SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q4 Financial Results Briefing for the Fiscal Year Ended December 2022

February 16, 2023

Event Summary

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	Masaki Oga	President and Representative Director
	Yoshitada Matsude	Managing Director
	Rieko Shofu	Director
	Hiroyuki Nose	President and Representative Director, Sapporo Breweries Limited
[Analyst Names]	Hiroshi Saji	Mizuho Securities Co., Ltd.
	Satoshi Fujiwara	Nomura Securities Co., Ltd.
	Manabu Sumoge	Okasan Securities Co., Ltd.
	Ami Yoshida	JPMorgan Securities Japan Co., Ltd.
	Naomi Takagi	SMBC Nikko Securities Inc.
	Nobuyoshi Miura	Citigroup Global Markets Japan Inc.

Presentation

Moderator: Good afternoon. Thank you very much for joining us today for the financial results briefing for the fiscal year ended December 2022 of Sapporo Holdings Limited. We will start the meeting now.

Present today are Mr. Masaki Oga, President and Representative Director, Sapporo Holdings; Mr. Yoshitada Matsude, Managing Director, Sapporo Holdings; Ms. Rieko Shofu, Director, Sapporo Holdings; and Mr. Hiroyuki Nose, President and Representative Director, Sapporo Breweries Limited.

Please have at hand the summary of financial results, supplementary information to the financial results, and presentation material.

First, Mr. Oga and Mr. Matsude will give an overview of the financial results for approximately 40 minutes, in that order, based on the financial results presentation materials, followed by a question-and-answer session. The meeting is scheduled to be approximately an hour and a half.

With that, I would like to turn the meeting over to Mr. Oga. Thank you.

Oga: Good morning. I'm Oga with Sapporo Holdings. Thank you for your presence. I would like to speak to you based on the materials.

Summarizing the year 2022, the results for sales revenue and core operating profit show a YOY increase in both revenue and profit. The main reason for the increase in sales was the growth of the overseas alcoholic beverages, namely North America. Other factors include an increase in sales due to a recovery in the domestic commercial-use market and a recovery in the restaurant business.

As for core operating profit, we were able to raise product prices for the first time in 14 years in response to cost increases in raw material and energy prices. The cost control contributed to the profit, in addition, the structural reforms in the restaurant business, food and softdrinks business, also contributed to the results.

Another major event in 2022 was that we were able to put together our mid-term management plan. Since the start of the previous mid-term management plan in 2020, which was the year impacted by COVID-19, we repeatedly thought that we need to reorganize the business. Price increase, as well as the acquisition of Stone Brewing Co., was a major catalyst for us to do so. We have been working hard to acquire a manufacturing base in the US, and we are now on track to accelerate the pace of growth.

We intend to build the mid-term management plan that emphasizes capital efficiency. We will accelerate business growth by clarifying those businesses that are to be strengthened or grown and those that are to be restructured and improved. This stance has not changed as we announced last year.

This sums up 2022.

Summary

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➢ Policy for 2023

- **Promote specific initiatives to enhance corporate value (initial fiscal year of the Medium-Term Management Plan)**
  - ・Strengthen Japan beer business and realize effects of Sendai Brewery reorganization
  - ・Develop foundation for growth in U.S.
  - ・Reshuffle business portfolio and complete fundamental changes by 2024
  - ・Conduct appropriate monitoring
  - ・Initiatives for key sustainability issues
- **Achieve plan through steady implementation**
  - ・Revenue +2.4% and core operating profit +45.0%
  - ・Plan to hike dividend (42 to 45 yen) to return more profits to shareholders

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The company policy for FY2023.

The year 2023 is the first year of our mid-term management plan. We aim to execute these specific initiatives.

The first is beer. Although there will be a further cost increases, we will try to realize the effects of price increases, the improvement of the beer ratio and product mix, the effects of consolidating beer factories, and the effects of in-house production of RTDs.

Secondly, the Company will begin its production in the US around the fall of this year. In that sense, we have positioned 2023 as a year of infrastructure development for the next year and beyond.

We have stated that we will reorganize our business portfolio and make a drastic reorganization by 2024. 2023 is the year to identify the specific parts of the reorganization.

In addition, we will conduct appropriate monitoring. We would also like to promote specific initiatives for sustainability priority issues.

Though not mentioned on the deck, we will strive to achieve the planned target through the thorough execution of the required steps. We are also seeking a way to improve corporate governance to support the execution. We announced yesterday that we will not continue an advance-warning-type takeover defense measure. We also announced that we will add one additional outside director.

Since 2020, the Board has been essential to the Company, with an audit committee and a supervisory committee. In the interest of further improving governance, we will increase the number of outside directors to the majority of the members of the Board. I'm sure this new framework will help us move forward with steadfast business operations.

We will secure earnings by thoroughly implementing the business plan without overstretching ourselves. If we can achieve this goal by adding business profit to our earnings, our policy for 2023 is to increase the dividend from JPY42 to JPY45 to further return profits to shareholders.

That's all from me.

Moderator: Thank you for the presentation. Next, Mr. Matsude will be explain.

Financial Highlights for in FY2022

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(billions of yen)	2021 Result	2022 Result	YoY changes (amount)	YoY changes (%)
Revenue	437.2	478.4	41.3	9.4%
Revenue (Excluding liquor tax)	331.2	364.2	33.0	10.0%
Overseas revenue	74.5	102.2	27.7	37.2%
EBITDA	28.6	29.9	1.2	4.3%
Core operating profit	8.1	9.3	1.2	14.4%
Core operating profit margin	1.9%	1.9%	—	—
Other operating income (expense)	13.9	0.8	(13.1)	(94.3%)
Operating profit	22.0	10.1	(11.9)	(54.1%)
Profit before tax	21.2	11.4	(9.8)	(46.3%)
Profit attributable to owners of parent	12.3	5.4	(6.9)	(55.8%)
ROE	7.9%	3.3%	—	—

The balance of debt excludes the balance of lease obligations.

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Matsude: I will discuss the financial results for FY2022, the management plan for 2023, and the action plan and KPIs of the mid-term management plan.

First, here are the financial highlights.

Revenue was JPY478.4 billion, an increase of JPY41.3 billion, or 9%, over the previous year. Business profit was JPY9.3 billion, an increase of JPY1.2 billion, or 14%, over the previous year. Net profit attributable to owners of the parent company was JPY5.4 billion, a decrease of JPY6.9 billion due to the absence of gains on the sale of real estate in the previous year.

Financial Highlights for in FY2022

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(billions of yen)	2021 Result	2022 Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	**437.2**	**478.4**	**41.3**	**9.4%**
Alcoholic Beverages	289.7	334.6	45.0	15.5%
Japanese	228.6	245.4	16.8	7.3%
Overseas	53.4	74.0	20.5	38.4%
Restaurants	7.6	15.3	7.7	101.0%
Food & Soft Drinks	125.5	122.9	(2.5)	(2.0%)
Real Estate	21.9	20.7	(1.1)	(5.2%)
Other	0.2	0.1	(0.0)	(15.5%)

(billions of yen)	2021 Result	2022 Result	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	**8.1**	**9.3**	**1.2**	**14.4%**
Alcoholic Beverages	5.4	7.7	2.3	42.1%
Japanese	7.9	8.5	0.6	7.0%
Overseas	1.7	(0.3)	(2.0)	—
Restaurants	(4.2)	(0.5)	3.7	—
Food & Soft Drinks	0.7	1.8	1.1	148.2%
Real Estate	8.2	6.5	(1.8)	(21.5%)
Other・General corporate and intercompany eliminations	(6.2)	(6.6)	(0.4)	—

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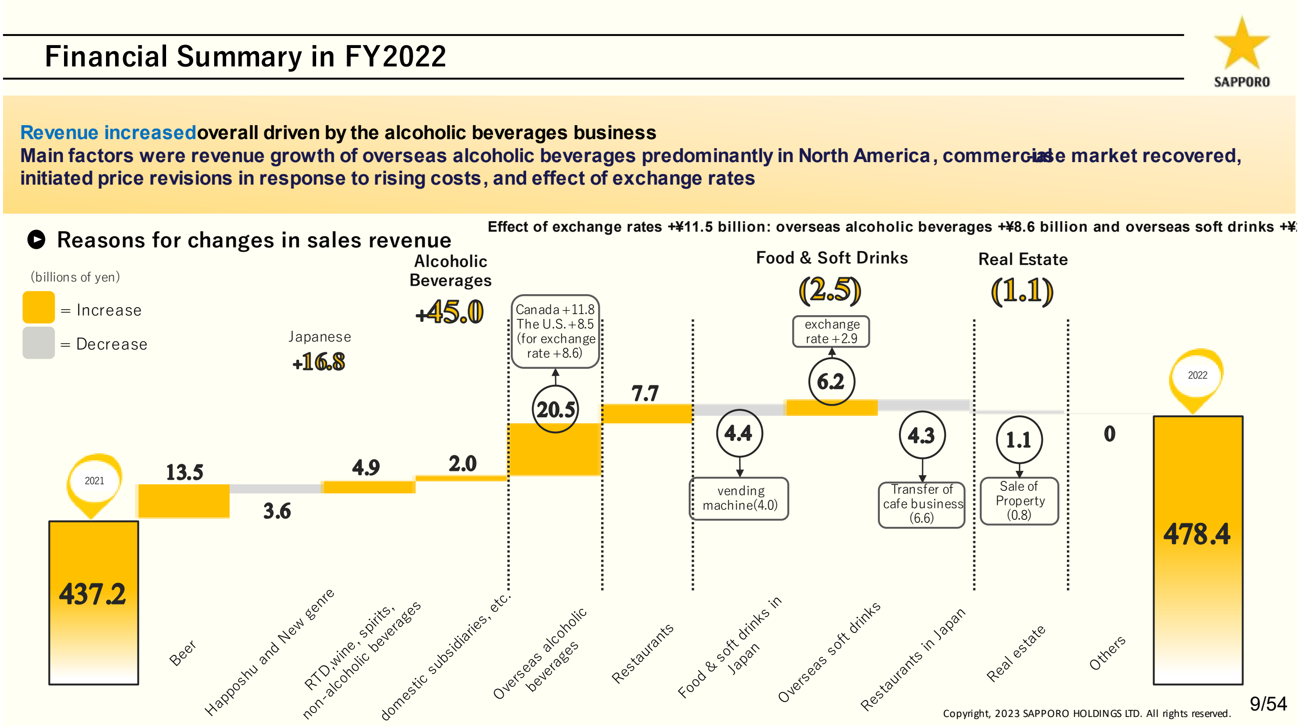
Next, I will explain the results by segment.

The increase in sales revenue was driven by the alcoholic beverage business. In addition to growth in overseas alcoholic beverages, particularly in North America, the domestic alcoholic beverage business and the restaurant business contributed due to the recovery of the commercial-use market.

Although rising raw materials costs impact of JPY10 billion over the entire group businesses, the profit increased due to the effects of price revisions, cost controls, and other measures, as well as the effects of increased sales and structural reforms in the restaurant and food and softdrinks business.



I will explain the main factors behind the increase in sales revenue and core operating profit.

I would like to begin with the increase or decrease factors of sales revenue. Revenue increased by JPY41.3 billion, or 9% year on year.

