



# **Sapporo Group Business Results Presentation for the Six Months Ended June 30, 2018**

**August 3, 2018**

**URL <http://www.sapporoholdings.jp/english>**

# **1. Measures Against Issues and Progress . . . p3-6**

## **(1) Overseas**

(Alcoholic beverages in Vietnam, soft drinks in North America and Asia)

## **(2) Japan (changes in alcoholic beverage market and responses)**

# **2. Second-Quarter 2018 Highlight . . . p7-24**

# **3. Revision of 2018 Full-Year Earnings Forecasts . . . p25, 26**

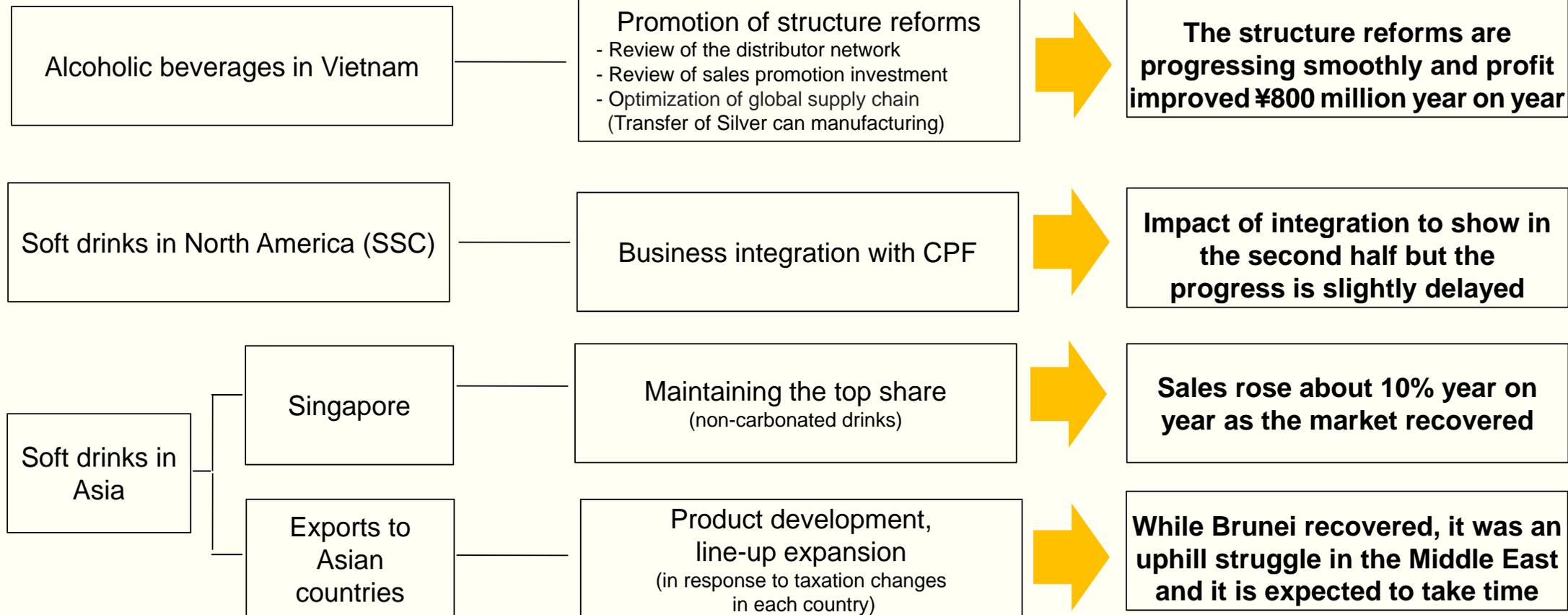
# **Appendix . . . p27-46**

# Measures Against Issues and Progress (1) Overseas

## <Key issues>

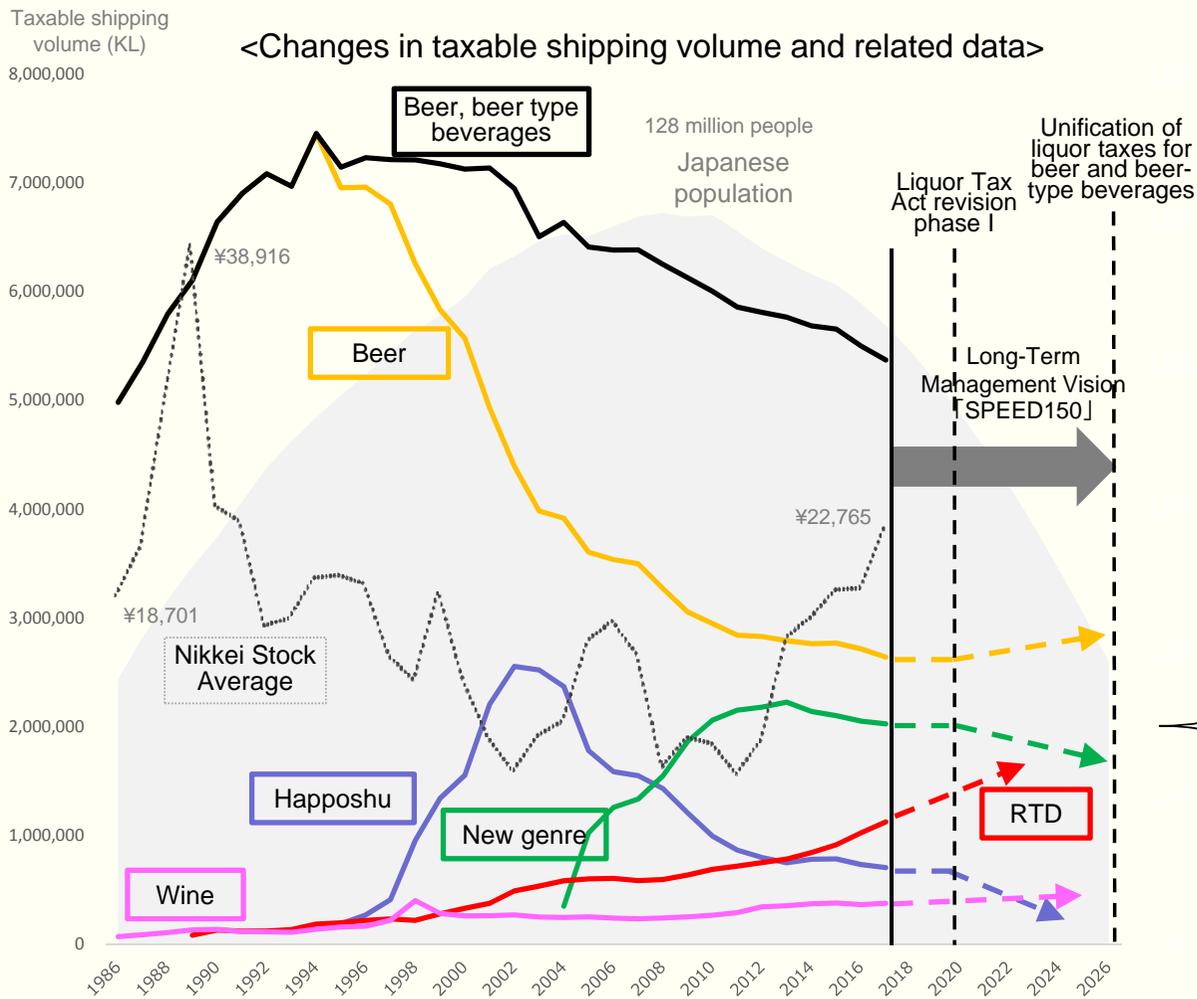
## <Measures>

## <Progress>



\* CPF: Country Pure Foods  
 SSC: Silver Springs Citrus

## (2) Changes in Japanese Alcoholic Beverages Market



\*Dotted arrows show forecasts.

### Point 1

Beer demand continued to decline, but it is expected to recover from 2020 to 2026 on the back of the Liquor Tax Act revision

### Point 2

Happoshu demand continues to decline

### Point 3

Growth of new genre will slow down

From 2020, new genre users are expected to shift to beer  
On the other hand, its scale in the Japanese alcoholic beverage market remains high

### Point 4

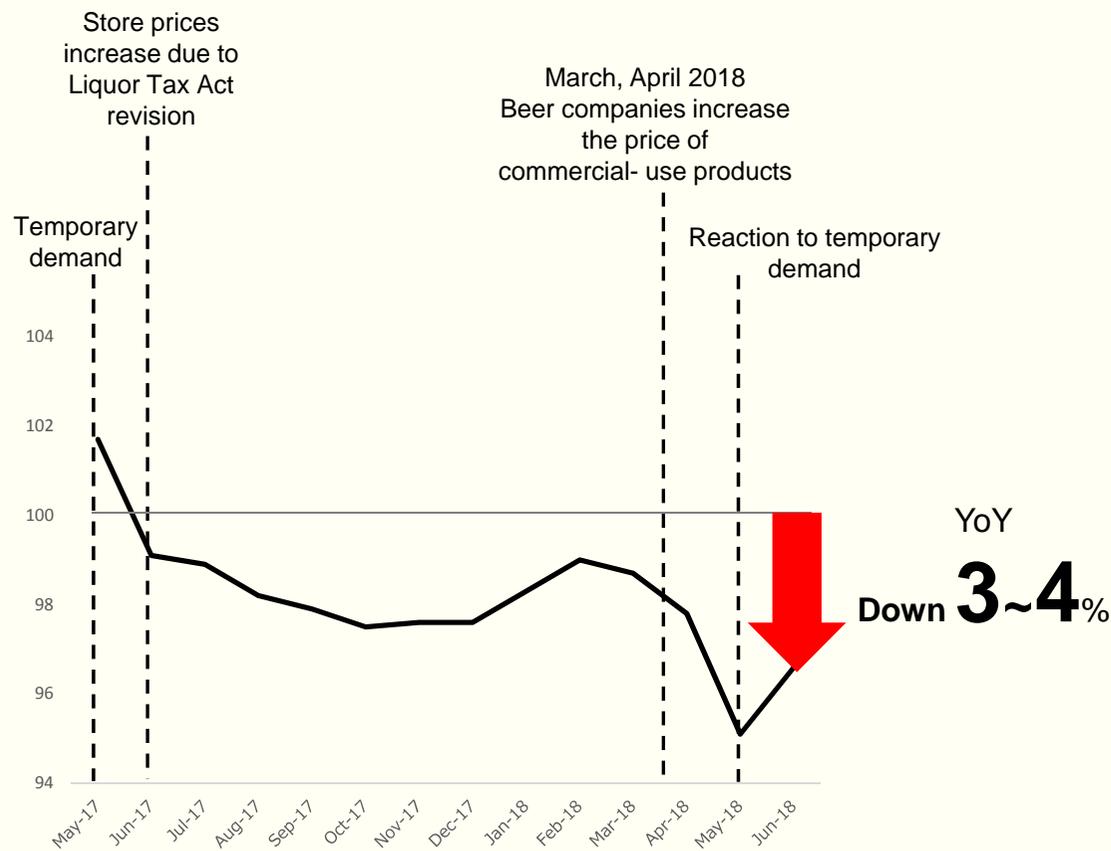
RTD will rapidly grow as users shift from beer and beer-type beverages

### Point 5

Wine growing steadily after several booms  
In particular, Japanese wine will grow

## (2) Changes in Japanese Alcoholic Beverages Market

<YoY changes in total demand for beer and beer-type beverages (sales volume, total)>

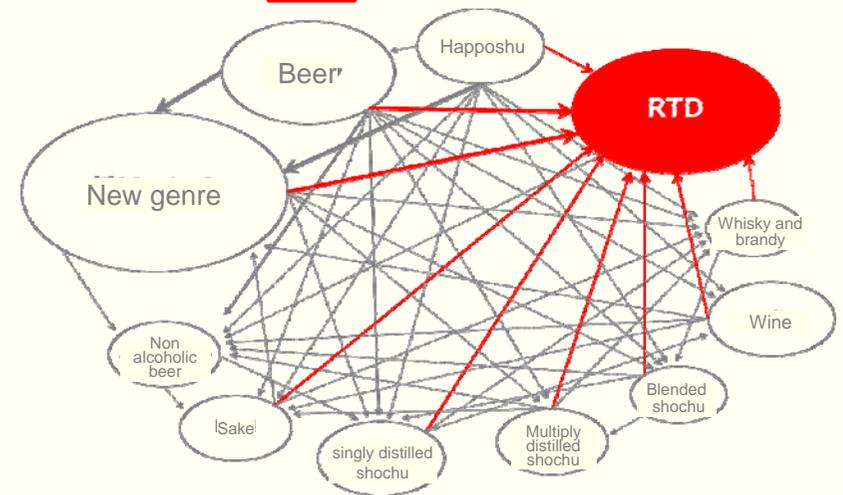


### Main factor 1

Shrinking market as expected at the beginning of the year

### Main factor 2

Demand shift to **RTD** accelerated



Map of changes in alcoholic beverage purchase volume in- and outflow <<Nationwide>>

Jan-Jun 2017 vs. Jan-Jun 2018 (based on volume)

### Main factor 3

Cooling down in commercial-use products due to price increase for kegs and bottles  
Shift of demand to Highball and Lemon Sour

