



SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q2 Financial Results Briefing for the Fiscal Year Ending December 2024

August 13, 2024

Event Summary

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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending December 2024	
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[Venue]	Webcast	
[Number of Speakers]	4	
	Masaki Oga	President and Representative Director
	Yoshitada Matsude	Managing Director
	Rieko Shofu	Managing Director
	Hiroyuki Nose	President and Representative Director, Sapporo Breweries Limited

Presentation

Moderator: Good afternoon. Thank you for attending today's financial results briefing of Sapporo Holdings Limited for Q2 of the fiscal year ending December 2024. We will now begin the information session.


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

Please have the financial statements, supplementary information, and the Powerpoint presentation material on hand.

Mr. Oga, Mr. Matsude, and Ms. Shofu will now, in turn, provide an overview of the financial results for approximately 30 minutes based on the presentation material, followed by a question-and-answer session. The entire meeting will last approximately 1.5 hours.

Now, Mr. Oga will explain.

Summary




Business results : Increase in sales and profit, things are progressing steadily

(billions of yen)	2023 Q2 Result	2024 Q2 Result	YoY changes (amount)	YoY changes (%)
Revenue	238.5	247.7	9.1	3.8%
Core operating profit (Revenue - Cost of sales - SG&A expenses)	3.5	3.5	0.0	1.1%
Operating profit	(2.8)	7.6	10.4	-
Profit attributable to owners of parent	(5.1)	6.1	11.2	-

- Revenue increased due to strong sales of beer in the Japan alcoholic beverages business
- Core operating profit is on par with last year's despite up-front investments
- Operating profit increased significantly and became black due to the sale of assets and the impact of last year's impairment loss

Major results and challenges in the first half of the fiscal year


Strong sales of beer, mainly Black Label brand



+10%
(beer sales volume)

Black Label canned beer and Yebisu canned beer both outperformed last year due to expansion of customer contact points and acquisition of new customers.

Growth of SPB in the U.S. and APAC



+20%
(SPB sales volume)

Expansion of sales to American chains in the U.S. Realize growth through starting collaboration with Carlsberg in APAC

Profitability improved in the U.S.

Acceleration of SPB growth
Continue efforts to strengthen the Sapporo brand's US chain

Recovery of Stone brand
Focus on investing in core brands in order to achieve recovery

Maximize manufacturing and logistics synergies
Resolve issues related to production efficiency and operations

Status of the review for the materialization of the "Medium and Long Term Management Policy"

We are progressing with the review of the materialization of the "Medium to Long Term Management Policies for Increasing Group-wide Corporate Value," announced in February 2024. The status of these efforts is described in the following slides.

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Oga: Now I would like to give a summary. Please see page three.

Business is progressing well, with interim results showing an increase in both revenue and profit.

The increase in revenue was mainly driven by strong sales of beer in the Japan alcoholic beverages business.

Despite up-front investments, core operating profit remained at the same level as in the previous year.

Operating profit and profit attributable to owners of parent increased significantly.

Update to Medium to Long Term Management Policies for Increasing Group-wide Corporate Value



< Review status >

Japan Alcoholic Beverages	<ul style="list-style-type: none"> The Company aims to acquire a 25% share of the domestic beer market and realize a higher profit ratio from a long-term perspective Collaborating with the food & non-alcoholic beverages business, the Company will also strengthen the development of "new alcoholic beverages," including non-alcoholic and low-alcoholic beverages under the theme of "wellbeing" The Company intends to rationalize the value chain by, for example, optimizing manufacturing and logistics, with initiatives recently approved and is reviewing the appropriate allocation of corporate resources.
Overseas Alcoholic Beverages	<ul style="list-style-type: none"> Investment in the international business will be increased to ensure the business is a core element of the Company's portfolio, with focus on Sapporo Premium Beer "high quality," "sophisticated taste," and "uniqueness reminiscent of Japan." In April 2024, the Company established the International Business Department within the corporate headquarters with the objective of a dedicated, experienced, and highly skilled organization exploring investment opportunities, alliances, overseas business opportunities, while realizing fast decision making, and robust governance of process.
Real Estate	<ul style="list-style-type: none"> The Company is continuing to consider ways to utilize real estate that will contribute to enhancing the group's future value, as well as the fundamental transformation of the business portfolio. <Example> <ul style="list-style-type: none"> Various options for the Sapporo Real Estate Development Co., Ltd., which owns and manages multiple properties centered around Ebisu and Sapporo, such as introducing external capital, asset sales. Tax-qualified spin-offs, as proposed by our shareholders. The Company will seek concrete proposals from a wide range of potential strategic partners on ways to enhance the value of the real estate business. →The Company plans to begin soliciting external proposals for the real estate business by mid-September of this year.
Others	<ul style="list-style-type: none"> Structural reforms in the food and beverages business (non-alcohol) while also considering the future vision of the business, including the pursuit of synergies with the alcoholic beverages business. The Company is exploring the optimal organizational structure and institutional design to effectively and efficiently advance each business strategy scenario. The Company has also begun strengthening the management foundation by fostering a corporate culture that enables talent to be more productive and to drive transformation, utilizing experts in the process.

⇒ Further details and status of the Company's Medium to Long Term Management Policies review will be provided during quarterly financial and business disclosures. For important matters, the Company intends to disclose information promptly and appropriately.

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Please see page six.

A medium- to long-term strategy project was launched this spring and is currently under review. Here is a summary of what we can present today in that context.

Our beer performance remained steady despite the launch of major new products by other breweries. In order to further increase our current beer presence, our long-term management policy aims to achieve a higher rate of return by targeting a 25% share of the domestic beer market.

We will also strengthen the development of new alcoholic beverages, including non-alcoholic and low-alcoholic beverages, under the theme of well-being by strengthening cooperation with the food and non-alcoholic beverages business. Furthermore, we will review the value chain, including optimization of production and logistics systems, which has already been decided, and consider appropriate management resource allocation in the future.

With respect to overseas alcoholic beverages, the International business department was newly established within Holdings in April of this year to strengthen alliances, enhance governance and speed up decision making.

For the real estate business, we will compare and contrast a wide range of currently possible options, and at the same time, in order to further improve the precision of our consideration, we will receive specific proposals from a wide range of potential strategic partners to increase the value of the real estate business in the future.

