

Financial Results
for the Six months ended June 30, 2023 — Consolidated
(Based on IFRS)

August 10, 2023

Company name **Sapporo Holdings Limited**

Security code 2501

Listed on Tokyo Stock Exchange (Prime Market); Sapporo Securities Exchange

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

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Scheduled dates:

Filing of quarterly financial report August 14, 2023

Commencement of dividend payments -

Supplementary information to the quarterly earnings results Available

Quarterly earnings results briefing held Yes
(mainly targeted at institutional investors and analysts)

1. Consolidated Financial Results for the six months ended June 30, 2023
(January 1 – June 30, 2023)

(Amounts in million yen rounded to the nearest million yen)

(1) Operating Results

(Percentage figures represent year-over-year changes)

	Revenue		Core Operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2023	238,527	11.6	3,505	—	(2,810)	—	(5,105)	—
Six months ended June 30, 2022	213,788	7.1	(2,155)	—	(241)	—	(375)	—

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	Yen
Six months ended June 30, 2023	(5,104)	—	7,663	20.9	(65.52)	(65.52)
Six months ended June 30, 2022	(386)	—	6,339	(59.4)	(4.96)	(4.96)

Note: Profit before tax

Six months ended June 30, 2023 (3,341) million yen

Six months ended June 30, 2022 758 million yen

*Core operating profit is a proprietary profit indicator that measures the performance consistency of our business. Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	million yen	million yen	million yen	%
Six months ended June 30, 2023	644,540	171,572	170,671	26.5
Year ended December 31, 2022	639,118	167,201	166,310	26.0

2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	yen	yen	yen	yen	yen
Year ended December 31, 2022	—	0.00	—	42.00	42.00
Year ending December 31, 2023	—	0.00			
Year ending December 31, 2023 (forecast)			—	45.00	45.00

Note: Changes to the latest dividend forecast announced: None

3. Forecast of Consolidated Earnings for the Year Ending December 31, 2023 (January 1 – December 31, 2023)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December	490,000	2.4	13,500	45.0	9,500	(6.0)	5,570	1.0	5,500	0.9	70.61

Note: Changes to the latest consolidated results forecast announced: None

4. Other

(1) Changes to scope of consolidation: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies required by IFRS: None

2) Changes other than 1) above: None

3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued at end of period (treasury stock included):

June 30, 2023: 78,794,298 shares

December 31, 2022: 78,794,298 shares

2) Number of shares held in treasury at end of period:

June 30, 2023: 894,512 shares

December 31, 2022: 896,678 shares

3) Average number of outstanding shares during the period:

Six months ended June 30, 2023: 77,898,687 shares

Six months ended June 30, 2022: 77,897,619 shares

Audit Status

The quarterly financial results are outside the scope of audit procedures based on the Financial Instruments and Exchange Act.

Appropriate Use of Earnings Forecasts and Other Important Information

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "1. Analysis of Operating Results and Financial Condition (4) Consolidated Earnings Forecast" on page 8.

Seasonal factors

The Group's operating results are affected by substantial seasonal variation in demand in the Alcoholic Beverages and Food & Soft Drinks businesses. Revenues consequently tend to be lower in the first quarter than in the other three quarters.

1. Analysis of Operating Results and Financial Condition

(1) Operating Results

In this second quarter consolidated accounting period (January 1 - June 30, 2023), lifestyle patterns of living with COVID-19 penetrated society and economic activity continued to normalize as the impact of COVID-19 lessened. On the other hand, the uncertain outlook continues, with concerns over rising prices due to factors such as the situation in Ukraine, the depreciation of the yen, and inflation from surging prices of raw materials and energy will lead to consumers becoming more cautious with their spending.

Under these circumstances, the Sapporo Group will decisively implement structural reforms, aiming to realize our growth strategy in the first year of our “Medium-Term Management Plan (2023-2026).”

Consolidated revenue overall increased compared to the previous first half. This was because of the recovery of on-trade beer sales and dining out demand for beer halls in Alcoholic Beverages, along with the inclusion of STONE BREWING CO., LLC (Stone) as a consolidated subsidiary at the end of August 2022, which both counteracted decreased revenue following the transfer of the cafe business in April 2022 and the liquidation of a vending machine operator subsidiary in November 2022 intended to shift management resources of Food & Soft Drinks to growth areas.