## (2) Action to Changes in Japanese Alcoholic Beverage Market



### <Changes in the market>

Assumes recurrence of **beer** demand

Demand for **new genre** continues to be high

Diversification of taste intensifies

Shift to **RTD** accelerates

Shift to Highball and Lemon Sour

**Wine** grows (Japanese wine)



SAPPORO

### <Sapporo's measures>

**Strengthen beer brands**

**Relaunch of Mugi to Hop  
Launch of LEVEL 9**

**New craft beer brand  
Capital investment for small lot  
multi-product production, etc.**

**Launch of Rirakusu and 99.99**

**Utilize Dewar's Highball and  
lemon products by POKKA**

**Strengthen fine wine  
Acquired vineyard in Hokkaido**

# Second-Quarter 2018 Highlight

# Second-Quarter 2018 Highlight

2018  
2Q



**Hard fight in new genre and canned coffee, categories with low priority in the medium- to long-term**  
**Despite severe business results, we will give priority to growth of focal fields and continue with investments**

## Revenue



\*See p.10, 11 for details

## Operating profit



\*See p.12, 13 for details

## Profit attributable to owners of parent

(billions of yen)



➤ The Japanese alcoholic beverages (-¥5.8 billion) and food and soft drinks business (-¥3.1 billion) saw the largest declines in revenue, resulting in a ¥8.9 billion decline compared with a year ago in total

➤ Operating profit declined ¥4.2 billion year on year due to the impact of revenue decline primarily at the Japanese alcoholic beverages

➤ A decline of ¥2.3 billion reflecting the decline in operating profit

# Second-Quarter 2018 Highlight

2018  
2Q

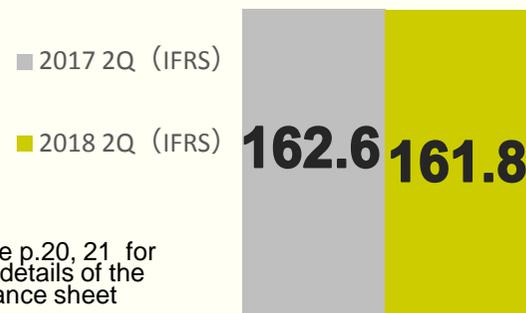


## Balance of net debt



D/E ratio **1.4** times

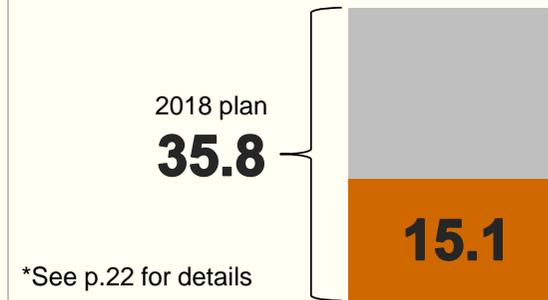
## Equity



\*See p.20, 21 for the details of the balance sheet

## Cash basis investment

(billions of yen)



\*See p.22 for details

## Group Management Platform



- Started full-scale long-term observational intervention research of lemon's health effects in Osakikamijima-cho in Hiroshima Prefecture  
-A five-year study of health conditions of residents with continuous lemon intake-
- The popularity ranking among college students graduating in 2019 Sapporo Breweries improved from 189<sup>th</sup> last time to 32<sup>nd</sup>  
(Rakuten Minshu survey)

\*See p.23, 24 for details

## Group Topics

- Sapporo Group's first Integrated Report issued (June 18)
- Selected for the facilities subsidy project using the Joint Crediting Mechanism by the Ministry of the Environment  
-To contribute to Vietnam's measures against global warming-
- Selected as an SNAM Sustainability Index brand
- Selected as 2018 Competitive IT Strategy Company
- Began joint modal shift by four beer manufacturers

\*See Appendix p. 37, 46 for details

# Revenue by Segment

2018  
2Q



(billions of yen)	① : 2017 2Q (J GAAP)	② : 2017 2Q (IFRS)	Differences arising from transfer to IFRS②-①	③ : 2018 2Q (IFRS)	YoY changes amount (③-②)	YoY changes % (③-②)
<b>Consolidated Revenue</b>	258.0	<b>250.7</b>	(7.3)	<b>241.7</b>	<b>(8.9)</b>	(3.6) %
Japanese Alcoholic Beverages*	128.6	<b>119.2</b>	(9.4) <small>(Rebate deduction▲9.4)</small>	<b>113.4</b>	<b>(5.8)</b>	(4.8)%
International*	32.7	<b>37.9</b>	5.2 <small>(Change in price to include liquor tax+5.3)</small>	<b>37.8</b>	<b>(0.1)</b>	(0.2)%
Food & Soft Drinks	65.5	<b>62.8</b>	(2.7) <small>(Rebate deduction▲2.7)</small>	<b>59.6</b>	<b>(3.1)</b>	(5.0)%
Restaurants	13.8	<b>13.6</b>	(0.2)	<b>13.2</b>	<b>(0.4)</b>	(3.2)%
Real Estate	11.8	<b>11.7</b>	(0.1)	<b>12.1</b>	<b>0.4</b>	3.1%
Other	5.6	<b>5.6</b>	0.0	<b>5.7</b>	<b>0.1</b>	2.2%

※ : The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018. The consolidated financial statements for 2017 2Q have been adjusted retroactively to reflect these changes.  
(Net sales: 1.0 billions of yen, Operating income: 0.1 billions of yen)

See P.11 for more details

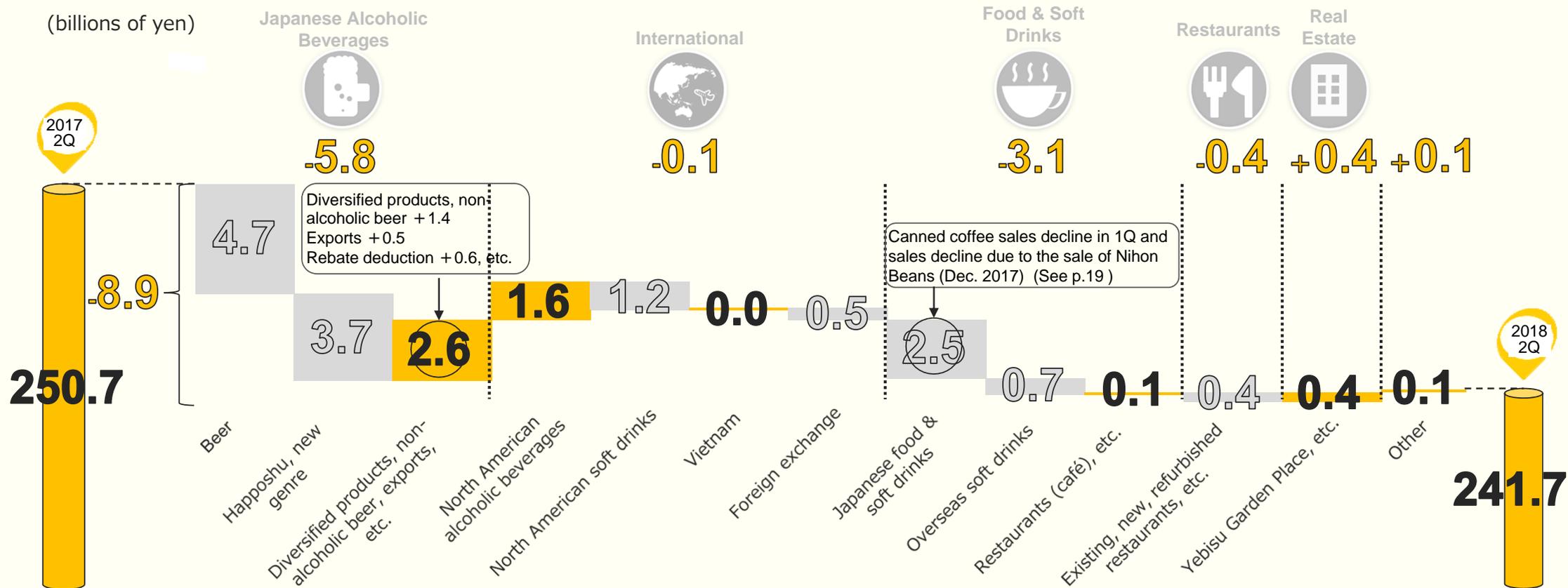
# Main Factors Contributing to Changes in Revenue

2018  
2Q



**The main factors behind revenue decline are Japanese beer and beer-type beverages and soft drinks in Japan and elsewhere**

**Yellow** = Increase  
**Grey** = Decrease



\*From 2018, the export business of Sapporo International Inc. was transferred to Sapporo Breweries Ltd.

# Operating Profit by Segment

2018  
2Q



(billions of yen)	① : 2017 2Q (J GAAP)	② : 2017 2Q (IFRS)	Differences arising from transfer to IFRS②-①	③ : 2018 2Q (IFRS)	YoY changes amount (③-②)
<b>Consolidated Operating Profit</b>	3.0	<b>1.2</b>	(1.9) <small>(Real-estate tax▲1.3)</small>	<b>(3.0)</b>	<b>(4.2)</b>
Japanese Alcoholic Beverages*	1.6	<b>0.6</b>	(1.0) <small>(Depreciation and amortization ▲0.6, Retirement benefit expense ▲0.3)</small>	<b>(2.3)</b>	<b>(2.9)</b>
International*	(0.0)	<b>0.5</b>	0.5 <small>(Non-amortization of goodwill +0.8, Presentation reclassification ▲0.2)</small>	<b>(0.2)</b>	<b>(0.7)</b>
Food & Soft Drinks	(1.2)	<b>(0.3)</b>	0.9 <small>(Non-amortization of goodwill +1.1, Presentation reclassification ▲0.2)</small>	<b>(1.3)</b>	<b>(1.0)</b>
Restaurants	(0.2)	<b>(0.3)</b>	(0.1) <small>(Real-estate tax▲0.1, Presentation reclassification +0.1)</small>	<b>(0.5)</b>	<b>(0.1)</b>
Real Estate	5.8	<b>4.2</b>	(1.6) <small>(Real-estate tax▲1.1, Depreciation and amortization ▲0.2)</small>	<b>4.6</b>	<b>0.3</b>
Other	(0.1)	<b>(0.2)</b>	(0.1) <small>(Presentation reclassification ▲0.1)</small>	<b>(0.1)</b>	<b>0.1</b>
Corporate	(2.9)	<b>(3.4)</b>	(0.5) <small>(Retirement benefit expense ▲0.3, Presentation reclassification ▲0.2)</small>	<b>(3.2)</b>	<b>0.1</b>

※ : The export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. effective January 1, 2018.

The consolidated financial statements for 2017 2Q have been adjusted retroactively to reflect these changes.

(Net sales: 1.0 billions of yen, Operating income: 0.1 billions of yen)

See P.7 for more details

# Main Factors Contributing to Changes in Operating Profit

2018  
2Q

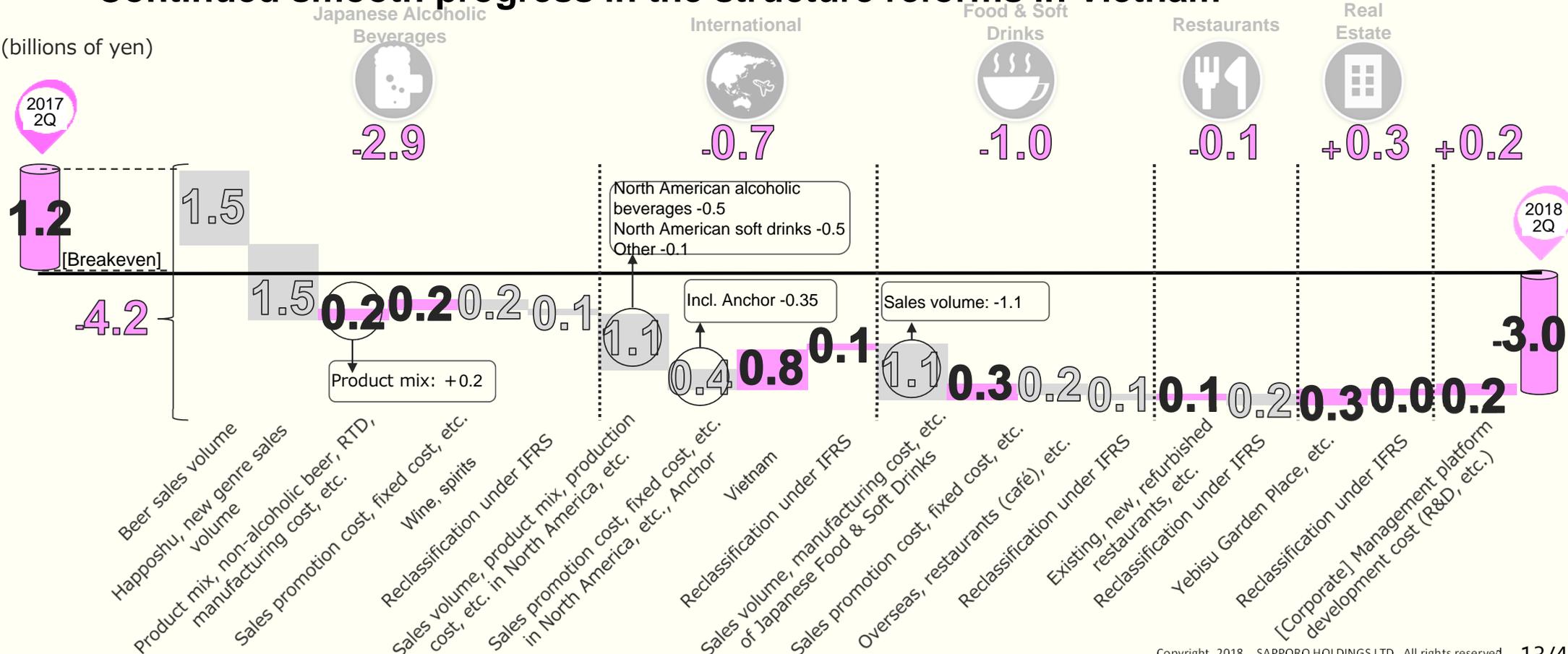


: Main factor of profit decline is the revenue decline in Japanese alcoholic beverages