This concludes our update on the current status of our review.

Moderator: Thank you for the explanation.

Mr. Matsude will now explain.

Summary



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(billions of yen)	2023 Q2 Result	2024 Q2 Result	YoY changes (amount)	YoY changes (%)	
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Operating profit	(2.8)	7.6	10.4	-	● Operating profit increased significantly and became black due to the sale of assets and the impact of last year's impairment loss
Profit attributable to owners of parent	(5.1)	6.1	11.2	-	

Major results and challenges in the first half of the fiscal year

Strong sales of beer, mainly Black Label brand



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(beer sales volume)

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Growth of SPB in the U.S. and APAC



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Expansion of sales to American chains in the U.S. Realize growth through starting collaboration with Carlsberg in APAC

Profitability improved in the U.S.

Acceleration of SPB growth

Continue efforts to strengthen the Sapporo brand's US chain

Recovery of Stone brand

Focus on investing in core brands in order to achieve recovery

Maximize manufacturing and logistics synergies

Resolve issues related to production efficiency and operations

Status of the review for the materialization of the "Medium and Long Term Management Policy"

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Matsude: I would like to add a few words to the financial summary on page three.

First of all, I would like to report that we are progressing as planned in comparison with the Company's plan.

Next, I would like to discuss the major results in the first half and challenges to be addressed moving forward. There are three key points.

The first point is the results in Japan alcoholic beverages. Beer sales are growing, especially for the Black Label brand. While total domestic demand for beer was up 7% from the previous year, our beer sales were up 10% and outperformed the market. The Black Label brand, in particular, led this growth with a 14% increase.

The second point is the results achieved overseas. The Sapporo brand continues to grow overseas. Volume growth was especially strong in the US and APAC areas, with a 20% increase over the previous year.

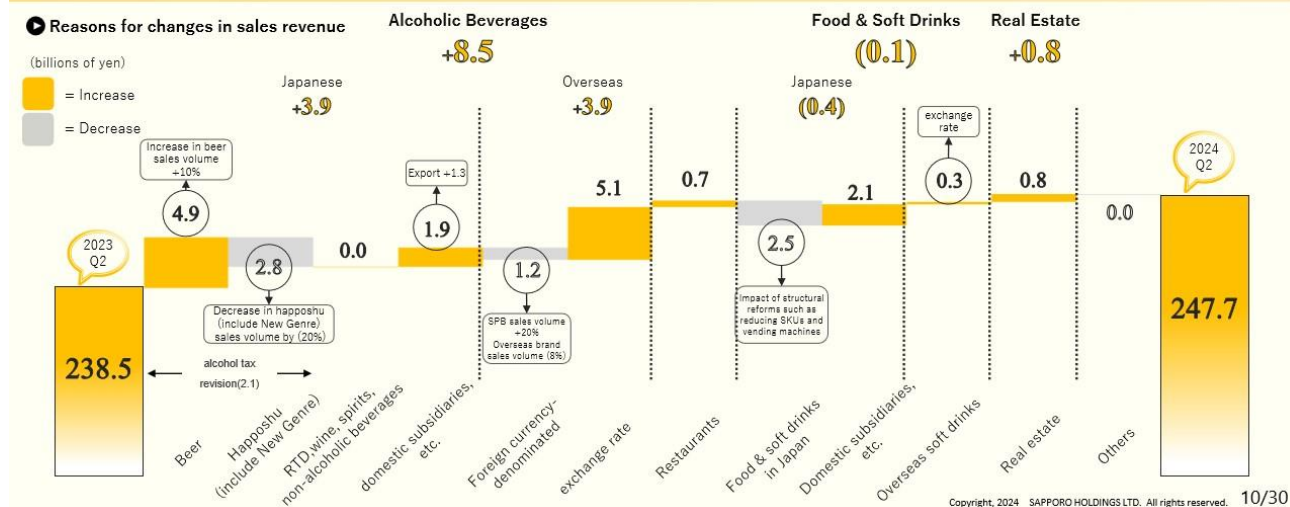
On the other hand, improving profitability in the US remains a challenge. As you are aware, the US craft beer market has been stagnant, down 7% from the previous year, and the Stone brand has been affected by this slump, making it a challenge to improve profitability. I will provide more details on this later.

Financial Highlights



Revenue increased for all of our businesses, excluding the Japan Food & Soft Drinks business where structural reforms are being implemented.

Driver of revenue growth is the strong performance of beer in Japanese alcoholic beverages business



The following is an explanation of the main factors behind the increase in sales and profit. Please turn to page 10.

First, let's look at the reasons behind the changes in sales revenue.

Revenue increased in all businesses excluding the Japan food & soft drinks business, which has been undergoing structural reforms since last year. This increase in sales was largely driven by Japan alcoholic beverages, where beer sales were strong, and also by overseas alcoholic beverages.

Sales from Japan alcoholic beverages increased by JPY3.9 billion. Beer sales increased by JPY4.9 billion, mainly due to the effect of a 10% increase in volume. This effect compensated for the decline in sales of happoshu. Total beer-type beverages sales contributed to the increase by JPY2.1 billion, or 2%. Volume growth in RTD and spirits, as well as an increase in exports, also contributed to the increase.