Consolidated core operating profit increased year-on-year amid the effects of increased revenue in the Japan Alcoholic Beverages business and structural reforms in the Restaurants business and Japan Food & Soft Drinks business.

Summary in key figures

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
Six months ended June 30, 2023	238,527	3,505	(2,810)	(5,104)
Six months ended June 30, 2022	213,788	(2,155)	(241)	(386)
Change (%)	11.6	—	—	—

*Core operating profit is the Sapporo Group's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

Results by segment are outlined below.

Alcoholic Beverages

Revenue increased year-on-year thanks to a steady recovery in the commercial-use products market, price revisions, strong sales in North America, and the addition of Stone Brewing Co., LLC to the Group at the end of August 2022.

Core operating profit increased year-on-year, despite increased variable costs due to factors such as increased raw material prices. This was thanks to the effects of increased revenue from the recovery in the on-trade market as well as the effects of structural reforms of the Restaurants business.

Despite the year-on-year increase in core operating profit, operating profit decreased year-on-year due to impairment losses associated with the resolution to dissolve an overseas subsidiary, which had been under consideration as a part of our business portfolio review.

- Revenue: ¥172.5 billion (up ¥26.3 billion, or 18.0% year on year)
- Core operating profit: ¥5.0 billion (compared with a loss of ¥0.5 billion a year earlier)
- Operating profit: ¥(1.2) billion (compared with a profit of ¥1.2 billion a year earlier)

Details of Alcoholic Beverages (Japan and Overseas) and Restaurants in the Alcoholic Beverages business were as follows.

Japan

While the on-trade products market is in a recovery trend as economic activity continues to normalize as a result of lessened impact from COVID-19, the off-trade products market remained weak. As a result, total domestic demand for beer and beer-type beverages was estimated to have been about 99% year-on-year.

In this fiscal year, we are focusing more on strengthening beer and RTD (*) in anticipation of the liquor tax revision in October 2023.

In this context, the Group's total domestic sales volumes of beer and beer-type beverages was 101% of the previous year's level thanks to an increase of on-trade products. On the other hand, while impacted by the recovery in the on-trade products market, strong sales continued for household use products, with the sales quantity of Black Label cans at 100% year-on-year, and sales quantity for RTD canned beverages at 104% year-on-year.

Overseas

In Canada, COVID-19 countermeasures have spurred an economic restart, and on-trade products market is in a year-on-year recovery trend, with total demand Beer-type beverages up year-on-year. On the other hand, in the United States there was a year-on-year decrease due to the impact of inflation and other factors.

In this context, sales volume of overseas beer brands exceeded that of the previous year thanks to a recovery of the on-trade market in Canada and after including the sales of Stone in the United States. Additionally, sales volume of Sapporo brand beer in the focus market of North America was strong at 104% of the previous first half's level.

Also, a resolution to liquidate ANCHOR BREWING COMPANY, LLC ("Anchor") was made in July 2023. Anchor was positioned as subject to liquidation in the Medium-Term Management Plan due to its continued sluggish business performance. In the United States, which will become a growth driver, we are shifting resources by enacting decisive structural reforms, and aim to achieve further growth centered on Sapporo brand beer by creating synergies with Stone.

Restaurants

The recovery trend for the restaurant market is continuing as economic activity continues to normalize as a result of lessened impact from COVID-19.

Amid this, due to price revisions and a recovery in the number of customers, the Sapporo Group's Restaurants business recorded existing store sales at 103% of 2019 levels, recovering to roughly the same level as before the outbreak of the COVID-19 pandemic.

*: RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol cocktail-like beverages that can be consumed as is immediately after opening.

Food & Soft Drinks

Revenue declined year-on-year due to the impacts of reduced units in operations following the liquidation of a vending machine operator subsidiary and divestment of the cafe business in April 2022. This was despite price revisions.

Core operating profit and operating profit both increased compared to the same period of the previous fiscal year, despite increased raw material costs. The effect of price revisions and structural reforms contributed to this year-on-year improvement.