Continued smooth progress in the structure reforms in Vietnam

■ = Increase  
■ = Decrease

(billions of yen)



\*Reclassification under IFRS: other non-operating revenues and expenses as well as extraordinary income and loss



# Japanese Alcoholic Beverages

Revenue **113.4** YoY change **-5.8**

IFRS Operating profit **-2.3** YoY change **-2.9**

\*YoY change is on an IFRS basis

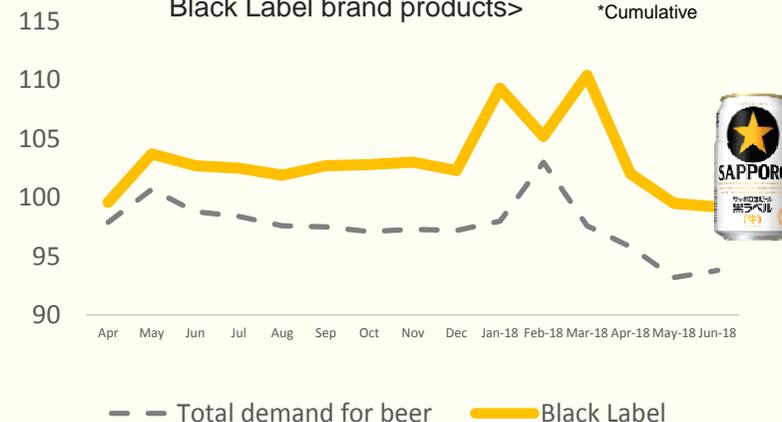
## 2018 2Q

Positive

- Black Label brand continued to grow. Cans were up **5%** year on year
- RTD was up **24%** year on year Increasing steadily led by Rirakusu

\*Black Label is based on sales volume and RTD on sales value

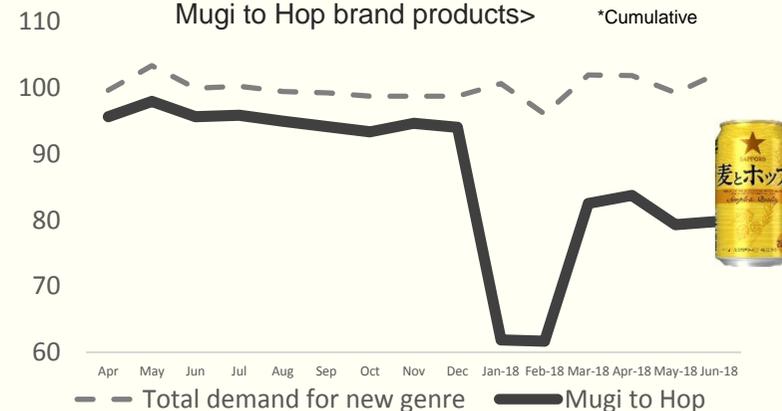
<YoY changes in sales volume of Black Label brand products> \*Cumulative



Negative

- Sales volume of new genre was down **10%** year on year
- Sales of kegs and bottles declined partly due to the impact of price revisions

<YoY changes in sales volume of Mugi to Hop brand products> \*Cumulative





# Japanese Alcoholic Beverages

## ⇒ Taking on the Challenge in the RTD Market

# 2018 2Q

# SAPPORO CHU-HI 99.99

Four Nines

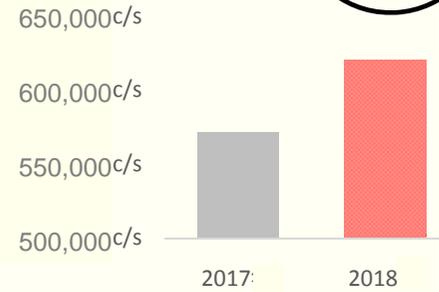


## Introduced on August 28 2018 sales plan: 2 million cases

\*Brand total (250ml count)



Up  
**8.9%**  
year on year



Achieved  
**20%** of the  
plan in 1 week



Up  
**42.5%**  
year on year



Up  
**213.5%**  
year on year



Source: Sapporo's shipment

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# International

Revenue **37.8** YoY change **-0.1**

IFRS Operating profit **-0.2** YoY change **-0.7**

## 2018 2Q

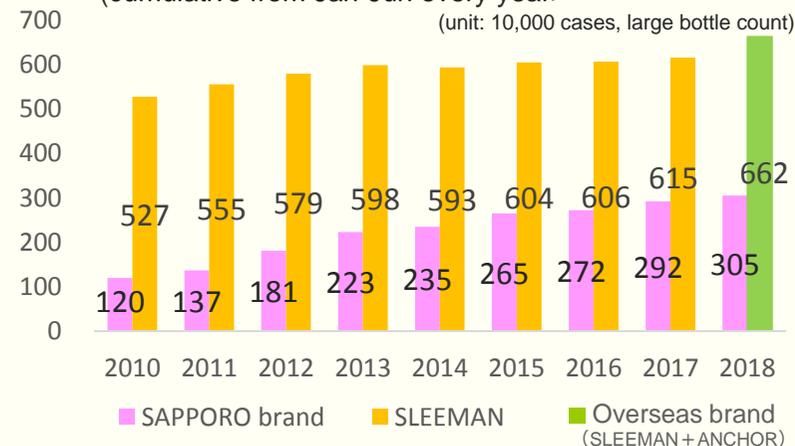
\*YoY change is on an IFRS basis

Positive

- **Sleeman sales continued to increase**  
Entering the RTD market with **SPLASH**
- **Sapporo brand expanded overseas**
- **Structure reforms progressing smoothly in Vietnam and earnings improved ¥0.8 billion**



<Changes in overseas beer sales volume (cumulative from Jan-Jun every year)>



Negative

- **Measures for improving earnings of North American soft drinks are in progress. The impact of improvement to start showing in the second half but the progress is slightly delayed**
- **Anchor is implementing PMI but facing a tough fight due to the sluggish beer market in San Francisco**

<North American soft drinks: Changes in sales in local currency>





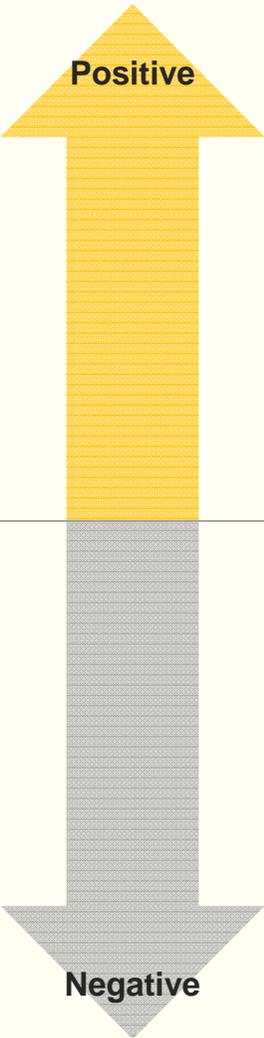
# Food & Soft Drinks

Revenue **59.6** YoY change **-3.1**

IFRS Operating profit **-1.3** YoY change **-1.0**

\*YoY change is on an IFRS basis

## 2018 2Q



➤ Sales of lemon-based products and tea drinks, on which we focus, were strong  
Sales volume of lemon-based products were up **17%** year on year

➤ Soy and chilled drinks, which we are nurturing, were up **14%** year on year

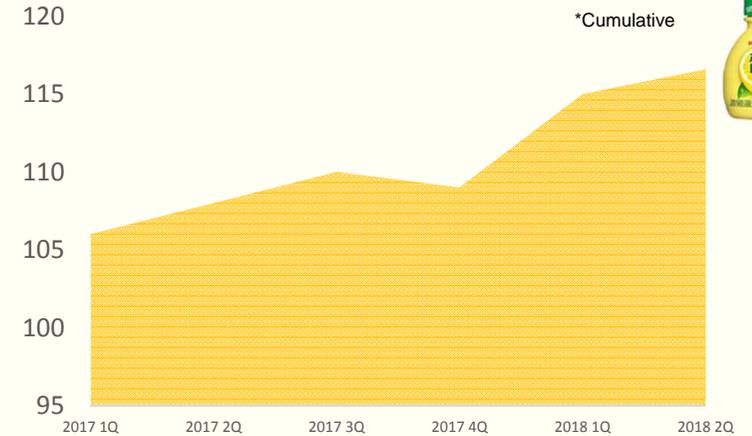
➤ Domestic sales in Singapore recovered

➤ Decline in coffee drinks' sales volume continued  
We will change the sales mix by growing lemon-based and tea drinks and proposing new values with Jeleets, etc.

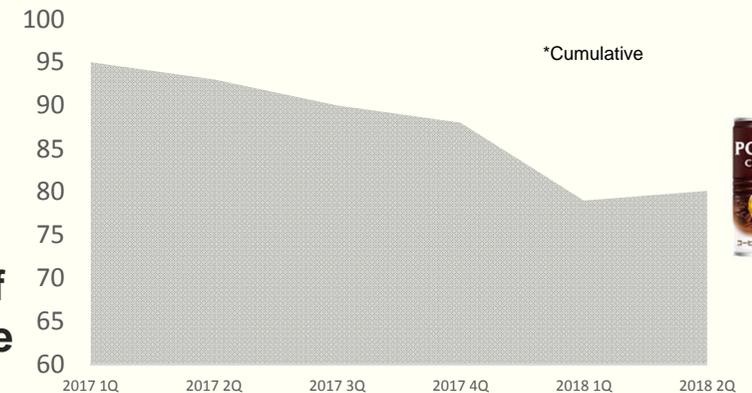


➤ Exports to Brunei have recovered with the launch of a new product, while sales continue to decline in the UAE due to the impact of commodity tax

<YoY change in sales volume of lemon-based products>



<YoY change in sales volume of coffee drinks>





## Restaurants

Revenue	13.2	YoY change	-0.4
IFRS Operating profit	-0.5	YoY change	-0.1

Positive

- While steep rise in ingredient prices and difficulties in acquiring human resources continue, we offset their impact with cost control and operations
- New and refurbished restaurants such as Sobaemon, a new format, were strong in general



- Comparable-store sales were down 2% year on year

Negative



## Real Estate

Revenue	12.1	YoY change	0.4
IFRS Operating profit	4.6	YoY change	0.3

Positive

- Mainstay properties maintained stable occupancy rate  
Generated stable cash flow

- Nothing special to mention

Negative

# Special Factors in the Business Results

2018  
2Q



## ➤ Impact of exchange rates on operating profit is negligible

### <Special factors in business results (YoY)>

Business segment	Details	Impact on revenue
International	ANCHOR BREWING COMPANY, LLC Consolidation began in October 2017	Approx. <b>+¥1.4 billion</b>
Food & Soft Drinks	NH Beans Withdrawal of business in December 2017	Approx. <b>-¥1.2 billion</b>

### <Impact of foreign exchange rates>

	2017 2Q	2018 2Q
US \$	¥112.34	<b>¥108.68</b>
EUR	¥121.66	<b>¥131.55</b>
CAN \$	¥84.24	<b>¥85.06</b>
SG \$	¥80.01	<b>¥81.94</b>



	Impact on revenue
Japanese Alcoholic Beverages	-
International	Approx. <b>-¥0.5 billion</b>
Food & Soft Drinks	-