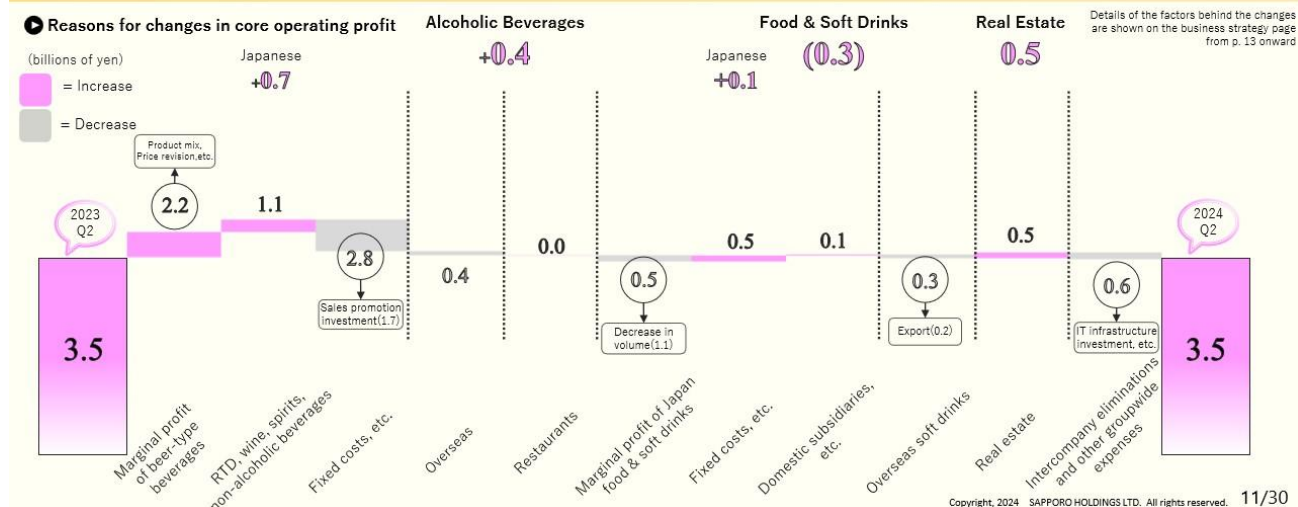
Overseas alcoholic beverages sales increased due to the impact of foreign exchange rates.

Financial Highlights



Maintained core operating profit on par with last year's, supported by higher sales despite up-front investments

Improvement in the marginal profit of beer-type beverages due to the strong performance of beer sales has contributed to profit



Next is core operating profit.

Core operating profit remained at the same level as the previous year, despite the burden of investments for future growth, such as marketing investments, which were compensated for by the effect of increased sales.

By segment, Japan alcoholic beverages with strong beer sales and real estate contributed positively.

Profit from Japan alcoholic beverages increased by JPY0.7 billion. While fixed costs increased by JPY2.8 billion due to increased marketing investment in beer brands, marginal profit of beer improved by JPY2.2 billion due to the mix improvement effect from increased beer volume and the effect of price revisions. In addition, volume growth in RTD and spirits and the effect of price revisions contributed to the increase.

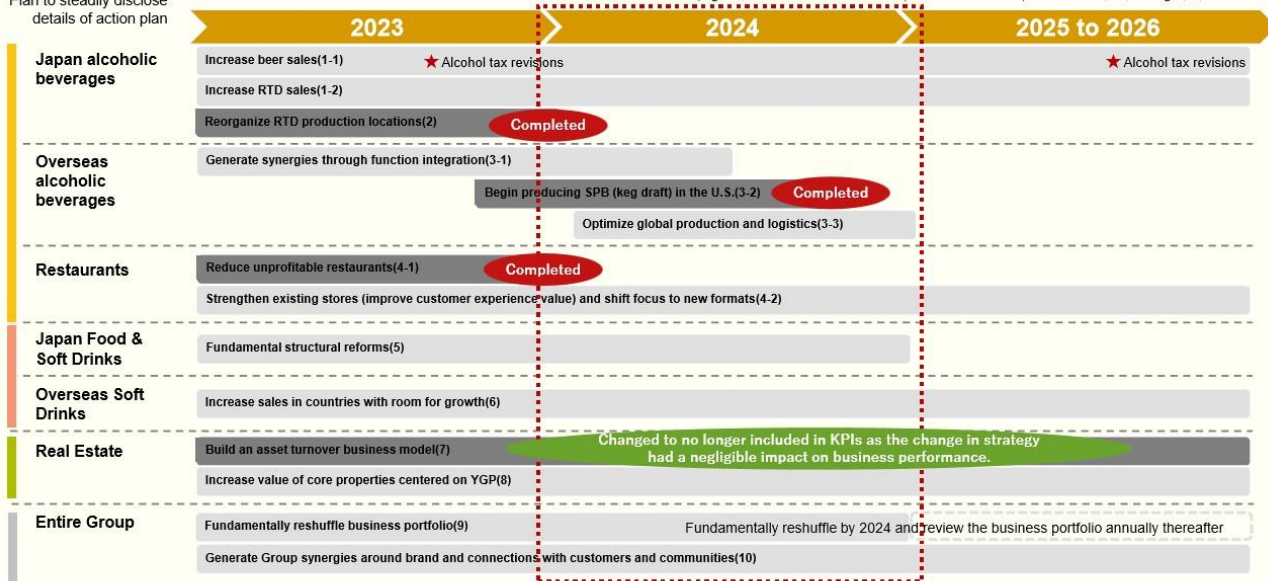
On the other hand, the Real Estate business reported a profit increase of JPY0.5 billion due to an improvement in the occupancy rate of offices in Yebisu Garden Place.

Business Strategies : Action Plan



Plan to steadily disclose details of action plan

On slides after page 13, we have included further explanations for action plan numbers (1-1) through (10)



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Next, I would like to present an overview of the progress of the Action Plan set forth in the Medium-Term Management Plan.

The table represents the key action plans of the main Medium-term management plan by business segment. Some of these plans have already been completed, and overall, they are progressing smoothly.

I will explain this along with the Q2 financial results on the slides for each business segment from the next page.

Business Strategies : Alcoholic Beverages



Japanese

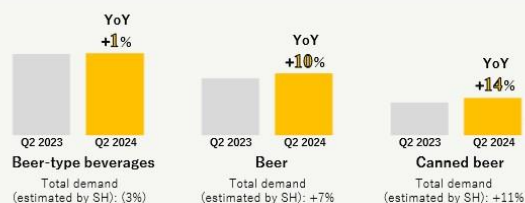
Revenue : 125.0 billions of yen (YoY+3.9 billions of yen, +3.2%)
Core operating profit : 5.2 billions of yen (YoY+0.7 billions of yen, +16.5%)

Reasons for changes in core operating profit (billions of yen)

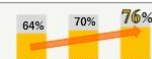


Profit increased due to strong sales of beer, mainly Black Label cans, with effect of improved marginal profit despite expansion of promotional investment in beer

● Increase beer sales (1-1) : Strong sales of Black Label continue, steadily outperforming market



✓ share of beer sales **76%** (estimated by SH)
In 2024: share of beer sales 54%
In 2023: share of beer sales 49%



Increase on share of high-margin beers

✓ selling price excluding alcohol tax VS2022 +16% Improvement of the product mix /Improvement due to price revisions

Black Label canned beer and Yebisu canned beer both outperformed last year due to expansion of customer contact points and acquisition of new customers.

