



**SAPPORO**

# **Sapporo Group Business Results for 2019 Management Plan for 2020**

February 13<sup>th</sup> 2020

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

1 . Group Management Plan 2024	• • • P3~P13
2 . Management Plan for 2020	• • • P14~P28
3 . Business Results for 2019	• • • P29~P43
4 . Appendix	• • • P44~P59

# Group Management Plan 2024

## Formulation of Group Management Plan 2024

The Company has been promoting the “First Medium-Term Management Plan (2017-2020)” under the Long-Term Management Vision “SPEED150,” which covers the period up to the year 2026, the 150th anniversary of the Company’s founding.

However, in light of the recent trends in its business performance, the Company determined that continuation of current organizational structures and business activities would prove insufficient to respond to changes in the market environment and customer consumption styles, and the decision was therefore made to formulate a new medium-term management plan.

Taking into account the issues each business segment is facing and differences in the speed of growth of each respective business, the Company has set a formulated a five-year plan starting from the year 2020 and will vigorously push forward toward the achievement of the goals set in the plan for 2024.

# First Medium-Term Management Plan: Reflection

- While we achieved a certain level of success in transitioning toward a growth stage in line with the theme “Transform with unprecedented speed,” many issues also remained. We judged that it would be difficult to sufficiently address these issues by continuing with the existing plan

Themes	Results	Issues
<b>Transformation of the Group management platform</b>	<ul style="list-style-type: none"> <li>➤ Three-segment management format based on core businesses</li> <li>➤ Withdrew from unprofitable business (North American soft drinks)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Shifting to compact head office operations</li> </ul>
<b>Continued growth of existing business</b>	<ul style="list-style-type: none"> <li>➤ Steady growth of Black Label, RTD expansion</li> <li>➤ Sustained stable revenue from Real Estate business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Making Japanese alcoholic beverages and soft drinks businesses more resilient</li> </ul>
<b>Delivering results with investment business</b>	<ul style="list-style-type: none"> <li>➤ Turned Vietnam business profitable</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rebuilding and expansion of North American alcoholic beverages business</li> </ul>
<b>Capturing growth opportunities</b>	<ul style="list-style-type: none"> <li>➤ Started operations of new soup, soy beans, and chilled products facility</li> <li>➤ Acquired Yasuma Co., Ltd.</li> <li>➤ Established Sapporo Europe B.V.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Expansion of food business</li> <li>➤ Nurturing of global human resources</li> </ul>

# Group Management Plan 2024: Basic Policy



**Focus on core business and build resilience**

- Focus management resources on beer business
- Scale down/withdraw from low-return business and shift to food and other growth fields



**Accelerate global expansion**

- Transfer all overseas business to operating companies, and deploy a consistent global brand strategy
- Strengthen earning capacity with focus on North America and Asia-Pacific and simultaneously accelerate growth
- Nurture global human resources



**Establish simple and compact business structure**

- Restructure to downsized head office operations and easy-to-understand organizational structure and pursue BPR and DX
- Sapporo Holdings will focus on governance, operating company support, and management resource allocation functions
- Business promotion functions to be fully transferred to operating companies to increase responsiveness



**Promote sustainability management**

- Balance social and economic value, primarily through measures such as producing our own high quality raw materials
- Promote urban development in locations with connections to the Company, such as Ebisu, Sapporo, and Ginza
- Develop levels of management transparency and fairness that meet the demands of the times



# Management System Organized in Line with Operating Companies

- Transferred North American alcoholic beverages operating company to Sapporo Breweries Ltd., restructured the Food & Soft Drinks segment

Holding company	Business	Operating company	Affiliates under management of operating companies	
Sapporo Holdings	Alcoholic Beverages	Sapporo Breweries Ltd.	Domestic subsidiaries	
			Overseas subsidiaries (Sapporo USA, Sleeman Breweries, Sapporo Vietnam, Sapporo Europe B.V.)	
		Sapporo Lion Limited	Domestic and overseas subsidiaries	
	Food & Soft Drinks	POKKA SAPPORO Food & Beverages Ltd.	Domestic subsidiaries	
			Sapporo Group Foods Co., Ltd. (to be established on July 1)	Overseas subsidiaries (Pokka Corporation (Singapore) Pte. Ltd.)
			Domestic subsidiaries (Foremost Blue Seal, Ltd., Pokka Create Co., Ltd, Shinsyu-ichi Miso Co., Ltd. )	
	Real Estate	Sapporo Real Estate Co., Ltd.	Domestic subsidiaries	

## ▶ Transition to “Company with Audit and Supervisory Committee”

**Aim**

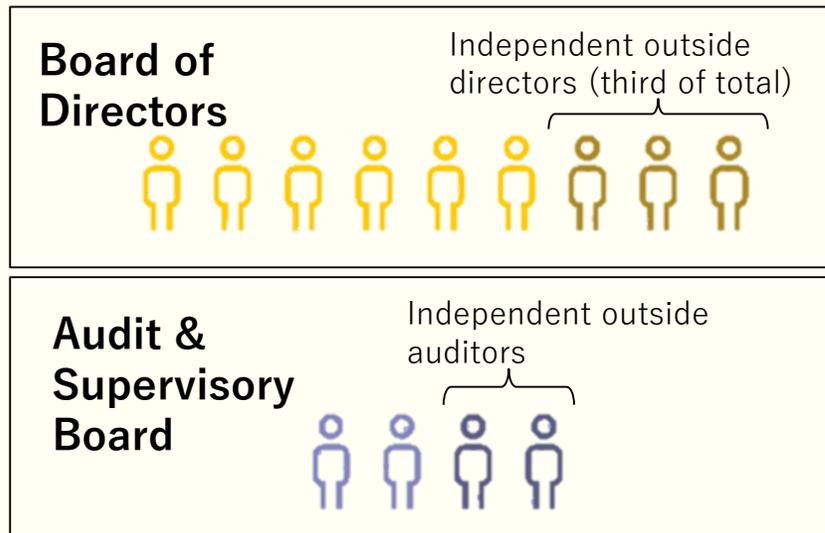
- Pursue further enhancements to corporate value by further enhancing corporate governance and enabling responsive decision-making through more efficient management.

**Timing**

- The transition is scheduled to be carried out after obtaining approval for necessary changes to the Articles of Incorporation at the 96th annual general meeting of shareholders scheduled to be held on March 27, 2020.

**Structure**

**<Current>**



**<Future>**



# Promotion of Sustainability Management

## 🔗 Towards realizing a decarbonized circular economy based on co-existence with nature

### 1. Decarbonization initiatives

- Aim to reduce CO<sub>2</sub> emissions at Sapporo Group companies in Japan and overseas by 20% by 2030 (compared to 2013 levels), and achieve net zero CO<sub>2</sub> emissions (carbon neutrality) by 2050
- Strive to reduce CO<sub>2</sub> emissions in value chain outside of Sapporo Group's bases

### 2. Working toward a circular economy

<Containers and packaging> Aim to shift entirely to containers and packaging appropriate to a circular economy

<Water resources> Reduce water usage by 10% by 2030 (compared to 2013 levels)

<Waste material> 100% waste recycling rate at main plants, 50% reuse rate by 2024 in the restaurant business, optimization of expiry dates at Sapporo Breweries

### 3. Coexisting with nature

- Utilize breeding techniques to develop barley and hops with characteristics enabling them to adapt to climate change
- Urban development that enables people to coexist with and feel closer to nature

#### Sustainability Policy

大地と、ともに、原点から、笑顔づくりを。

サッポログループは、  
人々の幸せな笑顔のために、地球環境や社会の課題に向き合い、取り組みます。  
自然の恵みの源泉である大地こそ最も重要なパートナーと捉え、  
商品・サービスの開発から、お客様が手にしたその後までの全ライフサイクルにおいて、  
思いをひとつにするステークホルダーとの協働・共栄に励み、  
原点からの発想を大切に、知恵を尽くして持続可能な笑顔の創出に挑みます。  
こだわりの「ものづくり」と、地域に根ざした「まちづくり」、  
そして「世界の笑顔の開拓者たれ」の誓いを胸に、  
地球上のあらゆる地域における「笑顔づくり」を目指します。

<https://www.sapporoholdings.jp/news/items/20191224SUS.pdf>

#### Sustainability materiality and four promises



[https://www.sapporoholdings.jp/csr/policy/systems/pdf/subject\\_materiality.pdf](https://www.sapporoholdings.jp/csr/policy/systems/pdf/subject_materiality.pdf)

## ▶ [Alcoholic Beverages]

- Increase domestic beer market share
- Enhance presence in North America



### Action plan

- Turn the changes in Japan's beer market caused by unification of liquor taxes into opportunities
- Redefine the values offered to customers (premium and reasonable)
- Focus management resources on core brands
- Business earnings structure reform (wine, RTD, imported spirits)
- Rebuild international alcoholic beverages business management structure
- Expand share in Canadian market, and acquire manufacturing bases in the U.S. and expand market share
- Establish global human resources development scheme

## ▶ [Food & Soft Drinks]

- Create next-generation business fields using plant-based materials
- Strengthen soy beans and chilled products, soup, and lemon businesses
- Restructure low-return businesses



### Action plan

- Create new categories of next-generation plant-based materials
- Place the soy beans and chilled products business on a growth track
- Ensure generation of profits in lemon and soup businesses
- Structural reforms of domestic vending machines and reallocation of management resources
- Expand Asia-Pacific business, restructure manufacturing and distribution bases, and optimize area-specific product portfolios

## ▶ [Real Estate]

- Maintain stable cashflow creation foundation
- Proactive investment in new properties
- Develop into high-return business model

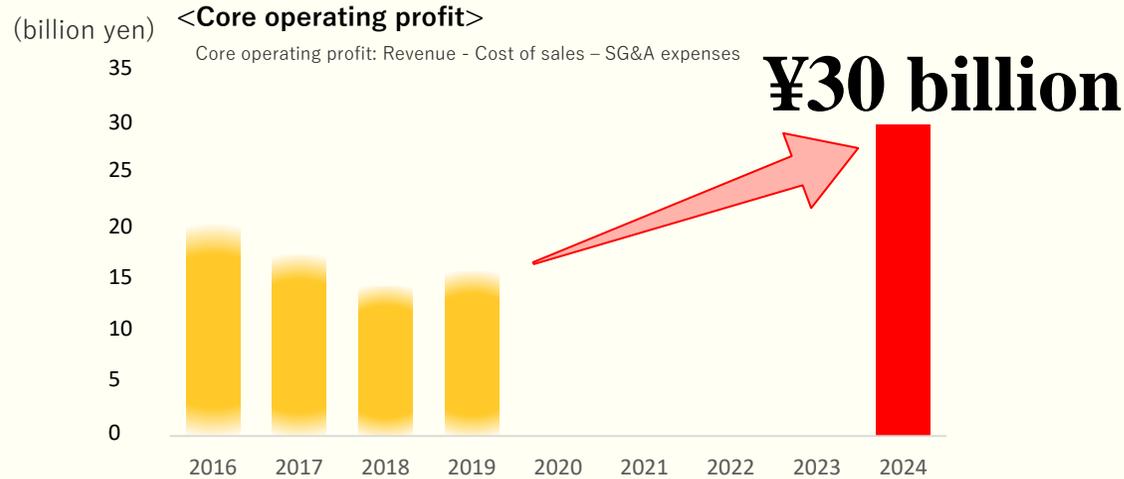


## Action plan

- Enhance value of Ebisu area centered on Yebisu Garden Place
- Improve profitability of Sapporo Factory, promote future urban development
- Acquire properties for future development, create communities
- Tackle new business fields and schemes

# Group Management Plan 2024: Financial Goals and Policy

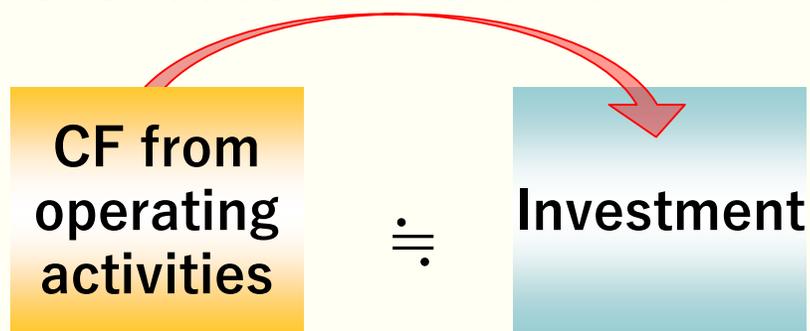
- ▶ [Financial goals] Achieve **¥30 billion** core operating profit in 2024



<Key indicators>

Revenue growth rate	2% or more (annual average)
Core operating profit to revenue ratio	5% or more
Overseas revenue growth rate	1.6 times (compared to 2019)

- ▶ [Financial policy] Place **emphasis on profitability** versus invested capital, while **maintaining current** financial composition and stability  
Pursue continuation of **stable dividend payment** as the policy for shareholder returns

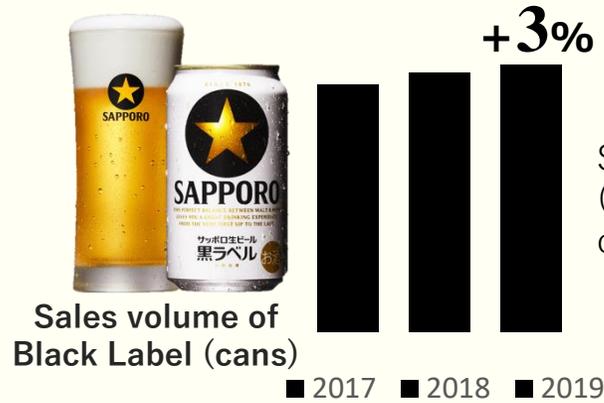


<Key indicators>

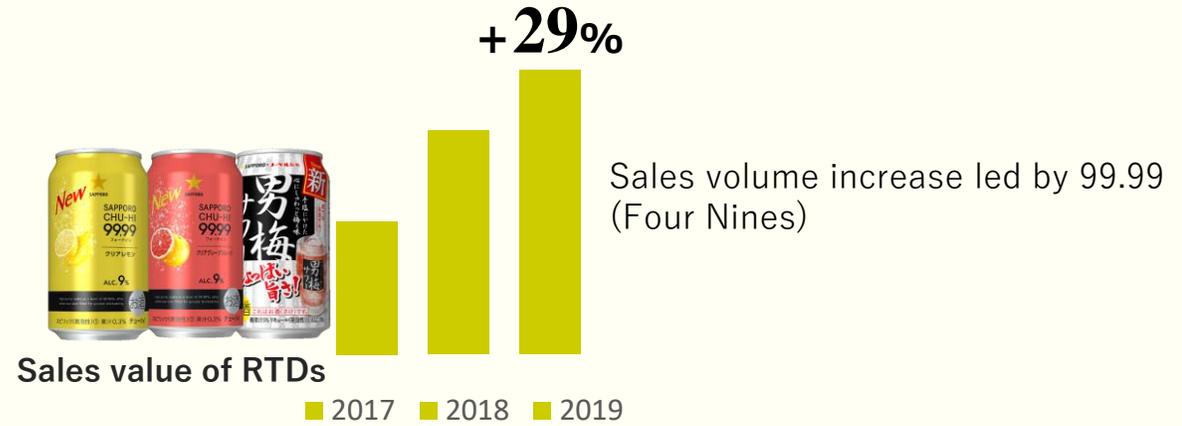
EBITDA interest-bearing debt ratio	* 2019 results 5.9 times
Net D/E ratio	1.2 times

# 2020 Management Plan

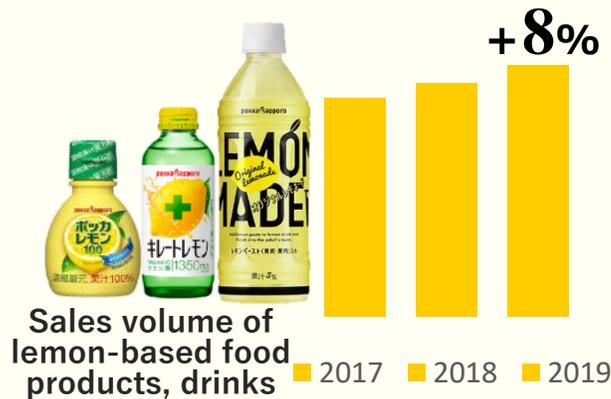
## ▶ [Results] Continued to strengthen core brands; profitability of the alcoholic beverages business in Vietnam improved further



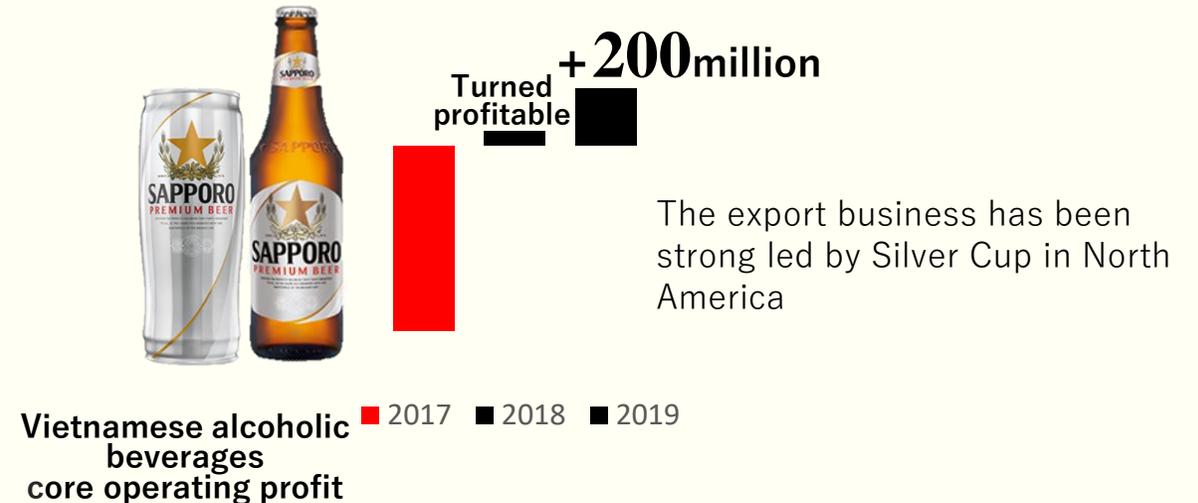
Sales volume of Black Label (cans) increased for the fifth consecutive year.