-: negligible impact

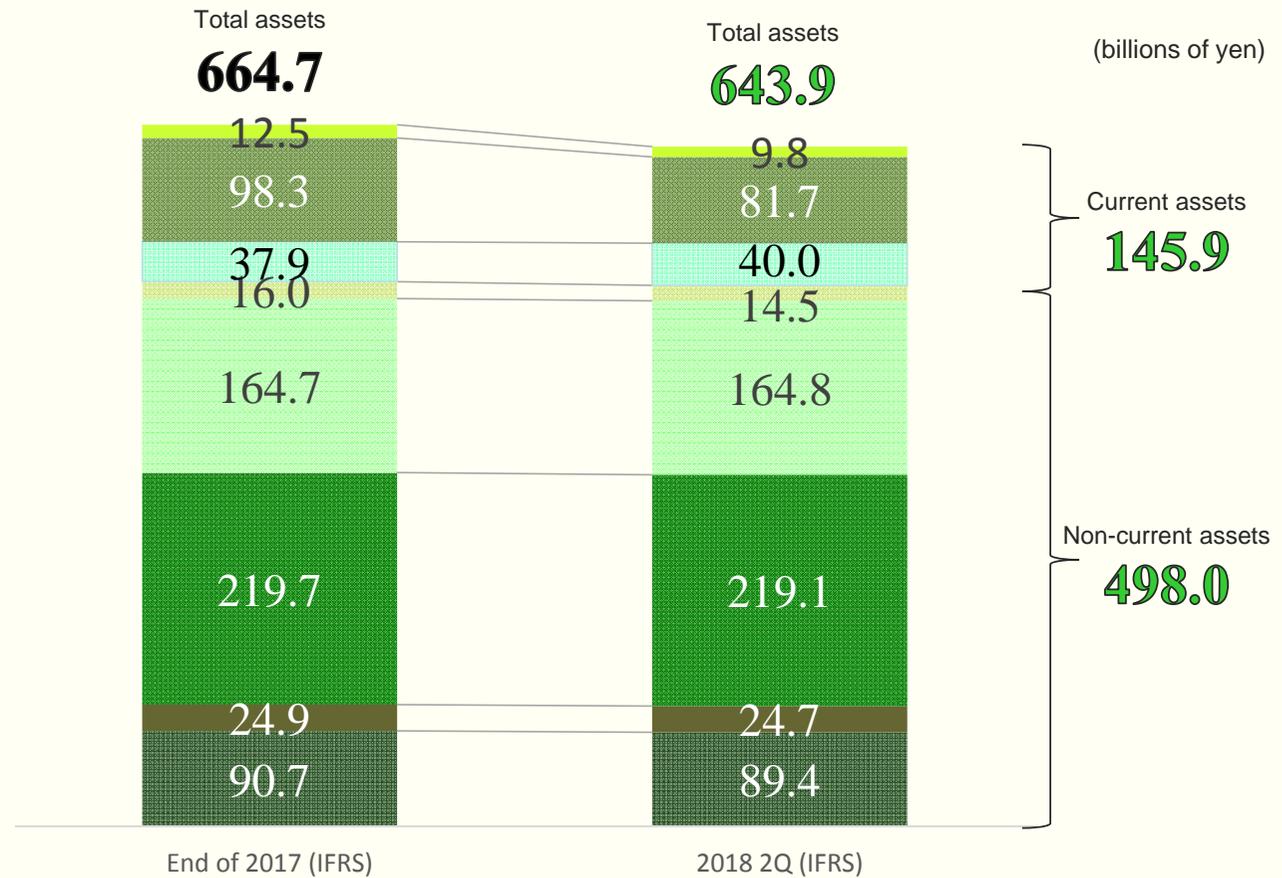
# Changes in Balance Sheets

2018  
2Q



**: Total assets declined ¥20.8 billion compared with the end of the previous year**

- Cash and cash equivalents
- Trade receivables  
→Seasonal factors, etc.
- Inventories
- Other current assets
- Fixed assets
- Investment property
- Goodwill
- Other non-current assets



# Changes in Balance Sheets

2018  
2Q



**: Total liabilities down by ¥6.9 billion, total equity down by ¥13.9 billion compared with the end of the previous year**

Trade payables

Short-term financial liabilities

Other current liabilities  
→Decline in liquor tax payable and income tax payable

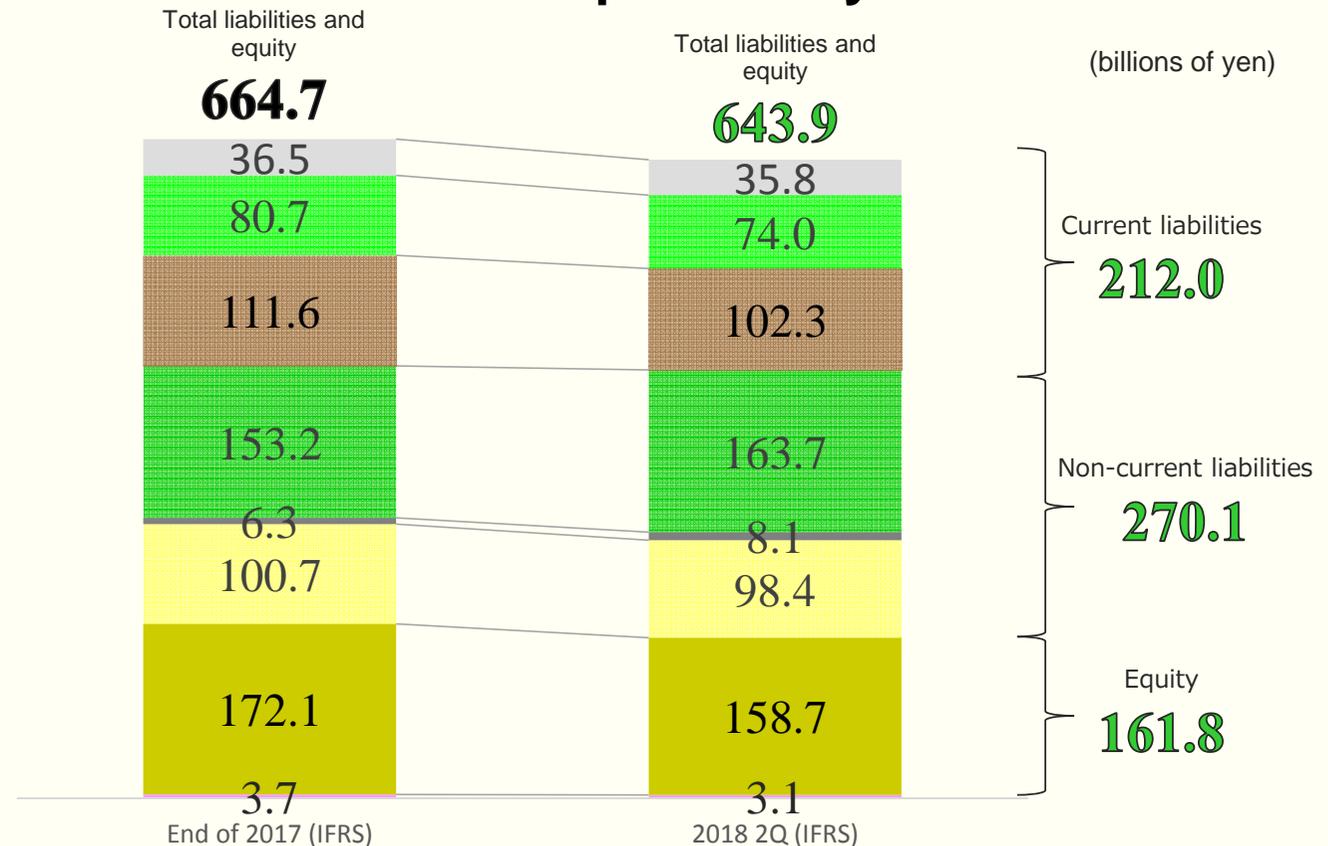
Long-term financial liabilities  
→Bond issuance

Net defined benefit liability

Other non-current liabilities

Total equity attributable to owners of parent  
→Net loss, payment of dividends

Non-controlling interests



# Financial Status

2018  
2Q



## ➤ Cash basis investment totaled ¥15.1 billion

(billions of yen)

<Consolidated cash flow statements>

	2017 2Q	2018 2Q	Change	%
Cash flow from operating activities	18.2	11.1	(7.2)	-39.4%
Cash flow from investment activities	(6.0)	(11.5)	(5.5)	-
Free cash flow	12.2	(0.4)	(12.7)	-103.6%
Cash flow from financing activities	(12.3)	(2.1)	10.2	-

<Changes in cash basis investment>



①<Capital expenditure>

about **¥7.2** billion in consolidated total  
 (tangibles, intangibles)

<Major items>

- “Alcoholic Beverages,” “Food,” “Soft Drinks” –related: about ¥5.7 billion
- SGM Group infrastructure streamlining, etc.: about ¥1.0 billion  
\*SGM: Sapporo Group Management Ltd.

②<Investment properties> about **¥2.7** billion in consolidated total

③<Lease fees> about **¥1.8** billion in consolidated total

\*Except lease fees for restaurant furniture

④<Other investment> about **¥3.4** billion in consolidated total

(Long-term prepaid expense, investment securities, etc.)

①+②+③+④ <2018 2Q investment total>

(Cash basis; including current capital expenditure, lease fees)

about **¥15.1** billion



## Full-fledged start of long-term observational intervention research of lemon's health effects at Osakikamijima-cho in Hiroshima Prefecture

-Study of health condition with continuous lemon consumption over 5 years-

Started a 5-year long-term observational intervention study in May 2018, the first such in Japan, to assess the health effects of consuming lemon, targeting 800 adults of Osakikamijima-cho in Hiroshima Prefecture

### ■ Implementation overview

- (1) Implementation period/location: from May 2018 to May 2023 (5 years); Osakikamijima-cho  
\*Once every year, the study will be done along with the health checkup, investigation
- (2) Target: 800 adult men and women of Osakikamijima-cho (target count)
- (3) Implementation details
  - Lemon intervention group: In addition to regular dietary life, consumes juice of one lemon daily
  - Lemon non-intervention group: Continues regular dietary life\*Investigations regarding health indices will be conducted for people in both groups once a year
- (4) Investigation details
  - Physical checkup, blood test, urine test, bone density analysis
  - Questionnaire regarding lemon consumption and dietary details, etc.

### ■ Background

Prior to starting this study, for a period of about one year starting from February 2017, we carried out a field study regarding day to day lemon consumption and health conditions targeting some 120 people in Osakikamijima-cho. The study revealed that residents of Osakikamijima-cho consume more lemon on a daily basis and that the more lemon consumed pointed to better trends in many health markers.



# Transformation of the Group Management Platform

2018  
2Q



Personnel, human resources



## Most popular companies for 2019 graduates -Sapporo Breweries Ltd. jumped to 32 from last year's 189

Japan's largest word-of-mouth employment information website Rakuten Everybody's Employment Diary (aka Minshu) announced the most popular companies for 2019 graduates and Sapporo Breweries Ltd. **jumped to 32 from last year's ranking of 189.** This was featured in articles by Nikkei Business and PRESIDENT magazines.

By reducing the time taken to select the entry sheet about 40% by using AI<sup>\*1</sup>, we generated time for publicity activities and created contacts with diverse students through hiring project<sup>\*2</sup>, one day internship program and collaborative seminars with companies in other industries.



\*1

Used AI for selecting new graduate hiring entry sheets  
[http://www.sapporobeer.jp/news\\_release/0000021851/index.html](http://www.sapporobeer.jp/news_release/0000021851/index.html)  
(Japanese)

\*2

More than 100 project members who applied from around the nation communicate directly with the students and encourage them so as to enable a much better employment search activity.



### 50 most popular companies among 2019 graduates!

Ranking	Company	Last year's ranking	Change
32	Sapporo Breweries	189	157

# Revision of 2018 Full-year Earnings Forecasts

# Revision of 2018 Full-Year Earnings Forecasts

2018  
2Q



➤ **Revenue: ¥18.0 billion decline from the initial plan**

<Japanese Alcoholic Beverages>

- Taking into account reduction in number of cases sold, revenue forecast was cut by ¥18.0 billion

➤ **Operating profit: ¥2.6 billion decline from initial plan**

<Japanese Alcoholic Beverages>

- Following declining revenue, revised downward by ¥3.0 billion

<International Business>

- Management reforms at two North American soft drinks companies expected to be delayed, resulting in downward revision of ¥0.3 billion

<Real Estate>

- Reflecting strong performance, revised upward by ¥0.2 billion

<Group>

- Cost reduction across the entire Group, revised upward by ¥0.5 billion

➤ **Profit attributable to owners of parent: ¥1.9 billion decline from initial plan**

- Decline of ¥1.9 billion due to decline in operating profit

	2018 Initial forecast	2018 Revised forecast	Revised by	2017 Results	Change
Japanese Alcoholic Beverages	272.5	<b>254.5</b>	<b>(18.0)</b>	261.6	<b>(7.1)</b>
International	81.9	<b>81.9</b>	-	78.5	<b>3.4</b>
Food & Soft Drinks	135.6	<b>135.6</b>	-	132.1	<b>3.5</b>
Restaurants	28.8	<b>28.8</b>	-	28.6	<b>0.2</b>
Real Estate	24.9	<b>24.9</b>	-	23.9	<b>1.0</b>
Other	12.1	<b>12.1</b>	-	11.8	<b>0.3</b>
<b>Revenue</b>	<b>555.8</b>	<b>537.8</b>	<b>(18.0)</b>	<b>536.6</b>	<b>1.2</b>
Japanese Alcoholic Beverages	10.5	<b>7.5</b>	<b>(3.0)</b>	10.1	<b>(2.6)</b>
International	1.4	<b>1.1</b>	<b>(0.3)</b>	(2.8)	<b>3.9</b>
Food & Soft Drinks	3.6	<b>3.6</b>	-	2.4	<b>1.2</b>
Restaurants	0.1	<b>0.1</b>	-	(0.5)	<b>0.6</b>
Real Estate	10.5	<b>10.7</b>	<b>0.2</b>	10.3	<b>0.4</b>
Other	0.1	<b>0.1</b>	-	(0.1)	<b>0.2</b>
Group wide	(7.5)	<b>(7.0)</b>	<b>0.5</b>	(6.6)	<b>(0.4)</b>
<b>Operating profit</b>	<b>18.7</b>	<b>16.1</b>	<b>(2.6)</b>	<b>12.8</b>	<b>3.3</b>
<b>Profit attributable to owners of parent</b>	<b>11.1</b>	<b>9.2</b>	<b>(1.9)</b>	<b>7.2</b>	<b>2.0</b>

## **Appendix: Reference Materials (FY2018 2Q)**

## Major Sales and Sales Volume

### Alcoholic Beverage (Japan)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Sapporo Draft Beer Black Label (total)	785	778	99%	1,701	1,706	100%
YEBISU (total)	418	360	86%	961	851	89%
1 Beer (total)	1,391	1,303	94%	3,102	3,007	97%
2 Happoshu (total)	164	127	78%	335	245	73%
3 New genre beer products (total)	686	617	90%	1,422	1,247	88%
Beer, happoshu, and new genre (total 1+2+3)	2,241	2,047	91%	4,859	4,500	93%
Non-alcoholic beer taste beverage	34	47	140%	70	106	151%

(billions of yen)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Domestic wines	2.4	2.3	94%	5.1	5.2	102%
Imported wines	3.7	3.5	95%	8.5	8.8	103%
Wine (total)	6.1	5.8	94%	13.6	14.0	103%
RTD, Spirits and Shochu (total)	14.5	15.8	108%	31.2	35.5	114%
Subtotal	20.8	21.7	104%	44.9	49.5	110%
Rebate subtracted from sales	(3.3)	(3.5)	-	(7.2)	-	-
Total	17.5	18.1	104%	37.7	-	-

\*Full year estimate for rebate subtracted from sales is not disclosed.

