Mr. Saji.

Now, let me move on to the next question. Mr. Fujiwara, Nomura Securities Co., Ltd.

Fujiwara: Hello. This is Fujiwara from Nomura. Thank you.

Now, the first thing I would like to know is what you think about the domestic alcoholic beverage market, especially for bottles and barrels.

The market forecast for bottles and barrels for the full year has been revised downward, and I think that the revised figures will probably be about half of the pre-COVID-19 figures for bottles and barrels. If the market recovers from the beginning of autumn to the end of the year, how much do you expect the bottle and barrel markets to recover next year compared to the pre-COVID-19 period? I think it is a little difficult to foresee, but what are your thoughts on this? This is the first point. Please.

Nose: Now, let me explain.

In the end, over the past year, or rather the past 6 months, we found that the government's and local governments' so-called alcohol policies have led to major changes in the points of contact at the sales floor, which in turn has led to increases and decreases in demand. If they can't serve alcohol, obviously that has a big impact.

When we were originally planning for this year, we did not anticipate that there would be restrictions on the supply of most alcoholic beverages, so we worked more in the direction of recovering from 2020 for bottles and kegs, as Mr. Iwata mentioned earlier. However, as you mentioned, right now, especially domestic commercial use has dropped to about half compared to 2019.

This situation continued in August, but on the other hand, if we see a certain level of recovery in vaccinations with high expectations, we believe that the situation will have a more positive impact in H2 of the year, starting in October and November.

On the other hand, if we look at next year, from our point of view, I feel that it really depends on the government policy, but I think we can factor in a recovery to about 70% of the 2019 level. But it's still 70%. We are expecting a 30% decrease, so it is not complete, but we think that we can expect a recovery to 70%. That's all.

Fujiwara: Thank you very much for the 70% figure, even though it is difficult to predict. Does this 30% mean that even if the shackles are removed from the policy, the 30% will not return? That's what I'm not sure about.

Nose: This is just the way we look at it when we make plans, so of course it will be gratifying to hear about the increasement, but there is a problem of the number of locations where restaurants can serve draft and bottled beer, the change in the way of working, and the fact that we are making progress in remote working at a certain level.

Also, looking at the changes in the situation to enjoy alcohol, etc., I am of the view that it may not be a calm judgement to expect up to 100%. So, once we have set it at about 70%, how do we increase profitability? From such a perspective, we are making plans for the next year for the Sapporo Group.

Fujiwara: I see. I understand.

The second point is the occupancy status of the Yebisu Garden Place office building. What is the assumption on the average occupancy rate for 2021, and what assumptions have been made for the end of 2021?

In the next fiscal year, I expect the earnings of Garden Place as a whole to increase, but before COVID-19, I think you earned about JPY11 billion in core operating profit from real estate. Could you tell us what you think of the timeline to return to that? That's all.

Moderator: Thank you very much. Mr. Iwata will now explain about real estate occupancy rates and the future.

Appendix：Real Estate

(3): Already transferred as of June 30, 2021

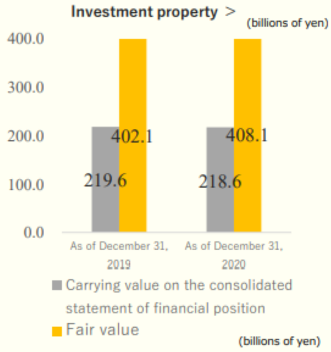
SAPPORO

＜ Major rental properties & occupancy rates： (Averages for 2021 2Q)＞

	Site area (㎡)	Floor area (㎡)	Occupancy rate (%)	No. of floors
Yebisu Garden Place (1)	56,943	298,007	91	40 floors above ground, 5 below
Ebisu First Square (3)	2,617	15,438	95	12 floors above ground, 1 below
Ginza Place	645	7,350	95	11 floors above ground, 2 below
Strata Ginza (2)	1,117	11,411	100	13 floors above ground, 1 below