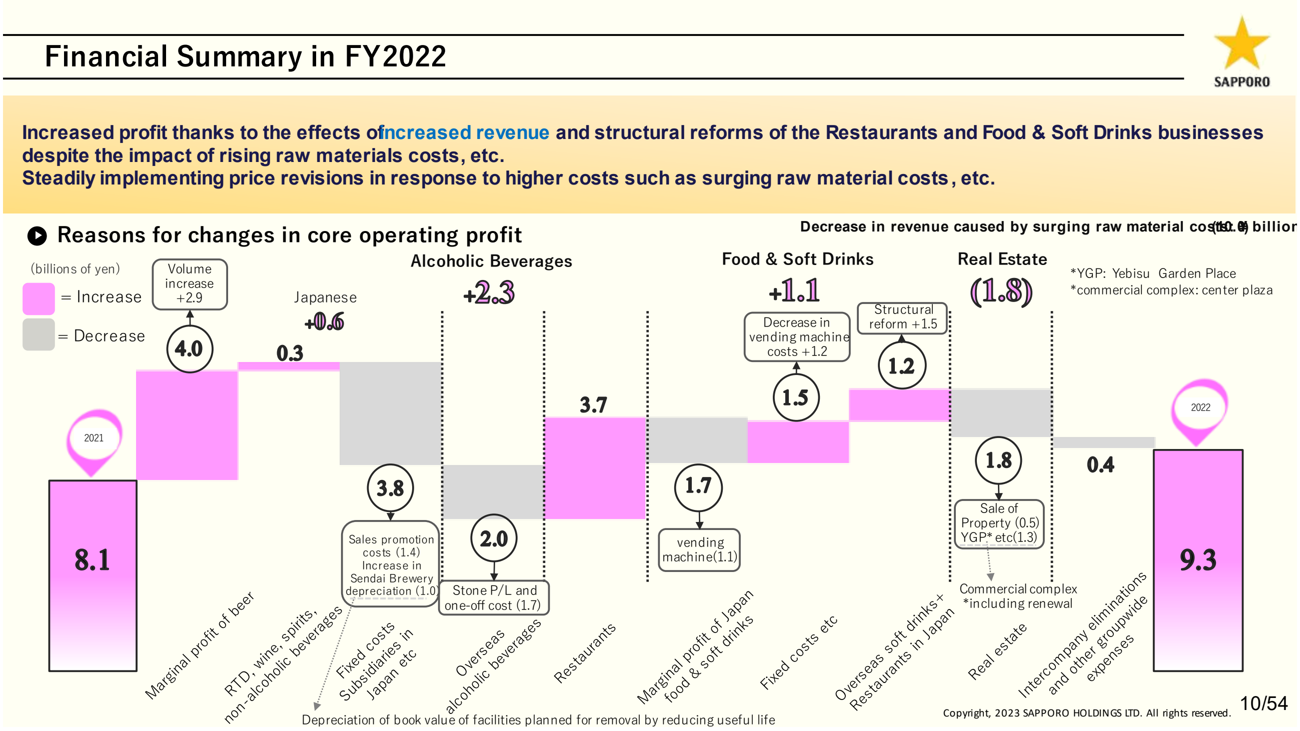
The domestic alcoholic beverage business posted a JPY16.8 billion increase in sales. Beer sales volume increased by 3% YOY. The driving force behind this was beer, even among beer, happoushu, and new genres. Beer sales volume resulted in a 10% increase, and as a result, beer made a significant contribution to sales revenue, increasing by JPY13.5 billion.

Sales volume in the overseas alcoholic beverage business increased by JPY20.5 billion, with a 3% increase in Canada and an 11% increase in the US for the Sapporo brand, despite a YOY decline in total demand. The depreciation of the Japanese yen had a positive impact of JPY8.6 billion, and the consolidation of Stone Brewing Co, had a positive impact of JPY5.4 billion.

Sales in the restaurant business increased by JPY7.7 billion, doubling from the previous year. Sales in the food and beverage business, which is in the process of structural reform, decreased by JPY2.5 billion due to the impact of the structural reform of the café and vending machine business.

Overseas beverages maintained growth, with an increase of JPY6.2 billion.

The real estate business saw a decline of JPY1.1 billion, mainly due to a decrease in revenue from the sale of properties last year.



This is an analysis of the changes in core operating profit.

Core operating profit was up a massive JPY1.2 billion, or 14%, over the previous year.

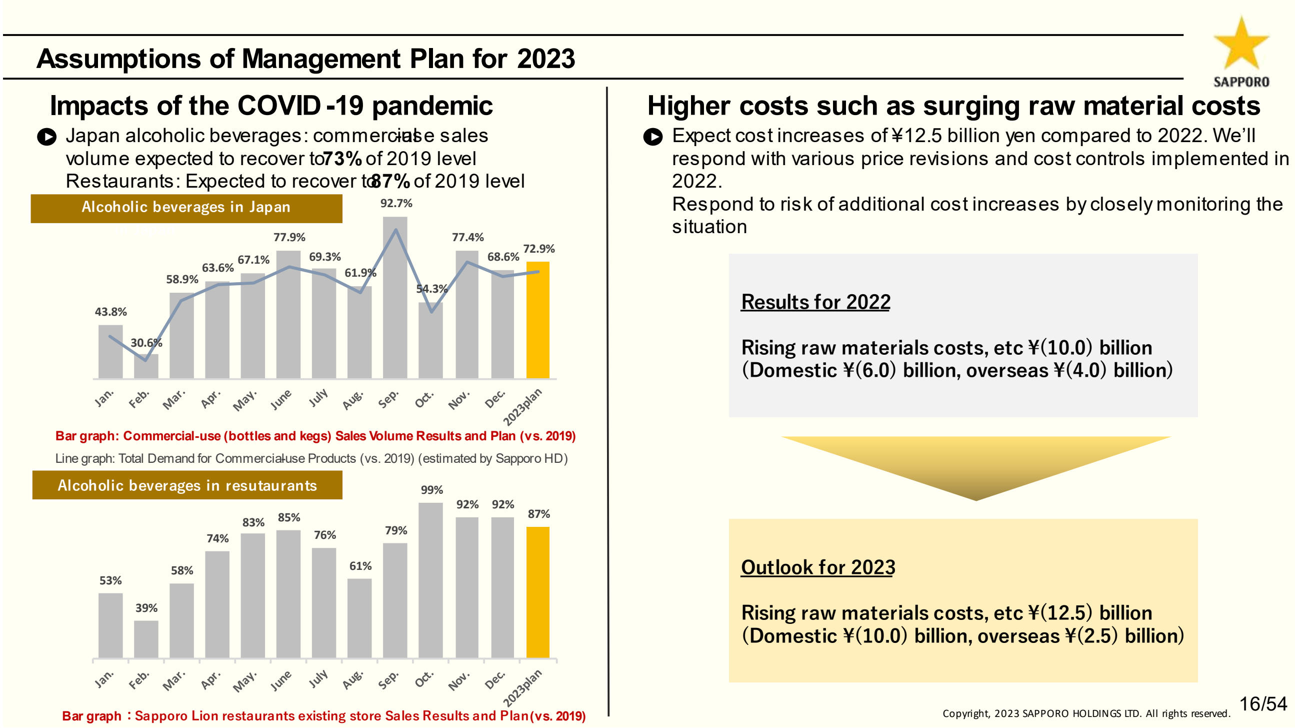
First, the domestic alcoholic beverage business posted an increase of JPY600 million. Increased costs, such as increased depreciation burden associated with the conversion of the Sendai plant to RTD, in addition to investments in sales promotion of beer and RTD, were offset by increased sales volume.

The overseas alcoholic beverage business posted a decline of JPY2 billion. Although sales increased, the impact of the Stone Brewing M&A was negative JPY1.7 billion. This includes JPY400 million in onetime M&A expenses. In addition, the profit decreased due to the effects of higher costs resulting from ocean freight rates and disruptions in domestic logistics in the US.

The restaurant business improved by JPY3.7 billion due to the effects of structural reforms, supported by increased revenue. The food and soft drinks segment reported an increase of JPY1.1 billion. We were able to make steady progress in improving profitability by improving the earnings of the vending machine business and the effects of structural reforms at our subsidiaries.

The real estate business posted a JPY1.8 billion decline. The negative impact from the sale of properties in the previous year was negative JPY0.5 billion, and in addition, the negative impact from Garden Place and others was negative JPY1.3 billion, partly including onetime costs associated with the renovation of the Center Plaza at Garden Place, which was conducted last year.

These are the financial results for FY2022.



Next, I will discuss the 2023 management plan.

First, as a premise for our management plan, we would like to discuss the impact of the novel coronavirus. Sales volume of beer for commercial use in the domestic alcoholic beverage business is expected to recover to 73% of the 2019 level this year. We see just under 70% as the degree of recovery in total demand for commercial beer, and we see a few percentage points more than that, in our case, in the numbers above.

We have both bottles and kegs, and this has also had a positive impact on our bottled numbers, especially Sapporo lager beer and other beers.

For existing store sales of Sapporo Lion in the restaurant business, we expect a 90% recovery compared to the results of 2019.

Concerning raw material costs hikes, we expect a cost increase of JPY12.5 billion this year compared to 2022. The amount is JPY10 billion in Japan and JPY2.5 billion overseas. In Japan, the domestic alcoholic beverage business is particularly impacted at JPY6.5 billion.

Can metal materials, malt, as well as energy costs will continue to be significantly affected, but we expect the effect of the price revision implemented last year to be about JPY10 billion more than in the previous year, and we expect this to offset the impact of the price revision.

Group Management Plan 2023

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(billions of yen)	2022 Result	2023 Plan	YoY changes (amount)	YoY changes (%)
Revenue	478.4	490.0	11.6	2.4%
Revenue (Excluding liquor tax)	364.2	374.2	9.9	2.7%
Overseas revenue	102.2	111.8	9.6	9.4%
EBITDA	29.9	34.7	4.8	16.2%
Core operating profit	9.3	13.5	4.2	45.0%
Core operating profit margin	1.9%	2.8%	—	—
Other operating income (expense)	0.8	(0.4)	(4.8)	—
Operating profit	10.1	9.5	(0.6)	(6.0%)
Profit before tax	11.4	7.7	(3.6)	(32.0%)
Profit attributable to owners of parent	5.4	5.5	0.1	0.9%
ROE	3.3%	3.3%	—	—

The balance of debt excludes the balance of lease obligations.

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Moving on to financial planning.

Revenue was JPY490 billion, up JPY11.6 billion, or 2%, over the previous year, and core operating profit was JPY13.5 billion, up JPY4.2 billion, or 45%, over the previous year. The operating profit level is JPY9.5 billion, a decrease of JPY0.6 billion, or 6%.

We have decided to set aside about JPY3 billion for structural reform expenses in other operating expenses. This is to promote and support structural reform and is expected to decrease operating profit, but we would like to refrain from reviewing the specific use of this money at this stage.

Finally, net profit attributable to owners of parent company is planned at JPY5.5 billion, an increase of JPY0.1 billion over the previous year.

Thus, we plan to continue strengthening our earning power, aiming to increase both sales and profits, as well as dividends.

Group Management Plan 2023

Financial Targets

	2022 Result	2023 Plan	2026 Target
ROE	3.3%	3.3%	8.0%
(Approximation) Core operating profit *	9.3billion yen	13.5billion yen	25.0billion yen
EBITDA Average growth rate (CAGR)		16.2%	About 10%
(Approximation) EBITDA *	29.9billion yen	34.7billion yen	50.0billion yen
Overseas revenue Average growth rate (CAGR)		9.4%	About 10%
(Approximation) Overseas revenue *	102.2billion yen	111.8billion yen	140.0billion yen

*Approximation for achieving financial targets

I would like to discuss the status of the financial targets outlined in the mid-term management plan.

In terms of our main financial goal of 8% ROE, we plan to achieve 3.3% in 2023, the same level as in 2022. Excluding the impact of the restructuring costs I mentioned earlier, the figure would be in the mid-4% range.

I would also like to note that the business profit and EBITDA are also disclosed, all of which are in line with the forecast at the time the mid-term management plan was formulated.

Group Management Plan 2023

SAPPORO

(billions of yen)	2022 Result	2023 Plan	YoY changes (amount)	YoY changes (%)
Revenue by Segment	**478.4**	**490.0**	**11.6**	**2.4%**
Alcoholic Beverages	334.6	347.0	12.4	3.7%
Japanese	245.4	250.0	4.6	1.9%
Overseas	74.0	80.0	6.0	8.2%
Restaurants	15.3	17.0	1.7	11.1%
Food & Soft Drinks	122.9	121.0	(1.9)	(1.6%)
Japanese	98.3	95.0	(3.3)	(3.4%)
Overseas	24.6	26.0	1.4	5.8%
Real Estate	20.7	22.0	1.2	6.0%
Other	0.1	0.0	(0.1)	(71.5%)

(billions of yen)	2022 Result	2023 Plan	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	**9.3**	**13.5**	**4.2**	**45.0%**
Alcoholic Beverages	7.7	13.4	5.6	72.8%
Japanese	8.5	12.5	4.0	47.6%
Overseas	(0.3)	(0.5)	0.8	—
Restaurants	(0.5)	(0.4)	0.9	—
Food & Soft Drinks	1.8	2.4	0.6	34.0%
Japanese	0.9	1.3	0.4	44.8%
Overseas	0.9	1.1	0.2	23.2%
Real Estate	6.5	5.9	(0.6)	(9.3%)
Other・General corporate and intercompany eliminations	(6.6)	(8.1)	(1.4)	—