### Beer (International)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Overseas brand (SLEEMAN, Anchor, etc.)	615	662	108%	1,300	1,410	108%
Sapporo brand	292	305	104%	643	680	106%

### Soft Drinks (POKKA SAPPORO FOOD & BEVERAGE)

(10,000 cases)

	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2018	YoY	Fiscal 2017 Actual	Full-year estimate for fiscal 2018	YoY
Soft Drinks(*1)	2,129	2,031	95%	4,551	4,700	103%

\*1 : Excludes sales other than Japan and soy milk drinks sales in Japan

### Sales (including liquor tax)

(billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Change	Change (%)	
Beer		76.3	71.5	(4.7)	(6.2)%
Happoshu		6.3	4.9	(1.4)	(21.8)%
New genre		22.6	20.3	(2.3)	(10.3)%
Subtotal		105.2	96.8	(8.4)	(8.0)%
Rebate subtracted from sales		(6.1)	(5.2)	0.9	-
Total		99.0	91.5	(7.5)	(7.6)%

### Sales (excluding liquor tax)

(billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Change	Change (%)	
Beer		37.7	35.2	(2.5)	(6.5)%
Happoshu		3.5	2.7	(0.7)	(21.3)%
New genre		15.7	14.1	(1.6)	(10.5)%
Subtotal		56.9	52.1	(4.9)	(8.5)%
Rebate subtracted from sales		(6.1)	(5.2)	0.9	-
Total		50.8	46.8	(4.0)	(7.8)%

## Appendix Japanese Alcoholic Beverages



## Appendix Japanese Alcoholic Beverages



### 【Beer】 (sales volume)

Jan- Jun down **6%** y-o-y  
(total demand down 6%)

- ✓ Black Label Brand total down **1%** y-o-y  
(Sales of the canned version : **up 5%** y-o-y)
- ✓ Yebisu Brand total down **14%** y-o-y

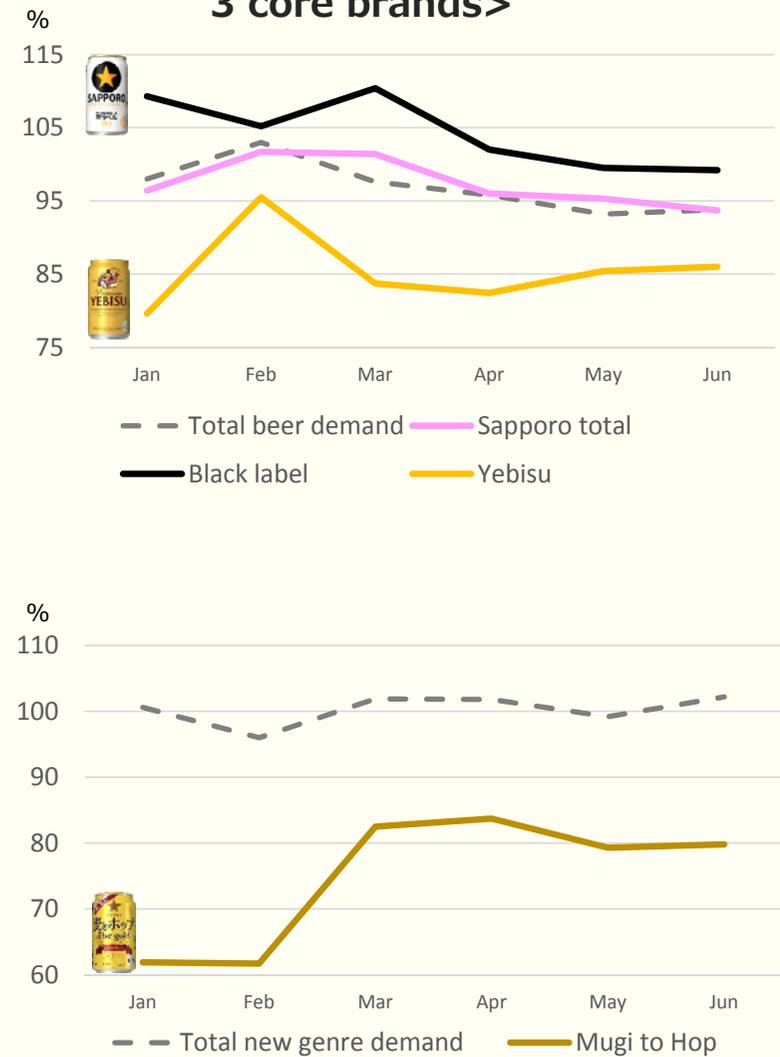
### 【Happoshu and New genre】 (sales volume)

- ✓ Jan- Jun down **12%**  
(total demand down 1%)
- ✓ Mugi to Hop Brand total down **20%** y-o-y
- ✓ Goku Zero Brand total down **27%** y-o-y

### 【Wine, Spirits and others】 (sales value)

- ✓ Wine : down **6%** y-o-y
- ✓ RTD : **up 24%** y-o-y
- ✓ Spirits : **up 12%** y-o-y
- ✓ Japanese liquor : **up 1%** y-o-y

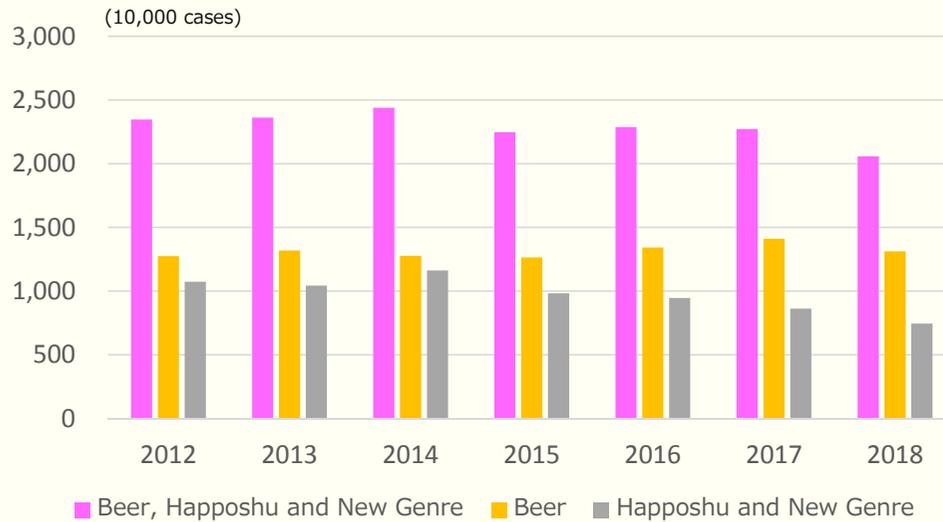
### <Y-o-y change in sales volume of 3 core brands>



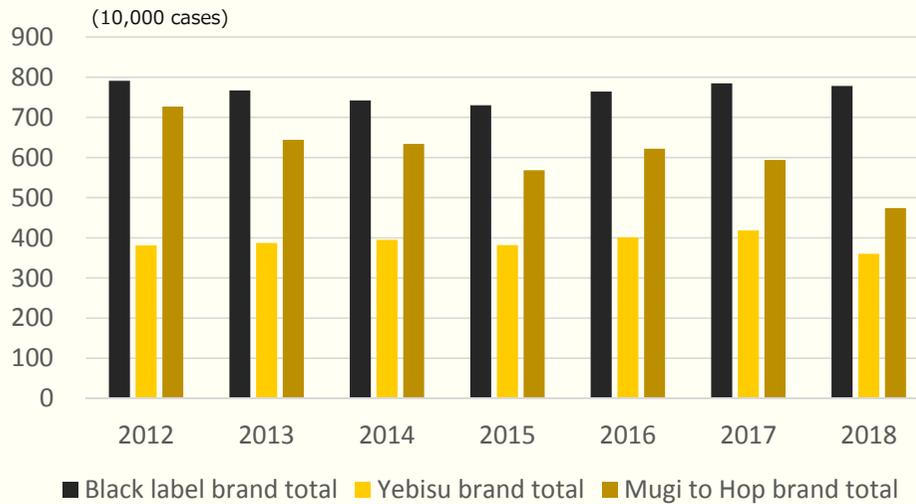
# Appendix Japanese Alcoholic Beverages



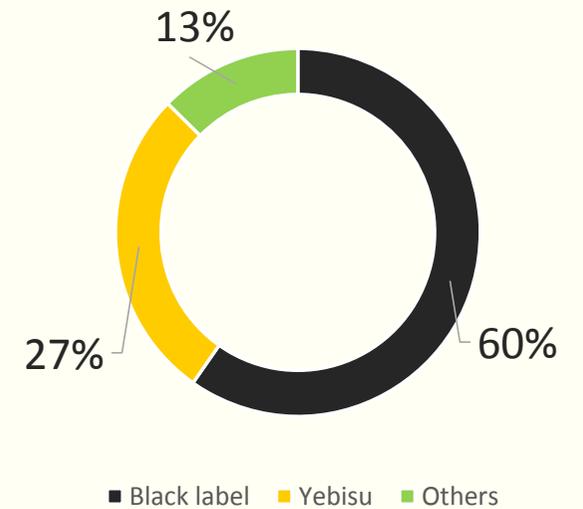
<Beer and beer-type beverages category  
Jan- Jun sales volume y-o-y change (Shipment base)>



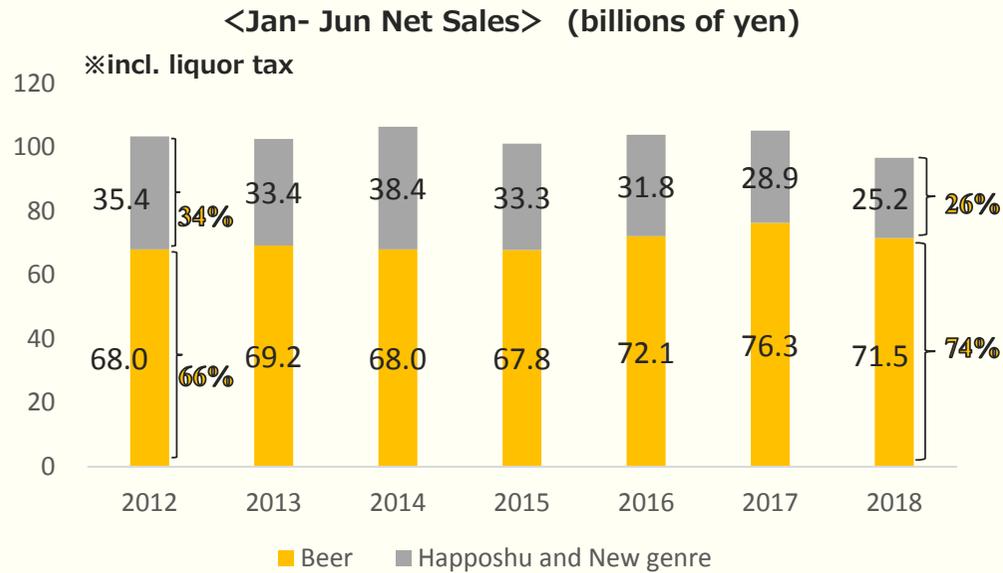
<3 core brands Jan- Jun Sales volume change> \*Sales base



<Beer lineup (Jan- Jun) breakdown>

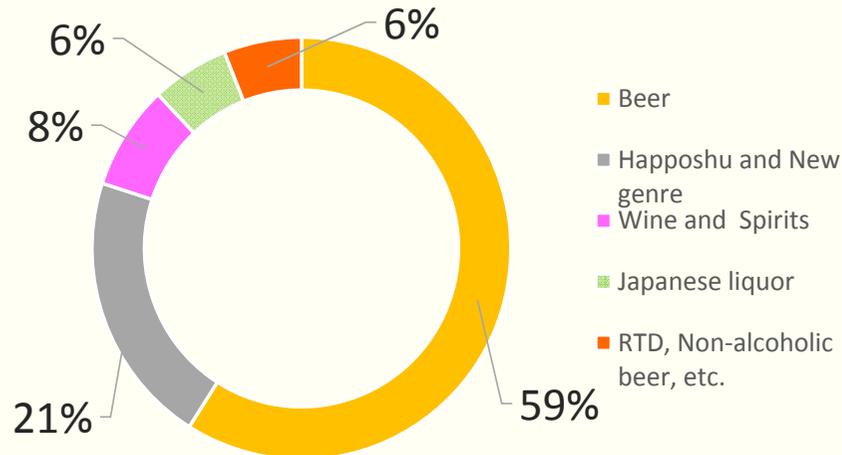


# Appendix Japanese Alcoholic Beverages



### <Jan- Jun Sapporo Breweries sales breakdown by category>

\*before elimination of inter- company transactions and rebate deduction



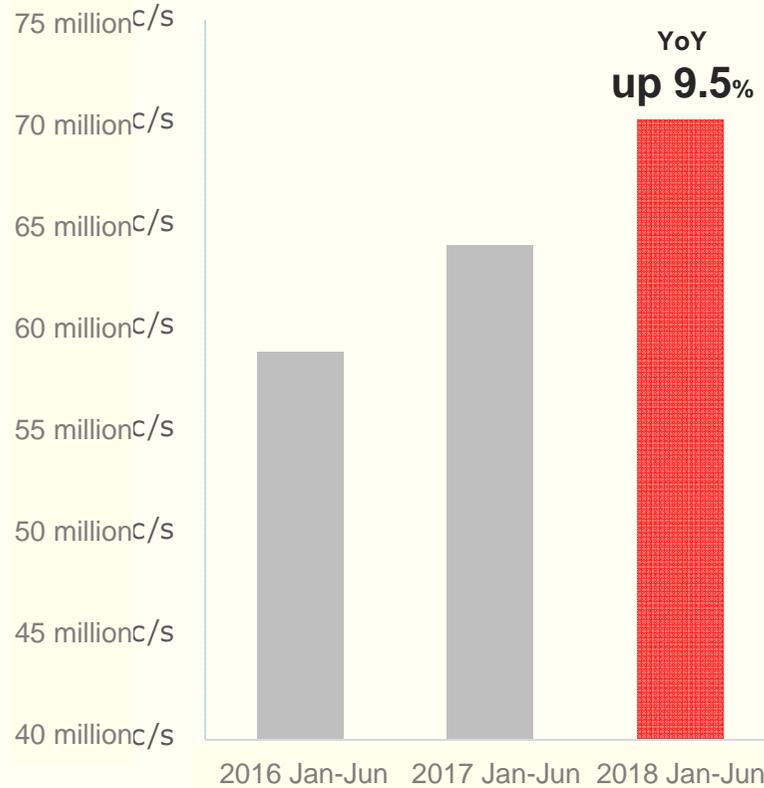
\*All Figures are before rebate deduction



Copyright, 2018 SAPPORO HOLDINGS LTD. All rights reserved.