Sales volume increase led by 99.99 (Four Nines)



The lemon-based food market is gradually expanding  
New product "LEMON MADE" also contributed to beverage sales volume

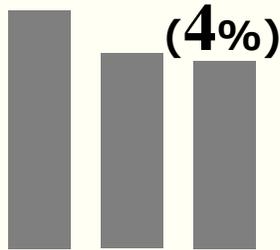


The export business has been strong led by Silver Cup in North America

## ▶ [Issues] Consider future actions while closely studying market trends



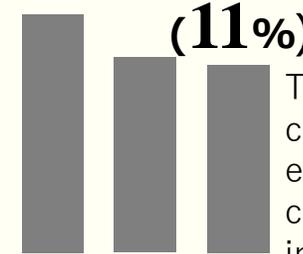
Sales volume of Mugi to Hop ■ 2017 ■ 2018 ■ 2019



Though sales volume was strong following the relaunch in August, full-year performance was down year on year.



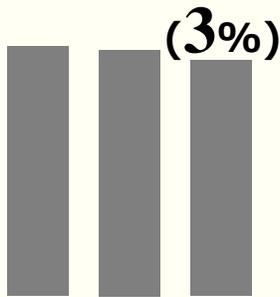
Sales volume of coffee drinks ■ 2017 ■ 2018 ■ 2019



The canned coffee market continues to shrink due to the emergence of convenience store coffee and coffee beverages sold in PET plastic bottles.



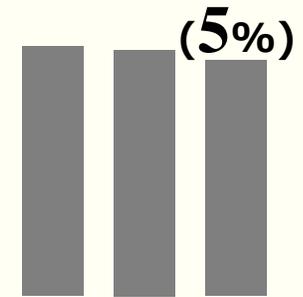
(Overseas beer) Sales volume of overseas brands ■ 2017 ■ 2018 ■ 2019



Sleeman brand performed poorly due to unfavorable weather in Canada  
Revival of Anchor brand continues to be an issue



(Overseas beer) Sales volume of Sapporo brand ■ 2017 ■ 2018 ■ 2019



Sapporo Premium continues to be strong in North America, but exports to South Korea have stopped, resulting in overall decline compared with the previous year.

## ▶ Positioned 2019 as a year of change and promoted business/organizational restructuring

<Issues>	<Measures and results>
<b>Sort out policies for North American soft drinks business</b>	<ul style="list-style-type: none"> <li>➤ Sale of Country Pure Foods                             <ul style="list-style-type: none"> <li>➔ Controlled future risks, shifted resources to North American alcoholic beverages.</li> </ul> </li> </ul>
<b>Improve profitability of domestic vending machine business</b>	<ul style="list-style-type: none"> <li>➤ Withdrawal from unprofitable locations                             <ul style="list-style-type: none"> <li>➔ Started working on improvement of profitability, structural reform continues to be an issue.</li> </ul> </li> </ul>
<b>Promote global expansion</b>	<ul style="list-style-type: none"> <li>➤ Integrated the International business into the Alcoholic and Food &amp; Soft Drinks business.                             <ul style="list-style-type: none"> <li>➔ Each business drafted and promoted global strategies without being bound to geographical considerations.</li> </ul> </li> </ul>
<b>Accelerate growth of the food field</b>	<ul style="list-style-type: none"> <li>➤ Acquisition of Yasuma                             <ul style="list-style-type: none"> <li>➔ Creating synergies with existing businesses.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>➤ Establishment of a new soup manufacturing facility and a soymilk yogurt plant.                             <ul style="list-style-type: none"> <li>➔ Market vitalization and strengthening of competitiveness through enhancement of manufacturing capacity and product lineup.</li> </ul> </li> </ul>
<b>Improve profitability of the North American alcoholic beverages</b>	<ul style="list-style-type: none"> <li>➤ Management integration of Sapporo USA and Anchor                             <ul style="list-style-type: none"> <li>➔ Streamlined administrative functions, drafted strategy covering everything from manufacturing to sales</li> </ul> </li> </ul>

## ▶ [Alcoholic Beverages]

### ▶ Beer

Establish diverse portfolio  
Strengthen touch points



### ▶ New genre

Two-pillar Mugis to Hop and GOLD STAR strategy



### ▶ RTD

Promote in both household and commercial markets and establish position as drinks to be enjoyed with meals.



### ▶ North America

Cost structure reform,  
response to RTD needs,  
revitalization of Anchor brand



## ▶ [Food & Soft Drinks]

### ▶ Soft drinks

Japan: Improve vending machine profitability  
Overseas: Expand export business



### ▶ Lemon-based products

Expand general demand for lemon-based products through promoting their value



### ▶ Soup

Revitalize Jikkuri Kotokoto  
Steadily expand presence of cup-based products in the market



### ▶ Soy beans and chilled products

Dramatic expansion of plant-based milk (soymilk and almond milk)



## ▶ [Real Estate]

### ▶ Promotion of urban development

Acquire properties in key areas (Ebisu and Sapporo) and surrounding areas



### ▶ Business in new fields

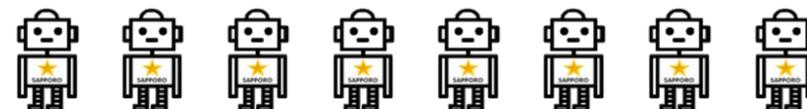
Acquire properties for investment, consider securitization business and non-asset business etc.



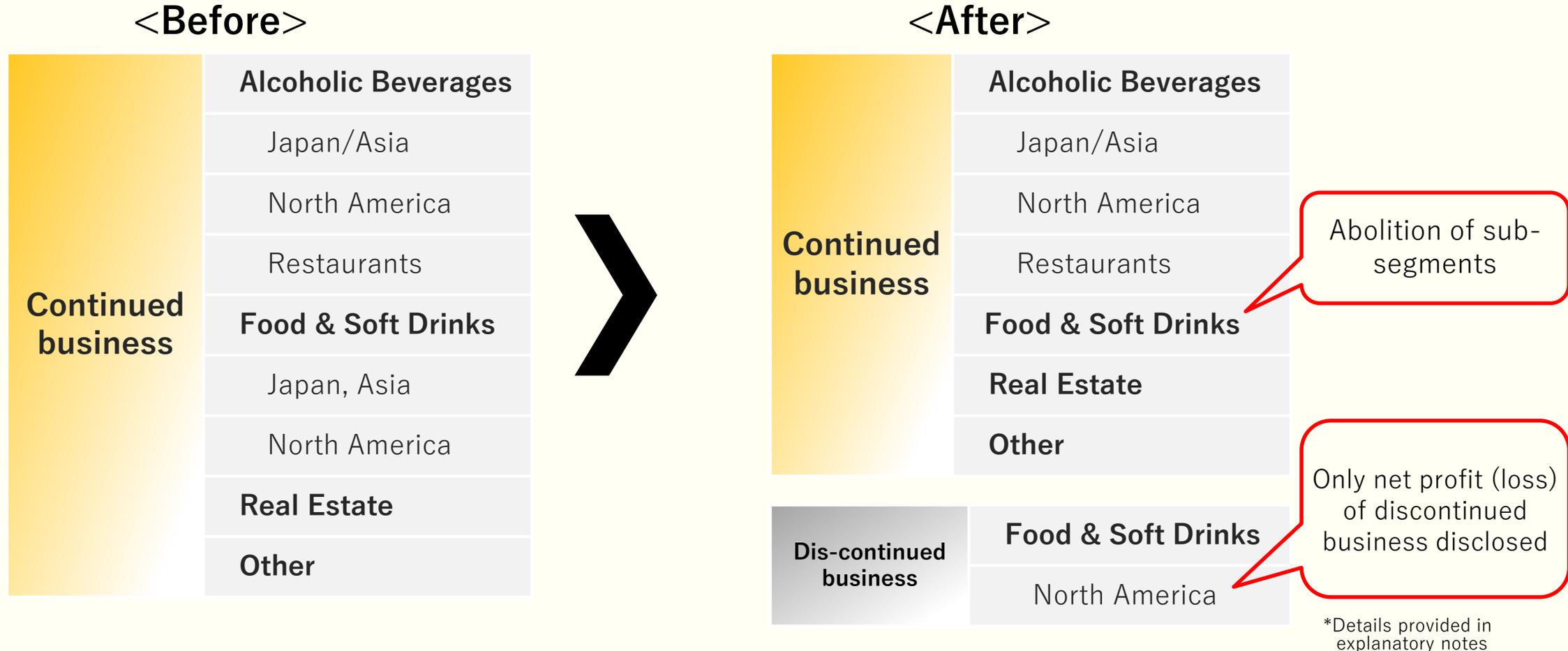
## ▶ [Head Office]

### ▶ Improve efficiency of back office operations

Sapporo Holdings to be left only with governance, operating company support, and management resource allocation functions, while other back office operations are to be transferred to operating companies to improve efficiency and further promote workstyle reforms



## ▶ Following changes in disclosures due to the sale of Country Pure Foods



# Management Plan



	(billions of yen)	2019	2020(Plan)	YoY changes (amount/%)	
				amount	%
<b>Revenue (Including liquor tax)</b>		491.9	<b>504.4</b>	12.5	2.5%
Revenue (Excluding liquor tax)		371.1	384.1	13.0	3.5%
Overseas revenue to total (Excluding liquor tax)		16.3%	16.3%	(0.1%)	-
<b>EBITDA</b>		36.0	38.1	2.2	6.0%
<b>Core operating profit</b>		11.7	<b>14.0</b>	2.3	19.7%
<b>Core operating profit margin</b>		2.4%	2.8%	0.4%	-
<b>Operating profit</b>		12.2	<b>8.5</b>	(3.7)	(30.3%)
<b>Profit attributable to owners of parent</b>		4.4	<b>5.0</b>	0.6	13.9%
<b>EBITDA interest-bearing debt ratio (times) ※Net</b>		5.9	5.7	(0.2)	-
<b>D/E ratio (times) ※Net</b>		1.2	1.2	0.0	-

\*The balance of net debt excludes the balance of lease obligations.

# Revenue target

(billions of yen)	2019	2020(Plan)	YoY changes (amount)	YoY changes (%)
<b>Revenue by Segment</b>	491.9	<b>504.4</b>	<b>12.5</b>	2.5%
Alcoholic Beverages	330.2	<b>336.7</b>	<b>6.5</b>	2.0%
Japan & Asia	254.7	259.3	4.6	1.8%
North America	48.3	50.7	2.4	5.1%
Restaurants	27.3	26.7	(0.6)	(2.0%)
Food & Soft Drinks	136.9	<b>142.3</b>	<b>5.4</b>	4.0%
Real Estate	24.7	<b>25.3</b>	<b>0.7</b>	2.6%
Other	0.2	<b>0.0</b>	(0.1)	(90.2%)

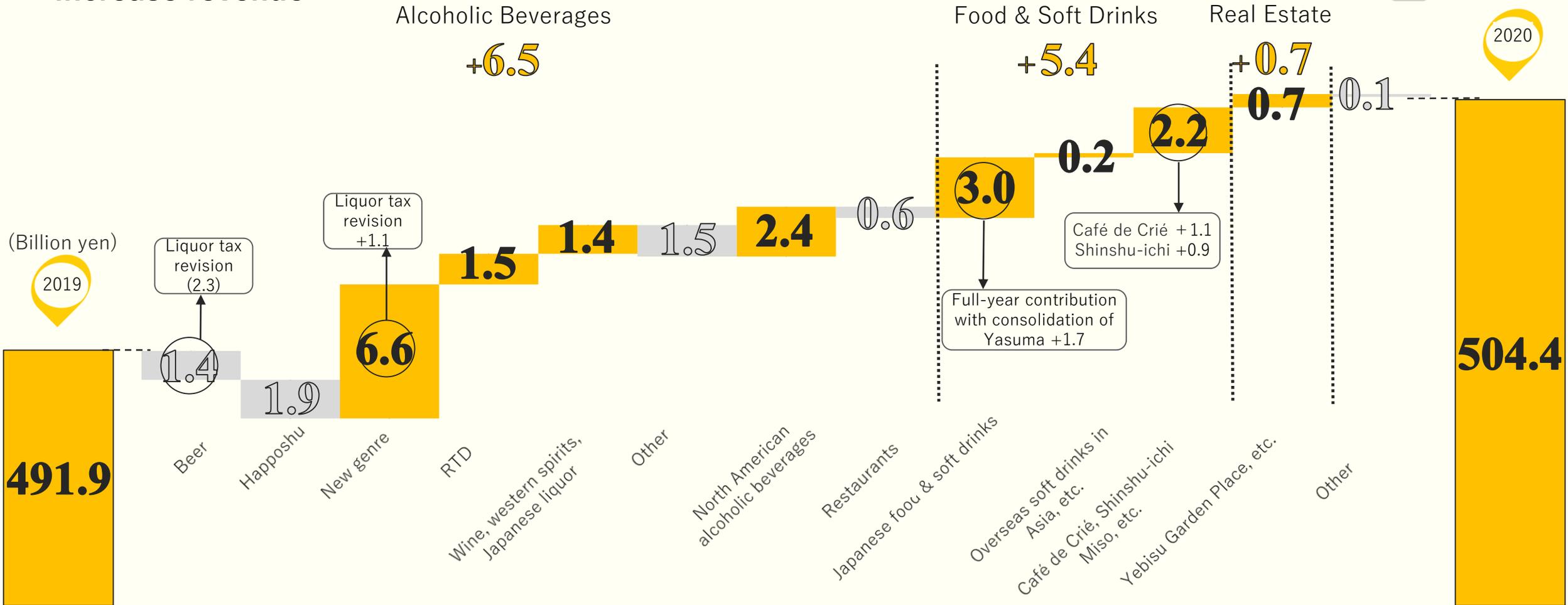
Factors are explained  
in the next slide