*1: The number of floors is for the office block only. Occupancy rates are for office areas only.
*2: Figures are for entire property. Sapporo owns 922m² of the site (sectional ownership) and 89.72% of the building (joint management)
*3: Already transferred as of June 30, 2021

＜ Information about Investment property ＞



(billions of yen)

＜Core Operating profit＞	2020 2Q	2021 2Q	Change
Yebisu Garden Place, etc.	3.6	2.9	(0.6)
Other area & other operations	1.2	1.3	0.0
Hokkaido	0.4	0.3	(0.1)
General corporate	(0.6)	(0.7)	(0.1)
Total	4.6	3.8	(0.8)

(billions of yen)

＜EBITDA＞	2020 2Q	2021 2Q	Change
Yebisu Garden Place, etc.	5.0	4.5	(0.5)
Other area & other operations	1.9	1.9	0.0
Hokkaido	0.6	0.6	(0.0)
General corporate	(0.4)	(0.4)	(0.0)
Total	7.1	6.6	(0.6)

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Iwata: Regarding the occupancy rate of real estate and Garden Place, the last part of the attached PowerPoint shows that the average occupancy rate for the period from January to June was 91%. Initially, when we made the plan for this year, we thought that the occupancy rate would be around 95%, and we thought that this would probably continue until the end of the fiscal year, so the occupancy rate at the end of the fiscal year would still be around 90% or a little more, and this is the reason why the core operating profit of the real estate business was lowered. Therefore, at the end of the fiscal year, we expect the full-year occupancy rate to be 91%, and at the end of the fiscal year, we expect the occupancy rate to remain at the level of the January to June period.

As for how the profit level of the real estate business will recover, the commercial portion of the commercial building, the B2 portion are scheduled to open in early spring next fiscal year, and the office commercial portion from B1 up will open in early fall. In that sense, the commercial building will not start to contribute to profits in earnest until 2023 or later. The full-year contribution will not be realized until 2023 or later.

It is also difficult to foresee how the real estate market itself will change, including the impact of COVID-19, but we believe that the market will probably remain at the current level in the next fiscal year, although it will not be the same as the recovery in commercial beer that we mentioned earlier.

In this sense, the full-year contribution of the commercial building, the recovery of the real estate market, and the funds from the sale of First Square will be used to acquire alternative properties and other initiatives for growth in the future. I think the full-scale recovery to the pre-COVID-19 level will be 2023 or later. That is all.

Fujiwara: Regarding Yebisu Garden Place, I think the occupancy rate is gradually recovering in Q2 compared to Q1. How is the response of the current leasing?

Iwata: In terms of leasing, some properties have been newly occupied, but on the other hand, some have reduced their floor space. In this sense, we expect that the rate will continue to be slightly higher or lower than 91% month by month, and that it will probably remain at this level for the rest of the year, as the notice is 6 months in advance.

Fujiwara: Yes, I understand. Thank you very much.

Moderator: Thank you very much, Mr. Fujiwara.

Now, let me move on to the next question. Next, Ms. Takagi, SMBC Nikko Securities Inc.

Takagi: Hello. I'm Takagi. Thank you.

The first point is about profits from domestic alcoholic beverages. Profit was about JPY8 billion before COVID-19, and even in such a difficult environment, your company worked very hard, lowered fixed costs, and also thanks to the strong performance of cans, you were able to maintain the same level, about JPY7 billion.

In the future, as the market normalizes, how will profits recover? Until a few years ago, I think the profit level was around JPY10 billion, but will you be able to return to that level? Or, will profits not recover so much, as the growth for households will slow down, and sales promotion expenses will increase? Will profit not recover so much, because it didn't fall? Or, since you have been able to reduce fixed costs, if commercial use comes back, will you be able to make a profit? Please tell us about your future plans for profit. This is the first point.

Nose: Hello, Ms. Takagi. It's been a while. This is Nose.

Takagi: Hello.

Nose: Let me explain.

Thank you very much. It is true that commercial use has been tough, and we were a company with a high percentage of commercial use at a certain level, so we have been working on how to respond to that for the past 2 years. In this sense, we have been reducing fixed costs, and as a matter of course, we need to reconfigure our product portfolio.