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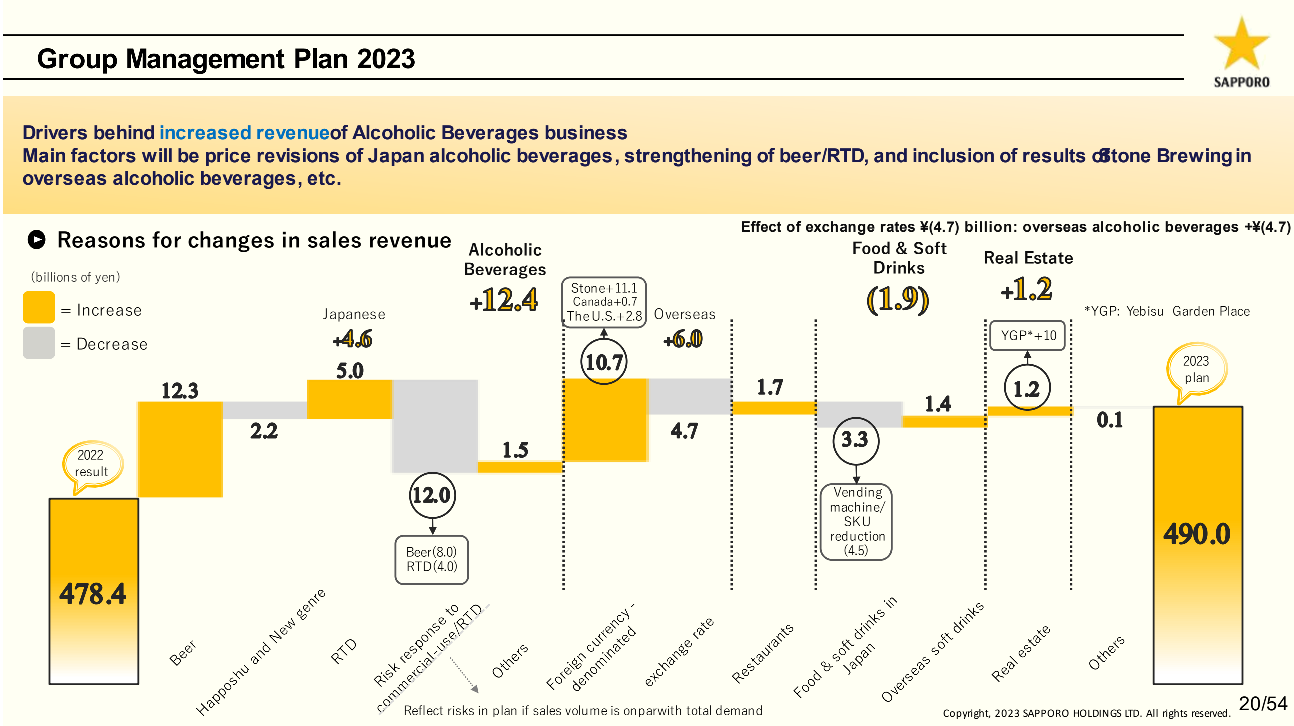
This is a breakdown of sales revenue and core operating profit by segment.

Beginning this fiscal year, the growing business of overseas beverages has been made a sub-segment. Therefore, the food and soft drinks business is broken down into domestic food and soft drinks and overseas beverages.

First, the alcoholic beverage business was the driver of revenue growth. The domestic alcoholic beverage business and the overseas alcoholic beverage business are planned to be the major drivers.

The domestic alcoholic beverage business is also the driver of core operting profit. We also expect to benefit from price revisions and the reorganization of the Sendai plant.

In terms of sales and earnings, the domestic food and soft drinks business, which is planned to see a decline in sales, is also expected to benefit from the effects of structural reforms.



Here are the positive and negative factors in revenue and core operating profit.

The first factor is the increase or decrease in sales revenue. Revenue is projected to increase by JPY11.6 billion, or 2%, over the previous year.

In the domestic alcoholic beverage business, sales increased by JPY4.6 billion, and with the planned revision of liquor tax, we will further strengthen our beer and RTD business. Total beer sales increased by JPY10 billion, and since the sales volume plan is flat YoY, price revisions and improved product mix are the main factors. RTDs increased mainly in volume.

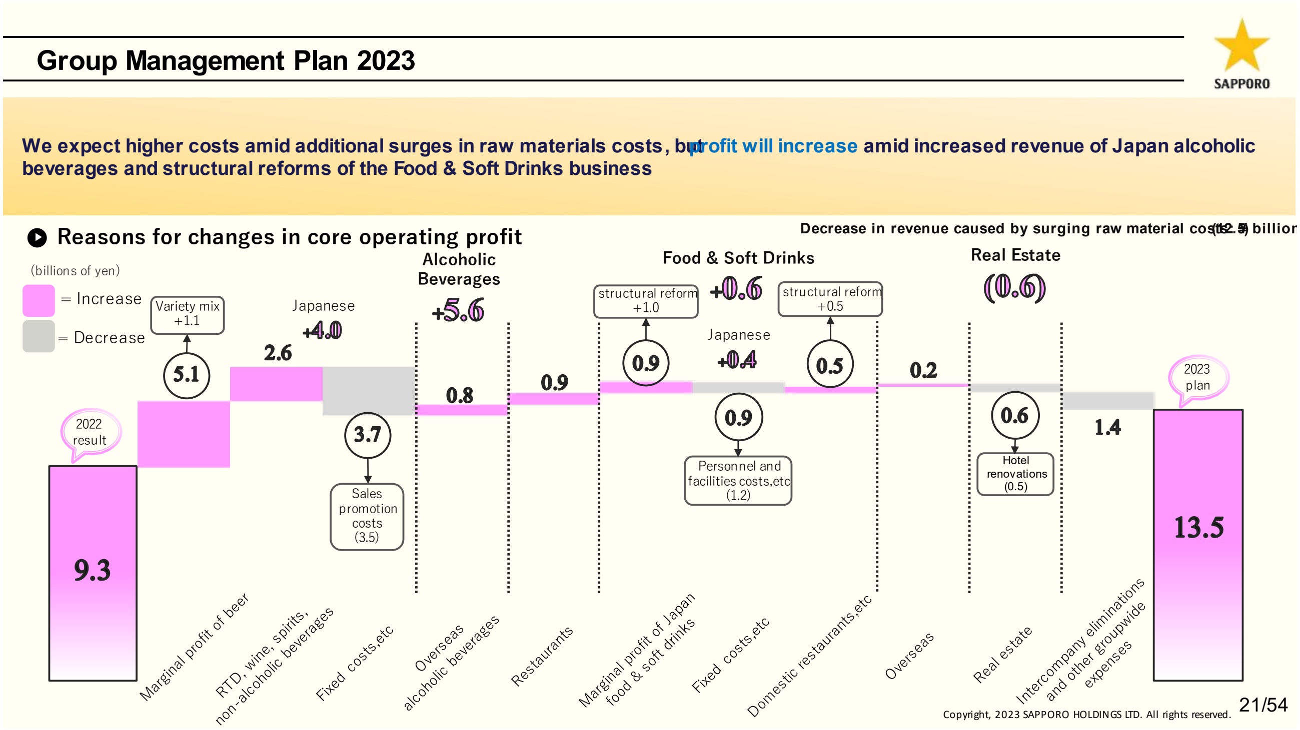
In the overseas alcoholic beverages business, we expect sales to increase by ¥6.0 billion, and plan to continue to grow. As a consolidation effect of Stone Brewing Co, 11.1 billion yen increase, and continued growth in Sapporo brand sales volume 7% increase in the US. These factors will increase profits.

On the other hand, exchange as for the full-year outlook, we anticipate that the yen will appreciate, resulting in a sales decline of around 6%.

In the domestic food and soft drinks business, the Company reported a large JPY3.3 billion decline in sales due to an unprofitable vending machine business, SKU reductions, and other factors.

The international beverage business is expected to continue to grow, with a 6% increase in sales.

The real estate business posted an increase of JPY1.2 billion, thanks to the full-year contribution from the Center Plaza at Garden Place, which was renovated last year.



This is an analysis of the changes in core operating profit.

Business profit is projected to increase by JPY4.2 billion, or 45%, over the previous year.

First, the domestic alcoholic beverage business plans to increase profits by JPY4 billion and plans to strengthen investment in sales promotion for beer and RTD. Marginal profit in beer, happoshu, and new genre sales increased by JPY5.1 billion due to an improved product mix and the effect of price revisions.

In addition, we plan to increase the costs we allocate to human resources, IT, and DX. We plan on covering these expenses using the profit that is expected to swell by JPY2 billion compared to the previous year through the improved Sendai brewery functionality and RTD conversion.

The overseas alcoholic beverage business increased by JPY0.8 billion. We expect a reversal of last year's onetime M&A expenses of JPY400 million, as well as cost improvements in logistics in the US.

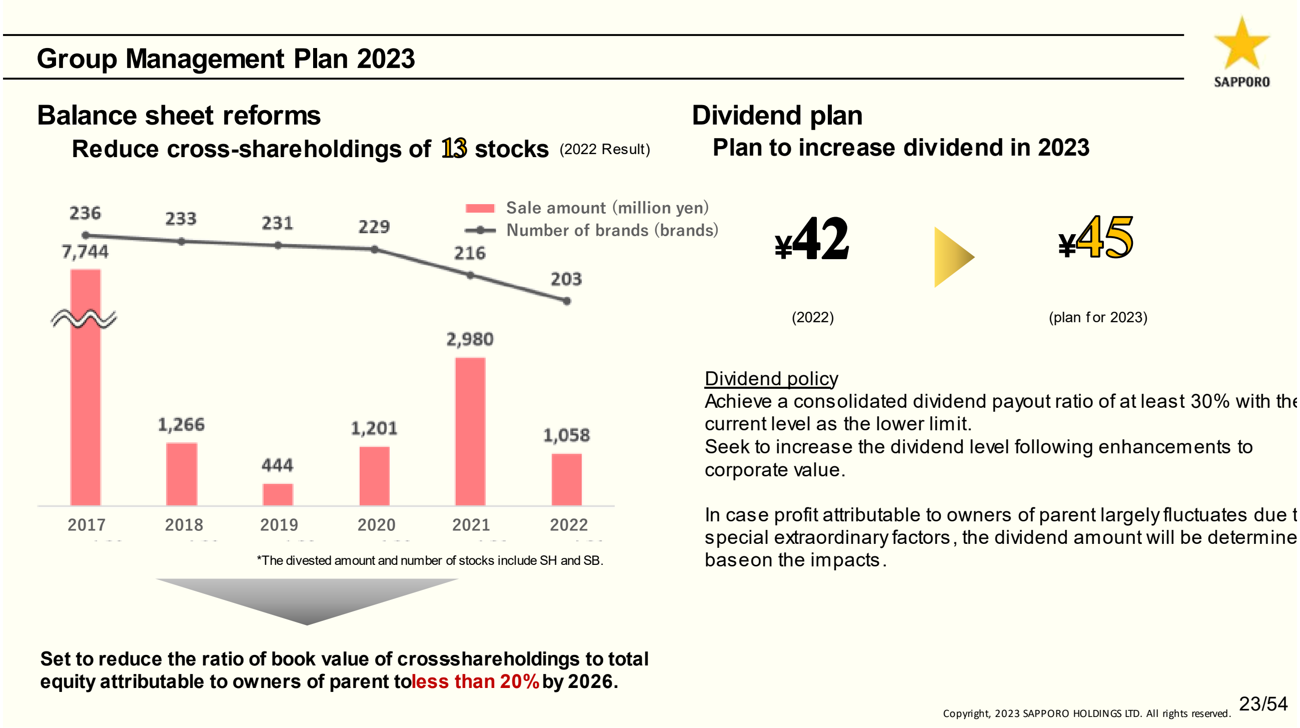
The restaurant business is expected to improve by JPY900 million and is projected to be JPY400 million in the black. The Company has been profitable in each quarter since Q2 of last year, and with the current situation not showing a downward swing, we expect a return to profitability to be highly probable.

The domestic food and soft drinks business plans an increase of JPY400 million due to the effect of structural reforms.

For the overseas soft drinks business, we expect a continued increase in sales and growth in profit.

The real estate business posted a JPY600 million decline in profit. This is due to the scheduled renovation of Hotel Clubby Sapporo in Sapporo Factory this year. To be more specific, we plan to begin renovations in April and begin the service at the beginning of next year.

The overall risk buffer at the same core operating profit level is expected to be about JPY2 billion, with plans for JPY1.7 billion for domestic alcoholic beverages and JPY200 million for the entire company.