# Main Factors Contributing to Changes in Revenue



🔍 We will focus on new genre products in the Alcoholic Beverages business and soy beans and chilled products, soup, and lemon in the Food & Soft Drinks business and aim to increase revenue

= Increase  
 = Decrease



# Core Operating Profit target



(billions of yen)	2019	2020(Plan)	YoY changes (amount)	YoY changes (%)
<b>Core operating Profit by Segment</b>	11.7	<b>14.0</b>	2.3	19.7%
Alcoholic Beverages	8.5	<b>9.2</b>	0.6	7.6%
Japan & Asia	8.0	<b>8.0</b>	0.0	0.0%
North America	0.2	<b>0.7</b>	0.5	270.2%
Restaurants	0.4	<b>0.4</b>	0.0	10.8%
Food & Soft Drinks	(0.5)	<b>0.4</b>	0.9	-
Real Estate	10.7	<b>11.1</b>	0.4	3.6%
Other	0.0	<b>0.0</b>	0.0	0.0%
General corporate and intercompany eliminations	(7.1)	<b>(6.7)</b>	0.4	-

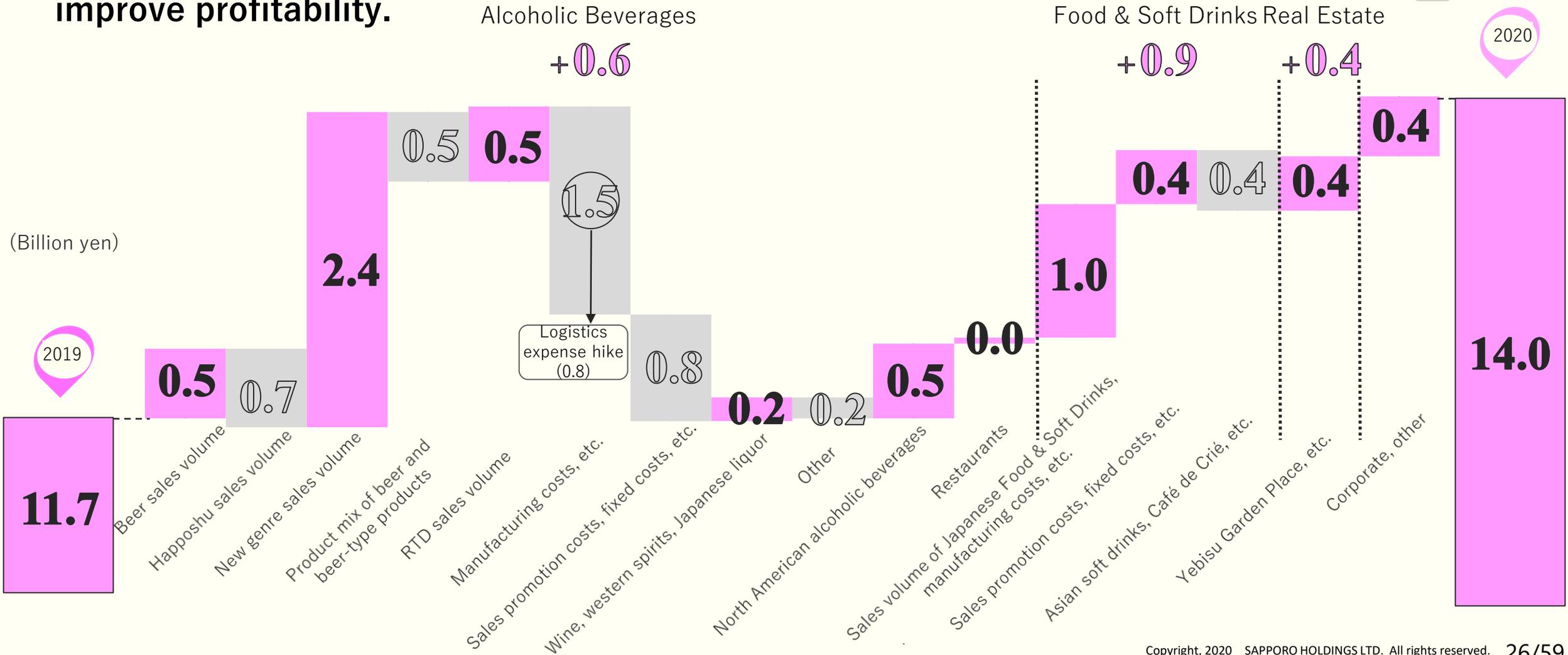
Factors are explained in the next slide

# Main Factors Contributing to Changes in Core Operating Profit



Both the Alcoholic Beverage and Food & Soft Drinks businesses aim to increase profits by growing revenue. North American alcoholic beverages will work on cost structure reform and aim to improve profitability.

= Increase  
 = Decrease  
2020



\*Reclassification under IFRS: Other non-operating revenues and expenses as well as extraordinary gains and losses.

# Profit attributable to owners of parent



(billions of yen)	2019	(Details)	2020(Plan)	(Details)
<b>Core operating Profit</b>	<b>11.7</b>		<b>14.0</b>	
gains on sale of non-current assets	1.6	Proceeds from sale of Yebisu Square +2.0	-	
Impairment losses	(1.3)		-	
Other	0.2		(5.5)	Early Retirement Incentive Program & Others
<b>Operating Profit</b>	<b>12.2</b>		<b>8.5</b>	
<b>Profit before tax</b>	<b>11.6</b>		<b>7.1</b>	
Income taxes	4.3		2.1	
<b>Profit</b>	<b>3.8</b>	Loss from discontinued operations(3.5)	<b>5.0</b>	
Loss attributable to non-controlling interest	(0.5)		-	
<b>Profit attributable to owners of parent</b>	<b>4.4</b>		<b>5.0</b>	

## ▶ Yasuma's revenue contributes year-round

< Special factors in business results (YoY) >

Business segment	Details	Impact on revenue	Impact on operating profit
Alcoholic Beverages	Wild Rose Brewery LTD. Consolidated from 2Q of 2019 *Contribution throughout the 2020	-	-
Food & Soft Drinks	Yasuma Co., Ltd. Consolidated from 2Q of 2019 *Contribution throughout the 2020	<b>Approx. 1.7 billion</b>	-

∴ negligible impact

< Impact of foreign exchange rates (currency translation) >

	2019	2020(Plan)	*Average rates for the year	Impact on revenue	Impact on operating profit
US \$	¥109.03	<b>¥110</b>		-	-
EUR	¥122.03	<b>¥121</b>			
CAN \$	¥82.19	<b>¥82</b>		-	-
SG\$	¥79.93	<b>¥78</b>			

Alcoholic Beverages	-	-
Food & Soft Drinks	-	-

# 2019 Business Results

# Results Highlight



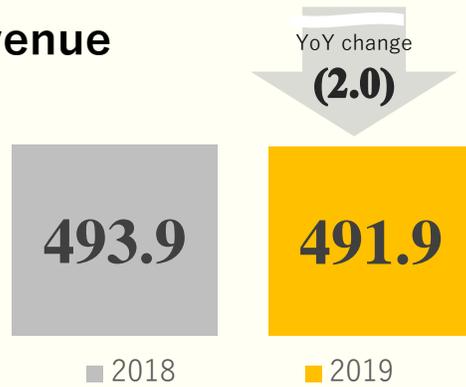
(billions of yen)	2018	2019	YoY changes (amount/%)	
<b>Revenue (Including liquor tax)</b>	493.9	<b>491.9</b>	(2.0)	(0.4%)
Revenue (Excluding liquor tax)	370.8	371.1	0.3	0.1%
Overseas revenue to total (Excluding liquor tax)	16.9%	16.3%	(0.6%)	-
<b>EBITDA</b>	39.8	36.0	(3.8)	(9.5%)
<b>Core operating profit</b>	15.2	<b>11.7</b>	(3.4)	(22.7%)
<b>Core operating profit margin</b>	3.1%	2.4%	(0.7%)	-
<b>Operating profit</b>	11.6	<b>12.2</b>	0.6	5.3%
<b>Profit attributable to owners of parent</b>	8.5	<b>4.4</b>	(4.2)	(48.9%)
<b>EBITDA interest-bearing debt ratio (times) ※Net</b>	5.5	5.9	0.4	-
<b>D/E ratio (times) ※Net</b>	1.3	1.2	(0.1)	-

\*The balance of net debt excludes the balance of lease obligations.

## ▶ Profit down due to loss on the sale of Country Pure Foods.

(Billion yen)

### Revenue



### Operating profit



### Profit attributable to owners of parent



- Revenue of Japanese alcoholic beverages declined, as sales volume of new genre products declined while beer and RTDs performed strongly.
- Revenue in North American alcoholic beverages declined reflecting inclement weather and the impact of the stronger yen.
- Sales of Japanese soft drinks (vending machines) and food (soup) were sluggish due to the poor weather.
- Overall revenue declined despite ¥5.0 billion revenue added by consolidation of Yasuma.

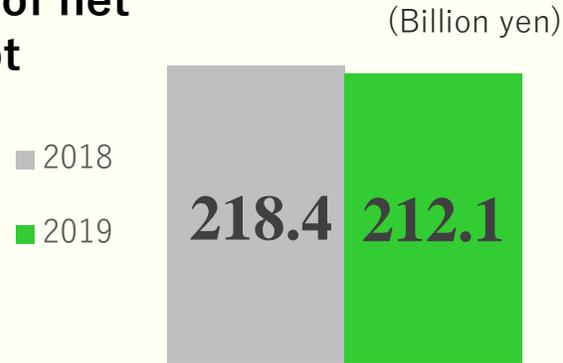
- Operating profit at Japanese alcoholic beverages rose due to cost reductions.
- Operating profit at North American alcoholic beverages and Japanese food and soft drinks declined due to declines in sales volumes
- Operating profit increased overall due to the impairment loss for Anchor recorded in 2018 and gains on the sale of real estate in the current fiscal year.

- Profit declined due to the impact of loss recorded on the sale of Country Pure Foods.

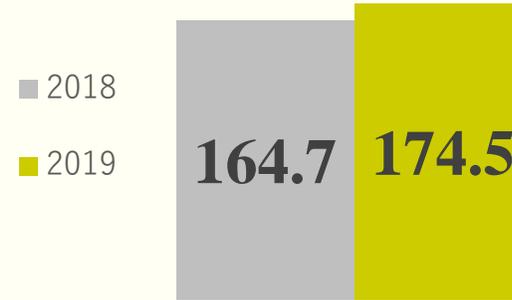
# Results Highlights



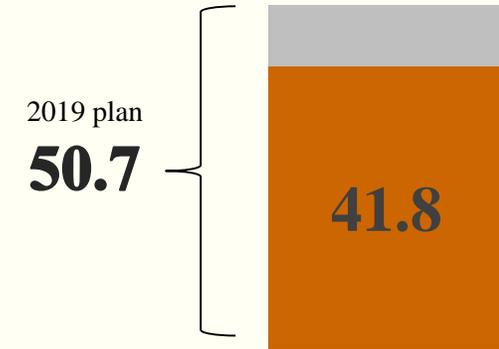
## Balance of net debt



## Equity



## Cash basis investment



D/E ratio (net) **1.2** times YoY change (0.1) times

Dividend per share **42** yen YoY change ±0 yen

## Transformation of the Group management platform



<October - December>

- Jointly facilitated workstyle improvements for regional trunk line logistics personnel and truck drivers

<https://www.sapporoholdings.jp/news/dit/?id=8550>

## Group Topics

<October - December>

- Formulated Sapporo Group Environmental Vision 2050  
<https://www.sapporoholdings.jp/news/dit/?id=8549>

# Revenue by Segment



(billions of yen)	2018	2019	YoY changes (amount)	YoY changes (%)
<b>Revenue by Segment</b>	493.9	<b>491.9</b>	<b>(2.0)</b>	<b>(0.4%)</b>
Alcoholic Beverages	330.0	<b>324.4</b>	<b>(5.6)</b>	<b>(1.7%)</b>
Japan & Asia	252.1	248.9	(3.2)	(1.3%)
North America	50.3	48.3	(2.1)	(4.1%)
Restaurants	27.6	27.3	(0.3)	(1.1%)
Food & Soft Drinks	133.4	<b>136.9</b>	<b>3.5</b>	2.6%
Real Estate	24.5	<b>24.7</b>	<b>0.2</b>	0.8%
Other	6.0	<b>5.9</b>	<b>(0.1)</b>	<b>(2.3%)</b>

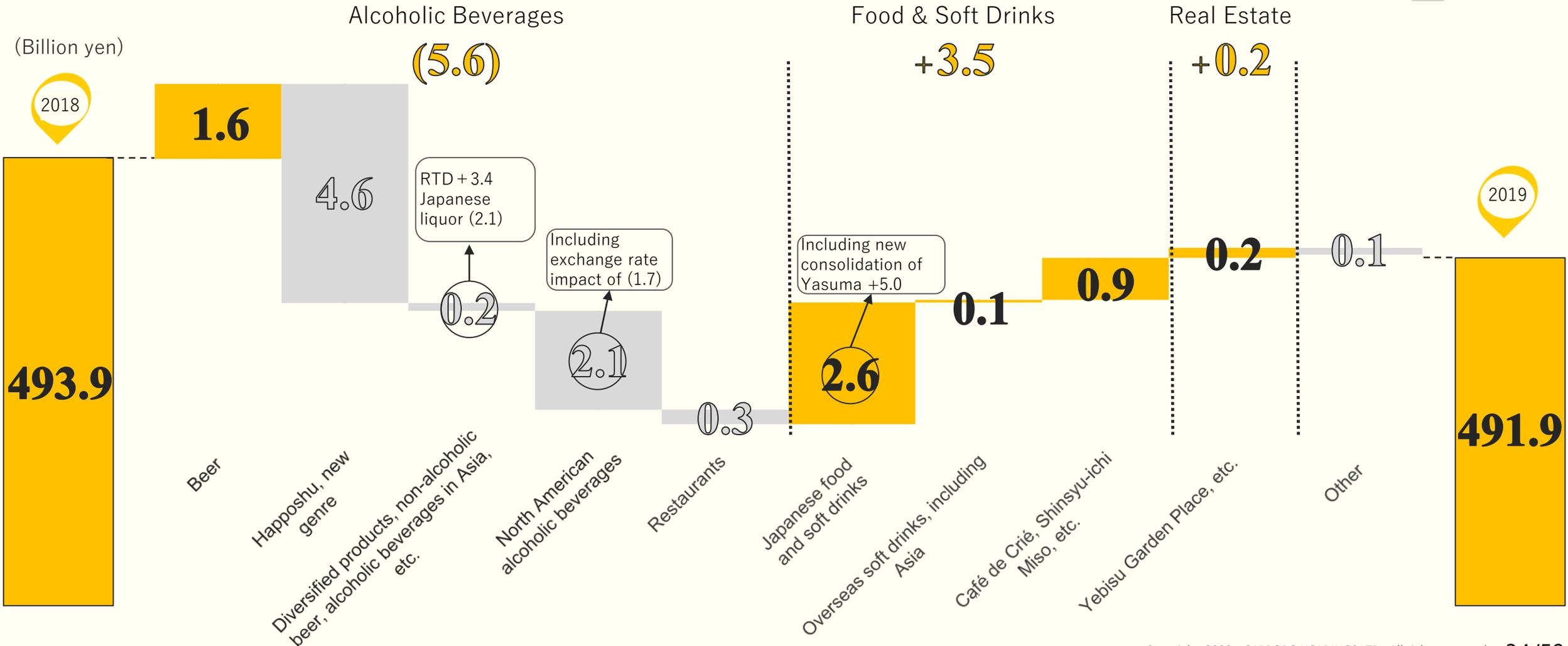
Factors are explained  
in the next slide

# Main Factors Contributing to Changes in Revenue



🔍 Though consolidation of Yasuma contributed, revenue declined due to a decline in sales volume of new genre products and the impact of the stronger yen.