- Revenue: ¥55.4 billion (down ¥2.1 billion, or 3.6% year on year)
- Core operating profit: ¥0.5 billion (compared with a loss of ¥0.8 billion a year earlier)
- Operating profit: ¥0.4 billion (compared with a loss of ¥0.3 billion a year earlier)

Food & Soft Drinks (Japan)

Although demand in the on-trade market and vending machines has been impacted by the "life of coping with COVID-19" becoming more prevalent, overall domestic beverage demand is estimated to be around 98% that of the previous year because of the recovery following the easing of pandemic restrictions.

Meanwhile, while sales value for Kireto Lemon, the main brand in our priority Lemon business, was 108% year-on-year, and 102% year-on-year for no-sugar-added tea made with selected domestic ingredients, due in part to the impact of price revisions, it was 93% year-on-year for soft drinks overall due to factors such as the reduction in operating units after the liquidation of a vending machine operator subsidiary.

Overseas Beverage

Domestic sales value in Singapore was 104% year-on-year amid robust sales primarily in the off-trade channel.

In addition, sales value in Malaysia, a focus area, was 110% year-on-year because we made progress with strengthening our sales structure. The value of export sales mainly to the Middle East was also brisk, at 113% year-on-year.

Real Estate

Revenues increased year-on-year thanks to the effects of the opening of the remodeled Center Plaza at Yebisu Garden Place, a large multi-purpose complex, in November 2022.

Core operating profit and operating profit declined year-on-year, despite the effects of increased revenue. This was because of a declining office occupancy rate of Yebisu Garden Place caused by a downturn in market conditions and work to update the HVAC facilities of the office tower started in 2022.

- Revenue: ¥10.6 billion (up ¥0.5 billion, or 4.9% year on year)
- Core operating profit: ¥1.9 billion (down ¥0.6 billion, or 25.2% year on year)
- Operating profit: ¥1.8 billion (down ¥0.5 billion, or 21.3% year on year)

The office leasing market in the Greater Tokyo area has yet to see a recovery in occupancy rates and average rent levels since the beginning of the year.

Amid this, the Group's Real Estate business saw the office occupancy rate of Yebisu Garden Place decline. On the other hand, there was a steady increase in total sales of Sapporo Factory due to sales growth from the concentration of outdoor brands and strong performance of events and cinemas.

(2) Consolidated Financial Condition

As of the end of this Q2 consolidated accounting period, the following were the change factors in the condition of assets, liabilities and equity.

(Millions of yen)

Category	As of December 31, 2022	As of June 30, 2023	Change
Current assets	179,431	162,401	(17,031)
Non-current assets	459,687	482,139	22,452
Total assets	639,118	644,540	5,421
Current Liabilities	219,515	183,206	(36,309)
Non-current liabilities	252,402	289,761	37,359
Total liabilities	471,917	472,967	1,050
Total equity	167,201	171,572	4,371
Total liabilities and equity	639,118	644,540	5,421

In end-Q2, assets increased by ¥5.4 billion to ¥644.5 billion relative to the previous fiscal yearend, due to increases in financial assets (non-current) due to fluctuations in fair value and tangible fixed assets, which offset the decline in trade and other receivables resulting from seasonal factors.

Consolidated total liabilities came to ¥473.0 billion, which was an increase of ¥1.1 billion as compared to the end of the previous fiscal year, because of the increase in corporate bonds and borrowings (non-current) resulting from a bond issuance, which offset the decline in corporate bonds and borrowings (current).

On the same comparative basis, capital increased by ¥4.4 billion to ¥171.6 billion. Although there was a decrease in retained earnings stemming from the posting of quarterly losses attributable to parent company owners and the payment of end-period dividends, there were increases in foreign currency translation adjustments on foreign operating entities, and other capital components measured in fair value through other comprehensive income.

(3) Consolidated Cash Flows

At end-Q2, cash and cash equivalents (hereinafter “cash”) increased by ¥2.0 billion (13%) to ¥17.4 billion, relative to the previous consolidated fiscal year-end.

The components of Q2’ s cash flow categories were as follows.