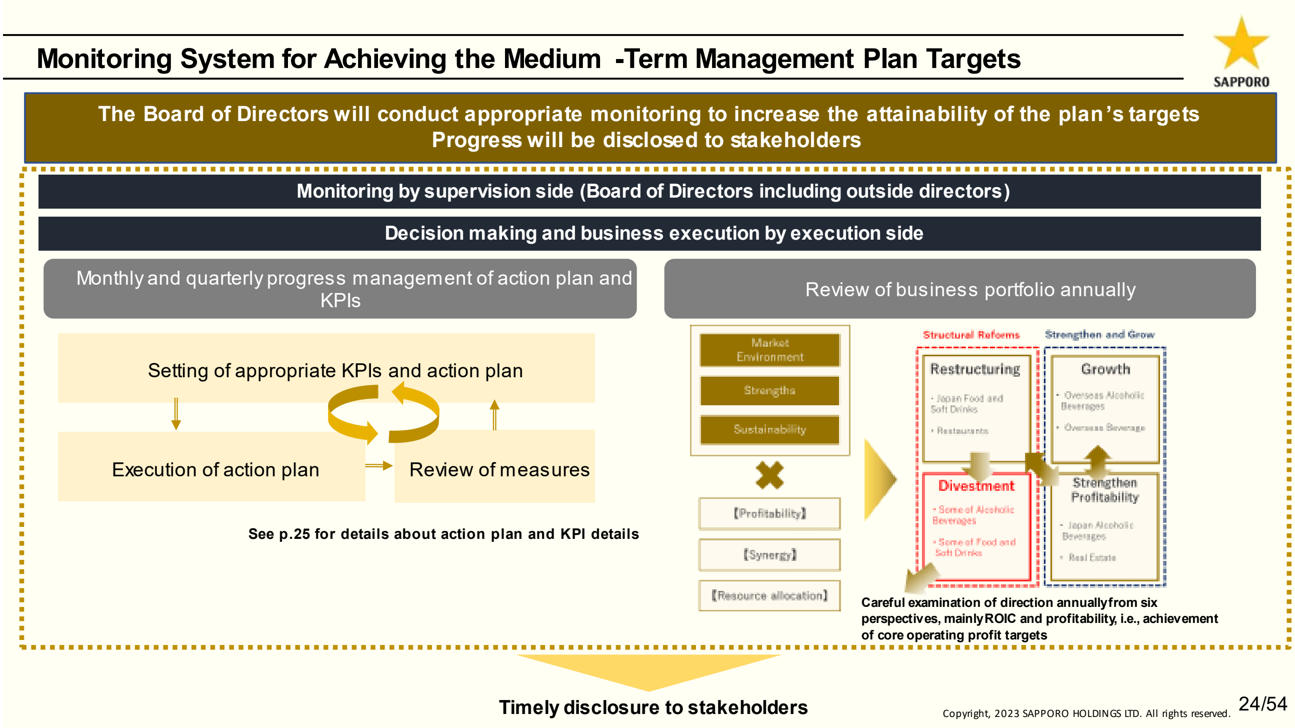


I would like to mention balance sheet reform.

With regard to policy shareholdings, the capital ratio at the end of last year was 28%, which represents an increase of 1% from the previous year. Last year, we sold JPY1.1 billion, which was affected by the rising stock prices of our holdings.

As mentioned in the mid-term management plan, we will continue our efforts to reduce the capital ratio to less than 20%. For this year, we plan to sell about JPY4 billion.

Dividend plan. Taking into consideration the financial plan for increased sales and profit, and the fact that business profit is expected to increase by JPY4.2 billion, we plan to increase the dividend by JPY3 for the current fiscal year.



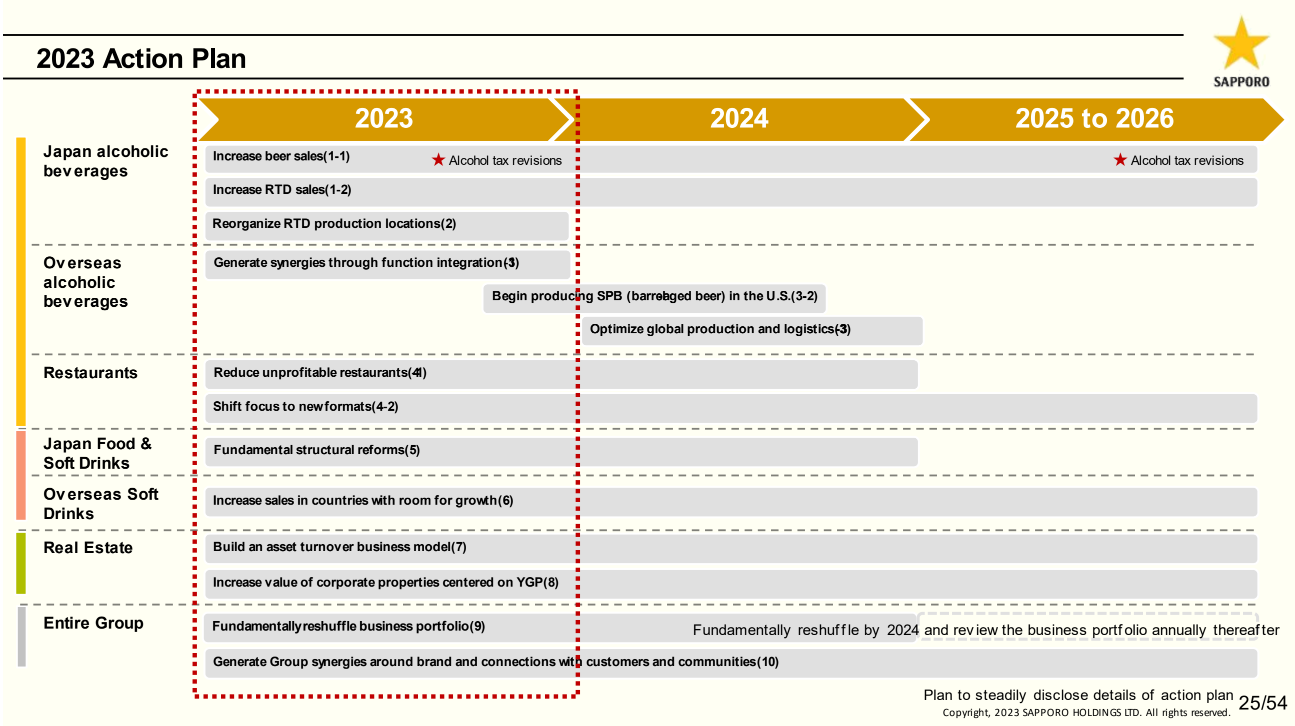
I will detail our mid-term management plan.

After the announcement of the mid-term management plan, we received some comments from investors and analysts regarding the effectiveness of our mid-term management plan.

In response, we have decided to publish the monitoring system, action plan, and KPIs as a set, in order to further raise awareness of the effectiveness of the mid-term management plan. In particular, we would appreciate your understanding that the action plan is to be disclosed only to the practically possible level of detail.

First, let me discuss the monitoring system.

As you can see, the Board of Directors of Sapporo Holdings, the supervisory board, will appropriately monitor the development of strategies and their progress management on the execution to increase the probability of achieving the plan. We would like to disclose the status of this situation at the time of the announcement of quarterly financial results or other appropriate occasions.



Shown here is the action plan.

Each of the key action plans by business segment represents a key point. The specifics of this are attached to the reference materials on the next page and beyond, along with the key points.

2023 Action Plan

Japan alcoholic beverages

Increase Beer & RTD sales (1-1~2)

Take action to increase sales of beer and RTD eyeing revisions to alcohol tax and the recovery of restaurant demand

Market outlook

Beer	Recovery in restaurant market becoming stronger Sales of canned beer will decline momentarily on the recovery in restaurants, but **should increase again** with alcohol tax revisions
New genres Happoshu	**Accelerating exodus to other categories** following alcohol tax revisions
RTD	Expected inflow from new genres following alcohol tax revisions will **lead to growth again**
Non-alcohol Low-alcohol	Sales trending strongly **Large room for market revitalization**

		2023 sales plan			Total demand outlook	
(10,000 cases)		Plan	YoY	vs 2019	YoY	vs 2019
Japanese beer and beer-type beverages total		3,943	+0%	(9%)	(3%)	(14%)
Genre	Beer	2,816	+5%	(6%)	+2%	(9%)
	Happoshu	101	(33%)	(52%)	(6%)	(9%)
	New genre	1,026	(8%)	(9%)	(8%)	(21%)
Container	Bottles	-	+11%	(19%)	+11%	(39%)
	Cans	-	(4%)	+0%	(6%)	(8%)
	Kegs	-	+12%	(30%)	+13%	(29%)
RTD		1,443	+18%	+60%	+0%	-
Non-alcoholic beer and low alcohol beer taste beverage		80	+16%	+14%	+3%	-

633ml x 20 bottles for beer, non-alcoholic beer and low alcohol beer taste beverage
250ml x 24 bottles for RTD

Sales of beer and RTD expected to increase over the medium to long term, while sales of new genres will decline. 2023 could see temporary weakness in household-use sales due to the recovery in restaurants.

Recreate a new brand system centered around core brands, turnaround the low profit situation, and achieve business growth

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Now, let me review by business segment.

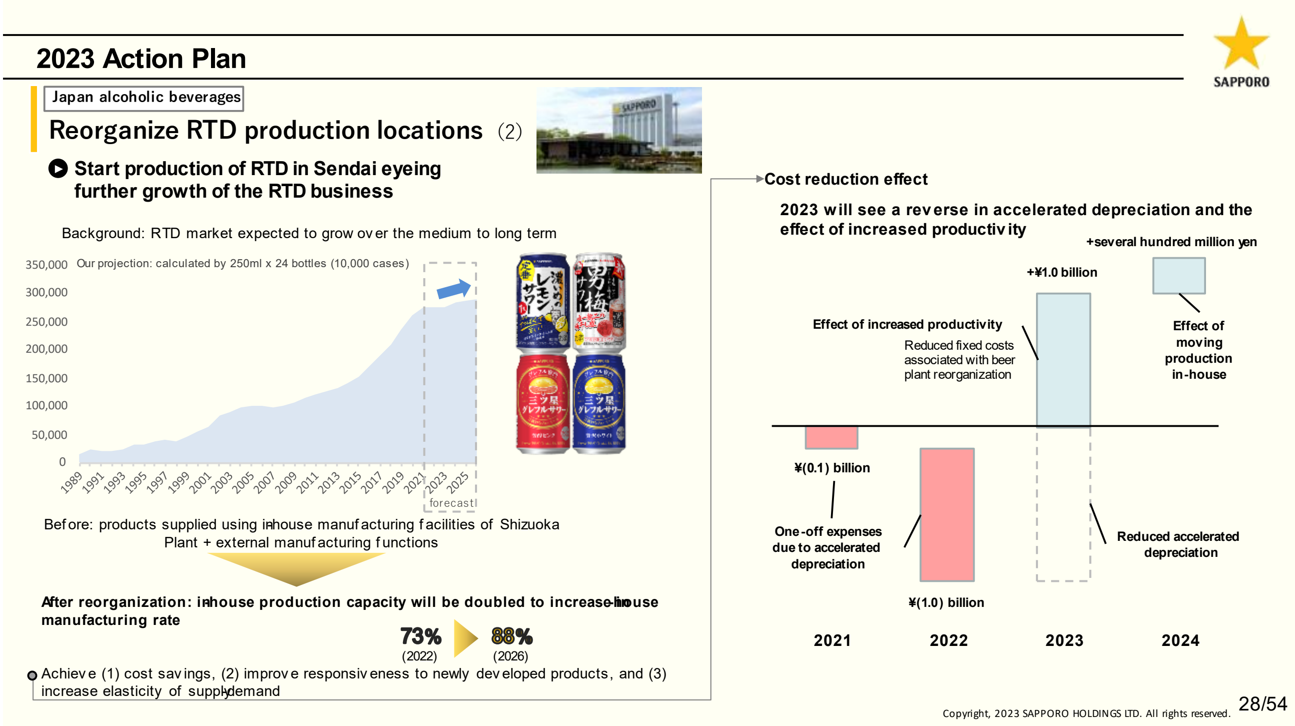
First is the domestic alcoholic business. We will continue to strengthen our beer and RTD business. In anticipation of the revision of liquor tax combined with the resurging recovery for resutaurant demand, we will continue to revitalize the beer and RTD markets, which are expected to grow in the future.

The target sales volume for all the beer products are flat compared to the previous year. For beer only, the target is a 5% increase over the previous year. RTD sales are planned to increase by 18%.

Specific actions.

About beer, we are increasing the percentage of profitable beer products in the beer category, and in addition to this, we intend to further improve profitability by offering higher value-added and premium products.