Canned Black Label
YoY+19%



Canned Yebisu
YoY+4%



● Increase RTD sales (1-2) : Koime no Lemon Sour continues to perform strongly, but the total for RTD is a slight increase and behind the target

✓ Total for RTD (cans) VS2022+11% (Sales amount basis)
Reference information) +2 % y-o-y
The first half surpassed the previous year but remained below the total demand level
Aim for recovery mainly Koime no Lemon Sour



✓ Share of in-house manufacturing **96%** (much higher level of full-year target 88%)
Since RTD production line in Sendai Plant was put into operation in October 2023, in-house production ratio has been increasing steadily.

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First, Japan alcoholic beverages.

In Japan alcoholic beverages, beer, especially Black Label, continued to perform well. The increase in fixed costs, such as increased investment in sales promotion for beer, was more than offset by the improvement in marginal profit, resulting in a profit increase of JPY0.7 billion.

I will now report on the volume of beer sold.

Beer-type beverages` volume, which include both beer and happoshu, increased 1% from the previous year, exceeding total demand by about 4%. This was driven by beer. And among beers, the volume of canned beer grew significantly, up 14%. As for canned beer, the volume of canned Black Label continued to be strong with a 19% increase.

I would like to explain the composition of beer.

As you know, the beer category is highly profitable, and the market is expected to expand in the future. Beer accounted for 76% of the total in Q2, up from 70% in the previous year.

The percentage of beer in the overall market is estimated to be 54%, which shows that the composition rate of beer in the Company is much higher than the market average, indicating that we have strength in beer.

In the future, we intend to continue strengthening our beer offerings by utilizing YEBISU BREWERY TOKYO, which opened on April 3.

On the other hand, in the RTD category, while strong sales of Koime no Lemon Sours continued with an 8% increase over the previous year, overall sales of RTD increased only slightly and did not reach the plan. In H2, we intend to make a recovery mainly by focusing on Koime no Lemon Sour.

The RTD production line at the Sendai Plant, which started operation last October, is making a significant contribution to increasing the ratio of in-house production.

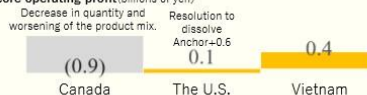
Business Strategies : Alcoholic Beverages



Overseas

Revenue : 46.1billions of yen (YoY+3.9billions of yen, +9.3%)
Core operating profit : (0.7)billions of yen (YoY(0.4)billions of yen)

Reasons for changes in core operating profit(billions of yen)



Strong sales of Sapporo brand continue mainly in the U.S. and APAC, but softer-than-expected sales in Canada and US craft beer markets resulted in a profit decline.

Market overview



The beer market has been soft since last summer due to inflation. A shift to low-cost products is also being seen.



The craft beer market has been soft due to inflation.



The market is shrinking due to the economic downturn and tougher penalties for drunk driving

Growth of the Sapporo brand : Continuous growth of the Sapporo brand volume in the U.S. and APAC

✓ Sapporo sales volume +20% YoY

North America +7%
Other areas +40%



Initiatives in the U.S. market

Expand sales reach under the new sales structure (sales synergy)
Stores handling SPB increased 12%
There is still room to increase

Initiatives in other regional markets

Vietnam: Expand width and depth of customer segment through the SPB brand renewal
APAC: Expand market mainly in the countries that have alliances with Carlsberg alliances (three target countries, increased by about 2.9 times of last year) *Hong Kong, Singapore, Malaysia

Status of synergies with Stone (3-1~3)

Status of Stone brand

Challenges continue amid an unexpectedly greater downward trend in the craft beer market

Status of manufacturing and logistics synergies

There is a slight delay in the production transfer schedule, and there are issues with production efficiency and operations



Improving profitability in the U.S. is a crucial challenge: implement the following to make improvements

Accelerate SPB growth : strengthening initiatives of American chains

Recovery of Stone brand : focus on investing in core brands in order to achieve recovery

Maximize manufacturing and logistics synergies

: resolve issues related to production efficiency and operations

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Next is the overseas alcoholic beverages.

While the sales volume of Sapporo brands overseas continued to grow, but the Canadian beer market and the US craft beer market remained weak, resulting in a JPY0.4 billion decline in overall overseas sales.

I would like to add a few words about the general situation of the market.

In Canada, the US, and Vietnam, the beer market remained 3% to 4% below the levels of the previous year.

Under such circumstances, the Sapporo brand continued to grow, and in the US, through a joint sales structure with the Stone brand, we were able to expand the number of stores handling the brand, mainly through US-based chains.

In the APAC area, we were able to increase sales volume mainly in countries where we have an alliance with Carlsberg.

On the other hand, in terms of profitability in the US, the Stone brand has been struggling and there has been some delay in synergy generation, and we consider improving profitability to be a top priority.

I would like to add a few words about the condition of brands in the United States.