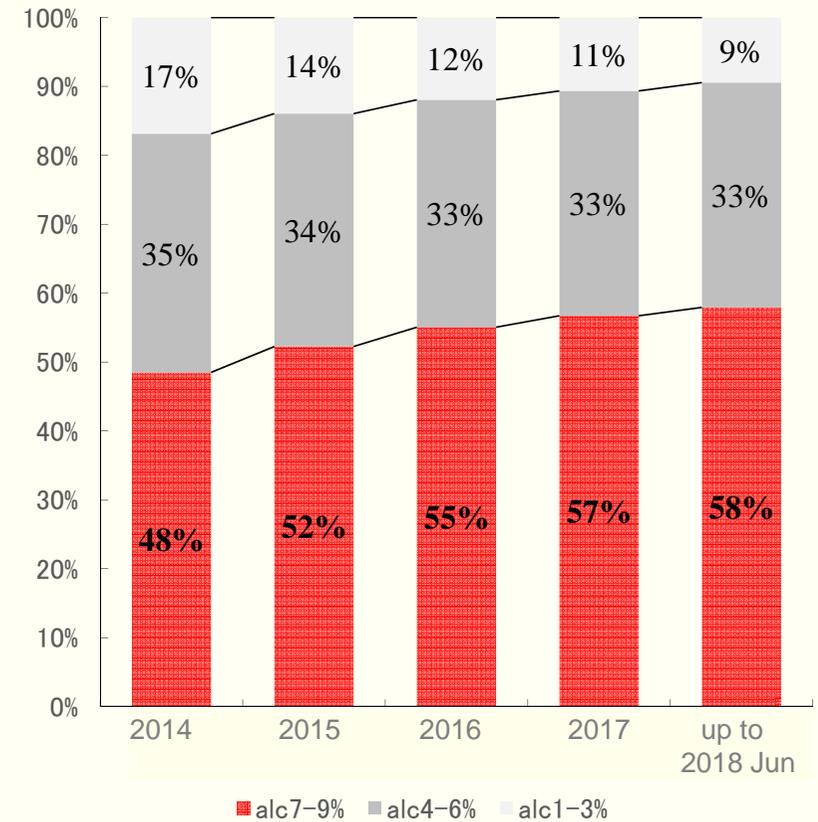
# RTD Market Grew Significantly by Almost 10% Strong-type RTD Reaching Almost 60% of Market

RTD market size



Source: Estimated sales size by Intage SRI (250ml×24 cans)

Share by alcohol percentage



Source: Volume share by Intage SRI

## Appendix



# Appendix Japanese Alcoholic Beverages



## <2018 Apr-Jun Major new products>

\*incl. improved products

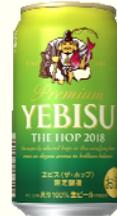
Beer, Happoshu and New genre



YEBISU Hanamiyabi" Special Edition Can



YEBISU Father's Day Label



YEBISU THE HOP 2018



CLASSIC 2018 Natsu no soukai



Shizuoka Bakushu 5th Year Anniversary Can



Fuumisokainishite Special Edition Can



Innovative Brewer Beer Cello (Japan Premium Brew Co.,Ltd.)



Innovative Brewer THAT'S HOP Polaris & Apollo no maho (Japan Premium Brew Co.,Ltd.)



Black Label Extra Brew



Black Label Special Edition Bottle



Black Label Special Edition Can



"Mugi to Hop" (Black) (improved product)



"Mugi to Hop" Special Edition Can



"Mugi to Hop" Special Edition Can



LEVEL 9 Zeitaku Strong



Black Label Special Edition Can

<2018 Apr- Jun Major new products> Non- alcoholic beer, RTD, Wine and Japanese liquor



Mugino Kutsurogi  
(Non- alcoholic beer)



Rirakusu (from left)  
Apple vinegar flavor, Lemon vinegar flavor,  
Grape vinegar flavor, Orange vinegar flavor  
(RTD)



Kireto lemon sour  
Multivitamin  
(RTD)



Sumomo Nectar sour  
(RTD)



Ai no Skal  
Lemon sour  
(RTD)



Umekaku soda  
Plum liquor-  
Yogurt flavor  
(RTD)



Umekaku- Plum liquor  
250ml bottle series  
Convenience store version  
(RTD)



American wine- Beringer series



Grande Polaire



France wine- Domaine de Tariquet

Appendix  
Japanese Alcoholic  
Beverages



## Appendix



### Won the Superior Taste Award 3 Stars, the Highest Rank, for the 5th Consecutive Year with Sapporo WHITE BELG!

Sapporo WHITE BELG won the **highest ranked Superior Taste Award 3 stars**, awarded by the International Taste and Quality Institute (iTQi), based in Brussels, Belgium, to products that are considered **“Exceptional.”**

This makes it fifth year in a row that it has won the award.

\*iTQi is an organization that examines the taste of food and drinks and awards and promotes exceptional products. The organization receives entries from various countries around the world, and judges are famous chefs and sommeliers selected from 15 most prestigious European culinary associations and the international sommeliers association (ASI). The product undergoes strict sensorial test by the judges with the product name hidden. The highest rank of Superior Taste Award 3 stars is granted to products with overall rating of 90% or more in five categories of first impression, appearance, smell, taste and aftertaste.

[http://www.sapporobeer.jp/news\\_release/0000021949/index.html](http://www.sapporobeer.jp/news_release/0000021949/index.html) (Japanese)

### Grande Polaire Azumino Ikeda Vineyard Meritage Won Multiple Awards at International Wine Contests

Sapporo Breweries Ltd. entered various Grande Polaire Japanese wines at this year's international wine contests and won several awards. Among the products, Grande Polaire Azumino Ikeda Vineyard Meritage was highly rated at various contests.

The Sapporo Group will continue to take on the challenge of producing high quality, globally acclaimed Japanese wines with the help of growers who meticulously grow grapes that suit the land and brewers who are well-versed in the characteristics of the grapes and make wines deep-rooted in the local culture.

[http://www.sapporobeer.jp/news\\_release/0000021940/index.html](http://www.sapporobeer.jp/news_release/0000021940/index.html) (Japanese)



# Expanding the Sapporo Draft Beer Black Label Contacts



“Perfect Black Label” focuses on three Cs of quality standards of **CREAMY**, **CLEAR** and **COLD**. We have made it into the perfect black label, which lets you feel the deliciousness of draft even more.

## THE PERFECT BEER GARDEN 2018 OSAKA



THE PERFECT BEER GARDEN 2018 OSAKA serving Sapporo draft beer Black Label is being held this year again at Osaka Nishi Umeda Square for the period from June 20 to September 24 (planned).

[http://www.sapporobeer.jp/news\\_release/0000021931/index.html](http://www.sapporobeer.jp/news_release/0000021931/index.html)

## THE PERFECT BEER GARDEN 2018 TOKYO



The hugely popular THE PERFECT BEER GARDEN 2018 TOKYO is opened this year too at JR Shinjuku Station New South Exit from June 1 to September 2 (planned).

[http://www.sapporobeer.jp/news\\_release/0000021930/index.html](http://www.sapporobeer.jp/news_release/0000021930/index.html)

## THE PERFECT DAYS 2018



The Sapporo draft beer Black Label Perfect Days 2018 is being held in five cities (Sapporo, Niigata, Nagoya, Hiroshima and Fukuoka) one by one from June 22 so that customers can enjoy “the Perfect Draft Beer Experience.”

[http://www.sapporobeer.jp/news\\_release/0000021932/index.html](http://www.sapporobeer.jp/news_release/0000021932/index.html)

## THE PERFECT STAR WAGON 2018



The Sapporo draft beer Black Label Perfect Star Wagon 2018 is being held in seven cities (Sendai, Kobe, Okayama, Ehime, Oita, Kumamoto and Kagoshima) one after another from June 22.

[http://www.sapporobeer.jp/news\\_release/0000021933/index.html](http://www.sapporobeer.jp/news_release/0000021933/index.html)

## Appendix



# Start of Joint Modal Shift in Kansai – Chugoku/Kyushu Estimates CO2 Emission Reduction of About 1,500t (About 74% Compared to Existing Figures)

Sapporo Breweries Ltd., Kirin Brewery Co., Ltd., Suntory Beer Ltd. and Asahi Breweries, Ltd. agreed to a joint modal shift in in-house transportation in the Kansai – Chugoku/Kyushu region with the aim of reducing the environmental load in their logistics divisions as well as to address the lack of drivers due to reduction in long-distance truck transportation. The companies started implementing the measure from April 9, 2018

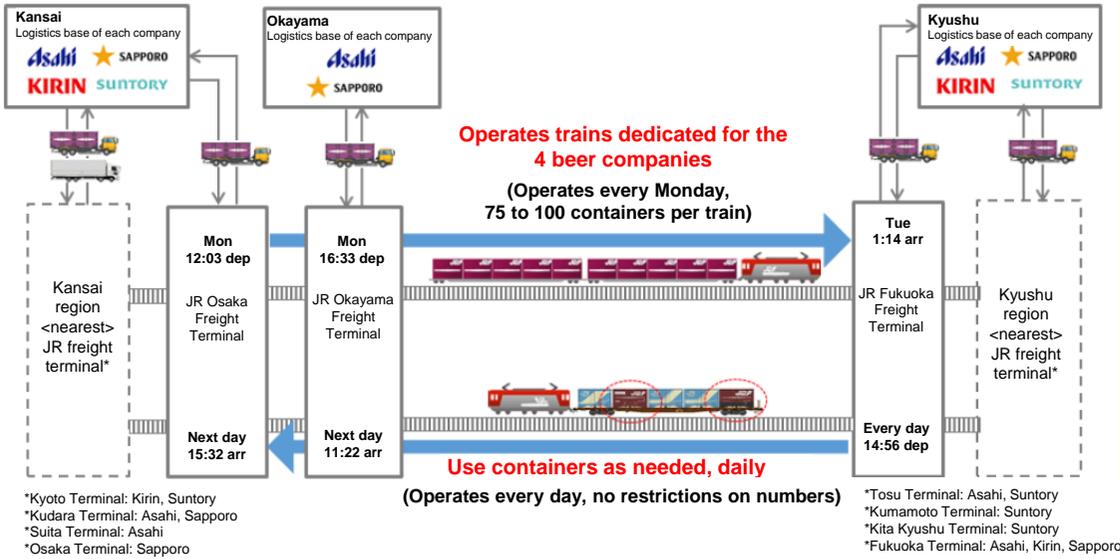
With this initiative, the four companies together estimate to reduce about 1,500t (about 74% of existing figures) in CO2 emissions annually by ensuring the transportation of goods equivalent to 2,400 long distance truckloads in railway containers.