Some of the products from the commercial market are now flowing into the home market, and we are seeing signs of growth especially in the home cans, including the Black Label cans, as indicated in the previous section, and products other than Black Label and YEBISU are also doing relatively well. As for beer, in any case, there will be tax reductions over the next 3 and 6 years, and obviously the way beer is sold and bought is changing due to the revision of the liquor tax last October.

Therefore, I believe that there is no doubt that we are starting to do what we have always been strong at, to increase the marginal profit of our diverse brands by doing them well. So, we will make sure to grow the beer part first. There is probably no way that the level of home and commercial use will ever drop to this level again. Thinking about it in terms of a certain level of return, I think it is possible to increase the profit of the beer side.

On the other hand, if there is 1 stable profit this year, it is RTD. I believe that RTD is finally starting to take shape, and that the brand's individuality and level of growth are becoming clearer at a certain level. This is 1 of our evaluation points, so we believe that strengthening the RTD business is a way to increase profits by going for a certain level of sales.

It is still a market where we can expect growth, and that is why we are talking about doing this with the SLEEMAN brand. We are planning to do that in Japan as well.

At the same time, in addition to the beer and RTD business, we are also engaged in the general alcoholic beverage business, which includes Japaneseliquor, Western liquor and other non-alcoholic beverages. This time, we're going to release a low alcoholic, and I'm sure we'll come up with many ideas for the next stage of growth in terms of how we can recombine these various alcoholic beverages with portfolio.

By combining these elements, we will develop marketing that is unique to SAPPORO BREWERIES within the Company and propose it outside the Company. I cannot say how much it will be from the perspective of profit at this time, but we are currently discussing how to draw up a solid growth strategy. I'm sure I can tell you more about the next time, but that's the way we're thinking right now. That's all.

Takagi: Thank you very much. So, you said a stable RTD. I'm most worried about this. There's a front year and a back year, and the face of the product you drive is always different. 99.99 was a great product, but it's no longer in the picture, and Koime no Lemon Sour is selling well this year.

The point is that other than YEBISU and Black Label, your company has not yet established any other mainstay products, and I feel that this is the area where you are most unstable. Is the way you put out products, development, and marketing changing?

Nose: As for RTD, this market has been growing for more than 10 years. From my point of view, it is true that the speed of change is faster than the change on the beer side.

So, although you say that we don't have a signature brand, I believe that within our volume, the product we originally planned to concentrate on, Otoko Ume, has been growing steadily. In a major category change, We think that we are able to respond well to the speed of the change, including the fact that we were able to launch the new product, Lemon Sour in a timely manner. I believe that a timing strategy can be created.

But on the other hand, I believe that we need to be unique, and of course we need to have a signature product that will serve as our mainstay, but in the midst of these major changes, we need to keep up with the changes in our customers, and offer a certain level of products.

Therefore, how to allocate fixed costs and sales promotion expenses is already down to the tactical level, so I will be watching this closely as well, and I think it is necessary for RTD to reconfigure its portfolio in this sense to some extent.

I believe that how to increase profitability in this context will actually become a key point in the Company. In terms of what we are trying to achieve now, in the market as a whole, it may still look small in terms of the size of products, but I believe that unique products in this sense are necessary because the market is changing rapidly, and the market pie is sure to expand. We have high expectations for this, and we are determined to face them. That's all.

Takagi: Thank you very much.

As for the last point, as for marketing costs and sales promotion costs, you have also lowered the fixed costs considerably over the past few years. When the volume returns, naturally in some companies, they will increase along with the growth in volume. Please comment on whether the ratio and efficiency will remain improved.

Nose: Basically, we control the ratio of selling expenses to net sales. On the other hand, however, we are willing to consider pushing when we think it is necessary for growth. We are trying to find a balance here.

Therefore, we don't have the idea of forcing ourselves to spend money unnecessarily, but rather, we are willing to spend a certain level of money on things that we think are necessary for future growth. We are no longer in an era where we can sell products by putting in surprisingly many TV commercials. We believe that we will be able to control such things including large fixed costs. I hope you can take a closer look there. That's all.

