

Fiscal 2025 Small Meeting (held on February 19, 2025)

Questions & Answers

Sapporo Holdings Limited

Masaki Oga, President and Representative Director

Sapporo Holdings Limited

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Sapporo Holdings Limited

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Medium- to Long-Term Growth Strategy

Q1. What is your vision for the company? What do you specifically mean by “A company that delivers quality products and experiences to customers around the world”?

A1. While real estate business segment has played a significant role in the past, we want to make it clear that, as a traditional beer brewing company, our primary focus is firmly on beer sales. We are confident that our market share will exceed the current level. While the volume is important in reaching a large number of customers, our goal is to become a beer brewing company with distinctive strengths.

Q2. With corporate value and stock price having risen significantly over the past few years, how do you plan to manage this high level of valuation going forward?

A2. Our stock price began to rise in around 2022, initially driven by the effects of beer price increases and expectations for company reforms under our newly formulated Medium-Term Management Plan. We believe the current stock price reflects both expectations for the realization of unrealized gains from our real estate holdings and the anticipated future growth of our alcoholic beverages and soft drinks businesses. To sustain this, we need to consider two key aspects: maximizing corporate value through the transformation centered on the alcoholic beverages business and effectively utilizing the cash generated from our real estate business.

Q3. What is your investment policy and timeline when a large amount of funds becomes available?

A3. The timeline depends on the specific opportunities. Our policy focuses on growth investments in the alcoholic beverages business and the repayment of financial liabilities. However, this does not mean that we rule out shareholder returns. Looking back, one of

the challenges we faced internally was differences in opinions regarding over capital allocation between real estate, the alcoholic beverages and food sectors, which also led to limitations on the scale of M&A activities. Moving forward, we aim to resolve these conflicts and pursue meaningful growth investments. Specifically, we are considering investments in RTD (ready-to-drink) products and overseas businesses.

Q4. Regarding overseas operations, could owning production sites or in-house factories become an obstacle to enhancing corporate value?

A4. While contract manufacturing has its limitations in terms of quality and flavor, we foresee further progress in partial functional integration. Collaborative production is progressing overseas, and in Vietnam, we are considering a partnership possibility with Carlsberg.

Management Structure

Q5. President Oga, you have had a long tenure. Based on what went well and what did not, what is the one thing you would like the capital markets to understand?

A5. I took the leadership when we had diversified investments across various businesses, even though our core business is beer brewing and sales. As we developed our growth strategy, the first priority was to clearly identify which businesses to restructure or exit. While some of these businesses remain, we have made significant progress in structural reforms. Our initiatives to refocus on the beer business have started to show positive results, and after extensive discussions on our medium- to long-term strategy, we ultimately made the management decision to return to our core beer business. In particular, while challenges remain in areas such as talent development and management structures for overseas expansion, we are gradually clarifying the company's strategic direction.

Q6. How will policies be carried forward under the new president?

A6. The company's management policies will remain consistent even after the change in leadership. Hiroshi Tokimatsu, who is set to assume the role of President of Sapporo Holdings following the General Shareholders' Meeting in March, has been thoroughly briefed on these policies. Since 2023, we have established a Strategy Review Committee, and last year, we formed a working group. Tokimatsu has been actively involved throughout this process, ensuring an alignment of understanding of both the company's strategic direction and key challenges.

Q7. What are your thoughts on the future production system?

A7. It is essential to take a flexible approach, considering not only the domestic beer market environment but also the overall supply chain landscape. Collaborative production is progressing overseas, and in Vietnam, we are exploring a partnership with Carlsberg. We expect partial functional integration to continue moving forward.

Domestic Alcoholic Beverages Business

Q8. What unique value does your company offer? With competition in a shrinking market, what sets your value proposition apart?

A8. The history and brand heritage we have carried over the years are themselves a core part of our value. Our Black Label brand, in particular, is not just a product—it holds intrinsic value and belongs to our customers as well. This is not something that can simply be bought and sold based on capital logic; rather, it is an asset we must cherish and uphold.

Q9. What are your market share targets and pricing strategy for the domestic market?

A9. Our aim is for a 25% share in the narrow definition of beer. Our approach considers the company's overall position. We do not intend to sacrifice profitability in pursuit of market share.

Q10. What is your approach to growth investments in the Japan market?

A10. The shift from new genre and happoshu to beer, along with the expansion of the RTD, non-alcoholic and low-alcohol markets, is underway. We are investing in these areas of opportunities in the domestic market.

Overseas Alcoholic Beverages Business

Q11. What is your future strategy following the recognition of an impairment loss exceeding 10 billion yen overseas?

A11. Discontinuing our overseas efforts is not the right approach. While we acknowledge our shortcomings, we are implementing appropriate measures to address them. Challenges will persist, but we remain committed to global expansion. The Sapporo brand is steadily growing in international markets, and we view this as a solid foundation for further initiatives.

Q12. How are you restructuring the U.S. business and strengthening the organization and talent development for overseas expansion?

A12. To strengthen Stone Brewing's operations in the U.S., we appointed a board member last October with experience in global business turnarounds. Additionally, we established an International Strategy Department within the Holdings company and hired personnel with extensive international experience. We are also bringing in professionals with expertise in finance and M&A at the local level. This restructuring has been progressing for over six months, fostering a shared sense of urgency within the organization. We have also implemented monitoring systems, including in Japan, to realign and accelerate our response to challenges.

Talent development in global markets has been a longstanding issue, and we recognize the slow pace of our response. We need professionals capable of planning and executing post-merger integration (PMI) and conducting comprehensive due diligence (DD). To address this, we are focusing on both internal training and external recruitment.

Q13. What are the current challenges in the U.S. market, and how are you addressing them?

A13. While Sapporo Premium Beer has achieved double-digit growth, this has been offset by the sluggish performance of the Stone brand. External factors play a role, but internally, our ability to make timely, effective decisions on the ground has been a key issue. To address this, we are implementing structural changes, including a reshuffling of Stone Brewing's board members.

Real Estate Business

Q14. I have doubts about whether off-balancing the real estate business through external capital investment is truly the best approach. Could you explain the reasoning behind this decision?

A14. The purpose of introducing external capital is to off-balance the real estate business, allowing us to concentrate our management resources on the alcoholic beverages business. Additionally, the funds obtained through external capital investment will be allocated to growth investments in the alcoholic beverages business, ultimately enhancing corporate value over the medium- to long-term. Furthermore, under the umbrella of a strategic external partner, we also aim to increase the value of both the real estate business and our property holdings.

Additionally, Yebisu Garden Place, which accounts for the majority of our real estate portfolio, has now been in operation for 30 years and is now entering a phase requiring large-scale renovations, such as office HVAC system upgrades. As a result, it is transitioning to a different stage, and we can no longer expect cash flow generation to continue at the same level as before. Looking ahead, we will need large-scale renovations, with maintenance investments are expected to require significant capital. Given these circumstances, we have determined that rather than handling this solely on our own, it would be more appropriate to bring in strategic partners' capital and enhance the value of our real estate holdings under their umbrella.