(Millions of yen)

Category	As of June 30, 2022	As of June 30, 2023	Change
Cash flows from operating activities	5,499	24,568	19,068
Cash flows from investing activities	(10,501)	(8,946)	1,555
Free cash flow	(5,001)	15,622	20,623
Cash flows from financing activities	3,462	(15,663)	(19,125)
Effect of exchange rate change on cash and cash equivalents	2,393	2,047	(345)
Net increase (decrease) in cash and cash equivalents	854	2,006	1,153
Cash and cash equivalents at beginning of period	17,368	15,380	(1,988)
Cash and cash equivalents at end of period	18,222	17,386	(835)

(Cash flows from operating activities)

Operating activities provided net cash amounting to ¥24.6 billion (higher by ¥19.1 billion or 347% from the previous fiscal year). This was mainly attributable to a ¥7.9 billion decrease in accrued alcohol tax and a ¥3.3 billion decrease in loss before income taxes, which offset the decrease in trade and other receivables of ¥15.4 billion, depreciation and amortization of ¥10.2 billion, and impairment losses of ¥5.6 billion.

(Cash flows from investing activities)

Cash used in investing activities was ¥8.9 billion (lower by ¥1.6 billion year-on-year). Although there was income of ¥5.7 billion from the redemption of investment securities, the decline was due to outlays of ¥6.0 billion for acquisition of tangible fixed assets, outlays of ¥5.4 billion for the acquisition of investment securities, and of ¥3.5 billion for acquisition of investment real estate.

(Cash flows from financing activities)

Cash used for financing activities was ¥15.7 billion (year-ago income of ¥3.5 billion). The main outflows were a ¥32.0 billion decrease of commercial papers, a ¥6.0 billion decrease in short-term borrowings, and ¥5.0 billion in repayment of long-term borrowings, which outweighed income of ¥20.0 billion from bond issuance and ¥13.0 billion in proceeds from long-term borrowings.

(4) Consolidated Earnings Forecast

The consolidated earnings forecast for the full fiscal year to December 31, 2023, is unchanged from the forecast announced by the Company on February 15, 2023.

Additionally, we established the Group Strategy Committee in September of this year, with the purpose of discussing the formulation of Group strategy scenarios aimed at enhancing corporate value over the medium- to long-term. This Committee is composed of outside experts in addition to inside company directors.

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	15,380	17,386
Trade and other receivables	96,593	82,631
Inventories	47,525	50,839
Other financial assets	8,454	3,630
Other current assets	11,479	7,914
Total current assets	<u>179,431</u>	<u>162,401</u>
Non-current assets		
Property, plant and equipment	129,102	138,273
Investment property	209,628	210,952
Goodwill	33,783	35,547
Intangible assets	9,328	7,257
Investments accounted for using equity method	1,370	1,372
Other financial assets	68,616	78,042
Retirement benefit asset	1,353	4,587
Other non-current assets	3,938	3,727
Deferred tax assets	2,569	2,383
Total non-current assets	<u>459,687</u>	<u>482,139</u>
Total assets	<u><u>639,118</u></u>	<u><u>644,540</u></u>

(Millions of yen)

	As of December 31, 2022	As of June 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	35,730	35,745
Bonds and borrowings	86,524	49,224
Lease liabilities	3,825	4,039
Income taxes payable	890	1,181
Other financial liabilities	32,999	41,358
Provisions	7,485	7,961
Other current liabilities	52,060	43,699
Total current liabilities	219,515	183,206
Non-current liabilities		
Bonds and borrowings	155,369	183,791
Lease liabilities	17,478	19,748
Other financial liabilities	51,859	55,421
Retirement benefit liability	3,471	3,408
Provisions	1,941	1,883
Other non-current liabilities	278	283
Deferred tax liabilities	22,007	25,226
Total non-current liabilities	252,402	289,761
Total liabilities	471,917	472,967
Equity		
Share capital	53,887	53,887
Capital surplus	40,645	40,639
Treasury shares	(1,785)	(1,779)
Retained earnings	43,392	37,690
Other components of equity	30,171	40,234
Total equity attributable to owners of parent	166,310	170,671
Non-controlling interests	891	901
Total equity	167,201	171,572
Total liabilities and equity	639,118	644,540

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	213,788	238,527
Cost of sales	152,145	168,173
Gross profit	61,643	70,354
Selling, general and administrative expenses	63,798	66,849
Other operating income	3,113	358
Other operating expenses	1,200	6,672
Operating loss	(241)	(2,810)
Finance income	1,721	1,051
Finance costs	759	1,616
Share of profit of investments accounted for using equity method	38	34
Profit (loss) before tax	758	(3,341)
Income tax expense	1,133	1,764
Loss	(375)	(5,105)
Loss attributable to		
Owners of parent	(386)	(5,104)
Non-controlling interests	11	(1)
Loss	(375)	(5,105)
Basic loss per share	(4.96)	(65.52)
Diluted loss per share	(4.96)	(65.52)