Takagi: Thank you very much.

Moderator: Thank you very much, Ms. Takagi.

Now, let me move on to the next question. Next, Mr. Sumoge, Okasan Securities Co., Ltd.

Sumoge: Thank you for your help. I am Sumoge of Okasan Securities. I have 2 questions.

The first question is about restaurants. You commented at the beginning of the presentation that you have made progress in reducing fixed costs and that you are changing to a leaner structure, and you have already reached the point where you will be able to return to profitability with 70% of the sales compared to FY2019, so I have an impression that structural reforms are progressing very much.

If my calculations are wrong, please point them out, but I think that a 70% increase compared to FY2019 would probably mean sales of JPY19 billion, and since the plan for this fiscal year is JPY8.6 billion, I think that you will need to expand sales by more than double.

There have been questions about alcoholic beverages and the like, but I would like to confirm the time frame of how long it is expected to take to eliminate the deficit. You mentioned earlier that domestic beer sales would return to about 70% of the FY2019 level next year, so if that were to apply to food services as well, I wonder if you would be able to eliminate the deficit by next fiscal year, though I feel it would not go that far. So, if you have an idea of the time frame for eliminating this deficit in the restaurants business, please let me know. That's all.

Iwata: This is Iwata.

First of all, as for the break-even point reforms, sales in the restaurant segment for 2019 were JPY27.3 billion, so 70% of that would be approximately JPY19 billion.

This fiscal year is JPY8.6 billion, and what about next fiscal year and beyond? As for the outlook for the restaurant market, as Mr. Nose mentioned earlier, the sales of bottles and barrels will recover to about 70% of the 2019 level. In H1 of this fiscal year alone, we were basically able to open for business for about 28 days without the emergency declaration or the priority measures to prevent the spread of COVID-19, which is less than a month. As for the stores that are mainly open in the evening, there are many stores that have not been open for a day since the beginning of the year.

In this sense, the recovery from COVID-19 will depend on how restaurants are positioned in the future due to the emergency declaration and the priority measures to prevent the spread of COVID-19, et cetera. However, looking at overseas markets, in the US and other countries, conversely, sales centered on draught beer have doubled or even tripled in some months. It will depend on the degree of recovery in the restaurants industry, but we hope to return to profitability in the next fiscal year. That is all.

Sumoge: I see. I understand very well. In that case, it may be too early to talk about the next fiscal year, but if the growth momentum in profits is to drive your company's performance significantly, do you think that restaurant business will be a major factor?

Iwata: As you mentioned, this fiscal year's deficits in restaurant-related companies I mentioned earlier, namely the restaurant segment, Shinseien and café in Japan, totaled JPY5.5 billion, so if these break even and return to zero, they will contribute JPY5.5 billion to profit growth. As 1 of the pillars of the next fiscal year, we believe that the reversal of the deficit in the restaurant business will make a significant contribution to the profit, depend on the recovery of the COVID-19 pandemic, though.

Sumoge: Thank you very much. Even if that is the case, I have the impression that doubling or more sales growth is quite a hurdle to achieve if it is affected by external factors. If the top line does not grow, do you understand that eventually the deficit will continue with the business segment? Or, are further structural reforms considered again, or are there elements that can be addressed if some negative side risk occurs? Let me confirm.

Iwata: This is Iwata.

Although we do not have a firm plan at this time, we are working to develop our restaurant business in order to communicate our brand and to generate profits as long as we have this segment.

In this sense, the planning for the next fiscal year will begin in the future, but we would like to proceed with the preparation of something like Plan B along with Plan A. At the moment, we are not at a stage where we can say what we will do as Plan B.

Sumoge: Yes, I understand.

The second point is about the structural reform of domestic vending machines. At the beginning of the presentation, President Oga said that although there were other parties involved, he hoped to reach a target in H2 of the year. I believe that this business was mentioned as an issue a year or 2 ago, but the beverage business in North America, which was mentioned at the same time, is already undergoing structural reform, and the vending machine business is still left. First of all, what is the bottleneck?