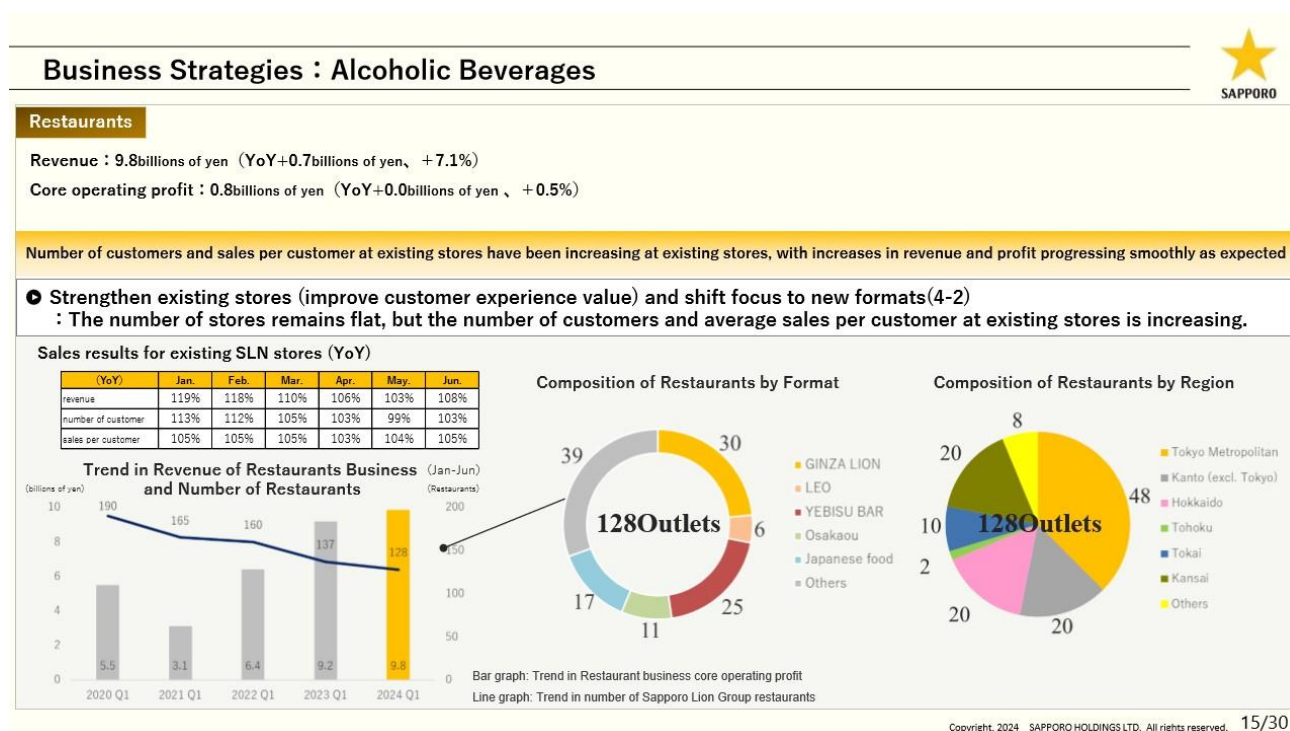
We have two major brands, the Sapporo brand and the Stone brand, which are currently offsetting each other in performance.

As for market conditions, total beer demand is down 4%, total craft beer demand is down 7%, and import demand is up 2%. Under these circumstances, the Sapporo brand remained strong with an 8% increase.

The performance of the Stone brand is slightly below the overall craft beer demand. In addition to the impact of the market, the shift to core brands has also had an impact.

Roughly 70% of Stone's SKUs are classified as core brands and 30% as non-core brands. Core brands have maintained a solid volume slightly above the previous year, but non-core brand volumes are below the previous year's level.

Based on this, we intend to improve profitability in the future by accelerating the growth of the Sapporo brand, strengthening the core Stone brand, and enhancing cost efficiency through maximizing manufacturing and logistics synergies.



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Next is the restaurants business.

In the restaurants business, both revenue and profit increased as both the number of customers and the average sales per customer improved at existing restaurants. The effect of the COVID-19 downgrade to category 5 last May resulted in particularly strong sales from January to April. Since then, the business has continued to perform well, albeit moderately.

The increase in profit was modest, due in part to the impact of higher costs for various items.

Business Strategies : Food & Soft Drinks



Japanese

Revenue : 42.0billions of yen (YoY(0.4)billions of yen, (0.9%))

Core operating profit : (0.1)billions of yen (YoY+0.1billions of yen)

Reasons for changes in core operating profit(billions of yen)

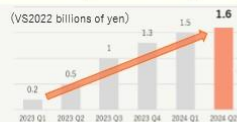


Despite the volume decreased due to product lineup changes and the review of unprofitable vending machines, profit increased due to steady progress in structural reforms, such as improving unit selling prices in relation to selling expenses.

Fundamental structural reforms (5)

✓ Status of structural reforms

Improvement of variable selling cost per unit
Y-o-Y +0.4 billions of yen



Cost structure reform initiatives implemented since 2023

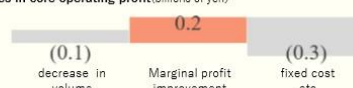
- Decrease in disposal value due to SKU reduction +300 million yen
- Reduction of unprofitable vending machine columns +700 million yen
- Variable selling cost unit price improvement +600 million yen

Overseas

Revenue : 13.3billions of yen (YoY+0.3billions of yen, +2.1%)

Core operating profit : 0.3billions of yen (YoY(0.3)billions of yen, (49.5%))

Reasons for changes in core operating profit(billions of yen)



Performance is strong in Malaysia, which is a focus area, but profits fell due to a decline in exports.

Singapore

Sales through CVS and EC channels have been performing well but slightly fell due to the impact of inflation

- ✓ Singapore sales amount (1%) YoY
(sales amount of local currency basis)

Malaysia

Increase of sales through strengthening of sales structure

- ✓ Malaysia sales amount +27% YoY
(sales amount of local currency basis)

Export

Revenue fell due to the impact of the suspension of sales to some customers which occurred last year.

- ✓ Export sales amount (42%) YoY
(sales amount of local currency basis)

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Next is food & soft drinks.

First, let's look at the Japan food & soft drinks business.

While sales volume declined due to product lineup changes and a review of unprofitable vending machines, core operating profit improved by JPY0.1 billion due to ongoing efforts to improve unit selling prices in relation to variable selling expenses and to reduce vending machine-related costs.

The effect of cost structure reform efforts implemented since 2023 was JPY1.6 billion.

Next is the overseas beverages business.

Although the increase in sales volume in Malaysia and the effect of price revisions offset the increase in fixed costs, such as labor costs, the profit decreased by JPY0.3 billion due to the suspension of exports to the Middle East during the last fiscal year.

We are already on track to resume exports to the Middle East, and we expect a gradual recovery in the future.

Business Strategies : Real Estate



Real Estate

Revenue : 11.3billions of yen (YoY+0.8billions of yen, +7.2%)
 Core operating profit : 2.4billions of yen (YoY+0.5billions of yen, +25.6%)
 EBITDA : 5.4billions of yen (YoY+0.8billions of yen)

Reasons for changes in core operating profit(billions of yen)



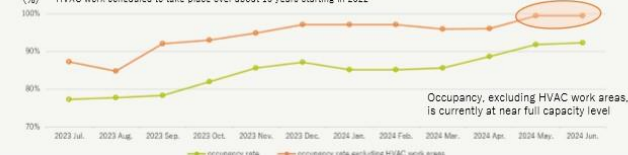
Despite there were impacts from one-time costs associated with the opening of the Sapporo hotel, profits increased due to the improved occupancy rate at YGP.