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Loss	(375)	(5,105)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,569	4,983
Remeasurements of defined benefit plans	(1,117)	2,318
Total of items that will not be reclassified to profit or loss	452	7,301
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,229	5,435
Effective portion of cash flow hedges	33	32
Total of items that may be reclassified to profit or loss	6,262	5,467
Total other comprehensive income, net of tax	6,714	12,768
Comprehensive income	6,339	7,663
Comprehensive income attributable to		
Owners of parent	6,232	7,639
Non-controlling interests	107	24
Comprehensive income	6,339	7,663

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2022	53,887	40,596	(1,785)	44,791	1,782	(15)
Loss				(386)		
Other comprehensive income					6,133	33
Comprehensive income	-	-	-	(386)	6,133	33
Purchase of treasury shares			(2)			
Disposal of treasury shares		0	3			
Dividends				(3,277)		
Share-based payment transactions		7				
Transfer to retained earnings				(843)		
Total transactions with owners	-	7	1	(4,120)	-	-
Balance as of June 30, 2022	53,887	40,603	(1,783)	40,285	7,915	18

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2022	23,313	-	25,080	162,570	757	163,327
Loss			-	(386)	11	(375)
Other comprehensive income	1,569	(1,117)	6,618	6,618	96	6,714
Comprehensive income	1,569	(1,117)	6,618	6,232	107	6,339
Purchase of treasury shares			-	(2)	-	(2)
Disposal of treasury shares			-	3	-	3
Dividends			-	(3,277)	(1)	(3,278)
Share-based payment transactions			-	7	-	7
Transfer to retained earnings	(274)	1,117	843	-	-	-
Total transactions with owners	(274)	1,117	843	(3,269)	(1)	(3,270)
Balance as of June 30, 2022	24,608	-	32,541	165,533	864	166,397

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2023	53,887	40,645	(1,785)	43,392	4,714	10
Loss				(5,104)		
Other comprehensive income					5,410	32
Comprehensive income	-	-	-	(5,104)	5,410	32
Purchase of treasury shares			(2)			
Disposal of treasury shares		0	8			
Dividends				(3,277)		
Share-based payment transactions		(6)				
Transfer to retained earnings				2,679		
Total transactions with owners	-	(6)	6	(598)	-	-
Balance as of June 30, 2023	53,887	40,639	(1,779)	37,690	10,124	42

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2023	25,446	-	30,171	166,310	891	167,201
Loss			-	(5,104)	(1)	(5,105)
Other comprehensive income	4,983	2,318	12,742	12,742	26	12,768
Comprehensive income	4,983	2,318	12,742	7,639	24	7,663
Purchase of treasury shares			-	(2)	-	(2)
			-	8	-	8
Dividends			-	(3,277)	(14)	(3,292)
			-	(6)	-	(6)
Transfer to retained earnings	(361)	(2,318)	(2,679)	-	-	-
Total transactions with owners	(361)	(2,318)	(2,679)	(3,277)	(14)	(3,292)
Balance as of June 30, 2023	30,068	-	40,234	170,671	901	171,572

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before tax	758	(3,341)
Depreciation and amortization	10,359	10,227
Impairment losses	403	5,585
Interest and dividend income	(600)	(581)
Interest expenses	754	1,098
Share of loss (profit) of investments accounted for using equity method	(38)	(34)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(1,232)	564
Decrease (increase) in trade and other receivables	16,542	15,417
Decrease (increase) in inventories	(3,653)	(1,871)
Increase (decrease) in trade and other payables	2,946	(522)
Increase (decrease) in accrued alcohol tax	(11,099)	(7,867)
Increase or decrease in retirement benefit asset or liability	(5,265)	(596)
Other	3,251	5,890
Subtotal	13,126	23,971
Interest and dividends received	636	640
Interest paid	(731)	(1,051)
Income taxes refund (paid)	(7,531)	1,008
Net cash provided by (used in) operating activities	5,499	24,568
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,483)	(5,972)
Proceeds from sale of property, plant and equipment	2,738	71
Purchase of investment property	(6,591)	(3,508)
Purchase of intangible assets	(673)	(1,031)
Purchase of investment securities	(2,819)	(5,433)
Proceeds from sale of investment securities	576	940
Proceeds from redemption of investment securities	—	5,725
Payments for loans receivable	(36)	(20)
Collection of loans receivable	46	11
Other	742	270
Net cash provided by (used in) investing activities	(10,501)	(8,946)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,247	(5,958)
Net increase (decrease) in commercial papers	18,000	(32,000)
Proceeds from long-term borrowings	6,500	13,000
Repayments of long-term borrowings	(11,041)	(5,020)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	(10,026)	—
Dividends paid	(3,272)	(3,272)
Repayments of lease liabilities	(2,416)	(2,382)
Other	1,470	(31)
Net cash provided by (used in) financing activities	3,462	(15,663)
Effect of exchange rate changes on cash and cash equivalents	2,393	2,047
Net increase (decrease) in cash and cash equivalents	854	2,006
Cash and cash equivalents at beginning of period	17,368	15,380
Cash and cash equivalents	18,222	17,386