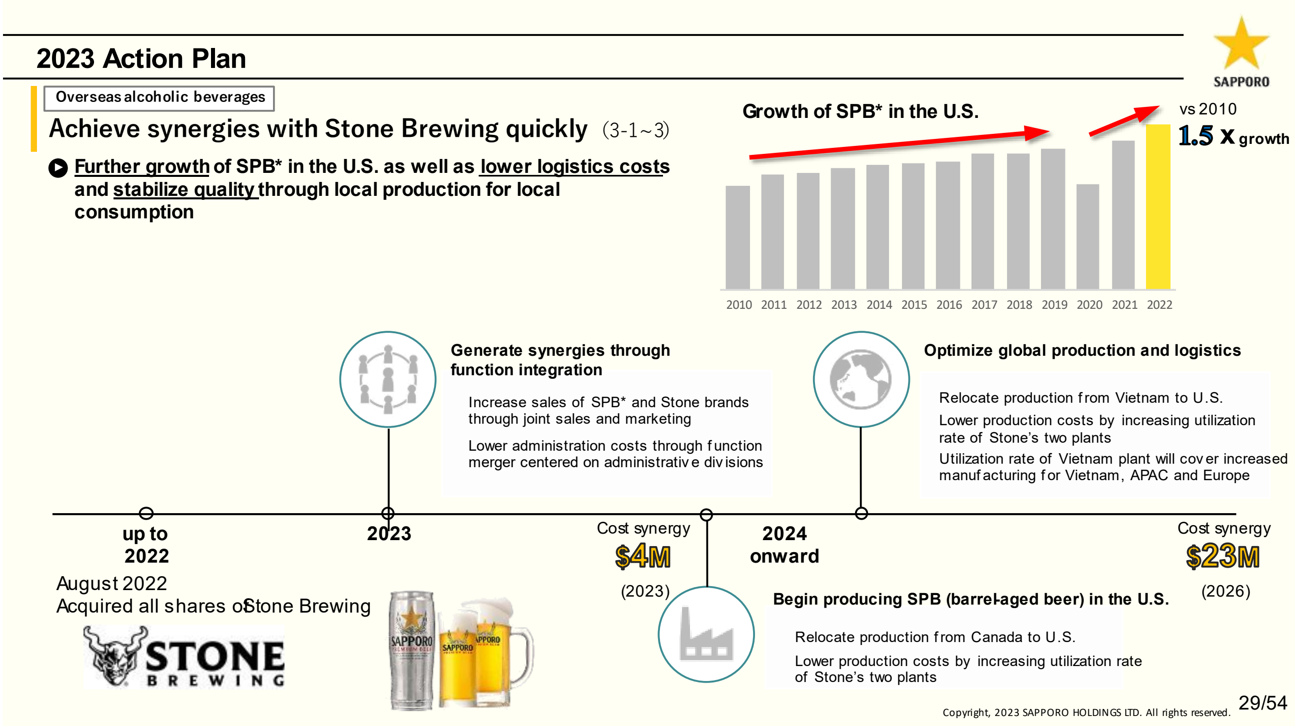
Last year, beer accounted for 68% of sales volume, and we hope to raise this to around 80% in the medium term. Beer products accounted for 50% of the total beer market at the end of last year, so we started the year with a 20%-plus ratio to that. We would also like to continue to propose products that can create new markets.



Productivity initiatives.

To the right, the cost reduction effect of the reorganization of RTD production sites is illustrated. Compared to the previous year, the elimination of the onetime increase in depreciation and amortization costs will result in a JPY1 billion improvement, and in addition, the fixed cost reduction effect will add JPY1 billion.

From next year, when RTD production will be in full swing, we can expect to see the effects of this in-house production.

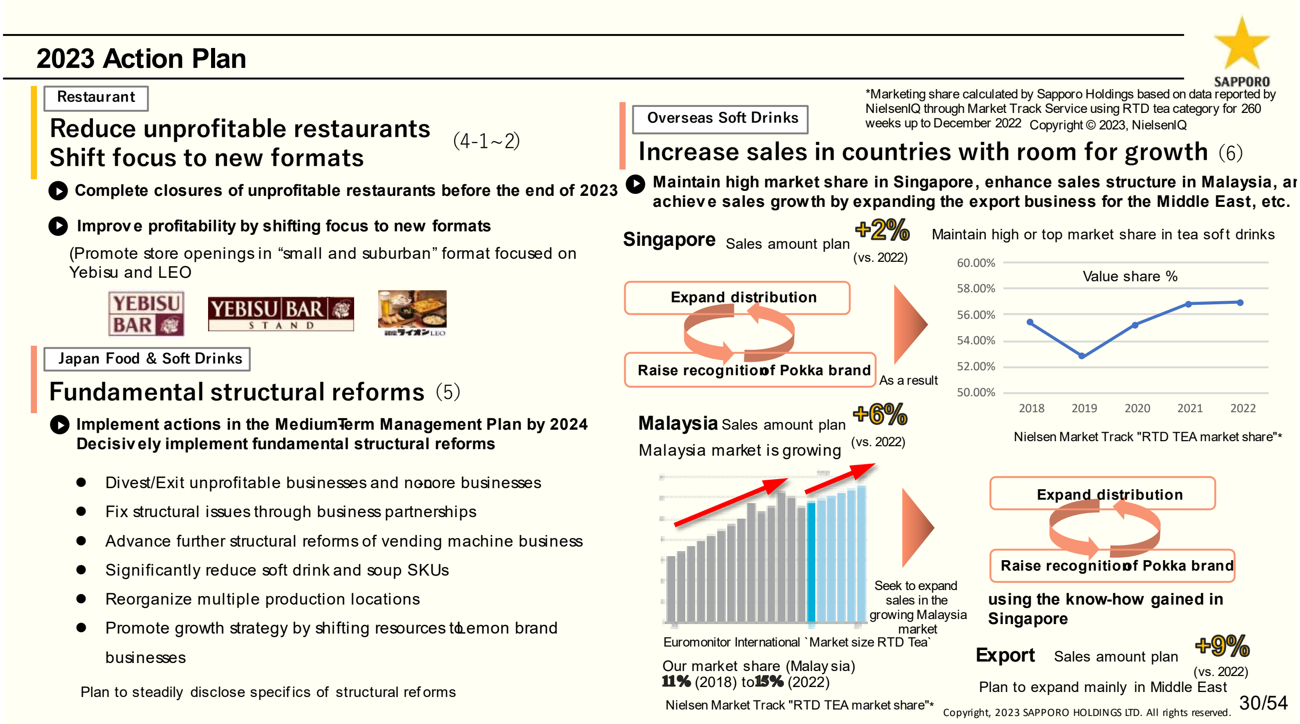


Overseas alcoholic beverage business.

The most important thing is to swiftly create synergies with Stone Brewing Co, through which we hope to achieve further growth of the Sapporo brand in the US, and cost reductions through the development of manufacturing and distribution systems as soon as possible.

We have several plans to generate synergies this year. First, we expect to achieve cost synergies of about JPY500 million, mainly in sales and marketing and back-office support, through the integration of business functions.

Once the production activity is in full swing, we should be able to promote more synergies two years from now, and it should bring in an additional JPY3 billion by 2026. We expect the effect to be about JPY3 billion.

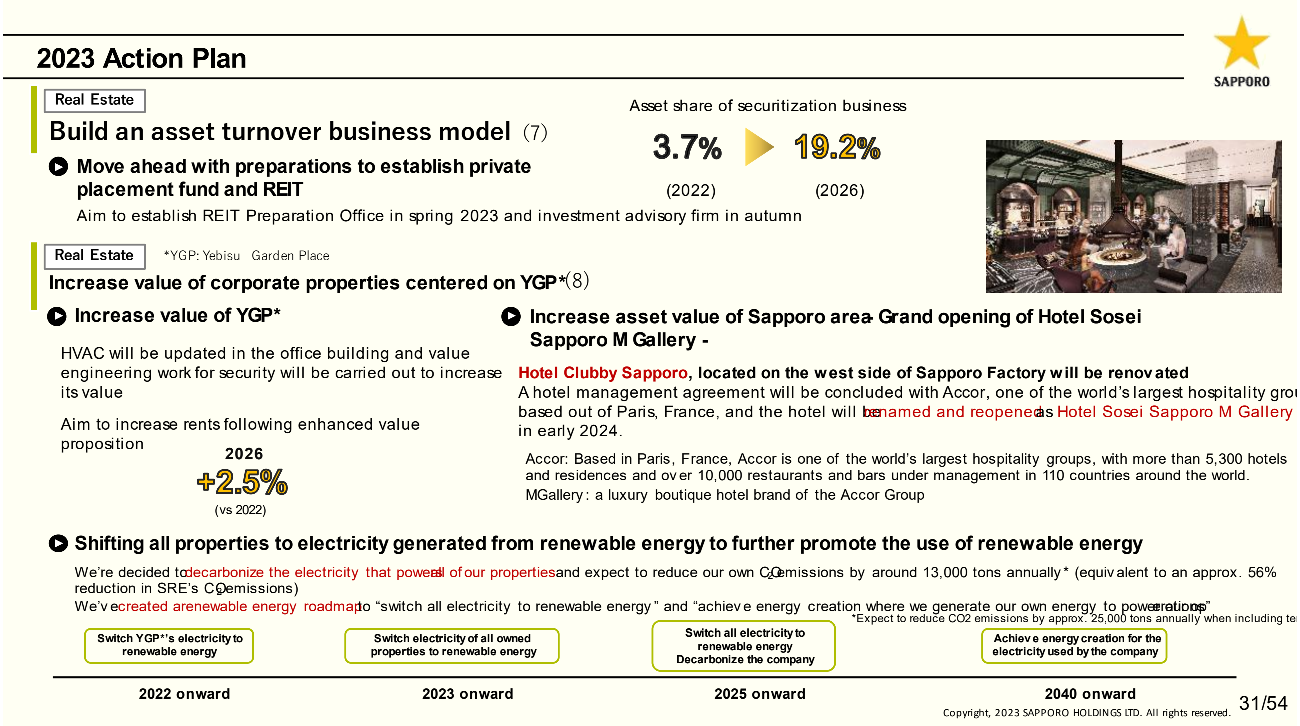


Restaurant business.

As mentioned in the financial plan, we will be sure to make progress in the structural reforms that have been implemented to date to achieve profitability.

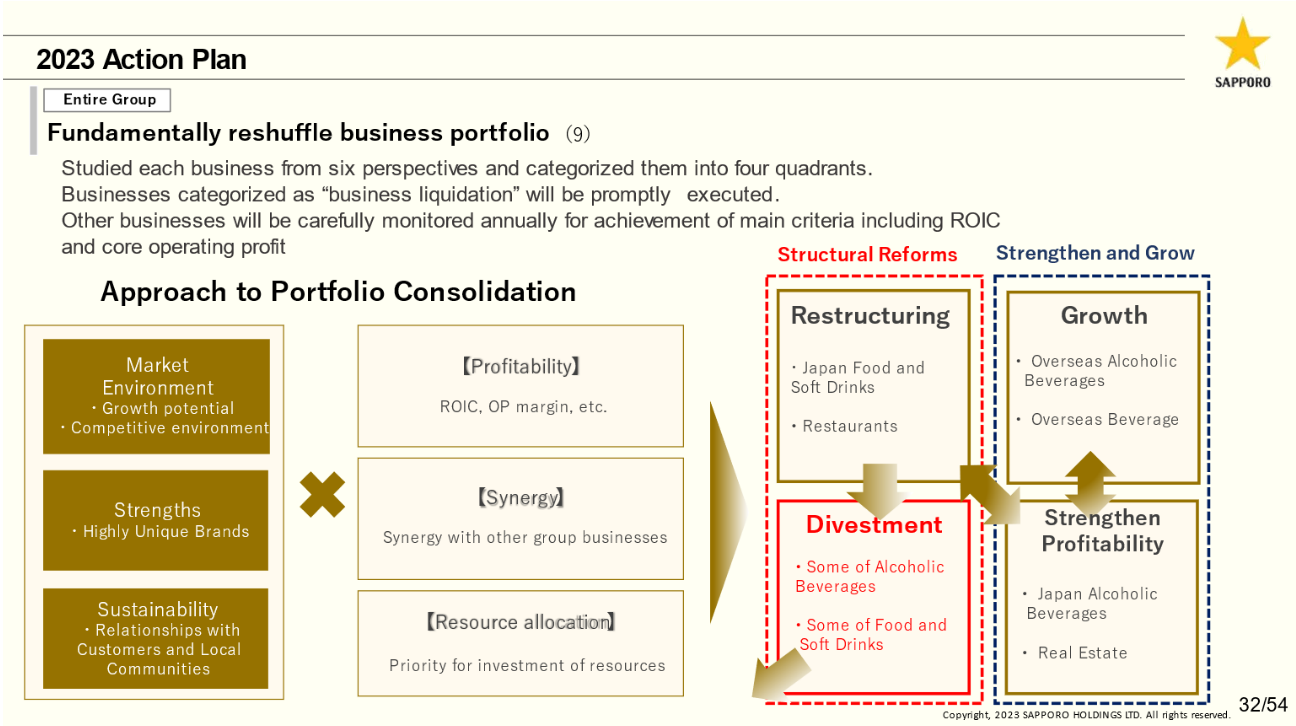
In the domestic food and soft drinks business, we will continue to promote structural reforms through 2024, as we did last year. We plan to decisively implement drastic structural reforms, including the sale of unprofitable and non-core businesses as well as withdrawal. Although we are unable to disclose specific details at this time, we intend to do so in due course.

We aim to expand our overseas beverage business in Singapore in particular, as well as other regions, like Malaysia and the Middle East. We have maintained a high market share in Singapore. We hold the highest market share for tea, which is higher than 50%. While maintaining this situation, we hope to expand our sales network in Malaysia and expand our export business in the Middle East.