Initiatives to enhance property value (Ebisu area)

YGP office space occupancy rate

While the occupancy rate was down due to HVAC work*, it improved from last year and is on track to meet the target.

*HVAC work scheduled to take place over about 10 years starting in 2022



Yebisu Garden Place Center Plaza (Office)

The highest rank of S was received under the "CASBEE-Wellness Office" certification

This is the second S-ranking acquisition in Yebisu Garden Place, following the same ranking obtained for the office tower in August 2023.



Initiatives to enhance property value (Sapporo area)

Sosei Cross opened on August 1st

A new office commercial building, "Sosei Cross," opened in Chuo-ku, Sapporo. Leasing of all office space is completed.



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Next is the real estate business.

Despite the impact of one-time costs associated with the opening of a hotel in Sapporo on January 30, core operating profit increased by JPY0.5 billion due to improved occupancy rates of offices in Yebisu Garden Place and other locations.

While the average Office space occupancy rate in Garden Place over the past year was 79%, it improved to 88% in H1 and reached 92% as of June. This is a significant improvement.

Although we are still forced to keep the occupancy rate to a certain extent due to the air conditioning construction, the building is almost fully occupied except for the construction zones. The current occupancy rate of 92% is expected to be maintained until the end of the year.

As for the background to this improvement in occupancy rates, air conditioning work was planned for a relatively large number of parcels, as it was anticipated from the outset that office market conditions would be difficult last year. The main reasons for the improvement in occupancy rates this year are that air conditioning work has been completed sequentially and new leasing is underway, and, as we have indicated, office market conditions in central Tokyo are improving.

Action Plan KPI



※1 Forex assumption: ¥130

※2 Local currency basis (Singapore dollar)

		Q2results			Full year			medium-term plan Target
		2022 Q2	2023 Q2	2024 Q2	2022	2023	2024 plan	
Japan alcoholic beverages	Reinforcement of Beer / Improving Profitability of Beer-type Bev.							
	Increase beer sales: share of beer sales (1-1)	64%	70%	76%	68%	73%	79%	79%
	Improve profit margin: selling price excluding alcohol tax (1-1)	-	+12% (VS2022)	+16% (VS2022)	-	+9% (VS2022)	+11% (VS2022)	+11% (VS2022)
	RTD Business Growth and Production Streamlining, Etc.							
	RTD growth: RTD(cans) sales amount (1-2)	-	+9% (VS2022)	+11% (VS2022)	-	+19% (VS2022)	+31% (VS2022)	+74% (VS2022)
Overseas alcoholic beverages	Increase production efficiency: ratio of in-house production (2)	69%	62%	96%	73%	63%	88%	88%
	Stone Acquisition Synergy / SPB Growth							
	Sapporo brand volume (3-1~3)	3.23 million cases	3.49 million cases	4.19 million cases (YoY+20%)	6.61 million cases	7.16 million cases	8.09 million cases (YoY+13%)	10.0 million cases (VS2022)
	Cost synergy (3-1~3) ※1	-	\$1.5M	\$5M	-	\$4M	\$11M	\$23M (VS2022)
Japan food & soft drinks	Cost Structure Reforms (5)	-	0.5billion	1.6billion (YoY 0.3 billion)	-	1.3billion	2.0billion (YoY 0.7 billion)	2.0billion (VS2022)
Overseas soft drinks	Expanding Sales and Increasing Logistics Efficiency							
	Overseas sales amount (6) ※2 exclude OEM sales	-	+7% (VS2022)	(3%) (VS2022)	-	+2.8% (VS2022)	+7.6% (VS2022)	+30% (VS2022)
Real Estate	Increase value of YGP							
	Rate of increase in average rental price (8)	-	-	-	-	+0.5% (VS2022)	+2.8% (VS2022)	+2.5% (VS2022)
Entire Group	Fundamentally reshuffle business portfolio (9)	-	0.4billion (VS2022)	1.7billion (VS2022)	-	1.1billion (VS2022)	-	-

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Finally, I would like to report on the progress of the Action Plan KPIs.

I will report the results as of the end of Q2. Items that have a significant impact on profits are generally performing well. For example, we are strengthening our domestic beer business, reforming the cost structure of our Japan food & soft drinks business, and fundamentally reorganizing our company-wide business portfolio.

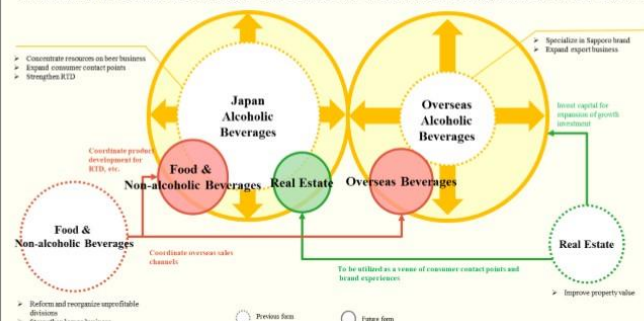
On the other hand, the growth of RTDs and the expansion of overseas beverage sales are below our plans at this time. As for RTDs, we intend to focus on strengthening core products in H2. As for overseas beverages, we hope to recover by resuming export business to the Middle East.

This concludes our explanation of the financial results.

Mr. Shofu, Managing Director, will explain the status of studies for the materialization of medium- to long-term management policies.

<Image of direction of Sapporo group's transformation>

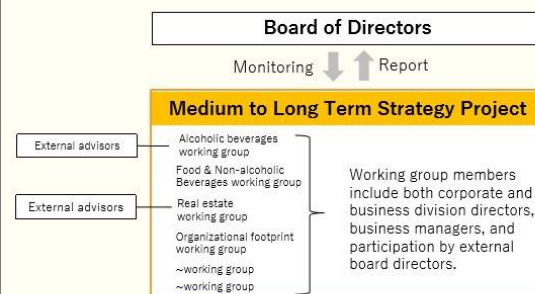
- The Company will further concentrate its management resources to focus on beer businesses with competitive advantages and businesses in which synergies with those competitive businesses can be created.
- The Company develops its market-creation capabilities in alcoholic beverages, which has been the Company's DNA since its foundation and grows our beer business.