(6) Notes on the Going-concern Assumption

Not applicable

(7) Subsequent event

ANCHOR BREWING COMPANY, LLC (hereinafter referred to as “Anchor”), a 100% consolidated subsidiary of Sapporo Holdings Limited (hereinafter referred to as the “Company”), resolved on July 11, 2023, to commence the Assignment for the Benefit of Creditors process (hereinafter referred to as the “ABC”). We also have approved Anchor’s commencement of the ABC at the Board of Directors meeting held on the same day.

1.Reasons for the Commencement of the ABC

In 2017, we implemented the acquisition of Anchor in order to expand our beer business in the US market.

However, Anchor was significantly affected by the impact of the novel coronavirus, and such impact was particularly prolonged in the San Francisco area. As a result, Anchor’s sales have significantly decreased. Over the past several years, we implemented a variety of measures to improve the business, such as releasing new products, product renewals, and making brand investments. However, Anchor’s business performance continued to be sluggish. Since it would be difficult to improve profitability in the medium to long term, Anchor decided to commence the ABC.

We launched our four-year plan, “medium-term management plan (2023-26),” this year and are working to increase the corporate value through the twin pillars of “structural reforms and business growth.”

We will promptly dispose of businesses that we have classified as a business to be disposed of and resolutely implement structural reforms. Meanwhile, in the US, which serves as a growth driver, we will aim to achieve further growth centering on SAPPORO PREMIUM BEER by generating synergies with STONE BREWING CO., LLC, which we acquired as a subsidiary in August last year.

2.Outline of the Subsidiary which will commence the ABC

(1)	Name	ANCHOR BREWING COMPANY, LLC	
(2)	Location	1705 Mariposa Street, San Francisco, California, USA	
(3)	Job Title/Name of Representative	President/CEO, Masashi Minami	
(4)	Description of Businesses	Beer manufacturing and sales	
(5)	Capital Amount	\$106 million US	
(6)	Date of Incorporation	March 23, 1896	
(7)	Equity Holders and Percentage of Holding	SAPPORO U.S.A., INC. 100%	
(8)	Anchor’s Relationship with the Company	Capital relationship	The Company owns all of the membership interests in Anchor through SAPPORO U.S.A., INC.
		Personnel relationship	One of SAPPORO U.S.A.’s employees serves as the President/CEO of Anchor and four of SAPPORO U.S.A.’s employees also serve as other officers/directors of Anchor.
		Business relationship	Not applicable.

3.Schedule of the Commencement of the ABC

(1)	Date of resolution by Anchor	July 11, 2023 (US time)
(2)	Date of resolution for the commencement of the ABC by the member of Anchor	July 11, 2023 (US time)
(3)	Date of resolution of the Board of Directors of the Company	July 12, 2023 (Japan time)
(4)	Filing of the Certificate of Cancellation of Anchor	Scheduled for July 2024

4.Losses Arising from the Commencement of the ABC

The amount of the losses due to the commencement of the ABC is expected to be approximately JPY6 billion, and such amount is expected to be recorded as other operating expenses, etc. for the year ending in December 2023.

JPY5.3 billion of the loss was recorded as other operating expenses in this second quarter.

5.Impact of the commencement on Operating Activities, etc.

The commencement will have no impact on the Sapporo Group’s business activities.