= Increase  
 = Decrease



# Operating Profit by Segment



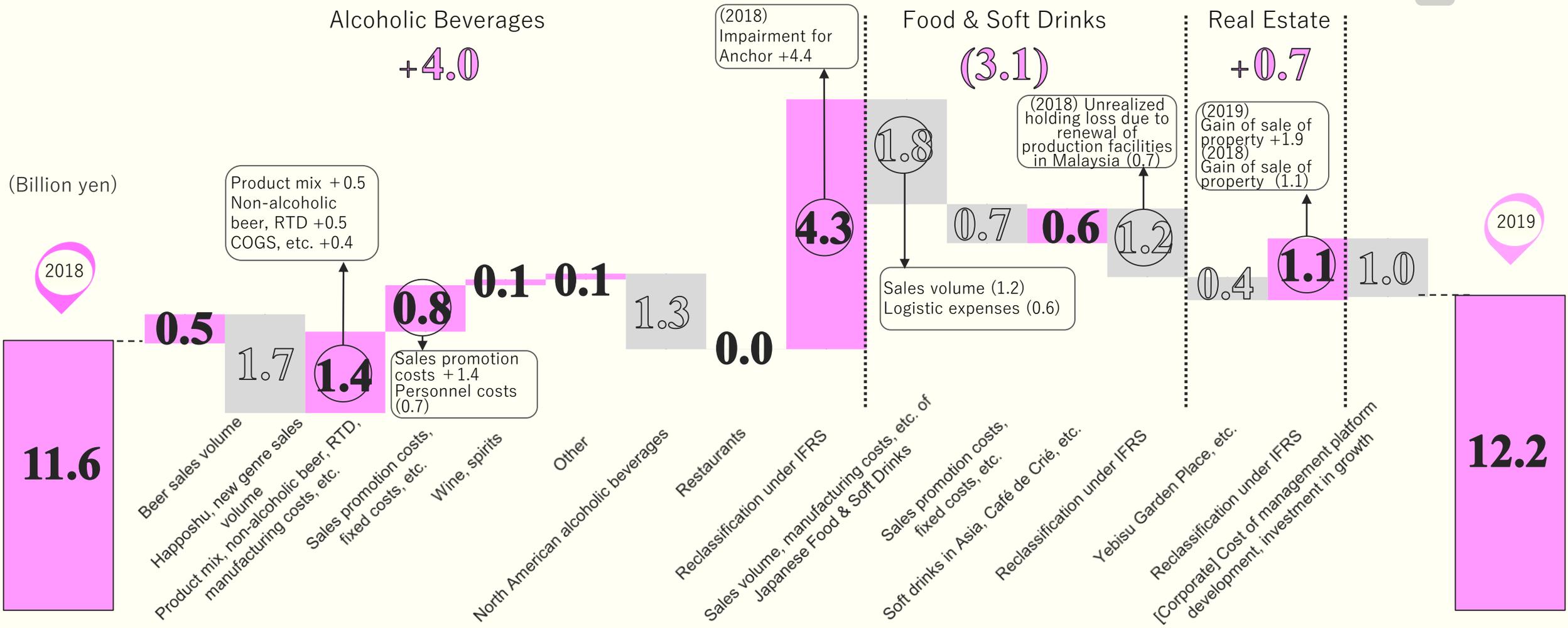
(billions of yen)	2018	2019	YoY changes (amount)	YoY changes (%)
<b>Operating Profit by Segment</b>	11.6	<b>12.2</b>	0.6	5.3%
Alcoholic Beverages	3.9	<b>7.9</b>	4.0	104.3%
Japan & Asia	6.9	<b>7.8</b>	0.9	13.2%
North America	(2.8)	<b>0.1</b>	2.9	-
Restaurants	(0.2)	<b>0.0</b>	0.2	-
Food & Soft Drinks	1.9	<b>(1.2)</b>	(3.1)	-
Real Estate	12.0	<b>12.7</b>	0.7	5.5%
Other	0.2	<b>(0.2)</b>	(0.3)	-
General corporate and intercompany eliminations	(6.4)	<b>(7.1)</b>	(0.7)	-

Factors are explained in the next slide

# Main Factors Contributing to Changes in Operating Profit

Operating profit increased on back of impairment loss recorded in 2018 for Anchor and gains on sale of real estate in 2019.

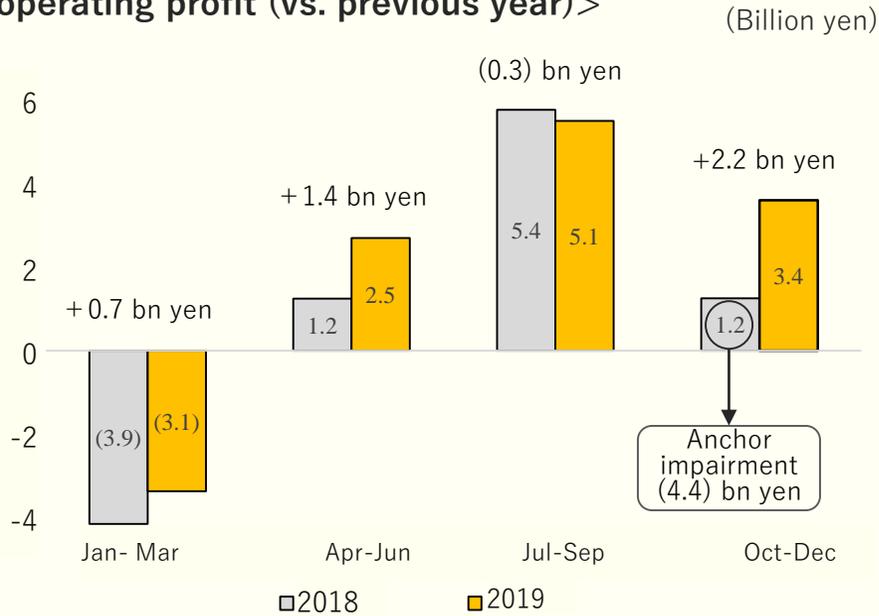
= Increase  
 = Decrease



\*Reclassification under IFRS: Other non-operating revenues and expenses as well as extraordinary gains and losses.

## ▶ Sapporo Premium in North America and domestic beer performed strongly, weak elsewhere

<Quarterly operating profit (vs. previous year)>



**Positive**

- ▶ Black Label and Yebisu brand canned products up YoY
  - ▶ RTD revenue continued to grow
  - ▶ Sapporo Premium in North America was strong
  - ▶ Dewar's ranked No. 2 in scotch sales volume in Japan
- 
- ▶ Beer (kegs) in Japan and new genre struggled
  - ▶ Sleeman was slow affected by poor weather
  - ▶ Anchor remains to be an issue
  - ▶ Exports to South Korea stopped

**Negative**

## ▶ Strengthening of beer business continues to be satisfactory



Up 3%  
YoY

Black Label brand  
canned product sales  
volume



Up 1%  
YoY

Yebisu brand  
canned product  
sales volume



Up 9%  
YoY

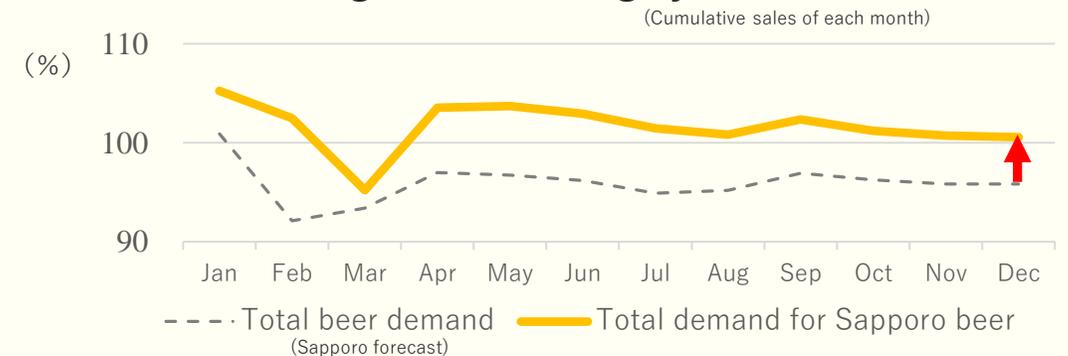
Sapporo Lager  
sales volume



Up 10%  
YoY

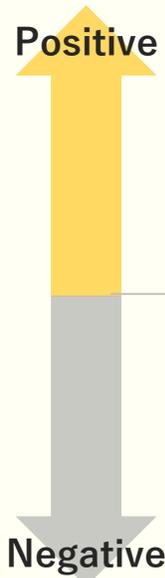
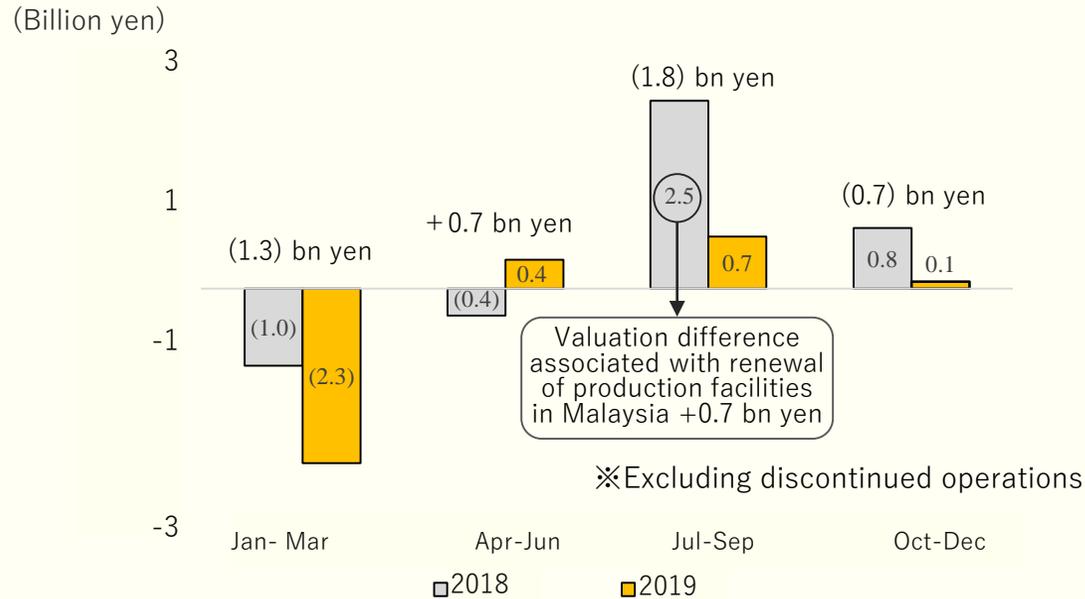
Sapporo Classic  
sales volume

<YoY changes in beer category sales volume>



# Food & Soft Drinks

## ▶ Lemon-based products were strong in Japan, but food and soft drinks both struggled due to unfavorable weather



- Lemon-based products remain strong
- New product “LEMON MADE” performing strongly, helping to drive forward other lemon-based drinks
- Consolidation of Yasuma Co., Ltd. boosted revenue
- Profitability in Asia is on a recovery trend
- The vending machine market continues to shrink
- Soup slumped due to mild winter
- Soft drink sales volume declined due to cool summer

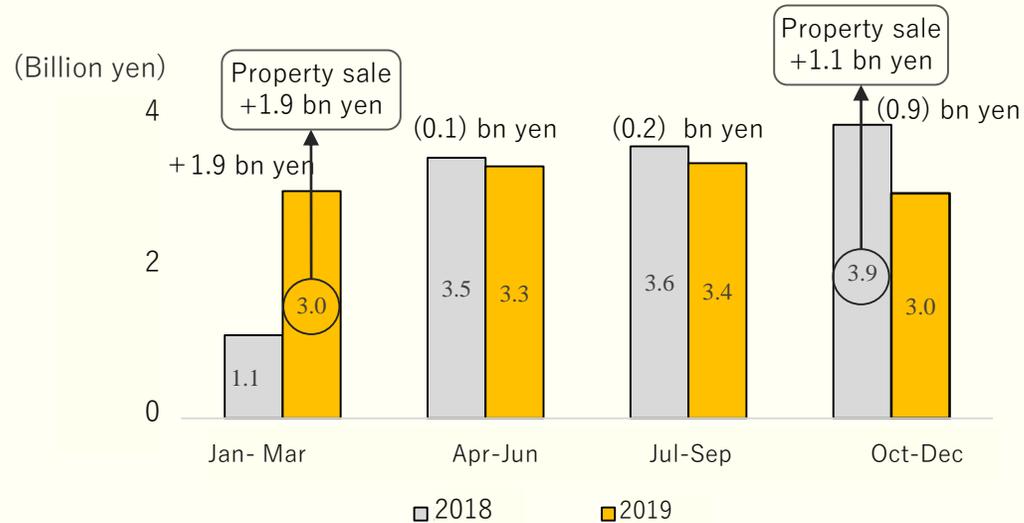
## ▶ Lemon-based products were strong



### <Topics>

- -Facilitating new work styles and developing lemon business-  
Satellite office opened in Osakikamijima-cho, Hiroshima Prefecture  
[https://www.pokkasapporo-fb.jp/company/news/release/191002\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/191002_01.html)
- Top lemon sour beverages chosen in eight areas in Japan!  
Results of Lemon Sour Grand Prix 2019 announced  
[https://www.pokkasapporo-fb.jp/company/news/release/20191030\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/20191030_01.html)

## Existing properties performing solidly



### <Key points>

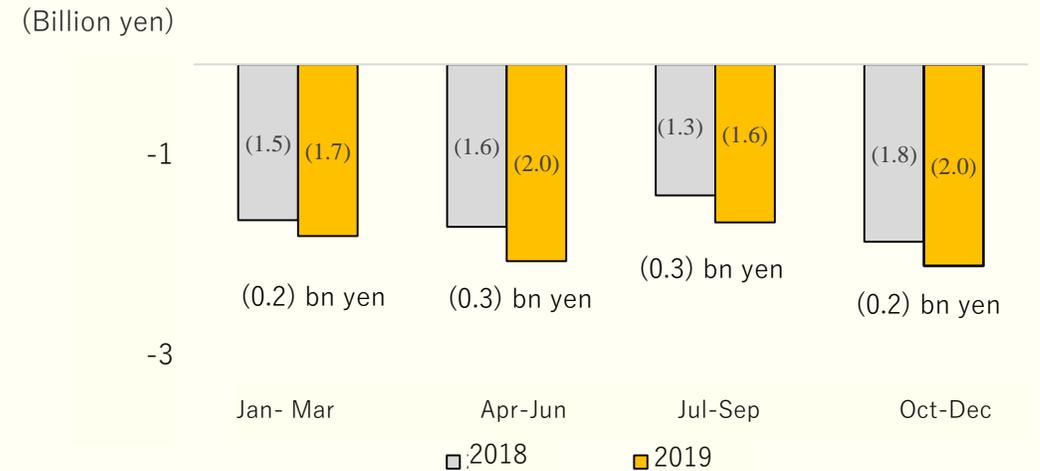
- Stable occupancy rates maintained at core properties

### <Topics>

- EBISU CROSSOVER FACTORY, where people and ideas meet  
-Platform for future-oriented creation of goods and services-

[https://www.sapporo-re.jp/pdf/sapporore/store/storage/cname\\_20191015114715.pdf](https://www.sapporo-re.jp/pdf/sapporore/store/storage/cname_20191015114715.pdf)

## Cost rose due to expenditure for management platform development



### <Key points>

- Progress with improvement of work area environments including office space refurbishment and diversification of work style by reforms such as telework
- Promoted BPR including RPA and expanded R & D