We established a Group Strategy Committee, which includes outside experts, and discussed the management policies for increasing corporate value over the medium- and long- term (ahead of the current Medium-Term Management Plan), including that of third-party advisors, in terms of multifaceted and objective perspectives.

<Consideration structure>

- The Company has formed a number of working groups drawing from the corporate holding company and business divisions, starting with the alcoholic beverages business.
- Working group members include both corporate and business division directors, business managers, and participation by external board directors.
- In particular, emphasis is being placed on strategy review of the core alcoholic beverages business and the real estate business to maximize total company value extraction. The Company has retained expert external advisors to assist in this review.
- Progress is closely monitored, with monthly update reports to the Sapporo Holdings Board of Directors.



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Shofu: Please see page five. The chart on the left side of this page is an image of the direction of our mid- to long-term major transformation announced in February of this year.

With 2030 as a milestone, we will focus our management resources on the alcoholic beverage business to create a rich beer experience in Japan and abroad, aiming for growth with higher capital returns. We shared our story of radically rethinking our business portfolio as part of this process.

In order to make this policy concrete, I would first like to supplement the structure of the study.

Since April of this year, several working groups have been established to discuss each of our businesses, including alcoholic beverages, as well as our future management platform and organizational structure. Each working group is composed of directors from Holdings and business division, as well as interested parties.

Several outside directors participate in each of these groups on a monthly basis to monitor progress and provide advice. Its progress is also reported to and discussed by the Board of Directors on a monthly basis.

Among these, we consider the introduction of external capital into the alcoholic beverage business and the real estate business, which contributes to the enhancement of the group's value, to be particularly important themes. We have appointed an outside advisor with expertise and are currently in the process of discussions.

< Review status >

Japan Alcoholic Beverages	<ul style="list-style-type: none"> The Company aims to acquire a 25% share of the domestic beer market and realize a higher profit ratio from a long-term perspective Collaborating with the food & non-alcoholic beverages business, the Company will also strengthen the development of "new alcoholic beverages," including non-alcoholic and low-alcoholic beverages under the theme of "wellbeing" The Company intends to rationalize the value chain by, for example, optimizing manufacturing and logistics, with initiatives recently approved and is reviewing the appropriate allocation of corporate resources.
Overseas Alcoholic Beverages	<ul style="list-style-type: none"> Investment in the international business will be increased to ensure the business is a core element of the Company's portfolio, with focus on Sapporo Premium Beer "high quality," "sophisticated taste," and "uniqueness reminiscent of Japan." In April 2024, the Company established the International Business Department within the corporate headquarters with the objective of a dedicated, experienced, and highly skilled organization exploring investment opportunities, alliances, overseas business opportunities, while realizing fast decision making, and robust governance of process.
Real Estate	<ul style="list-style-type: none"> The Company is continuing to consider ways to utilize real estate that will contribute to enhancing the group's future value, as well as the fundamental transformation of the business portfolio. <p><Example> ✓ Various options for the Sapporo Real Estate Development Co., Ltd., which owns and manages multiple properties centered around Ebisu and Sapporo, such as introducing external capital, asset sales. ✓ Tax-qualified spin-offs, as proposed by our shareholders.</p> <ul style="list-style-type: none"> The Company will seek concrete proposals from a wide range of potential strategic partners on ways to enhance the value of the real estate business. →The Company plans to begin soliciting external proposals for the real estate business by mid-September of this year.
Others	<ul style="list-style-type: none"> Structural reforms in the food and beverages business (non-alcohol) while also considering the future vision of the business, including the pursuit of synergies with the alcoholic beverages business. The Company is exploring the optimal organizational structure and institutional design to effectively and efficiently advance each business strategy scenario. The Company has also begun strengthening the management foundation by fostering a corporate culture that enables talent to be more productive and to drive transformation, utilizing experts in the process.

⇒ Further details and status of the Company's Medium to Long Term Management Policies review will be provided during quarterly financial and business disclosures. For important matters, the Company intends to disclose information promptly and appropriately.

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Next, please see page six. I would like to supplement the review status of each business.

In the Japan alcoholic beverages business, we are redefining the term "alcoholic beverages" or "alcohol" in a broader sense, with a long-term perspective on the industry environment and future growth.

As we mentioned in the February announcement, we plan to leverage the various functions of the Group, including Restaurants and Real Estate, to further enhance our core brands, Sapporo and Yebisu, to create unique brands and customer experiences.

Through this initiative, although we are a manufacturing company, we plan to expand our experiences, services, and products to create a community centered on beer, and from there, to generate additional economic value.

In addition, we will increasingly collaborate with the Food & Soft Drinks business in anticipation of long-term changes in the alcoholic beverage environment. We would like to include non-alcoholic and low-alcoholic beverages in the broad sense of alcohol beverages, and we plan to invest resources in the development of "new alcoholic beverages" under the theme of wellbeing.

To further improve the low profitability, we have already decided to review the Nasu Plant and the production system related to wine as part of this mid-term plan. We intend to further review and strengthen the value chain, including optimization of the logistics system, and further review the allocation of management resources.

As for our Cornerstone beer brands, we would like to aim for a 25% share of the domestic beer market in the long term by investing resources more aggressively, as explained at the beginning of the presentation.

Next is overseas.

With Sapporo Premium Beer brand as a cornerstone, we will leverage its "uniqueness reminiscent of Japan" and "high quality" to increase our presence, particularly in North America and other regions where we operate.

In order to realize future growth, including inorganic means, a new specialized department was established in April at Holdings. This department is responsible for exploring investment opportunities, forming alliances with other companies, and strengthening governance and speeding up decision-making across our overseas operations.

Next, with regard to the real estate business, from the perspective of increasing the value of the Group with an eye on the growth of alcoholic beverages, we are studying how to utilize this business and how to fundamentally reform our business portfolio, with experts also involved.

Specifically, we are now extensively considering all options, including the introduction of external capital into Sapporo Real Estate Development Co., Ltd., the sale of individual properties, and the tax-qualified spin-offs proposed by our shareholders.