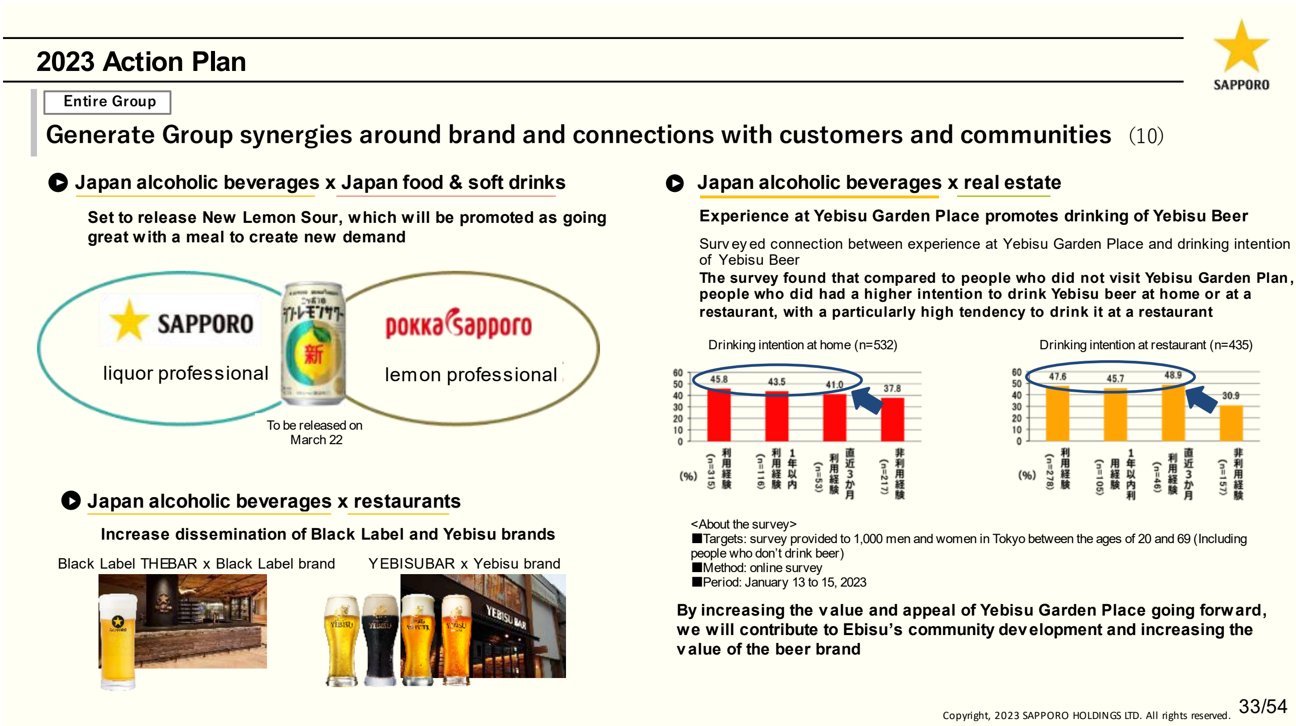
In the real estate business, we will prepare for the formation of private funds and private REITs in order to build an asset-turnover business model. In parallel, we will expand the asset composition ratio of equity investments and value-added liquidation business in order to diversify our earnings structure.

In terms of increasing the value of core properties, the first step will be to invest in enhancing the competitiveness of Garden Place to increase the unit rental price. In the Sapporo region, we will also renovate and rebrand Hotel Clubby Sapporo, which I mentioned earlier.



Next is the company-wide strategy.

First is the business portfolio. We will continue our efforts as indicated in the mid-term management plan.



We plan on demonstrating synergies among the business units of the Group, leveraging brand power and connection with customers and the community.

With respect to synergies between domestic alcoholic beverages and real estate, we hope to enhance the appeal of Yebisu Garden Place and contribute to the development of Ebisu area, as well as increase our contribution to the value of the beer brand. Plans are also underway to brew beer at Garden Place.

Action Plan KPI

SAPPORO

Establish KPI for each business segment and manage progress appropriately to achieve the targets of the Medium-Term Management Plan

PowerPoint materials for Medium-Term Management Plan

		2022	2023	2026	Vs. 2022
Japan alcoholic beverages	**Reinforcement of Beer / Improving Profitability of Beer-type Bev.**				**+¥5.0 billion**
	Increase beer sales: share of beer sales(1-1)	68%	71%	79%	
	Improve profit margin: selling price excluding alcohol tax(1-1)	-	+9% (year-on-year)	+11% (VS 2022)	
	RTD Business Growth and Production Streamlining, Etc.				**+¥4.0 billion**
	RTD growth: RTD sales amount(1-2)	-	+23% (year-on-year)	+74% (VS 2022)	
	Increase production efficiency: ratio of in-house production(2)	73%	64%	88%	
Overseas alcoholic beverages	**Stone Acquisition Synergy / SPB Growth**				**+¥4.0 billion**
	Sapporo brand volume (3-1~3)	6.61million cases	7.47million cases	10.0million cases	
	Cost synergy (3-1~3) *Forex assumption: ¥130	-	$4M	$23M	
Japan food & soft drinks	**Cost Structure Reforms** (5)	-	¥1.0billion	¥2.0billion	**+¥2.0 billion**
Overseas soft drinks	**Expanding Sales and Increasing Logistics Efficiency** Overseas sales amount(6) *Local currency basis	-	+3% (year-on-year)	+30% (VS 2022)	
Real Estate	**Revenue Structure Diversification** Asset share of securitization business (7)	3.7%	7.2%	19.2%	**+¥2.0 billion**
	Increase value of YGP* *YGP: Yebisu Garden Place Rate of increase in average rent price (8)	-	+0.4% (year-on-year)	+2.5% (VS 2022)	
Entire Group	**Drastic Reorganization of Unprofitable Businesses, Etc.** (9)	¥1.0billion (year-on-year)	¥0.5billion (year-on-year)	-	

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These are the KPIs for the action plan, set for each business, and implement progress management. Major KPIs are listed here. We hope to show progress on these KPIs every quarter.

Sustainability Management Initiatives: Key Sustainability Issues

SAPPORO

Total revision of key sustainability issues when formulating the Medium-Term Management Plan.
Positioned "Creating a decarbonized society" "Harmonizing with local communities" and "Active participation of diverse human resources" as focus issues.

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

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The last is our sustainability initiatives. First, as mentioned in the mid-term management plan, we are completely revising our key sustainability issues.

Sustainability Management Initiatives: Sustainability Targets

SAPPORO

Established targets for key sustainability issues and now we are promoting initiatives to achieve them

Black text indicates results and blue text indicates targets

Classification	Material Issues	Specific Initiatives	Targets Setting Companies	Target Year	Targets	2021	2022	2026	2030	2050
Harmony with the Environment	Realization of a decarbonized society	Reducing CO2 emissions at company sites and supply chains	Common to all operating companies	2050	Scope 1, 2 Zero CO2 emissions	184.1 Kt	Calculating			
				2030	Reduction of CO2 emissions at the Scope 1 and 2 SBT certification level (= 4.2%/year from the base year)					
			SB, PS, SBL	2030	Reduction of CO2 emissions at the Scope 3 SBT certification level (= 2.5%/year from the base year)	903.3 Kt	Calculating			
Co-prosperity with Society	Mutual prosperity with local communities	・Improvement of regional value ・Resolution of local issues using company resources	SRE		Progress in sustainable urban development that contributes to improving area brand value	-	-			
			SB		Progress of our "regional revitalization business"	-	-			
			PS		Progress in building an environment for lemon production in Japan	-	-			
			PS, SGF	2030	Number of regional learning programs (food education, on-site classes, factory tours, etc.) related to the food and beverage business	-	-		140	
Activation of Human Resources and Potentials	Active participation of diverse human resources	Promotion of Diversity & Inclusion (D&I)	SH, SB, PS, SRE, SLN	2026	Work engagement (*1) 54 or higher	53.9	53.6	54		
			SH, SB, PS, SRE, SLN	2026 – 2030	At least 12% female executives and at least 20% female executives	-	8.3%	12%	20%	
			SH, SB, PS, SRE, SLN		At least 12% female managers and at least 20% female managers	4.2%	5.4%	12%	20%	
		Investing in human capital for growth and productivity	SH, SB, PS, SRE, SLN	2026	Integrated survey "Challenges for future value creation" (*2) 3.0 or higher	2.6	2.7	3.0		
			SH, SB, PS, SRE, SLN	2026	Presenteeism loss rate (*3) 33.4% or less	36.3	34.4	33.4		

See pages 3840 for our initiatives in 2022 to address key sustainability issues

*1 Indicators in Stress Check and Employee Awareness Survey <Deviation>

*2 Sapporo Group's proprietary survey indicators in Stress Check and Employee Awareness Survey <quantified using 1.0 to 4.0>

*3 Indicators in Stress Check and Employee Awareness Survey: average for SH and four operating companies

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We have set individual goals in line with these key issues and intend to make steady progress in our efforts to achieve them.

This is the end of my explanation. Thank you very much for your attention.

Question & Answer

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

The first question comes from Ms. Yoshida of JPMorgan Securities.

Yoshida [Q]: My name is Yoshida from JPMorgan Securities. Thank you. I would like to ask two questions.

The first question is about the business restructuring of the domestic food and soft drinks business. The plan for this fiscal year includes the effects of SKU reduction and factory reorganization, but again, how do you position 2023 in terms of this for structural reform? I think you are aiming for 2024, but I would like to know more details like things that you are preparing to start beginning later this year, for example.

The second question is about the overseas alcoholic beverage business. Looking at your goal setting, I wonder if you have not been able to offset the cost increases in logistics costs in the US and lower profits in Canada this year. What kind of progress are you making? Also, I believe Stone Brewing Co, was originally aiming to become profitable in FY2024. Has the outlook changed?

These are the questions I would like to ask.

Shofu [A]: This is Shofu. I'm going to start with the first question regarding the food and soft drinks business.

At the time of the mid-term management plan, I said that we would reach the goal of structural reform by 2024. As to your question about what we will do in that context, especially in the current fiscal year, as you can see, we are forecasting a decrease in sales this year. The decline in sales was largely due to SKU reductions and a decrease in vending machines and other channels that were settled last year.

Specifically, we plan to reduce SKU in the soft drinks category and the soup category of processed foods. The decline in sales in these categories will have a significant impact on overall sales.

In conjunction with this, we plan to reorganize several production bases, with concrete implementation scheduled from this fiscal year through 2024. Currently, there are five production bases in Japan. The Company will make a goal to review the structure of those five bases by the end of this fiscal year as a result of the SKU reduction. That is the plan.

Yoshida [Q]: Thank you very much. I have one follow-up question.

We will continue to consider this drastic business review, including miso and yogurt, which are included in processed foods, and do you have an image of implementing it in FY2024?

Shofu [A]: Thank you for your question.

Among processed foods businesses, yogurt is overseen by POKKA SAPPORO Food & Beverage. Miso is managed by a different subsidiary. We are in the process of reviewing segmentation and subsidiaries. We do not have anything to announce yet, but I can only say that we are planning to make significant changes at a certain point in time.

Yoshida [M]: Thank you very much.

Nose [A]: This is Nose, and I'd like to explain the overseas alcoholic beverage business.

I assume that your question is specifically about North America. Sleeman Breweries achieved record profits last year, and for the current fiscal terms, we lowered the core operating profit forecast quite a bit. The biggest factor is costs.

In particular, although there was a price increase last year for can contracts, etc., we were able to achieve figures within the contracts we had promised in advance. However, this year's major point is that the cost will increase as we rewind the contract.

Also, we will obviously cover some of the costs through price increases, but we are looking at that conservatively and have let Sleeman Breweries make plans for Canada. However, in any case, we plan on increasing EBITDA from now through 2026. We need to absorb the dip this year and look at two years down the road for reforms. I would appreciate it if you noted that I'm not flustered.

On the US side, compared to the Q3 earnings announcement, it appears that the profit decline has been significant, and indeed it has been. As a factor, cost increases on Sapporo U.S.A. and soaring logistics costs were originally factored in at a certain level when the 2022 plan was formulated.

However, the rate of increase, especially after Q2, exceeded our initial expectations, and the fact that we could not easily predict the ocean freight rates where they hit the P&L three or four months late led to a widening of the deficit in Q4.

Stone Brewing Co, also struggled with a cost surge that was higher than originally anticipated. However, both companies will factor in some price increases for this year.

In addition, as reported earlier by Mr. Matsude, some fixed cost synergies should also take effect. In addition, ocean freight rates have dropped quite drastically from last year, or to put it another way, from about the tail end of Q3 to Q4, and when this is factored into this year's plan, we have factored in a certain level of recovery in terms of profits.

In this context, the KPI shows that Stone Brewing will be profitable from the next year onward, as shown in the action plan, to generate synergies at the JPY4 billion level toward 2026 compared to the results of FY2022.