## ▶ Yasuma's consolidation contributed; impact of foreign exchange on operating profit was negligible

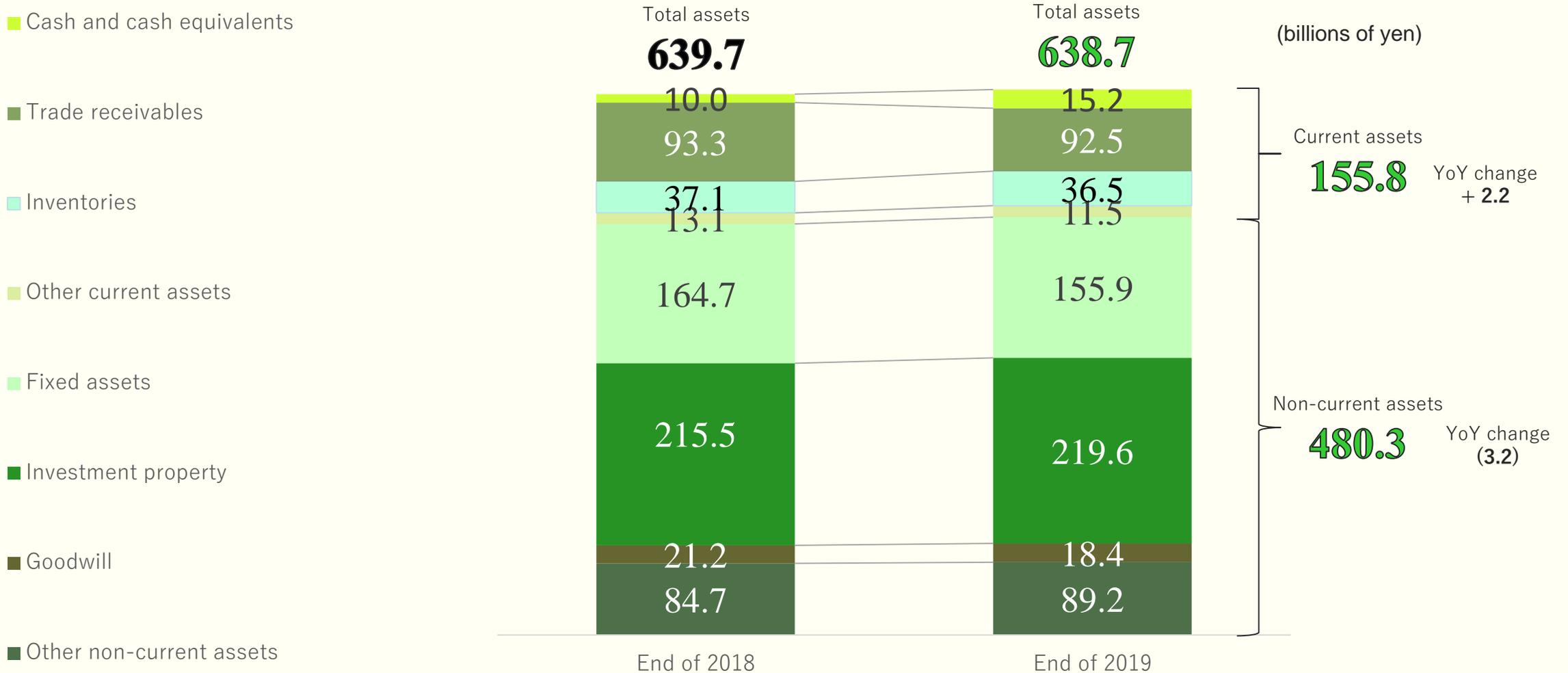
<Special factors in business results (YoY)>

Business segment	Details	Impact on revenue	Impact on operating profit	∴ negligible impact
Alcoholic Beverages	WILD ROSE BREWERY LTD. Consolidated from 2 <sup>nd</sup> quarter of 2019	-	-	
Food & Soft Drinks	Yasuma Co., Ltd. Consolidation of P/L from 2 <sup>nd</sup> quarter of 2019	Approx. + <b>5.0</b> billion	Approx. + <b>0.6</b> billion	

<Impact of foreign exchange (currency translation)>

	2018	2019	*Average rates for the year	Impact on revenue	Impact on operating profit	
US\$	¥110.45	¥ <b>109.03</b>		Approx. <b>(1.7)</b> billion	-	
EUR	¥130.35	¥ <b>122.03</b>				Alcoholic Beverages
CAN\$	¥85.23	¥ <b>82.19</b>		Food & Soft Drinks	-	-
SG\$	¥81.86	¥ <b>79.93</b>				

## ▶ Total assets decreased ¥1.0 billion from year end



## ▶ Total liabilities declined ¥10.8 billion from year end, total equity increased ¥9.8 billion

Trade payables

Short-term financial liabilities

Other current liabilities

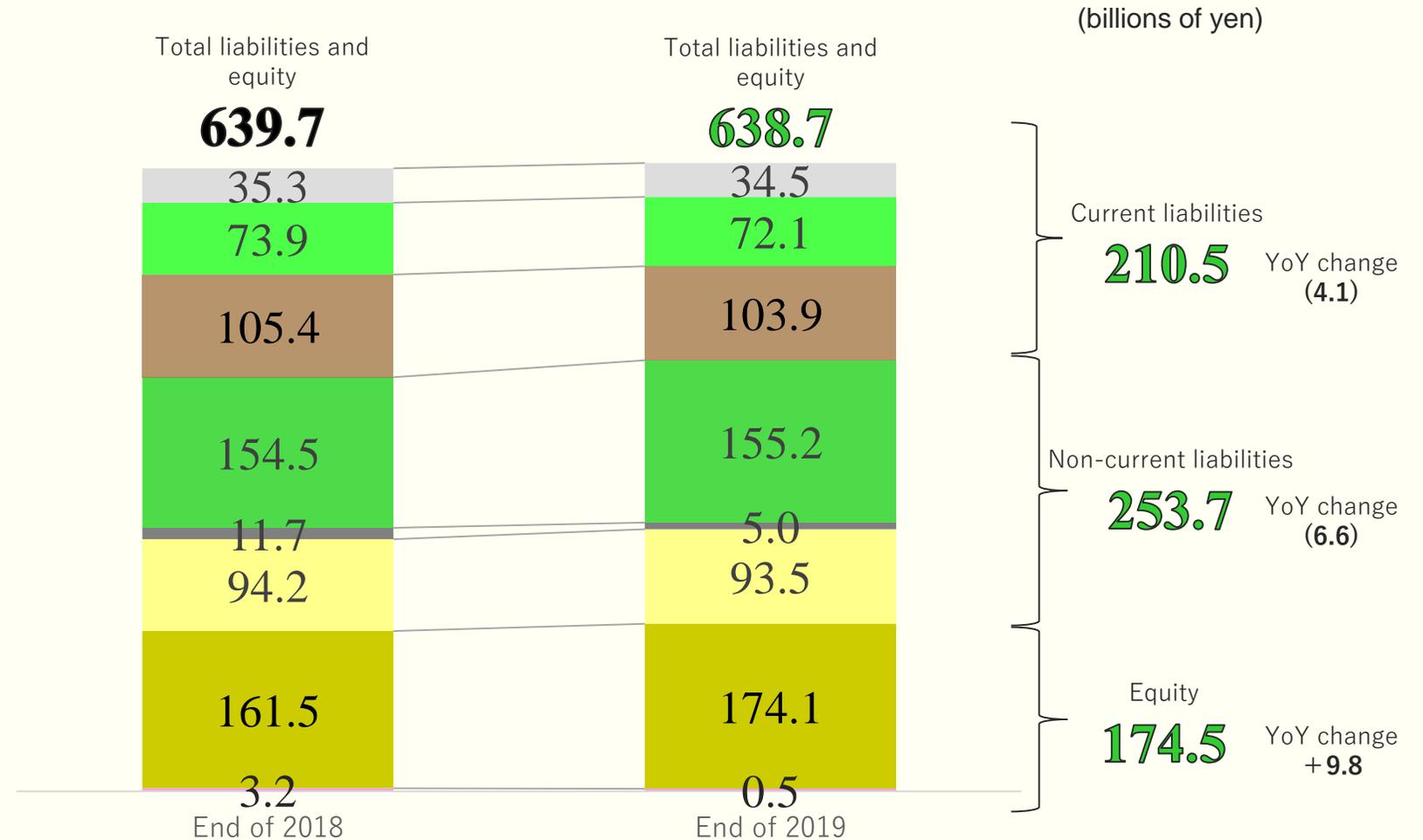
Long-term financial liabilities

Net defined benefit liabilities

Other non-current liabilities

Equity attributable to owners of parent

Non-controlling interests



## Investment on a cash basis was ¥41.8 billion

### <Consolidated cash flow (CF) statement>

(Billion yen)	2018	2019	Change	Change (%)
CF from operating activities	30.8	36.1	5.2	17.0%
CF from investing activities	(18.7)	(24.9)	(6.2)	-
Free CF	12.1	11.1	(1.0)	(8.0%)
CF from financing activities	(14.5)	(6.0)	8.5	-

### <Changes in amount of investment (cash basis)>



#### ① <Capital expenditure>

Consolidated total of approx. **¥17.9 billion**

(Property, plant and equipment, intangible assets)

<Major items>

- “Alcoholic Beverages,” “Food,” and “Soft Drinks”-related: Approx. ¥14.9 billion

- POKKA SAPPORO plant facilities-related: Approx. ¥5.4 billion etc.

- System update work at domestic beer plants, etc.: Approx. ¥3.7 billion

- Capital expenditure etc. at Sleeman: Approx. ¥1.7 billion etc.

- Group-wide infrastructure optimization, etc.: Approx. ¥3.0 billion

#### ② <Investment properties>

Consolidated total of approx. **¥13.2 billion**

#### ③ <Lease fees>

Consolidated total of approx. **¥4.2 billion**

\*Excluding lease fees for renting restaurant premises

#### ④ <Other investments> Consolidated total of approx. **¥6.4 billion**

(including long-term prepaid expenses, investment securities, etc.)

#### ①+②+③+④ <2019 investment total>

(cash basis; including recurring capital expenditure and lease fees)

Approx. **¥41.8 billion**

# Appendix

# Appendix: 2018 4Q ( Previous year's result ) Conversion Table of Revenue, Operating Profit by Segment

*( ) denotes new segment	Former segments (5 business domain structure)	New segments (3 business domain structure)	Difference	Remarks
<b>Revenue</b>	493.9	<b>493.9</b>	-	
Japanese Alcoholic Beverage (Alcoholic Beverages)	250.9	<b>330.0</b>	79.1	
International (-)	51.6	<b>-</b>	(51.6)	• North American alcoholic beverages and Vietnam moves to Alcoholic Beverages ¥50.3 billion
Food & Soft Drinks (Food & Soft Drinks)	127.2	<b>133.4</b>	6.2	
Restaurants	27.6	<b>-</b>	(27.6)	• To Alcoholic Beverages ¥27.6 billion
Real Estate (Real Estate)	24.5	<b>24.5</b>	-	
Other	12.2	<b>6.0</b>	(6.2)	• Shinshu-ichi Miso moves to Food & Soft Drinks ¥6.2 billion
※Excluding discontinued operations				
*( ) denotes new segment	Former segments (5 business domain structure)	New segments (3 business domain structure)	Difference	Remarks
<b>Operating profit</b>	11.6	<b>11.6</b>	-	
Japanese Alcoholic Beverage (Alcoholic Beverages)	6.7	<b>3.9</b>	(2.9)	
International (-)	(2.6)	<b>-</b>	2.6	• North American alcoholic beverages and Vietnam moves to Alcoholic Beverages (¥2.8) billion
Food & Soft Drinks (Food & Soft Drinks)	2.0	<b>1.9</b>	(0.1)	
Restaurants	(0.2)	<b>-</b>	0.2	• To Alcoholic Beverages (¥0.2) billion
Real Estate (Real Estate)	12.0	<b>12.0</b>	-	
[Corporate] Other	(6.4)	<b>(6.2)</b>	0.2	• Shinshu-ichi Miso moves to Food & Soft Drinks (¥0.1) billion

※Excluding discontinued operations

# Appendix : Major sales & sale volume

## Alcoholic Beverages (Japan)

(10,000 cases)

	Fiscal 2018	Fiscal 2019	YoY	Full-year estimate for fiscal 2020	YoY
Sapporo Draft Beer Black Label (total)	1,687	1,667	99%	1,690	101%
YEBISU (total)	857	832	97%	790	95%
1 Beer (total)	2,991	3,007	101%	3,030	101%
2 Happoshu (total)	257	210	82%	160	76%
3 New genre beer products (total)	1,217	1,131	93%	1,260	111%
Beer, happoshu, and new genre (total 1+2+3)	4,466	4,347	97%	4,450	102%
Non-alcoholic beer taste beverage	93	71	76%	63	89%

(billions of yen)

	Fiscal 2018	Fiscal 2019	YoY	Full-year estimate for fiscal 2020	YoY
Domestic wines	4.7	4.3	91%	4.4	102%
Imported wines	8.2	8.4	102%	7.9	94%
Wine (total)	12.9	12.7	98%	12.3	97%
RTD, Spirits and Shochu (total)	35.3	37.8	107%	40.0	106%
Subtotal	48.3	50.5	105%	52.3	104%
Rebate subtracted from sales	(8.5)	(9.9)	—	—	—
Total	39.8	40.7	102%	—	—

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

## Beer (International)

(10,000 cases)

	Fiscal 2018	Fiscal 2019	YoY	Full-year estimate for fiscal 2020	YoY
Overseas brand (SLEEMAN, Anchor, etc.)	1,368	1,323	97%	1,353	102%
Sapporo brand	628	596	95%	629	105%

## Soft Drinks (POKKA SAPPORO FOOD & BEVERAGE)

(10,000 cases)

	Fiscal 2018	Fiscal 2019	YoY	Full-year estimate for fiscal 2020	YoY
Soft Drinks (*1)	4,370	4,242	97%	4,089	96%

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

## Sales (including liquor tax)

(billions of yen)

	Year ended December 31, 2018 IFRS	Year ended December 31, 2019 IFRS	Change	Change (%)
Beer	165.8	167.4	1.6	0.9%
Happoshu	9.9	8.1	(1.9)	(18.7%)
New genre	40.2	37.4	(2.8)	(6.9%)
Subtotal	215.9	212.9	(3.0)	(1.4%)
Rebate subtracted from sales	(12.3)	(12.0)	0.4	—
Total	203.6	200.9	(2.7)	(1.3%)

## Sales (excluding liquor tax)

(billions of yen)

	Year ended December 31, 2018 IFRS	Year ended December 31, 2019 IFRS	Change	Change (%)
Beer	82.5	83.6	1.1	1.3%
Happoshu	5.5	4.5	(1.0)	(18.7%)
New genre	27.8	25.9	(1.9)	(6.7%)
Subtotal	115.9	114.1	(1.8)	(1.6%)
Rebate subtracted from sales	(12.3)	(12.0)	0.4	—
Total	103.6	102.1	(1.5)	(1.4%)

# Appendix : Alcoholic Beverages (Japan)

## 【Beer】 (Sales volume)

- ✓ Jan- Dec **up 1%** y-o-y
- ✓ Black Label brand total : **down 1%** y-o-y  
(Sales of the canned version : **up 3%** y-o-y)
- ✓ Yebisu brand total : **down 3%** y-o-y  
(Sales of the canned version : **up 1%** y-o-y)