Rather than specific details, as the process of the initiative, what is the bottleneck and what are the delays in the structural reform of the business? I would appreciate it if you could tell me as much as you can answer. It may mean COVID-19, though.

Iwata: Now, let me answer.

In terms of delays, we are making good progress in our efforts to make improvements, such as removing low-performing locations and reducing fixed, which can be improved ourselves.

On the other hand, when it comes to drastic reforms, it is quite difficult to carry out such reforms on our own. Compared to the previous fiscal year, the vending machine business sales themselves are improving as a whole industry, but the industry as a whole is in a very difficult situation, and I think 1 of the factors that is hindering us the most is the fact that it is difficult to communicate with other companies, including those around us, due to the influence of COVID-19.

Even so, as Mr. Oga said, if we do not move forward with the issue of vending machines due to COVID-19, it will be a major issue for us, including the medium-term plan for the future. We want to have a prospect at the first step somehow by the end of the year.

Sumoge: Thank you very much. Last year and in H1 of this fiscal year, the impact of COVID-19 was still significant, and there were many areas where business negotiations and various other factors could not be carried out, but you are now recovering a little from COVID-19, especially with regard to vending machines. It is recovering YoY, so the conditions are becoming more favorable for negotiations as a business. With that in mind, is it okay to think that you are not just motivated but have a certain outlook in H2 of the year, talking about something that you can see to some extent?

Iwata: It is difficult to say that we can see what is going on because there are other parties involved, but I hope you will understand that I am not saying that we are just going to do our best with all our energy.

Sumoge: I understand. Thank you. That's all.

Moderator: Thank you very much, Mr. Sumoge.

Now, let me move on to the next question. Next, Mr. Miura, Citigroup Global Markets Japan Inc.

Miura: This is Miura from Citi. Thank you.

As for the first question, Koime no Lemon Sour is delicious. It's delicious.

Speaker: Thank you very much.

Miura: With the recent lemon boom, everyone is using the same kind of packaging. I would like to ask you why it becomes so delicious. I was wondering if you could give me some background on this.

Nose: This is Nose. Hello. It's been a while.

Miura: Hello. It's been a while.

Nose: Thank you very much for your interest in this product.

Why did it become so good? Lemon sour has certainly started with commercial use, and in the past few years, various products have appeared for home use as well, taking shape as a large segment of the canned chuhai and RTD category. Before we released the canned Koime no Lemon Sour, we sold the bottled mix of Koime no Lemon Sour, as RTS.

Originally, how to make the so-called sugar-acid ratio was a very annoying point. However, when we considered the expectations of customers toward RTDs and their current preference patterns, we realized that the price advantage of RTDs is guaranteed at a certain level, and the sense of discount is something that customers have high expectations of in the situation of COVID-19.

Originally, the mix of Koime no Lemon Sour itself had a balance of sugar and acidity, and when diluted with a certain amount, the sourness was quite strong, which we thought was appreciated. In the process of developing this product in cans, we sometimes look at the balance of our competitors' products as well, and we have decided on the specifications in order to provide our customers with reasonable value, so that they can feel a slight sense of discount.

So if you drink it, I think you will be able to feel the flavor, including the sugar content and the acidity.

Miura: That's right.

Nose: We make the product based on what our customers want, and I think that is the point where it is highly evaluated. However, although we have been able to achieve sales that are probably higher than planned, it is also true that competition is severe, so we need to immediately formulate a new strategy for the next year and beyond, and determine what kind of development we need to make.

Miura: So, in the end, the best flavor comes from adding a lot of good lemon juice and a good balance of sugar? I think the reason for this is that you had already gained some experience with bottles.

Nose: If you think about it simply, you can understand that way.

Miura: Is the marginal profit higher or lower than the others? Per litter.

Nose: Are you talking about RTD now?

Miura: RTD. This is a comparison among RTDs.