Within two years, logistics synergies in the production of Sapporo Premium Beer in particular will be visible, and we would like to take solid steps to leverage Stone Brewing's total turnaround as well.

We are still in the red this year, but we are aware that we are moving forward with a clear understanding of the plan. We will continue to excel in this direction throughout the next year and beyond.

That's all from me.

Yoshida [Q]: Thank you very much.

One question regarding Sleeman Breweries. I know that Canada has a large cost increase, but is there anything to worry about in terms of demand?

Nose [A]: Not so much. The beer market is, you know, but for Sleeman Breweries, the market share is expanding. Last year, Canada had a total volume of about 97% y-o-y but Sleeman Breweries is now over 100% y-o-y.

So the momentum in brands, products and markets is not bad at all. Looking at it from that perspective. I don't really have much of a big risk.

Yoshida [M]: Thank you very much.

Moderator [M]: Thank you very much. Now, Mr. Saji of Mizuho Securities, please go ahead.

Saji [Q]: Thank you very much. I have two questions.

One thing I would like to ask Mr. Oga. I'm very happy that you built an excellent mid-term management plan that addresses structural reforms and a growth strategy.

I would like to ask your perspective as the top management after completing the management plan. You have presented a vision of the direction Sapporo is heading in the medium term. I'm curious as to how you want to shape up Sapporo in the meantime. You have the market position and corporate culture that you want, and you have demonstrated the framework that you just created.

What I would like to know is qualitative aspects. In other words, what are your priorities as the top management after you completed the mid-term management plan?

That is my first question.

Oga [A]: We are a beer company, first and foremost. If you look around the world, the beer industry is undergoing a great deal of restructuring. Some giant beer companies have emerged. We may be a small company in this wave of industry restructuring, but we want to be a good beer company. However, we want to be a company that delivers high-quality beer to the world. That is our priority.

Brewing is the foundation of our business. We recognize that our strength lies in the support from great customers. Moreover, our beers have a distinct regional character, with Sapporo Beer of Hokkaido and Yebisu Beer of Tokyo, both having special characteristics. Our priority is to respect the regional flavor and to be a good beer company.

In the extension of what we do, Asia and the US is where we would like to expand the business further. We want to be known as a premium beer company in the US, and I believe that Sapporo still has a lot of room for growth in the beer market, especially in the US, and we want to promote beer culture to the rest of the world. This is, after all, the primary direction that we pursue.

When one is rooted in the beer business, beverage and food are obviously relevant. I think it is wonderful that our company handles a comprehensive food and beverage business, which deals with not just food, but various products that have a high affinity with beer production or have some kind of healthy food aspect.

When I think of a contribution to the community, real estate can be also included in the list.

I ask myself what direction our company must aim to bring all of those under one brand. Rather than aspiring to create a corporation that can generate JPY1 trillion in revenue, I want my company to become a quality beer company.

Saji [Q]: Thank you very much.

I assume the direction you are following is that you are not particularly scale to produce edgy products that appeal to niche consumers, but rather, you aim to pursue quality and other aspects.

Oga [A]: Yes, that's right. Selling a lot of products is an attractive business, but I believe that we have a history of steadily refining our brand, and I would like to make our company even more distinctive.

Saji [Q]: Thank you very much. We look forward to your company going deeper in refining products and brushing up.

The second question is real estate business.

This year, you are forecasting a decrease in profits, but as you mentioned, there were onetime costs associated with the renovation of Yebisu Garden Place last year. In contrast to this, you are forecasting a decrease in profits again this year for Yebisu Garden Place-related activities.

Overall, there are about JPY700 million in hotel renovation costs, and the decrease in profit of about JPY600 million is the renovation of that hotel, so I have a rough idea, but what is the situation at Garden Place, including the reactionary increase from onetime expenses?

The rental portion showed a decrease in profit last year, and you are forecasting a slight increase in profit by about JPY100 million this year. Can you give us a little supplementary explanation, focusing on Garden Place and rental in particular?

Matsude [A]: To start with the most obvious, in peripheral rental operations, we sold a large property two years ago, and things have settled down slightly since then. There is an increase or decrease of about JPY100 million, but it remains about the same.

For Garden Place, the profit declined in 2022 significantly. The profit decreased by about JPY2 billion. This includes the onetime costs associated with value enhancement in the range of JPY400 and JPY500 million. In addition to the rent, there has been an impact of about JPY300 million in terms of rising energy costs. In addition to this, office rents were to be reduced by about JPY1 billion, partly due to the full-scale installation of air conditioning equipment. These are the events that took place in 2022.

In 2023, we have positive and negative information. First, if we start with the positive part, we will see the effect of the renewal of the Center Plaza, and as I mentioned earlier, where the onetime costs will drop out. The negative part is that the office occupancy rate has not yet risen, so the rental fees and rental profit are slightly negative. Core operating profit from Garden Place is probably negative JPY400 million.

In the future, there will be no sudden increase after 2023. If I may add a qualitative angle here, while the air conditioning work is in process, we are looking to increase the unit rent price for the renovated office blocks.

As for the profit structure of the real estate business overall, we hope you will understand that we are moving away from a single pillar scheme that relies solely on the Garden Place business. We are strengthening our earning power while increasing our portfolio of value-added liquidation business and equity investments as well.

That's all from me.

Saji [Q]: Thank you very much.

I received a breakdown of the 400 million yen decrease in profit at Garden Place, but the decrease in profit is only a slight decrease in the occupancy rate, and the increase in profit is the return of temporary expenses of 400 to 500 million yen last year and the renewal of Center Plaza. I couldn't understand that it would be minus 400 million on the net.

Matsude [A]: The annual average office occupancy rate is still expected to be lower this year, so that part is negative.

Saji [Q]: So, there are quite a few negatives. It is quite larger than the positive.

Shofu [A]: Thank you for your question.

As a supplement, we have assumed that the office occupancy rate will fall by 6% to 7% from the 2022 level, so this will have an impact. (Based on rent, about 3% on a occupancy basis)

Matsude [A]: So, the impact varies depending on how many floors need the HVAC work. This year, we expect to have a large number of floors under construction.

Saji [Q]: I see. So, there is quite a bit of negativity in there.

Matsude [A]: That's what I mean.

Saji [M]: I understand. Thank you.

Moderator [M]: Thank you very much. Mr. Fujiwara of Nomura Securities, please go ahead.

Fujiwara [Q]: Thank you very much. I'm Fujiwara with Nomura Securities. Thank you. I have just one question.

I looked at the group synergies on page 33 and think it is striking that you have included synergies like this in your presentation. In discussions with investors, the synergy between domestic alcoholic beverages and real estate is quite a focus. Frankly speaking, I appreciate the disclosure, but this disclosure is expressed qualitatively, so of course I would like to see this quantified.

Regarding domestic alcoholic beverages and real estate, especially Yebisu Garden Place, in your expression, "things only attainable with a piece of land," honestly, even without land, as long as you own the Yebisu Garden Place, you can establish a powerful brand image and link that with fun drinking experiences. So, I would like to ask you to disclose the reason why you must own a piece of land and elaborate on your ideas of synergy development.

Shofu [A]: This is Shofu speaking, and I'd like to take this question.

As you pointed out, the disclosure this time is based on consumer surveys, so I think some of the expressions may have appeared slightly qualitative.

Before we get into the synergies, I would like to reiterate why real estate is included in our core business. Our approach to our core business is to focus on contribution to earnings and corporate value. The core business also needs to be the flagship of the brand. Mr. Oga also touched on this point earlier. From these three perspectives, we have repositioned the real estate business as our core business.

In that sense, I think one major portion is how synergy can contribute to the core of what we do. If we were to focus on how to quantify synergies between alcohol and real estate, the story might become very small, so we will consider where we can disclose again, but I have discussed the general idea first.

As for your question about the reason for owning the land, we are advocating urban development, especially in Ebisu or Sapporo, the cities that are near and dear to our company. As this survey reveals, the value of the city and the value of, say, Garden Place are the same. This is where we can develop in partnership with the neighborhood or government because we own the land.

Therefore, in this sense, we are aiming to increase the value of the facility and the city at the same time through integrated development with the government and local partners, rather than simply renting the land.

Fujiwara [Q]: Thank you very much.

I think it is very difficult to quantitatively assess brand value because I think the quantitative part and the connection to the brand value of Sapporo is something that we would like to see in the future.

Shofu [A]: We will consider whether we can discuss it well again.

Oga [A]: A beer festival is coming up, and a new brewery is launching. We would like to be able to provide a great demonstration using specific examples.

Fujiwara [M]: That would be fantastic. Thank you.

Nose [A]: From the perspective of a beer company, we have always been rooted in specific regions. We worked to establish brands like Yebisu Beer, Sapporo Beer, Sapporo Black Label, and Sapporo Classic. So, I believe that being a resident of the region is an essential part of telling the brand story. I think this is a crucial viewpoint.

Since we are talking about this quantitatively, it may not be the best way to put it, but from the perspective of telling a brand story or a value creation story, I understand that it is difficult to create a story without a connection with the land. Therefore, we would like to try various things.

Fujiwara [M]: I have high expectations for the future. Thank you.

Moderator [M]: Thank you very much. Mr. Sumoge from Okasan Securities, please go ahead.

Sumoge [Q]: My name is Sumoge, and I'm with Okasan Securities. Thank you. I have two questions.

The first question is about governance.

I believe that the number of outside directors has increased and corporate governance is steadily improving. Slide 24 shows the monitoring system for achieving the mid-term management plan. I believe that this change in the organizational structure has resulted in a higher probability of achieving the mid-term management plan this time, whereas in the past, the plan was often not achieved. Can you tell us how the organizational structure has been changed to improve the accuracy of the results?

That is my first question.

Shofu [A]: I'd like to answer your first question.

Although monitoring has been done in the past, we believe that there was a lack of systematic monitoring, as we have shown this time. I wonder if there was a slight deficiency in terms of the frequency and content at the operating company layer, the board of directors layer, and the appropriate disclosure to the market, including investors.

In this case, the graininess of the monitoring obviously varies from layer to layer. The disclosure of information to the outside world also includes appropriate timing, but the difference is that we have systematically established a structure from the operating company layer to the market layer.

Sumoge [Q]: Thank you very much. I'm sorry, but I still don't understand what you mean by layers.

Shofu [A]: I'm sorry. I didn't explain that well enough.

The layers of the operating companies are Sapporo Breweries, Sapporo Real Estate , and POKKA SAPPORO Food & Beverage. Of course, overseas is also included, but I hope you can see it as a layer of the food service and disclosure segment. By monitoring with a finer grain within those segments, I think we are getting much finer data than we have in the past.

Then, the Board of Directors means the board of directors of the holding companies, which will conduct monitoring monthly, or quarterly, depending on what it is, and discuss and decide on the progress of actions and whether or not to invoke the backup plan, and so on. That is the kind of layer I brought up.

Sumoge [Q]: Understood. Thank you.

Incidentally, the external environment has been changing very quickly in the recent past. For example, it appears that even overseas alcoholic beverages have not been able to act quickly enough to a cost push with price increases.

Is it accurate to assume that the lead time or the schedule of actions between the timing of a change in the external environment and the timing of countermeasures is being sped up by this? As it also says in this monthly and quarterly progress management.

Shofu [A]: I think so. The Board of Directors alone does not oversee everything. Therefore, we need to set up a monitoring system with fine granularity within the layers of operating companies and segments, so that we can respond to issues within the segments, and when it comes to larger issues, the Board of Directors can respond to them. We would like to increase the frequency of response to each layer here as well.

Sumoge [Q]: Thank you very much.

The second question concerns domestic alcoholic beverages. On page 34, the KPIs for the action plan. In the beer category, the Company plans to increase profit by JPY5 billion by 2026, but I have a feeling that the marginal profit of beer products alone is set to increase by JPY5.1 billion this fiscal year as well.

Of course, costs will increase, investments will be made, and expenses will increase in the future, so I think there could be more positive factors if there are things your company anticipates, such as an improved product mix as a result of the higher ratio of beer sales. What do you think of that?

For example, domestic alcoholic beverages are currently at a 5% profit margin, but I would be grateful if you could give me some kind of profit margin you use as a gauge for the future and whether there is any upside to the current plan you have set forth.

Thank you.

Matsude [A]: First, let me briefly touch on the positioning of this JPY5 billion, and I'd let Mr. Nose comment on strategy.

The breakdown of profitability improvement through 2026 of JPY5 billion is not only positive, but also subtracts, for example, if there is an increase in the volume of promotional expenses invested. Then, even in the case of expected cost increases in human resources and IT investments in the beer business, the effect is JPY5 billion after subtracting those costs, so we are not talking about the impact on just this year.

I would like to turn to Mr. Nose for specific strategy developments for the future.