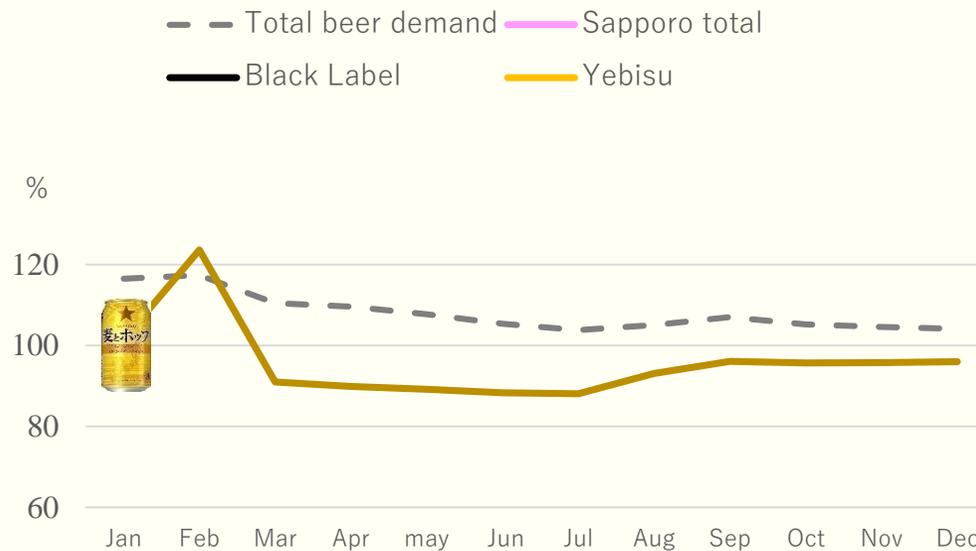
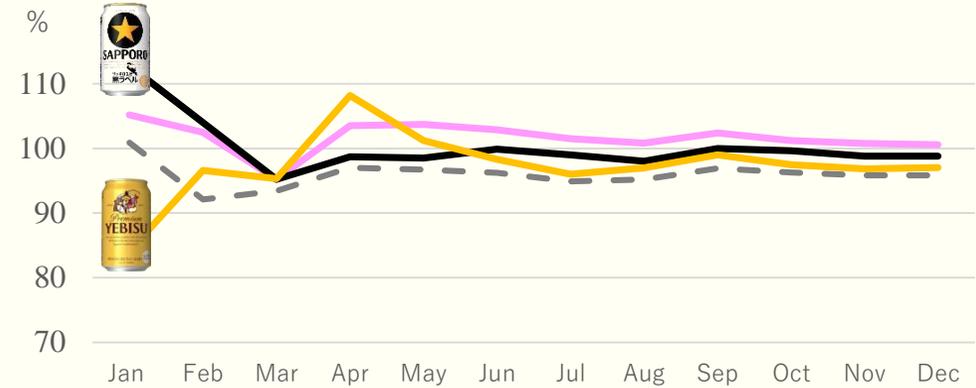
## 【Happoshu and new genre】 (Sales volume)

- ✓ Jan- Dec **down 9%** y-o-y
- ✓ Mugi to Hop brand total : **down 4%** y-o-y

## 【Wine, Spirits and other】 (Sales revenue)

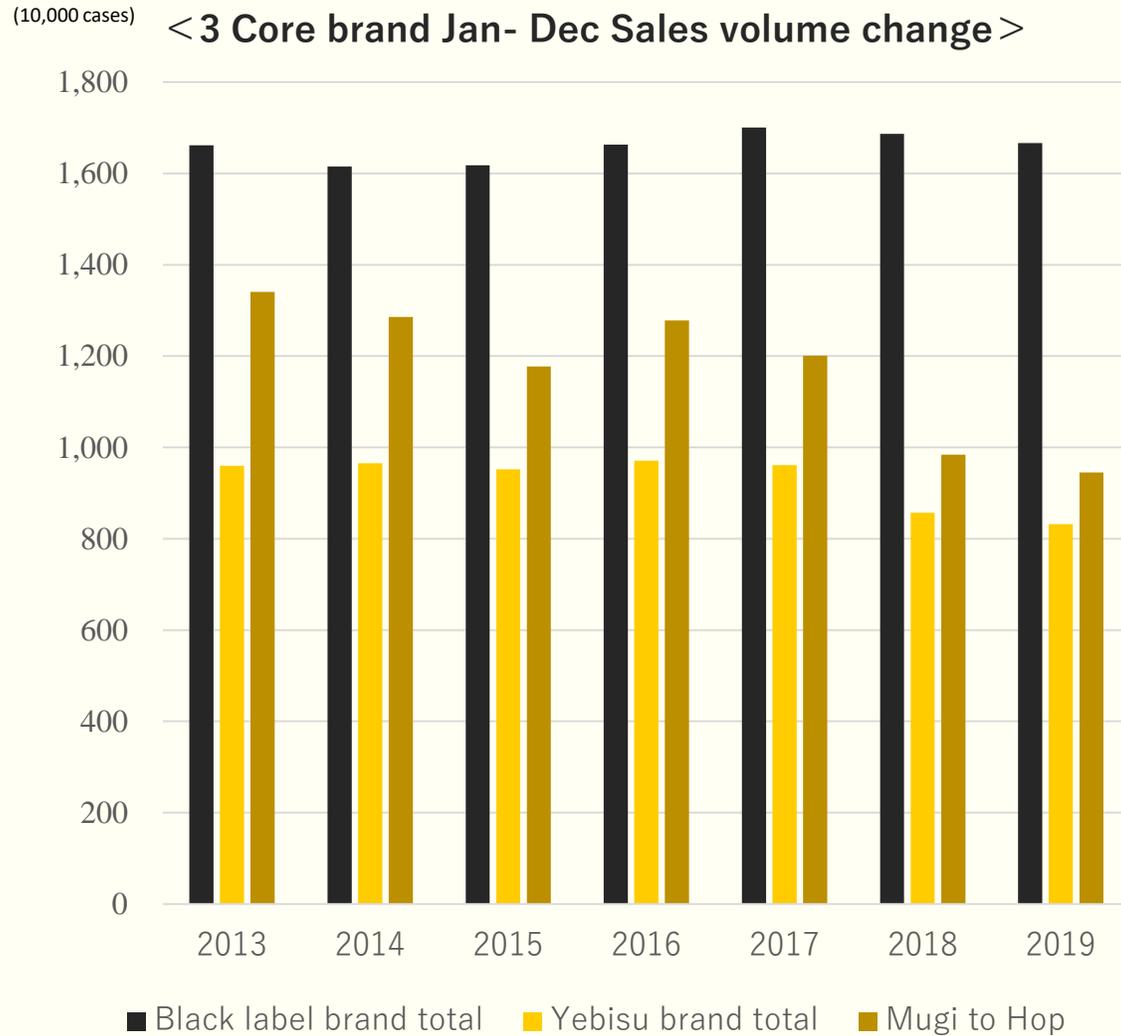
- ✓ Wine : **down 2%** y-o-y
- ✓ RTD : **up 29%** y-o-y
- ✓ Spirits : **up 15%** y-o-y
- ✓ Japanese liquor : **down 14%** y-o-y

<Y-o-y change in sales volume of 3 core brands> (Cumulative sales)

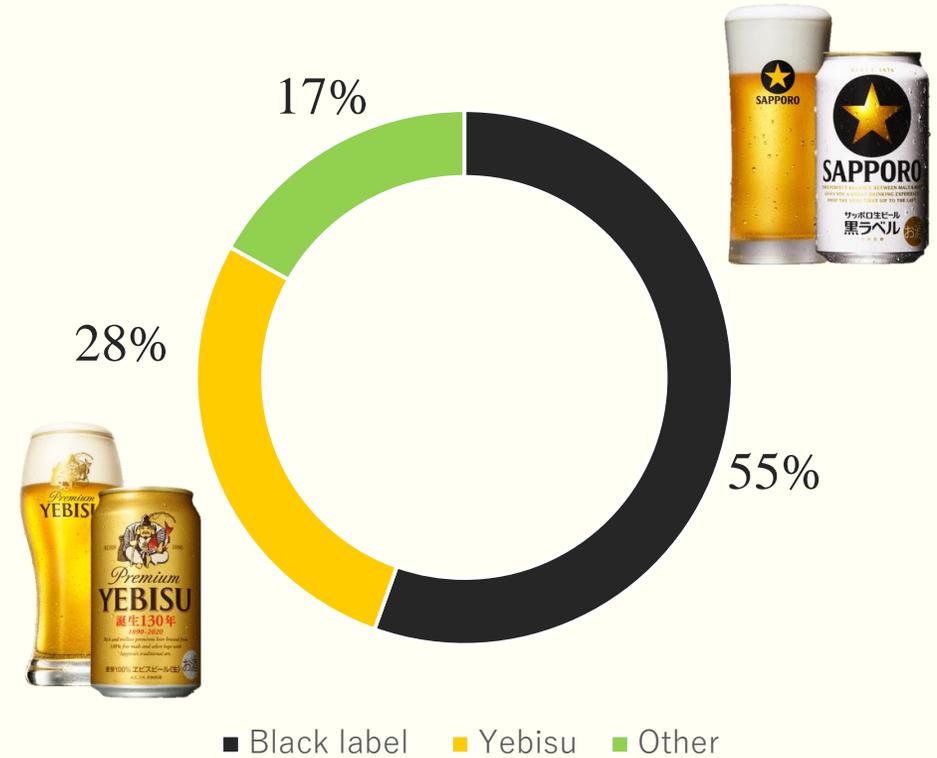


(Jan.1-Dec.31)

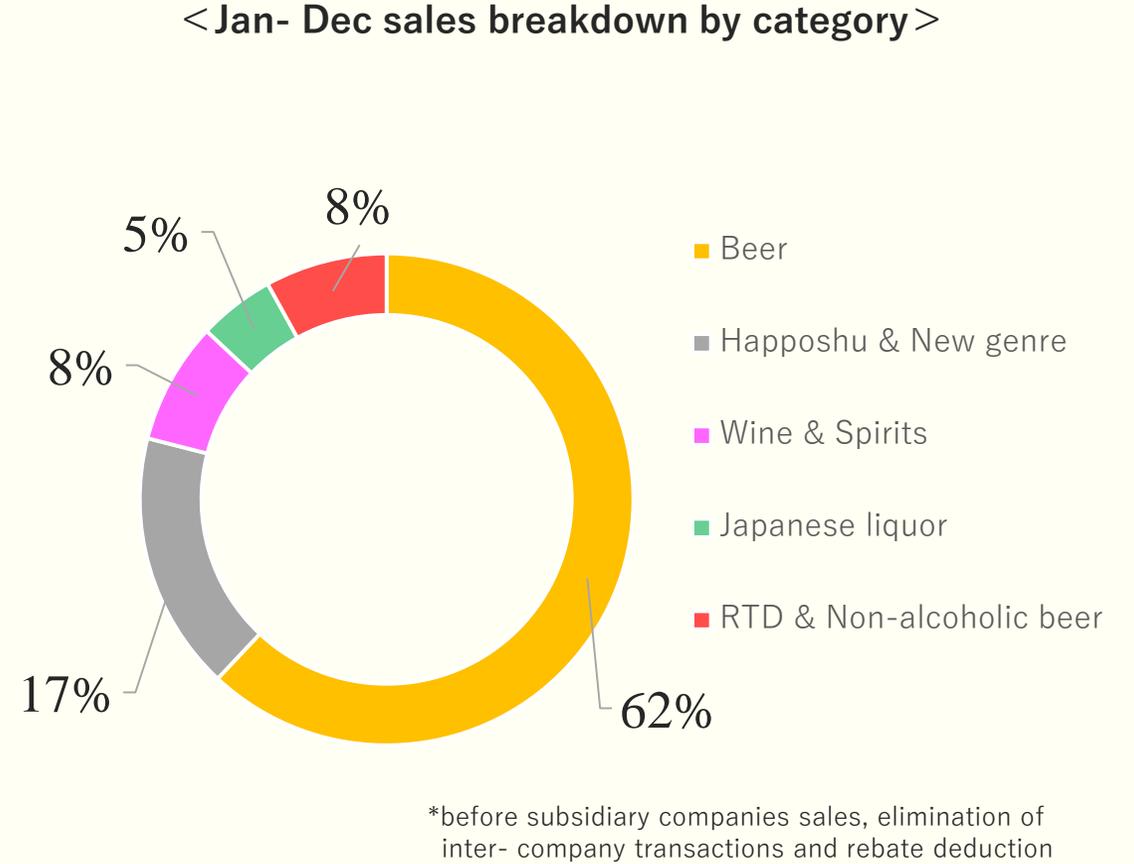
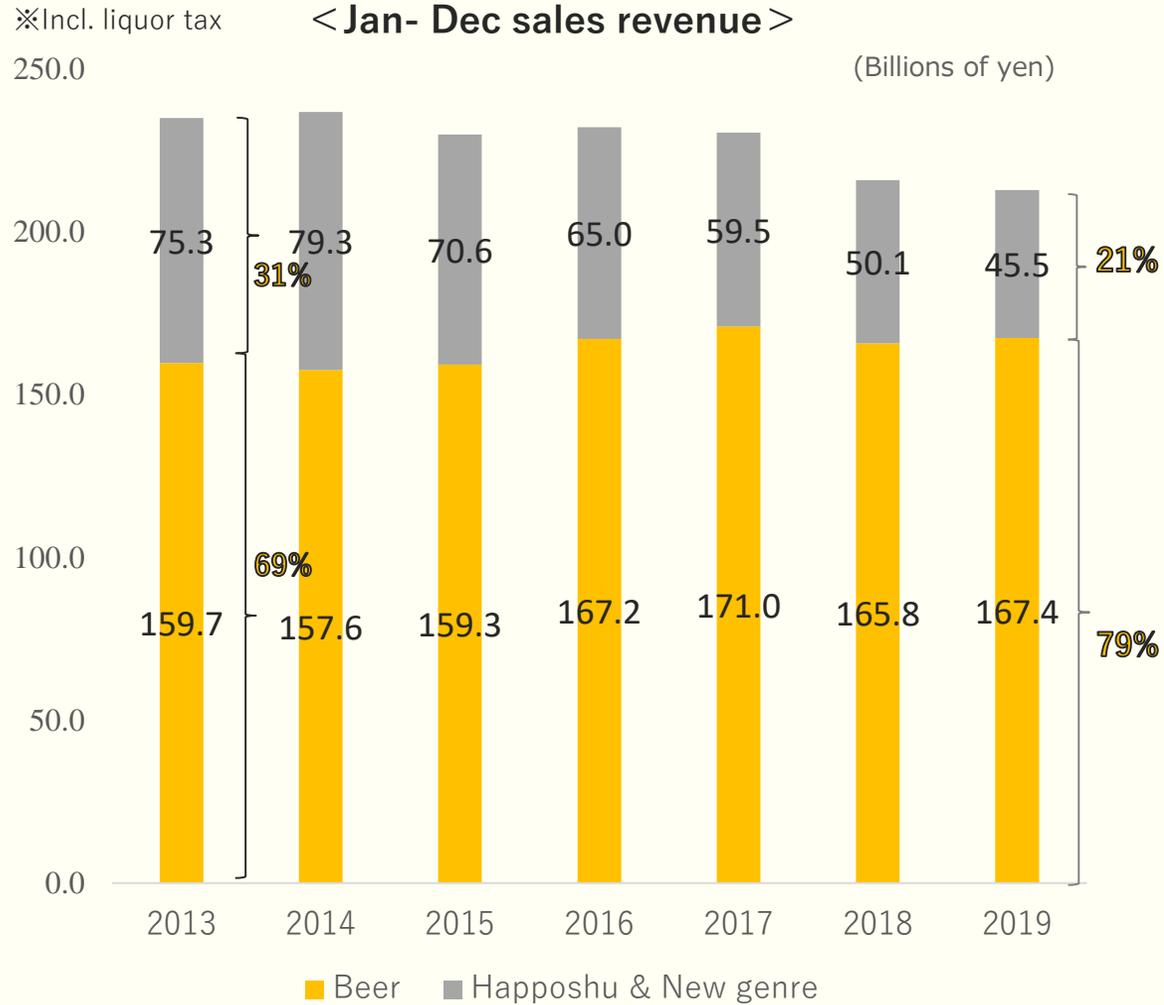
# Appendix : Alcoholic Beverages (Japan)