Nose: In terms of marginal profit, we calculate the total amount of advertising and sales promotion costs, so I can't tell you about the content today. It is a secret, so I can't tell you, but in terms of marginal profit in that sense, it is secured at a certain level. Sales have been increasing positively, and the factory is running at full capacity, so in that sense, I think it is safe to say that sales are contributing to profits.

Miura: Is it more profitable than 99.99? I think Koime no Lemon Sour uses more ingredients.

Nose: As I said, we are looking at the total cost and promotional expenses, so I can't answer which is more profitable or not today. I'm sorry. That’s all.

Miura: I understand.

The other thing is, if you have a prediction for beer, happoshu, and new genres for next year, could you give us a rough idea? Next year.

Nose: What do you mean by prediction?

Speaker: Demand forecast, prediction of total demand.

Miura: Demand forecast. A forecast of total demand.

Nose: As it will move up and down, it's hard to say what will happen in the end this year, but suppose the business conditions come back, we expect that the beer market will exceed 100%, compared to 2021. However, if we compare it to 2019, I think it is about 90%. That's how we see it. In total.

Miura: There is an increase in business use, and a slight decline in home use.

Nose: That's right. I wonder how they offset each other. If an increase in commercial use means fewer opportunities to drink at home, there may be a slight decrease .

Miura: Canned beer is getting tougher, happoshu is getting tougher, new genres are getting tougher, and then for commercial use, bottles and kegs are getting better YoY.

Nose: That's it in a nutshell.

Miura: I see.

Nose: It remains to be seen what kind of marketing strategy we will create in this context, since it is not a recovery to seek growth by focusing on beer cans. We will create measures in that process from now on. This is how we see it.

Miura: I see. How much will commercial use increase next year, if things continue like this? What kind of image do you have?

Nose: It's 70% of what it was in 2019.

Miura: 70%. How does this compare to 2021?

Nose: Compared to 2021, the increase will be about 45%.

Miura: I understand. It really helped. Thank you.

Nose: Excuse me.

Moderator: It’s the closing time, so we will now conclude the question-and-answer session.

In closing, we would like to have a few words from Mr. Oga. Please.

Oga: Thank you very much for everything. From the questions you have asked and the opinions you have expressed on a daily basis, 1 of the things we have noticed is that in our brands, Black label and YEBISU are fine, but there are questions and doubts about the stability and growth potential of other categories and brands.

I believe that Black Label and YEBISU can still do well. I believe that customers' tastes are becoming more focused on beer, and customers will become even more interested in beer in the future. What kind of value-added products will we be able to offer to our customers in the future, or how will we be able to propose high value-added and high price products in the midst of falling beer prices? I believe that there is stability in these areas.

Also, as we mentioned earlier about RTDs, we believe that RTD brands that are considered to be strong are actually being buried among a variety of products even in other companies.

So, we see this as a market in a very miscellaneous growth phase, and we need to work on. When I think about it, as Ms. Takagi asked earlier, I believe that we can achieve JPY10 billion level of profit.

First of all, the use of money by beer companies has changed considerably, so JPY10 billion in that sense, and we can see the possibility of JPY15 billion or more, if we can achieve a structure of overseas growth as the beer business as a whole, and if the restaurant business turns profitable. Then, our mid-term plan will no longer be a pie in the sky, and that is our great hope.

Another thing that is often pointed out is that the vending machine business is not progressing fast enough, as we saw today. I think your question was about what we are doing in the midst of inferior competition, but our efforts have changed a lot, so the condition has not been for publication for the past few years. However, I think we are at the final stage, so I am hoping to have something that I can present in a good form by the end of the year.

If we can solve this problem, we can have a beverage business that is small in volume but has characteristics, in addition to lemon business, soy milk and yogurt. Food and beverage business that is worth to exist can be the great pillar for our group. I would like to add value to it.

So, although there are still some things we need to revise in our thinking, we would be happy to exchange opinions with you again.

Thank you very much for your time today.

Moderator: Thank you very much.e

This concludes the conference call.

Thank you very much for your participation today until the end. Thank you for your continued support.

[END]