[http://www.sapporobeer.jp/news\\_release/0000021883/index.html](http://www.sapporobeer.jp/news_release/0000021883/index.html)

## Appendix



<Ref: Joint Logistics Scheme in Kansai-Chugoku/Kyushu>



# Appendix International



**[Overseas Brand]** \*sales volume  
(Products of Sleeman and Anchor)

✓ Jan- Jun **up 8%** y-o-y

**[Sapporo Brand]** \*sales volume

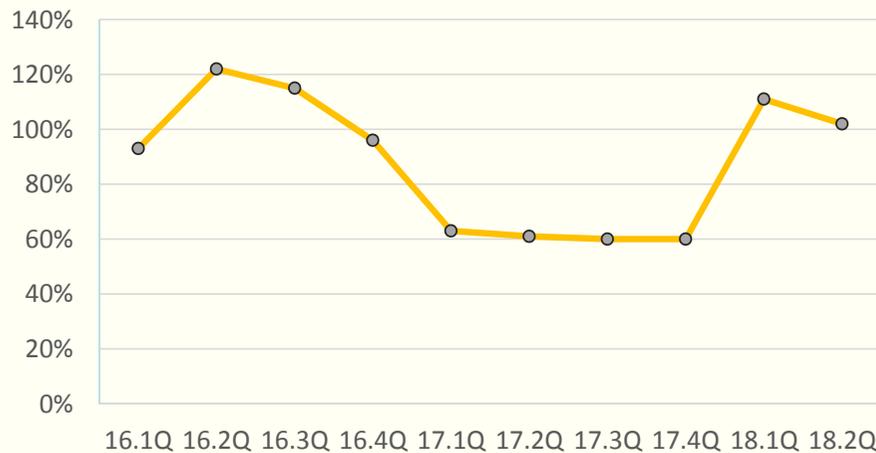
✓ Jan- Jun **up 4%** y-o-y

**[Vietnam]** \*domestic sales volume

✓ Jan- Jun **up 2%** y-o-y



<Y-o-y change in domestic sales volume in Vietnam>



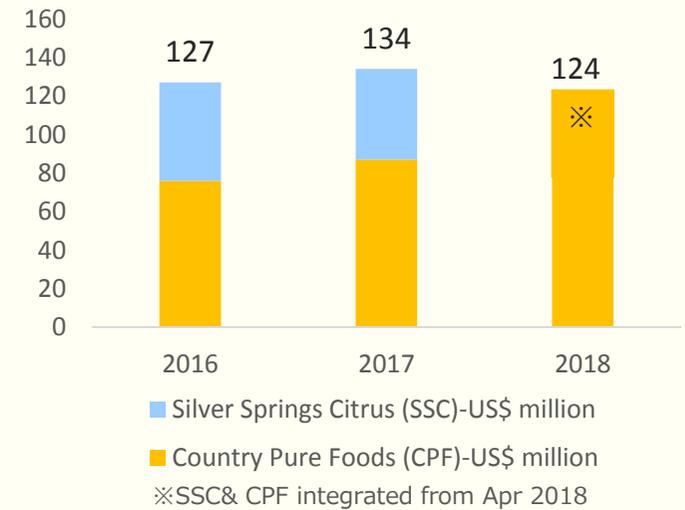
## [U.S. soft drinks business]

✓ Jan- Jun **down 8%** y-o-y

\* sales revenue after elimination of inter- company transactions

<U.S. soft drinks business Net Sales in Local Currency (Jan- Jun)>

\* before elimination of inter- company transactions

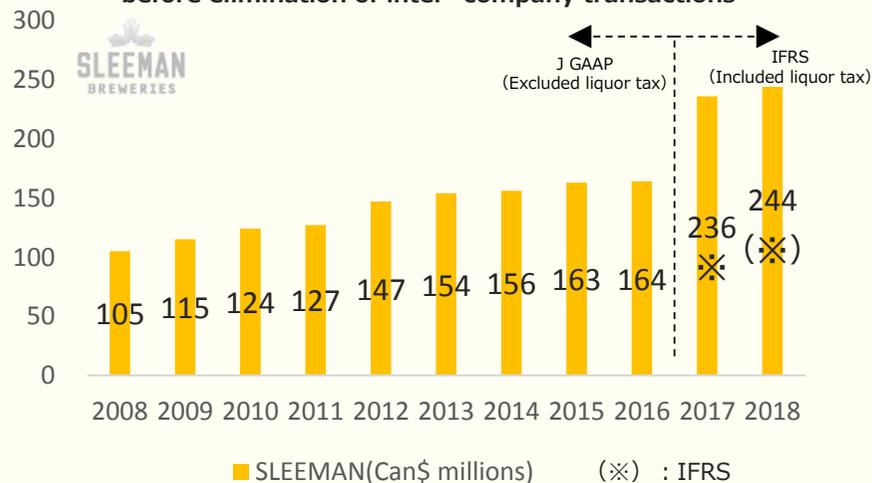


# Appendix International

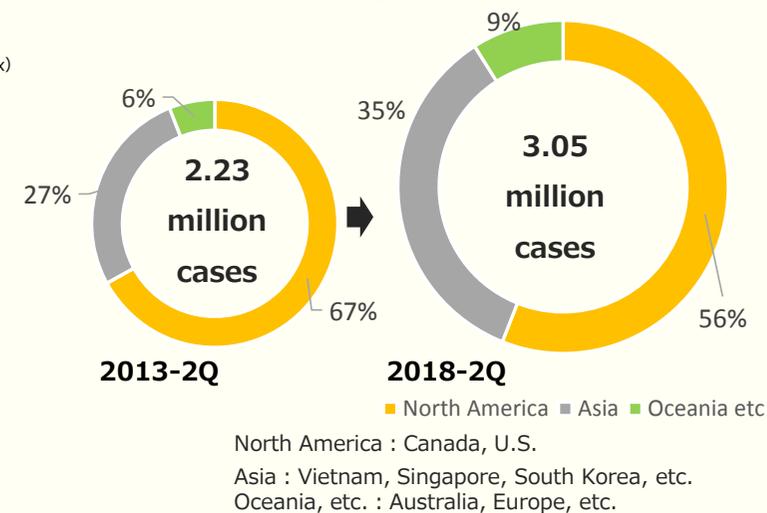


## <SLEEMAN : Net Sales in Local Currency (Jan- Jun)

\*before elimination of inter- company transactions

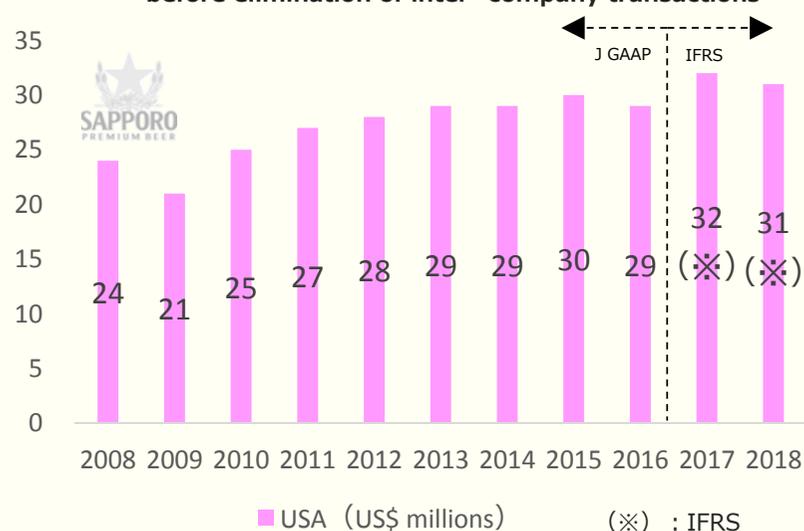


## Sapporo brand sales volume breakdown by geographic area

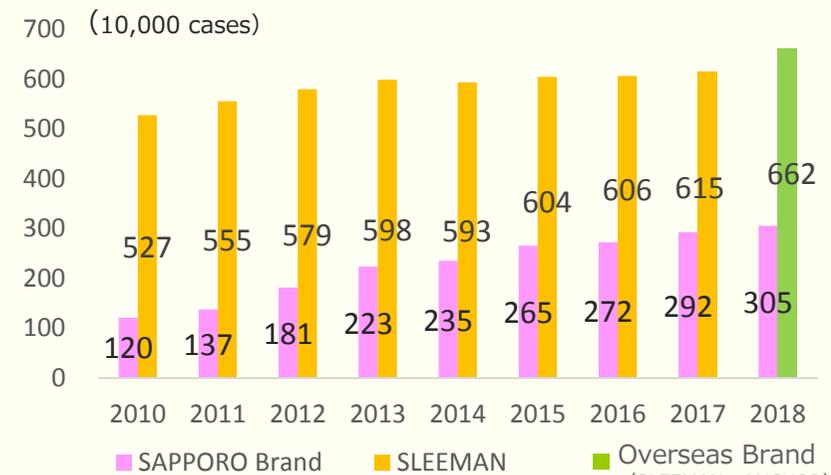


## <Sapporo U.S.A. : Net Sales in Local Currency (Jan- Jun)

\*before elimination of inter- company transactions



## <Trend of overseas sales volume of Sapporo brand products (Jan- Jun)>



## Appendix Food & Soft Drinks



### 【Lemon-based drinks】

✓ Jan- Jun **up 2%** y-o-y <sup>\*sales volume</sup>



### 【Lemon-based food products】

✓ Jan- Jun **up 17%** y-o-y <sup>\*sales volume</sup>

### 【Unsweetened tea drinks】

✓ Jan- Jun **up 2%** y-o-y <sup>\*sales volume</sup>

### 【Soups】

✓ Jan- Jun **down 9%** y-o-y <sup>\*sales volume</sup>

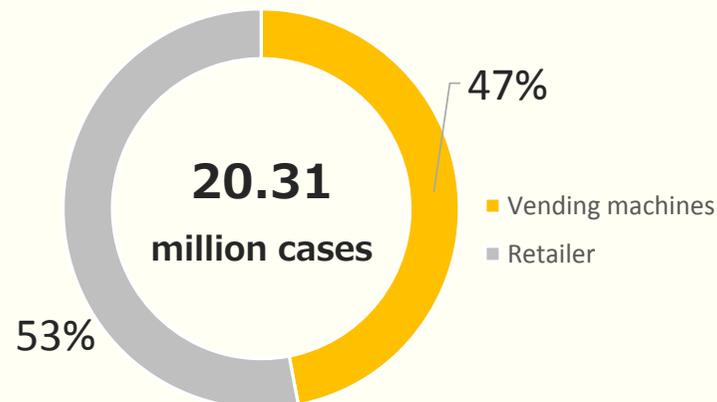
### 【Coffee drinks】

✓ Jan- Jun **down 20%** y-o-y <sup>\*sales volume</sup>

### 【Soy milk and chilled products】

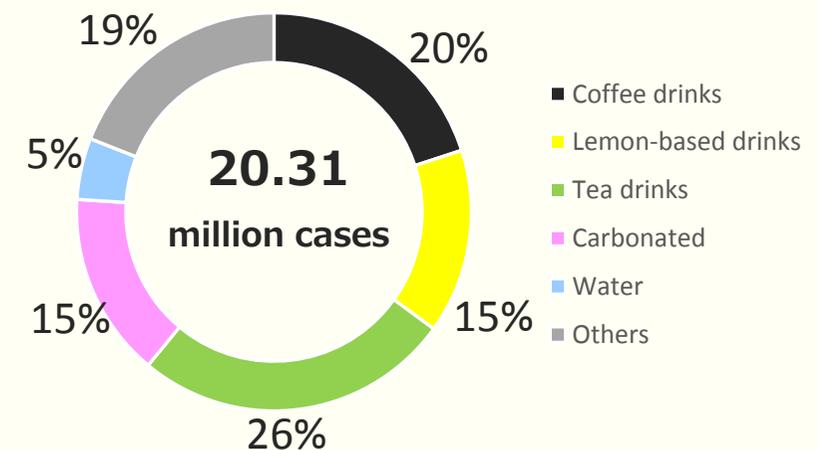
✓ Jan- Jun **up 14%** y-o-y <sup>\*sales volume</sup>

<Japanese soft drinks  
POKKA SAPPORO Food & Beverage  
Sales composition by sales channel  
(Jan- Jun)>

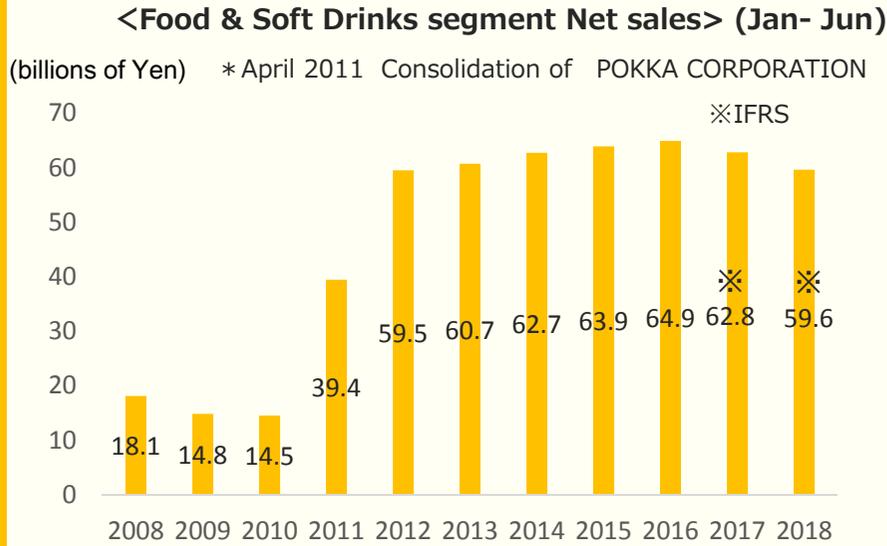


※Vending machines (end of Jun)  
own brand machines : about 83,000  
+ Multi-brand machines

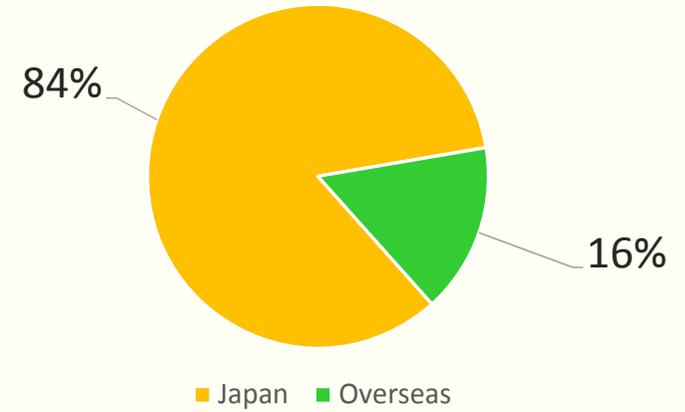
<Japanese soft drinks  
POKKA SAPPORO Food & Beverage  
Sales composition by genre  
(Jan- Jun)>