We would like to refine our considerations and seek specific proposals from a wide range of potential strategic partners to increase the value of our real estate business. By considering these proposals, we would like to clarify the options that will contribute the most to increasing the value of the Group.

The call for proposals from outside parties is scheduled to begin by the mid-September and we would like to make another announcement.

Finally, we are also examining synergies between the Food & Soft Drinks business and the Alcoholic Beverage business, as well as their future directions.

With regard to the management foundation of the overall group, we are also currently examining how the organizational structure and institutional design should be in line with the future business portfolio.

In addition, as we briefly touched on in our February announcement, we recognize that diversity of human resources as a foundation and organizational culture are some of the major issues that need to be addressed. Separately, we have appointed experts to begin strengthening this foundation.

Today, we shared the current status as a mid-term report on our progress. We will keep you informed of our progress at the time of the announcement of financial results, or as appropriate for important decisions.

Main Questions & Answers

[Regarding medium- to long-term management policies]

Japan Alcoholic Beverages

Q1. With respect to the 25% market share in domestic beers that was stated in your medium- to long-term management policies, I think it will be difficult to maintain the positive momentum for Black Label given the maturity of the market and the strong competition. How do you plan on increasing your share?

A1. Beer represents a large proportion of our sales, and the Black Label and Yebisu brands maintain strong performance. We also understand that there is still a gap between the customer awareness, frequency of purchases and coverage rate for our products and for those of our competitors. We are steadily working on closing this gap, which we regard as our room for growth. We are investing in advertising and creating customer contact points, and are targeting around 1/4 of the market in the long term. The specific strategies also depend on the competitive landscape, but we plan to implement new initiatives alongside our current measures.

Q2. When do say “new initiatives,” do you mean aggressive investments in marketing to increase brand awareness?

A2. In simple terms this is basically what we mean. However, there are also, as expected, operations regarding sales channels, as well as the expansion of customer contact points. We definitely want to challenge ourselves through a multilayered approach.

Q3. How do you view your product portfolio? Will you continue to strengthen existing brands, or are you considering developing new products?

A3. In addition to our core brands Black Label and Yebisu, we also own distinctive products such as bottled Lager beers and the Classic from Hokkaido, so we envision growth with primarily centered around our existing brands.

Q4. If you achieve a 25% market share of the domestic beer market, what would the upside look like in terms of profitability?

A4. While we do have a framework internally, I will refrain from answering this question today.

Real Estate

Q5. Regarding the status of discussions of medium- and long-term management policies, what is the background behind the decision to start soliciting external proposals in real estate in September, and why did you make this decision at an early stage?

A5. Regarding the timeline, since the policy was announced in February, we have been closely discussing each business and the future business portfolio, and then the way to introduce external capital for real estate. In this context, we are beginning to get a sense of direction internally when it comes to the introduction of external capital into the Real Estate business. We also received proposals from shareholders around that time, and we believed it was an appropriate stage to broaden the scope of our discussions. There is no single exit clearly in sight, but by engaging in broader considerations, we aim to increase the accuracy and potential for enhancing group value. Please understand that we have now moved to the next phase.

Q6. Can you please explain once more how the cash from the introduction of external capital will be used in Real Estate business? Will you focus on investments overseas, will you strengthen domestic investments to achieve the 25% market share, or will you provide returns to shareholders?

A6. The main focus when using the funds will be to contribute to the growth of alcoholic beverages in Japan and abroad. We also want to consider actions to improve our balance sheet, such as reducing interest-bearing debt, as well as the provision of shareholder returns, although this will have to be implemented after confirmation of the overall program and its scale.

[Alcoholic Beverages]

Overseas

Q7. With regard to the Sapporo brand overseas, there has been significant growth mainly in the APAC region, partly due to the collaboration with Carlsberg. Please tell us about the circumstances behind this growth and its sustainability and potential in the future.

A7. The alliance with Carlsberg in the APAC region was definitely a big trigger. We are off to a good start in the three countries of Singapore, Hong Kong, and Malaysia, and a part of the primary factors is Carlsberg's capabilities and their efforts in account acquisition, which are progressing well. In addition, volumes are increasing as we create customer contact points in other countries, including Korea. We believe that we can expect to further increase the sales volume of SAPPORO PREMIUM BEER by strengthening our efforts in each country while preserving the originality of the brand. Please understand that the numbers for the first half of the current fiscal year strikingly reflect the situation on the ground.

Q8. Regarding the synergies with Stone, please confirm the context behind the delay in progress and whether production transfers will be completed by the end of this year.

A8. We are following a schedule that will lead to the completion of transfers by the end of this year, and the organization is almost ready, but there is a delay of about one to two months compared to our original plan. This is simply a delay, so we are confident in our ability to catch up.

The sales perspective is also important to maximize synergies, and the decline in sales of the Stone brand also has an impact on progress. The achievement of production efficiency and the creation of operational benefits have suffered delays because production volume fell short of original expectations. The core brands remain in a good condition, so we are working toward a proper recovery.

Q9. Regarding overseas alcoholic beverages, progress in profits has been slow, and it appears that SLEEMAN is also behind. Is a recovery possible?

A9. Due to changes in market conditions and the reversal that occurred last year, profits decreased in the first half of the current fiscal year. However, we are winning the battle for market share, and thanks to cost controls and a price increase in early spring, we are on track to achieve our plans. In the U.S., there have been production delays, but we are determined to catch up. We are moving forward with initiatives including cost controls to realize improvements in earnings not simply on a fiscal year basis, but in the medium- to long-term. We have also generated synergies in logistics. The challenge is in the production side and the volume of Stone brand products, and local staff is also aware of these issues. We will continue our efforts to achieve results.

[Real Estate]

Q10. Occupancy rates in the Real Estate business are improving, and profits increased by 700 million yen in the first half of the current fiscal year. The forecast was at the same level as the previous year, so what should we think about the outlook for the second half of the current fiscal year? Should we focus on any specific topic?

A10. The situation is now stable and remains solid. On the other hand, we expect the booking of one-time costs and other expenses due to ongoing HVAC work. Please understand that we are making slightly better progress than expected, but we are not significantly exceeding the plan.