< Beer lineup (Jan- Dec break down) >

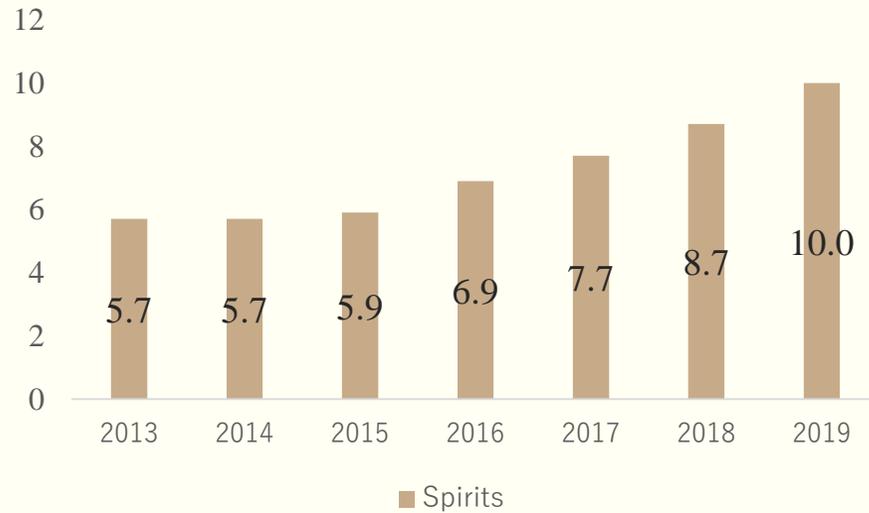
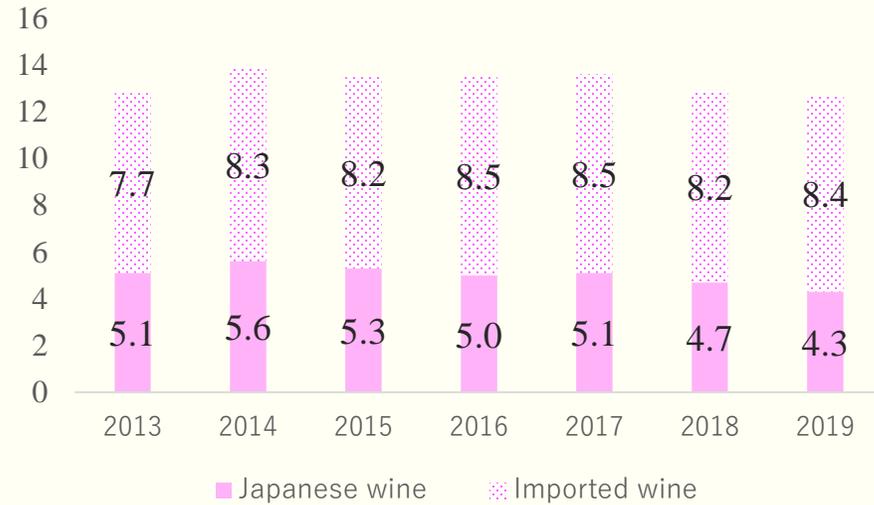


# Appendix : Alcoholic Beverages (Japan)



# Appendix : Alcoholic Beverages (Japan)

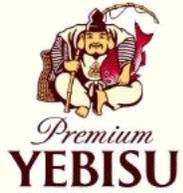
< Jan- Dec sales revenue > (Billions of yen)



# Appendix : Major New Alcoholic Beverages (Japan) Product Launches in Oct, Nov, and Dec



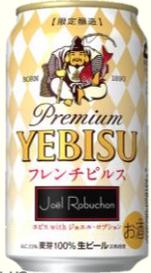
\*incl. improved products (\*1)



## 麦とホップ



Yebisu Wa No Houjun (Special Edition)



Yebisu with Joel Robuchon French Pils



Yebisu Shizuku



Mugi to Hop <Red>



Mugi to Hop Fuyukomugi Special Edition



Sapporo Draft Beer Black Label Hakone Ekiden can



Sapporo Draft Beer Black Label Black



Sapporo LAGER BEER



Innovative Brewer GOURMET BEER



Sapporo Classic 2018 Furano VINTAGE



Seven Premium Aomori Takkomachi Tanumasan no hop batakara



Kronenbourg 1664 Blanc



## キレートレモンサワー



## NECTAR サワー



9 9 9 9 <Four Nines> Clear kiwi



9 9 9 9 <Four Nines> Clear Sparking Chardonnay



9 9 9 9 <Four Nines> Clear yuzu



Lemon The Rich series



Kireto Lemon Sour citric acid+



Ai no Skal White Sour series



Nectar sour



Sapporo Lemon sour

# Appendix : Alcoholic Beverages (Overseas)

## 【Overseas brand】 (Products of Sleeman and Anchor)

(Sales volume)

✓ Jan- Dec down **3%** y-o-y

✓

## 【Sapporo brand】

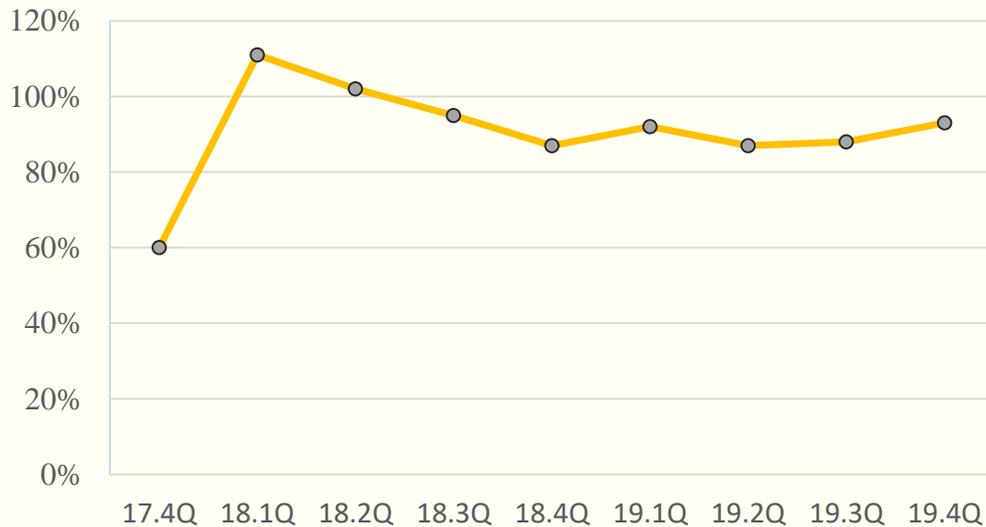
✓ Jan- Dec down **5%** y-o-y



## 【Vietnam】

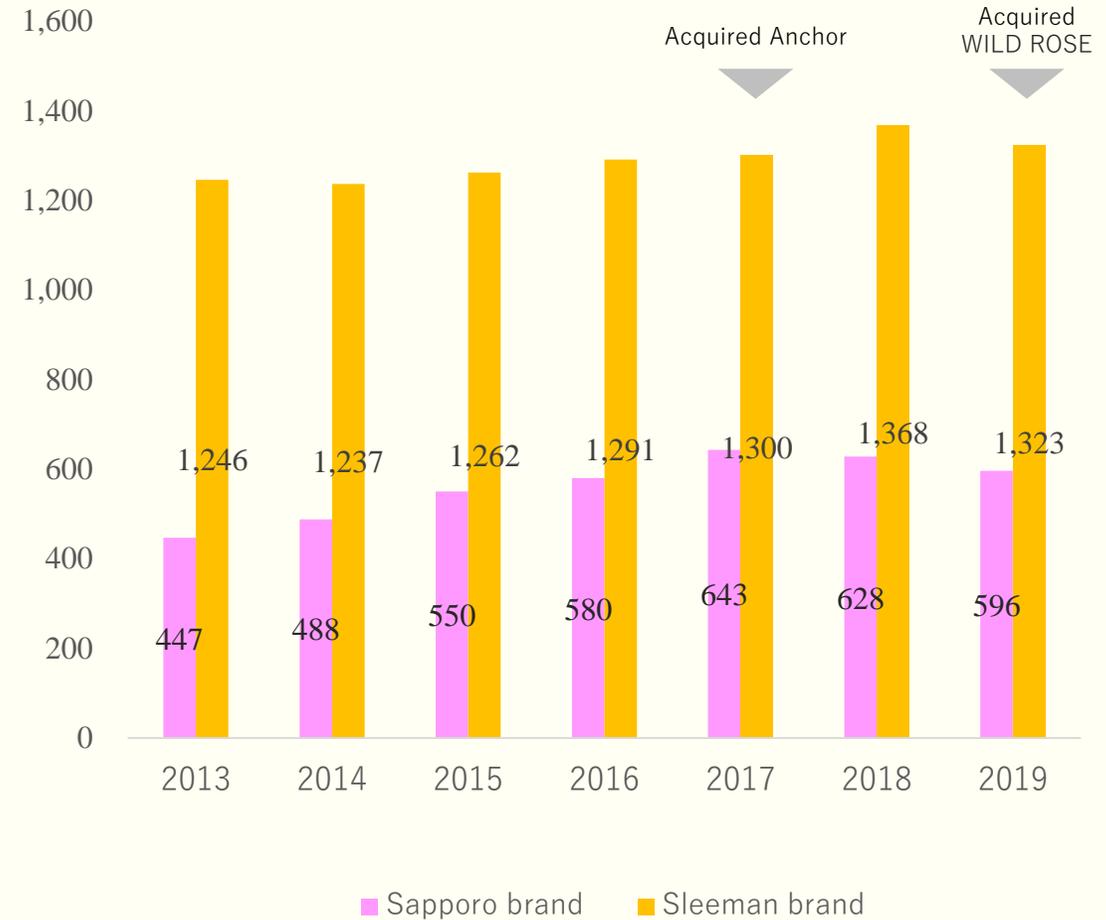
✓ Jan- Dec **up 11%** y-o-y  
(including export)

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



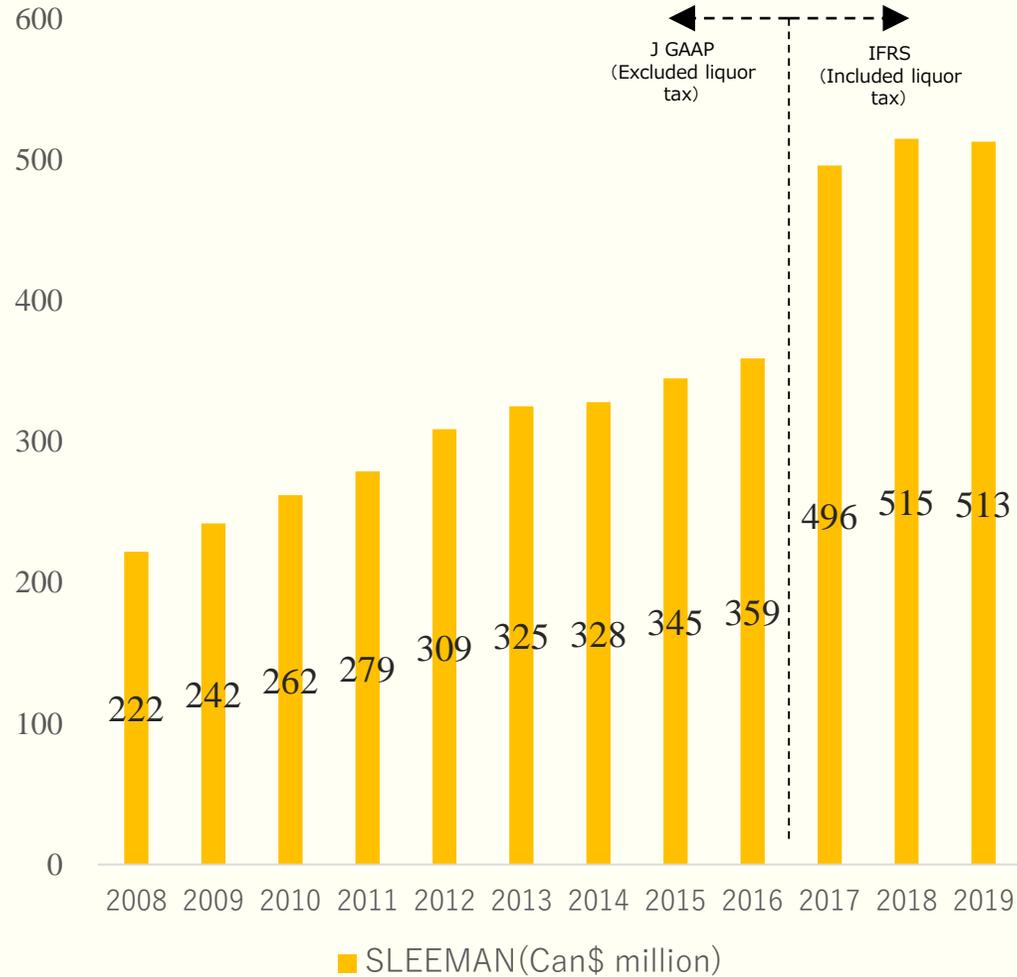
< Overseas sales volume (Jan-Dec) >

(10,000 cases)



# Appendix : Alcoholic Beverages (Overseas)

< Sleeman : Sales revenue in local currency (Jan- Dec) >  
 \*before elimination of inter- company transactions

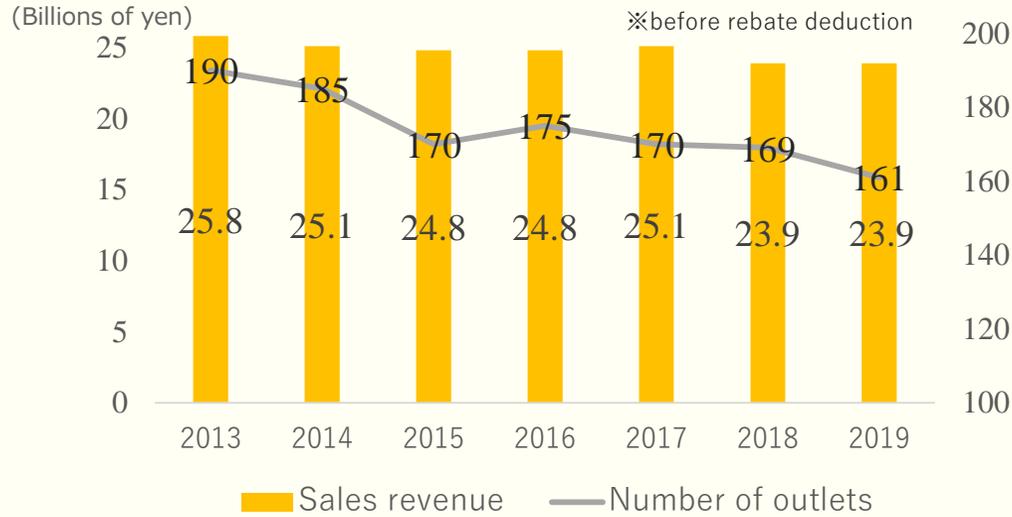


< Sapporo U.S.A.& Anchor : Sales revenue in local currency (Jan- Dec) >  
 \*before elimination of inter- company transactions

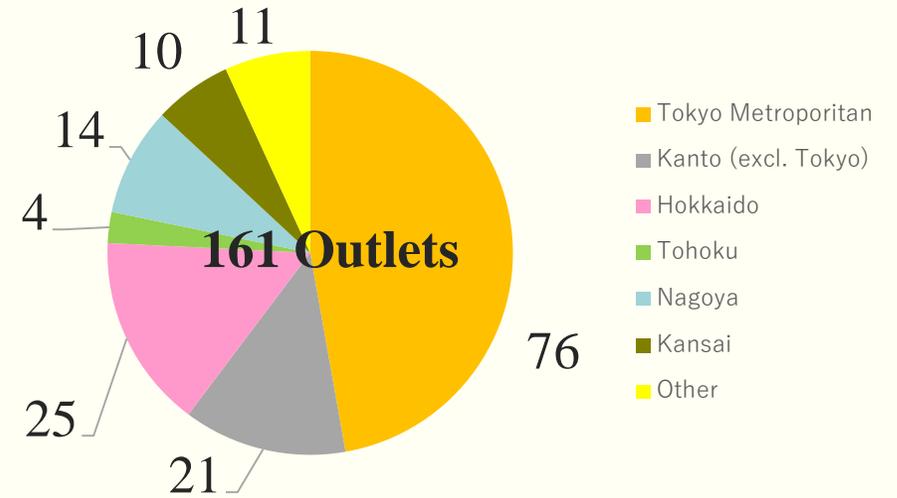


# Appendix : Alcoholic Beverages (Restaurants)

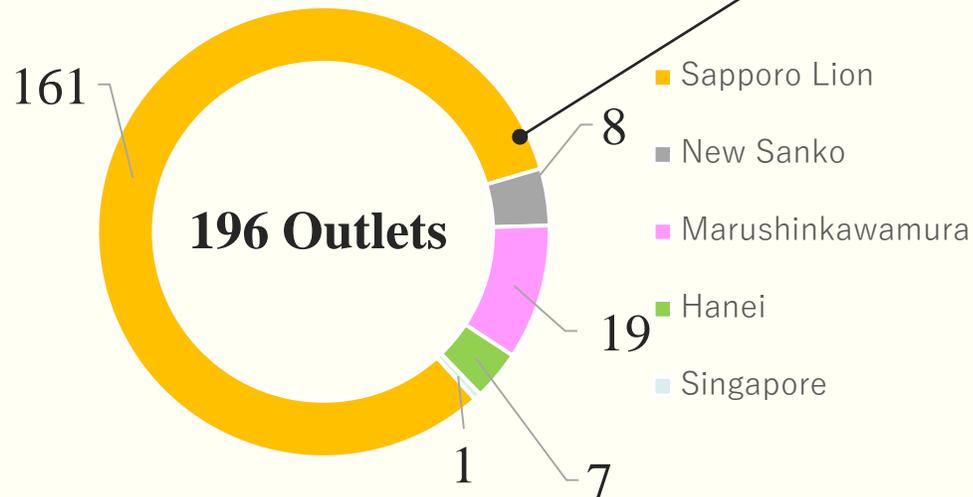
< Sales revenue and number of Sapporo Lion Outlets >