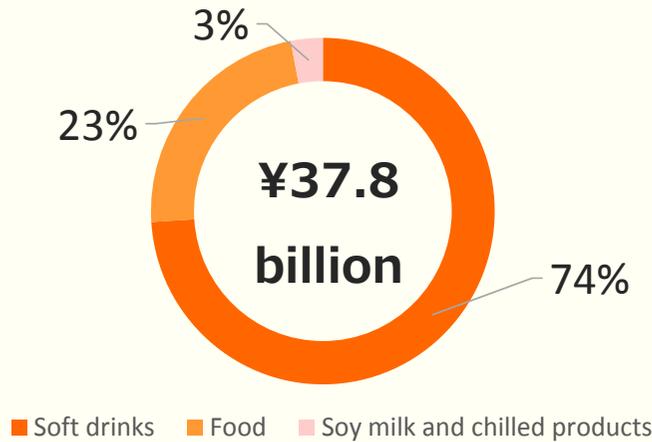
# Appendix Food & Soft Drinks



**<Food & Soft Drinks segment Net sales break down by geographic area>**  
\* before elimination of inter- company transactions



**<Japanese soft drinks POKKA SAPPORO Food & Beverage Sales composition (Jan- Jun)>**

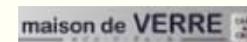


**<Overseas soft drinks POKKA Corporation (Singapore) Sales composition (Jan- Jun)>**



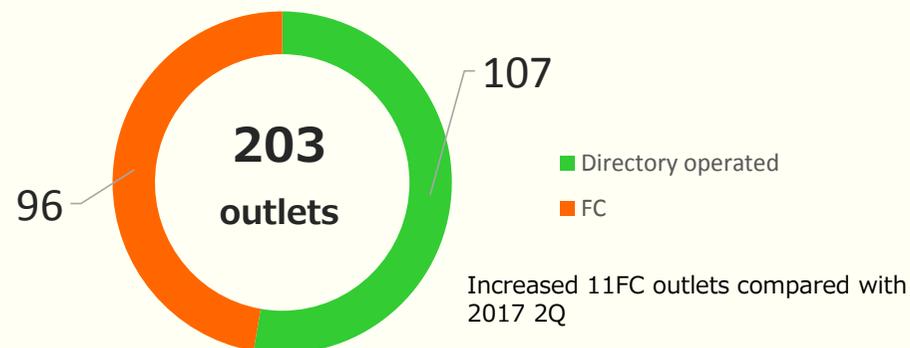
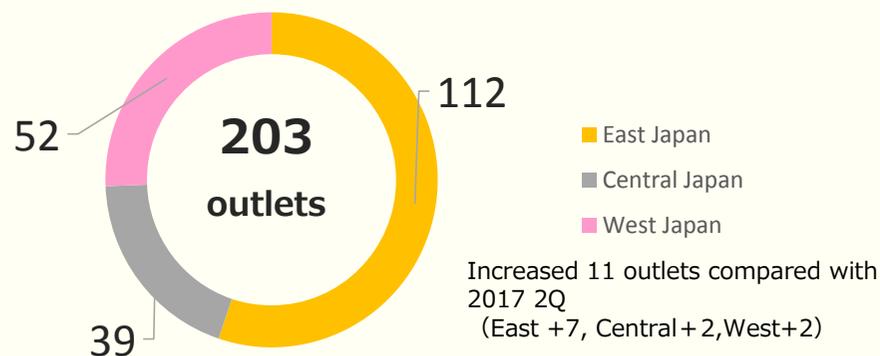
## 【Pokka Create CO., Ltd.】

✓ Jan- Jun Net sales **¥4.2 billion**  
unchanged y-O-y



CAFÉ de CRIÉ PLUS

<Number of outlets as of June 30, 2018 : 203>



<New & refurbish outlets >



## Appendix Food & Soft Drinks



## Appendix



# Establishment of Hybrid Plant for Cup-based Soups

The Group started selling canned soups in 1980, and in 1981 entered the powdered instant soup market in earnest, and has been expanding its soup business ever since. While the business has been growing steadily as the company offers products that reflect the diversifying dietary lifestyle and customer needs leveraging the proprietary flavoring and drying technologies built up over the years, it has become necessary to enhance the cup-based soup production capacity in order to achieve proactive business expansion in the future.

Towards that end, the Group, based on the assessment that synergy effect can be generated by leveraging its assets, decided to newly establish a facility to produce cup-based soups and the powder for the instant soups in the Sendai plant of Sapporo Breweries, Ltd.

This will be the fourth production base for POKKA SAPPORO after Nagoya plant, Gunma plant and Iwata POKKA Foods, Ltd. (a wholly owned subsidiary), and the first in the Tohoku region. With the start of operations of the new plant, the Group aims to achieve further growth in its soup business.

### <Profile of new plant and facilities>

Name	POKKA SAPPORO Food & Beverages Ltd. Sendai plant (tentative)
Location	Sapporo Breweries, Ltd. Sendai plant, 310-1 Hachiman Tekurada, Natori, Miyagi Prefecture
Employees	45 (planned)
Product	Cup-based soup
Lines	1 line
Production capacity	1.6 million cases/year (24 packs in 1 case)
Investment	About ¥2.6 billion

### Future plans

August 2019 Completion and start of operations

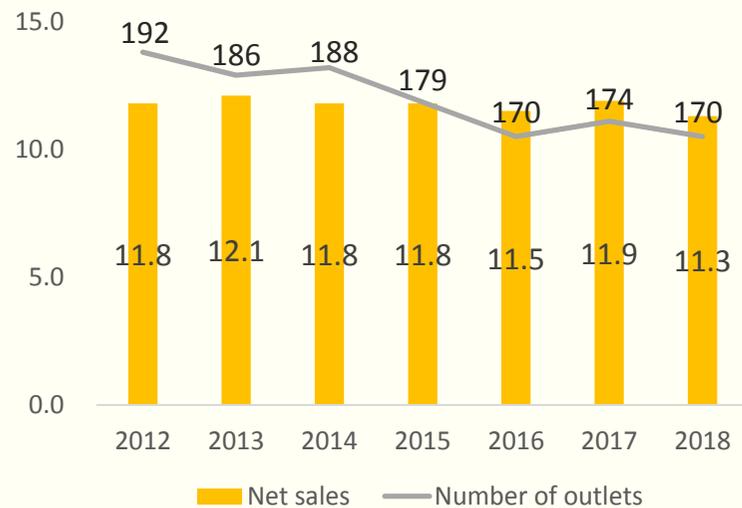


[https://www.pokkasapporo-fb.jp/company/news/release/180509\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/180509_01.html) (Japanese)

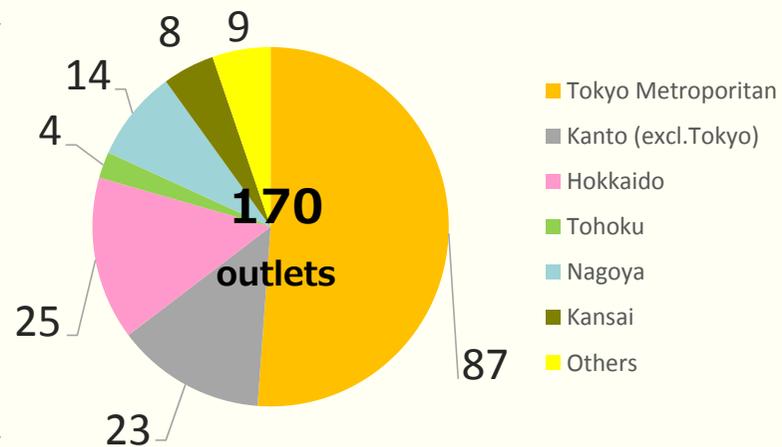
# Appendix Restaurants



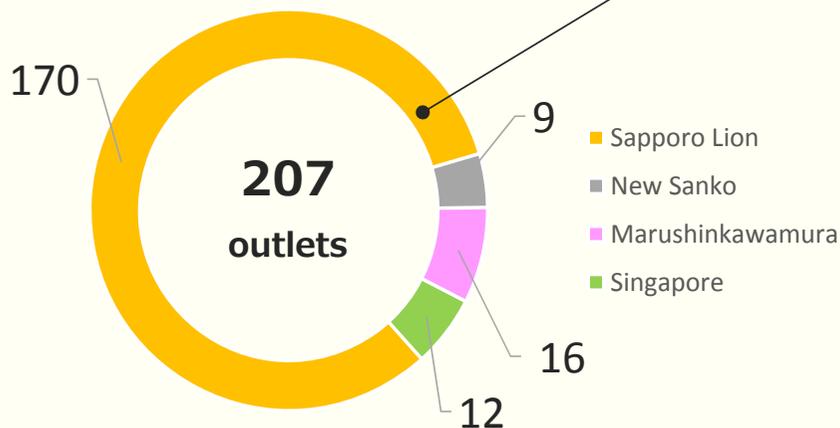
Trends of net sales and number of Sapporo Lion Outlets \*before rebate deduction



<Sapporo Lion outlets> As of June 30, 2018



<Restaurants segment total number of outlets>



<Brands>



## Appendix Real Estate



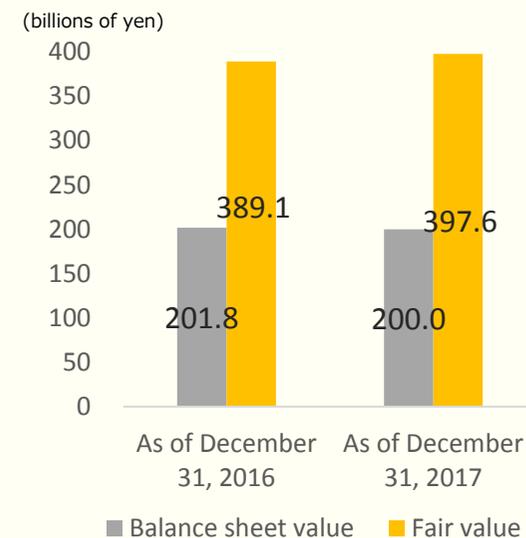
### <Major rental properties & occupancy rates : (Averages of Jan-Jun, 2018)>

	Site area (㎡)	Floor area (㎡)	Occupancy rate (%)	No. of floors
Yebisu Garden Place <sup>(1)</sup>	56,943	298,007	<b>100</b>	40 floors above ground, 5 below
Ebisu First Square	2,596	16,012	<b>100</b>	12 floors above ground, 1 below
Ebisu Square	1,561	8,644	<b>100</b>	7 floors above ground, 1 below
Ginza Place	645	7,350	<b>100</b>	11 floors above ground, 2 below
Strata Ginza <sup>(2)</sup>	1,117	11,411	<b>100</b>	13 floors above ground, 1 below

\*1: The number of floors is for the office block only. Occupancy rates are for office areas only.

\*2: Figures are for entire property. Sapporo owns 922m<sup>2</sup> of the site (sectional ownership) and 89.72% of the building (joint management)

### <Information about Real Estate for lease>



<Operating income> ※ (billions of yen)	2017 2Q	2018 2Q IFRS	Change
Yebisu Garden Place, etc.	—	3.5	—
Hokkaido	—	0.4	—
Other area & other operations	—	1.3	—
General corporate	—	(0.6)	—
Total	—	4.6	—

※There's no disclosure of operating income for 2017.2Q

<EBITDA> ※ (billions of yen)	2017 2Q	2018 2Q IFRS	Change
Yebisu Garden Place, etc.	—	5.0	—
Hokkaido	—	0.5	—
Other area & other operations	—	1.8	—
General corporate	—	(0.1)	—
Total	—	7.2	—

※Under IFRS,  
EBITDA=Profit from operations before non-recurring items+ Depreciation and amortization

## Various Initiatives by the Sapporo Group

- ✓ Selected as a member of the SNAM Sustainability Index again in 2018  
-Sapporo Group's ESG-related initiatives have been highly rated-  
[http://www.sapporoholdings.jp/news\\_release/0000020442/index.html](http://www.sapporoholdings.jp/news_release/0000020442/index.html) (Japanese)
- ✓ Selected as a 2018 Competitive IT Strategy Company  
[http://www.sapporoholdings.jp/news\\_release/0000020438/index.html](http://www.sapporoholdings.jp/news_release/0000020438/index.html) (Japanese)
- ✓ Two years from Kumamoto Earthquake: Support to Mashikimachi Next Generation Nurturing Project  
-Held Comedy Live in Mashikimachi for Adults and Children as the first initiative for the year  
[http://www.sapporoholdings.jp/news\\_release/0000020431/index.html](http://www.sapporoholdings.jp/news_release/0000020431/index.html) (Japanese)
- ✓ Selected for facilities subsidy project under the Ministry of the Environment Joint Crediting Mechanism  
-To contribute to Vietnam's global warming countermeasures-  
As a global company, the Group will actively carry out measures to address global warming and work towards achieving Sustainable Development Goals, which include common global environmental goals.  
[http://www.sapporoholdings.jp/news\\_group/release/0020180605/index.html](http://www.sapporoholdings.jp/news_group/release/0020180605/index.html) (Japanese)



<Memo>



# SAPPORO

As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles.