Nose [A]: As Mr. Matsude said, it says JPY5 billion against 2022, and if you look at the plan for this year, I think you are probably asking what will happen after that since the revision of the profit plan is going forward.

One is that in terms of profits, we see that it is not without cost increases, and this is true for this year, but there is a possibility that it will drag on into the next year and beyond. However, in terms of strategic points as a beer company, it is to strengthen the beer business and increase the ratio of beer product sales.

In terms of the growing unification, including liquor tax, we will intensify our efforts related to what we have been working on for the past several years. Black Label and Yebisu Beer, the growth and strengthening of the Yebisu brand is more necessary than anything else, and when we think of doing this, we have to spend immensely on sales promotion of course.

Looking at the future and the market information, we want to increase coverage in order to make the brand unique and shine on the shelves. I also believe that we need to make our brand more and more visible to consumers, and that is inevitable for future value enhancement. Moreover, without the effort, we will not be able to grow our group business.

We are aware of the tremendous opportunities that are coming our way, so in this respect, we are not saying that we can improve by JPY5 billion this year, but we will obviously aim to further improve profits if there are opportunities, while considering future increases and necessary investments.

I would like to proceed from that perspective until 2026. We hope you understand, first of all, that we will try to do this because we believe that strengthening our brand is more important than anything else.

That's all from me.

Sumoge [Q]: I understand very well.

Then, your vision for the current mid-term management plan period includes strong investments that ensure brand development. So, of course, you will focus on increasing the weight of beer sales, which should greatly improve the profit margin.

Nose [A]: Please understand it that way. We are obviously conscious of improving our profit margin and profitability, so we intend to discuss thoroughly any measures we can take in the area of fixed costs other than what we are currently working on. The simple concept of the mid-term management plan is as I have just discussed.

Sumoge [M]: I understand. Thank you.

Moderator [M]: Thank you very much. SMBC Nikko Securities, Mr. Takagi, please go ahead.

Takagi [Q]: Hello, my name is Takagi. Thank you.

The first question is about the acquisition of the US company, Stone Brewing Co. I would like to ask the President about the most challenging aspects of this integration synergy, whether there are any risks involved, and what kind of challenges the Company is facing in creating synergy.

The reason is that multiple Japanese food companies acquired a US entity, and later through the struggle they found, that they bought subpar assets. There were many cases like that reported. I'd like to confirm that this is not the case for your company.

Nose [A]: The company called Sapporo U.S.A. was established as the sales base for Sapporo Beer in the United States. Thanks to this, we have been able to ensure the growth of Sapporo Premium Beer, and we are steadily setting foot in the market even after COVID-19.

However, logistics costs have risen, including the cost of transporting goods from Vietnam, and although goods are sold, they are not profitable. The premise of the scheme with Stone Brewing Co is to improve this situation.

However, Sapporo U.S.A. is a company that was originally created by Sapporo Beer, so I guess you could see it as “Sapporo-ism,” or the US branch of Sapporo Beer, and it has been 40 years or 50 years since it was established with our corporate culture.

Stone Brewing Co started out with its roots in the US and is what we call a local US company. I think we need to try to fuse the Sapporo culture and Stone Brewing culture, or PMI as it is called, while also integrating management, with North Americans at the center of the process.

When you think about it, it is slightly different from how we controlled Sapporo U.S.A. until now. While I'm looking forward to the synergies and how to create solid governance and control, things can go well or poorly, and I think that is where other companies might have had a rough time with the foreign subsidiaries.

Therefore, we are creating a new culture of communication, including communication between the Japanese team and the local top management, including expatriates. In creating a unified organization that I want to call One Sapporo, that is, Stone Brewing Co and Sapporo, after the merger, we are creating a shared vision, and then breaking it down for the field staff. This is, in a sense, a challenge, and I think it is the best way to create synergy, as Mr. Takagi said.

This may be the riskiest place to be, in a sense, from that perspective. Not only in culture, but in terms of contribution to EBITDA and profit, we need to create a certain quantity of goods, establish a sales network, make numbers, market products well, and lower distribution costs. We will use a theory here to some extent, so both parties need to work hard side by side to generate synergies early and quickly. And what comes before that, in other words, a preliminary step, that is the priority I talked about earlier today.

Although the current fiscal year's goal is just slightly dropped, Sleeman Breweries in Canada is running very well for more than a decade. Communication with the local people has been going well, and the feeling of unity is tangible, so I may call it a leading example. Even though there are differences between Canada and the US, we have people with experience in this area, so we will take on this challenge and hope to achieve good results. We will do our best.

Takagi [Q]: Why is Sleeman Breweries doing so well? I hear that your company is not very involved.

Nose [A]: The local top management is Japanese. Sleeman Breweries faced some challenges, but after it was consolidated into Sapporo, things are much more streamlined. There were various issues in the manufacturing part, but I think the reason we were able to move forward was that this was also a Japanese-style approach, and the manufacturing quality improved considerably and the local Canadian members understood that the results were thoroughly embraced because of what Sapporo Breweries brought to the table. That is what I heard, and it is my understanding that is what happened.

Takagi [Q]: I think this applies to Sapporo, but isn't this a world where unexpected things are happening continuously? I think it is integral to strengthen the management system to be able to take the initiative and make a preemptive move amid rapid changes. What are your thoughts on that? Do you think business in the US is just getting started?

Nose [A]: It may be just the beginning. Ms. Shofu talked about monitoring. How quickly can we identify the initial warning signs by assessing quantitative data? That is the key. The layer and the KPIs and KGIs must be in place and also must be appropriate, but the purpose of this mid-term management plan is to ensure we capture. Is it also a means to achieve results? I think that is a point of focus.

Takagi [Q]: Regarding the top line, Sapporo Premium is the driver of overseas business, especially in the US, correct? The US has been growing in recent years over time, but I would like to know if this growth can be sustained in the future, why Sapporo Premium is growing, and what competitive advantages the product provides.

I'm aware of most of the advantages. I've heard that the US market is flooded with bottled beers, and Sapporo Premium is a premium and edgy beer, but what I want to know is when you think of the future growth probability, what response you are actually getting, why you're confident.

Nose [A]: I think I have talked about this several times. The driving factor of the growth of Sapporo Premium in the US market is that the products used to be sold in bottles. Then, it changed to kegs and now cans. A canned beer that you might be familiar with. This impacted ROS. The number of stores selling the product is increasing, and the turnover is increasing. These two factors are starting to push up sales.

Retailers who stock our products are Costco, Trader Joe's, and other supermarkets that local North Americans are familiar with. In these locations the sales volume went up. Conversely, there are still many retailers that don't have our products in their inventories. It is the same situation surrounding Sapporo Black Label in the Japanese market. There seems to be some room to expand the transaction rate in the US region.

We believe that this expansion is an opportunity for us to combine the strengths of the two companies, Stone Breweries and Sapporo, and by inviting the Stone team to participate in the product development process. This has been the case in the past, and I believe that is one of the key points.

There is a lot of discussion about premium brands in the US market, value, imported labels, mexican beer, and so on. Perhaps that is true, but the market share of Sapporo Premium beer in the US is on the scale of 1% or so. We have not yet captured all aspects of the market. In any case, we have the potential to enter an unseen market. The point is, which is also the evidence, that we are number one in the Asian beer category, and I think that is our strength, and I have great expectations for that.

Takagi [Q]: What will be the future risks? If your company is doing the best in Asian beer, it is a market that other companies are not pursuing much. What would you consider to be any threats or risks?

Nose [A]: Do you mean threats, marketing challenges, risks, what you just mentioned?

Takagi [Q]: All of them related to the top line.

Nose [A]: Top line. From a larger perspective, I don't think you need to think that way, because I don't have the sense that such a risk, ultimately, is going to be reduced by 20% or 30%. The restaurant business is booming again in the US. I think that is a positive factor as well, and I think we are okay.

Takagi [Q]: I understand. In a sense, it is a niche as an Asian beer.

Nose [A]: We are not there yet. We are just getting started. However, we will try to have KPIs and take proper action if we identify any risks.

Takagi [M]: Thank you very much.

Oga [A]: I don't think there is much risk. There are still many things we can do, and I believe that we are different from our Japanese competitors in that we have a solid distribution network, so in that sense, there is still tremendous room for growth in the United States. But there is a lot of competition, and where it costs a lot of money, that's where it's at.

Takagi [M]: I understand. Thank you.

Moderator [M]: Thank you very much. Since the scheduled closing time has approached, I would like to ask the next person to post the last question for today's session. Mr. Miura with Citigroup Securities, please go ahead.

Miura [Q]: Hi there, this is Miura from Citigroup Securities. Thank you for taking my question.

First, you raised prices in Japan on October 1, and I would like you to discuss how the consumption in Japan have changed since then. That is my first question.

Nose [A]: I think we can assume your question relates to the alcoholic beverage business, is that correct?

Miura [Q]: Beer business, yes.

Nose [A]: As you pointed out, we raised the price in October, and there was a big temporary demand a head of price revision, especially for non-business consumers, which was more than we initially expected, but I feel that shipment volume dropped quite sharply in October, and then December, so I wouldn't say that the deficit didn't affect us, and it did. Among them, new genre was particularly impacted, in terms of the price increase.

The beer products were relatively quicker to regain momentum. I'm also looking at market data for Sapporo Beer for October and December, as well as January and mid-February, and as far as Sapporo Beer is concerned, the sales of canned beer are pretty much back to where it was compared to last year. So, I think beer sales are relatively more positive, while the new genre is still slightly negative.

In imagining the psychology of our customers, one thing we have noticed is that the price gap is shrinking. For example, "I really want a can of beer, but if the price difference is this much, I'm fine with the new genre." So, thinking of this, "If the price difference is somehow this, then...," I think that might be the widely-shared sentiment of consumers right now.

All beer companies have ramped up the promotion of beer products by pouring more information on beer rather than the new genre. That has quite an impact on the psychology of consumers. Additionally, the retailers want to sell beer products too. I feel the mix of these factors explains consumer behaviors.

As for what will happen from now on, and to be honest, I'm unsure what to say, of course, we have product strategies related to October and after, but at this point, I just wanted to share with you the overview.

Miura [Q]: Thank you. I learned a lot.

What is the basis for your forecast of 2023 reaching 73% of the YTD performance of 2019, for commercial consumption?

Nose [A]: Last year we had a terrible January through March. However, by October, when we reviewed performance after July, it turned out that we made about 65% compared to 2019 YTD. One thing to consider is that the 70% figure is not unachievable, considering that this year's January through March is considerably different from last year, with the social and behavioral restrictions almost dropped and the masks not required. However, it is 70%, so a 30% decrease is a big deal.

As Mr. Matsude mentioned, if you look at last year, comparing the Sapporo Beer kegs performance in 2019 and bottled beer performance in 2019, the bottled beer is 10% higher. And that's clearly the Akaboshi brand, sapporo lager beer. Industry-wide, the sales have declined by 30% or 40%, yet that is not the case with bottled Sapporo beers. It's only 10% or so. This also has a positive effect on us now, and I see and tell you that 73% is a reasonable number.

Miura [Q]: Isn't 73% a little low, considering the most recent situation?

Nose [A]: I don't think so. Well, we need to consider consumer behavior too. The pubs are indeed having a hard time because late-night is not working as an incentive for people to go out, and there may be many other factors. We are looking at numbers that include that as well.

Miura [Q]: Thank you. Finally, I have a question for Mr. Oga.

I would like to confirm again that your company's domestic business is in great shape, including this year, until 2027. You're secured to gain a plentiful surplus. You can expect a profitable five years to come. Mr. Oga, I would like to know how you spend that money and what you think you would have to do.

Oga [A]: We need to first make sure that we can pull off what we planned, and I think that comes first. In the past, things have been slow to appear on the bottom line. I feel that building up the business is going to increase the possibility of a big payoff this time.

There is one thing we want to do. Liquor tax rates will be consolidated in 2026 in Japan. When that happens, the dividers between beer, happoshu, and new-genre alcoholic beverages will finally disappear. The market will return to the competition in which beer became the mainstay. Although, I imagine that the big four will face completely different competitive conditions, and those are nothing like what they are today.

So, beginning in 2026 and beyond through 2030, I think the real battle for the beer companies will focus on how we make a preemptive strike and how we keep winning the competitions, which could be quite interesting, though possibly painful.

However, given the potential power of our beer products, I believe that this is an opportunity for Sapporo to gain favorable status once again in the market. I hope to do that, that is what I'm thinking about at the moment. At this preliminary stage, we will first make money as planned.

Miura [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much. In closing, I would like to ask a few words from Mr. Oga. Thank you.

Oga [M]: I appreciate your time. We would like to further enhance communications this year and beyond and would like to ask for your guidance. Thank you very much for your support in advance.

Moderator [M]: Now, we would like to conclude the conference call.

Thank you very much for joining us today. Thank you for your continued support.

[END]