< Sapporo Lion outlets > As of Dec 31, 2019



< Total number of outlets >



< Brands >



(Jan.1-Dec.31)

# Appendix : Food & Soft Drinks

## 【Lemon based-drinks】

✓ Jan-Dec **up 8%** y-o-y  
(Sales volume)



## 【Lemon-based food products】

✓ Jan-Dec **up 7%** y-o-y  
(Sales volume)



## 【Unsweetened tea drinks】

✓ Jan-Dec **down 2%** y-o-y  
(Sales volume)



## 【Soups】

✓ Jan-Dec **down 2%** y-o-y  
(Sales volume)



## 【Coffee drinks】

✓ Jan-Dec **down 11%** y-o-y  
(Sales volume)

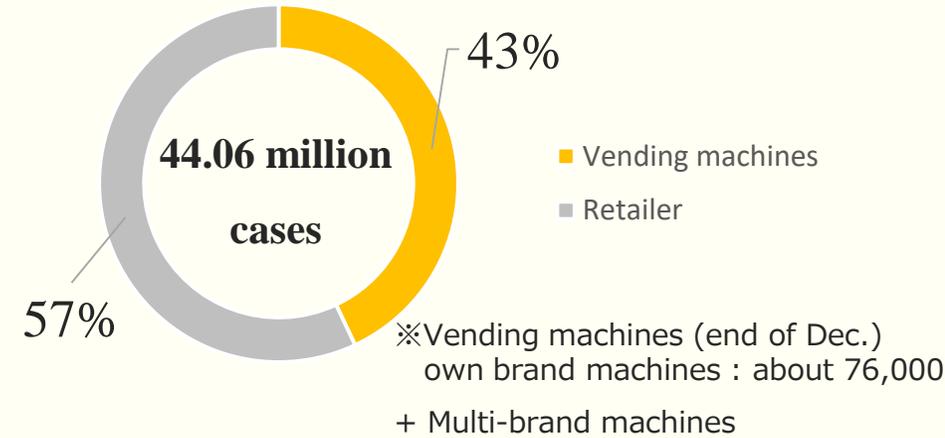


## 【Soy milk, chilled products】

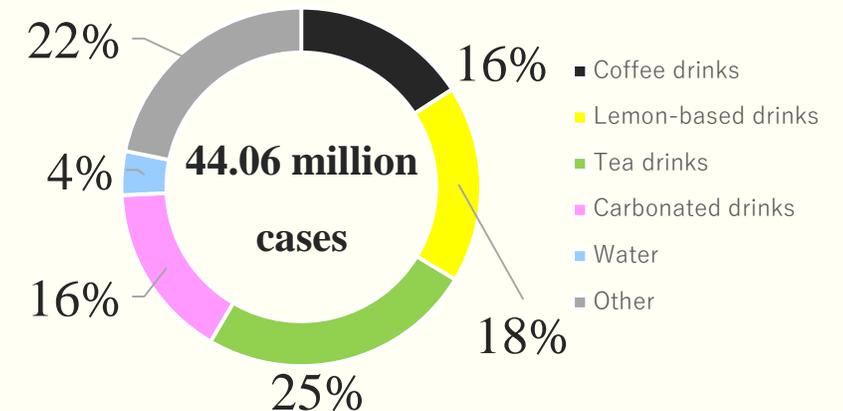
✓ Jan-Dec **up 13%** y-o-y  
(Sales volume)



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

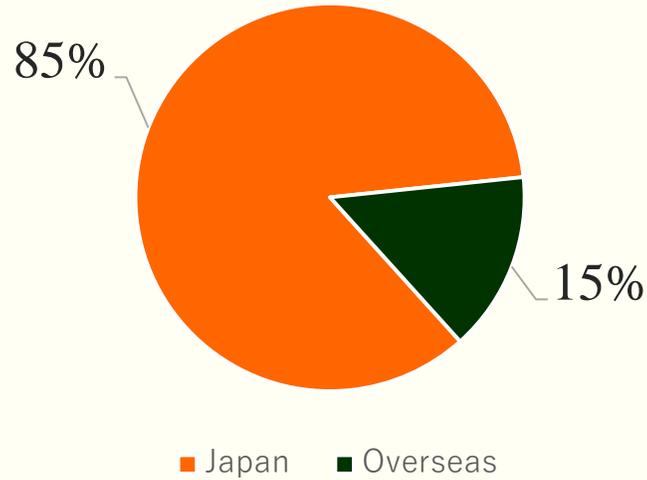


< Japanese soft drinks  
Sales composition by genre (Jan- Dec)>

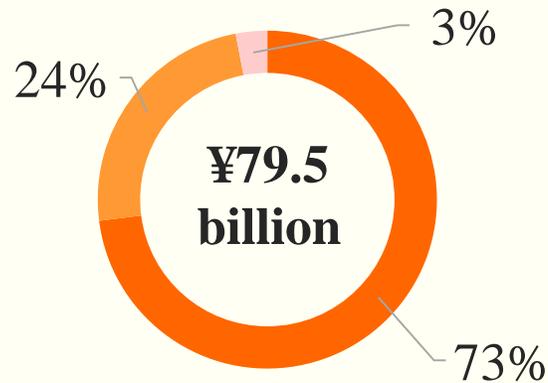


# Appendix : Food & Soft Drinks

< Food & Soft Drinks segment  
Revenue break down by geographic area >



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



■ Soft drinks ■ Food ■ Soy and Chilled product

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

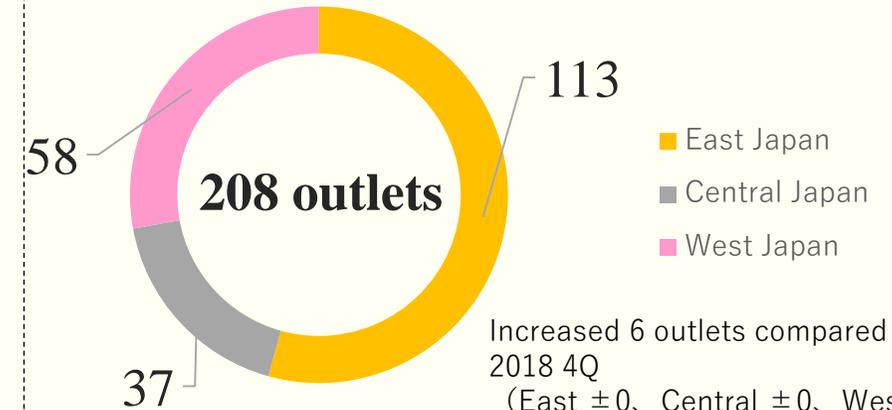


■ Singapore ■ Export

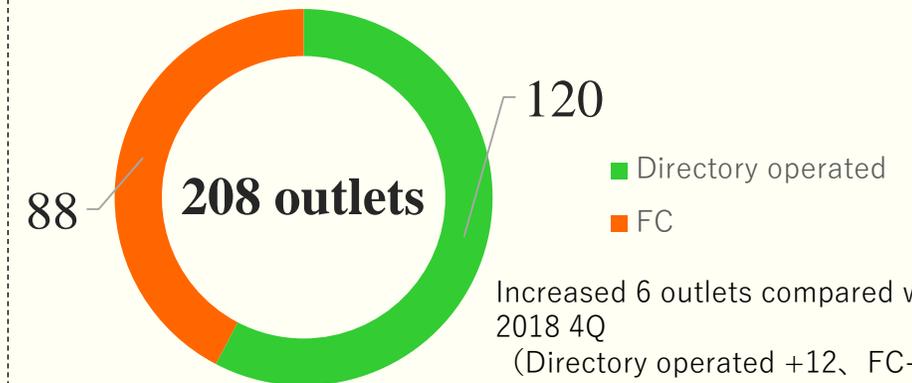
## 【Pokka Create Co., Ltd.】

✓ Jan- Dec Sales revenue **¥ 8.9 billion**  
up **4%** y-o-y

< Number of outlets as of Dec 31, 2019 >



Increased 6 outlets compared with 2018 4Q  
(East ±0, Central ±0, West +6)



Increased 6 outlets compared with 2018 4Q  
(Directory operated +12, FC-6)

# Appendix: Major New Food & Soft Drinks (Japan) Product Launches in Oct, Nov, and Dec

Gabunomi  
Shigekikkusu lemon sparkring

[https://www.pokkasapporo-fb.jp/company/news/release/20191004\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/20191004_01.html)



Gabunomi  
Aofuyu coke

[https://www.pokkasapporo-fb.jp/company/news/release/191114\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/191114_01.html)



Jikkuri kotokoto cup soup  
Crab bisque with tomato

[https://www.pokkasapporo-fb.jp/company/news/release/191105\\_01.html](https://www.pokkasapporo-fb.jp/company/news/release/191105_01.html)



# Appendix : Real Estate

## < Major rental properties & occupancy rates : (Averages for 2019 4Q) >>

	Site area (m <sup>2</sup> )	Floor area (m <sup>2</sup> )	Occupancy rate (%)	No. of floors
Yebisu Garden Place <sup>(1)</sup>	56,943	298,007	99	40 floors above ground, 5 below
Ebisu First Square	2,596	16,012	100	12 floors above ground, 1 below
Ginza Place	645	7,350	99	11 floors above ground, 2 below
Strata Ginza <sup>(2)</sup>	1,117	11,411	100	13 floors above ground, 1 below

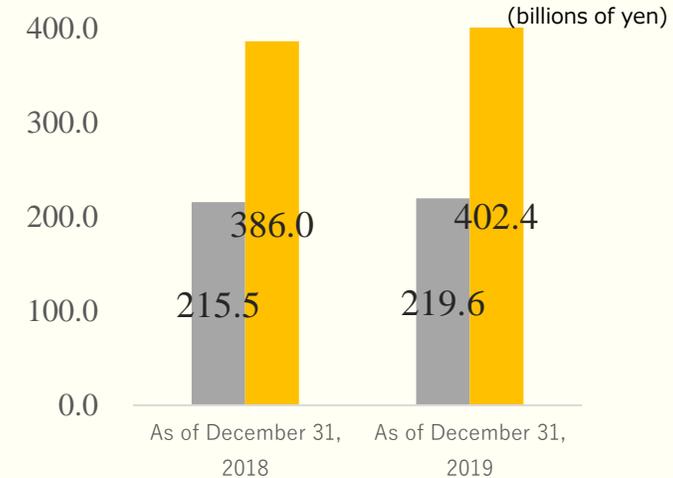
\*1: The number of floors is for the office block only. Occupancy rates are for office areas only.

\*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)

< Operating profit >	(billions of yen)		
	2018	2019	Change
Yebisu Garden Place, etc.	8.1	8.1	(0.0)
Hokkaido	1.1	1.3	0.1
Other area & other operations	3.8	4.4	0.6
General corporate	(1.1)	(1.1)	0.0
Total	12.0	12.7	0.7

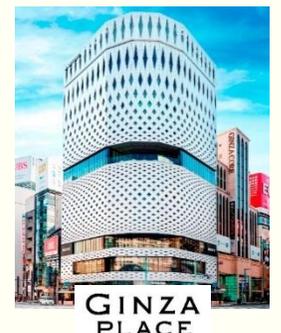
< EBITDA >	(billions of yen)		
	2018	2019	Change
Yebisu Garden Place, etc.	11.3	11.2	(0.1)
Hokkaido	1.8	1.8	0.0
Other area & other operations	4.4	4.1	(0.3)
General corporate	(1.1)	(1.1)	0.0
Total	16.3	15.9	(0.4)

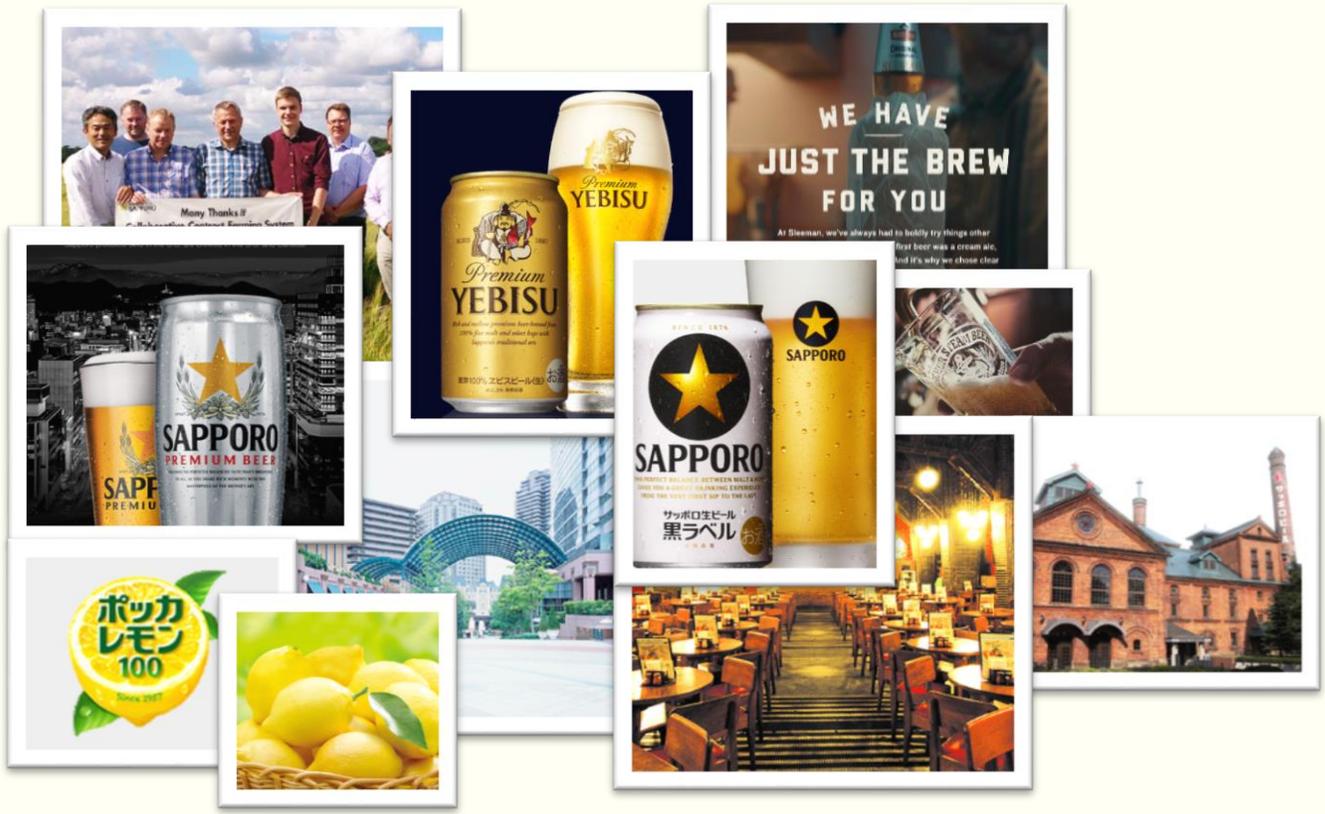
## < Information about Investment property >



■ Carrying value on the consolidated statement of financial position

■ Fair value (billions of yen)





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

