



**SAPPORO**

# **Supplementary Explanatory Materials Concerning the June 24<sup>th</sup> Timely Disclosure**

**June 24, 2022**

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

# Overview of the Acquisition of Stone Brewing Co., LLC



▶ Sapporo U.S.A., Inc., a consolidated subsidiary of Sapporo Holdings Ltd., has acquired membership interest(Consolidation) in Stone Brewing Co., LLC.

## Overseas Strategy and Purpose of this Acquisition

\*Agreement signed on June 24 (Scheduled to execute equity transfer in August)

### <Management Strategy and Area Strategy>

Localized and local-first product development, manufacturing, marketing, and sales activities that achieve our mission

Accelerate growth in the North American market, acquire profits in the Asia Pacific market and build a business foundation in the European market

### <Product Strategy>

- Expand brand both nationally and regionally
- Localized product development

### <Supply Chain Management Strategy>

Position breweries close to consumption areas using M&A and other means

Reduce logistics costs with local production for local consumption and stabilize quality

### <Purpose of this Acquisition>

**(1) Acquire manufacturing base for the Sapporo brand**  Additional explanation on p.4

(Acquire Stone's two breweries located on the West Coast and East Coast to strengthen growth of the Sapporo brand)

(2) Expand beer business through acquisition of prominent brands, such as Stone IPA

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## Profile of Stone Brewing Co., LLC

Company name : Stone Brewing Co., LLC (established in 1996)



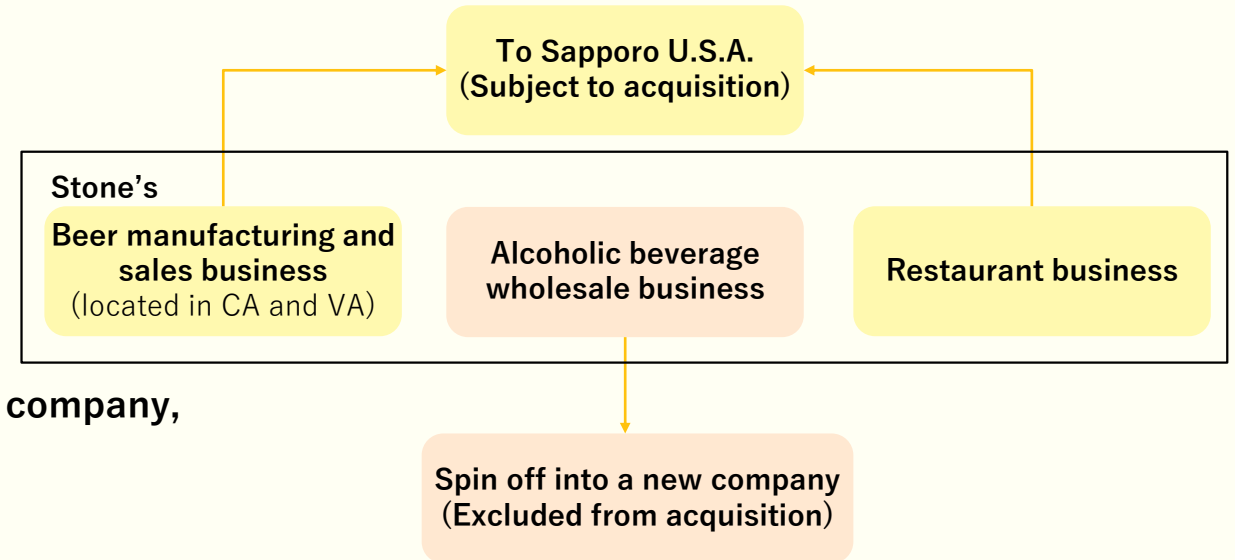
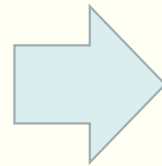
Brewery location : Escondido, CA and Richmond, VA (since 2015)

CEO : Maria Stipp (since 2020)

Of Stone's:

- (1) beer manufacturing and sales business,
- (2) alcoholic beverage wholesale business, and
- (3) restaurant business,

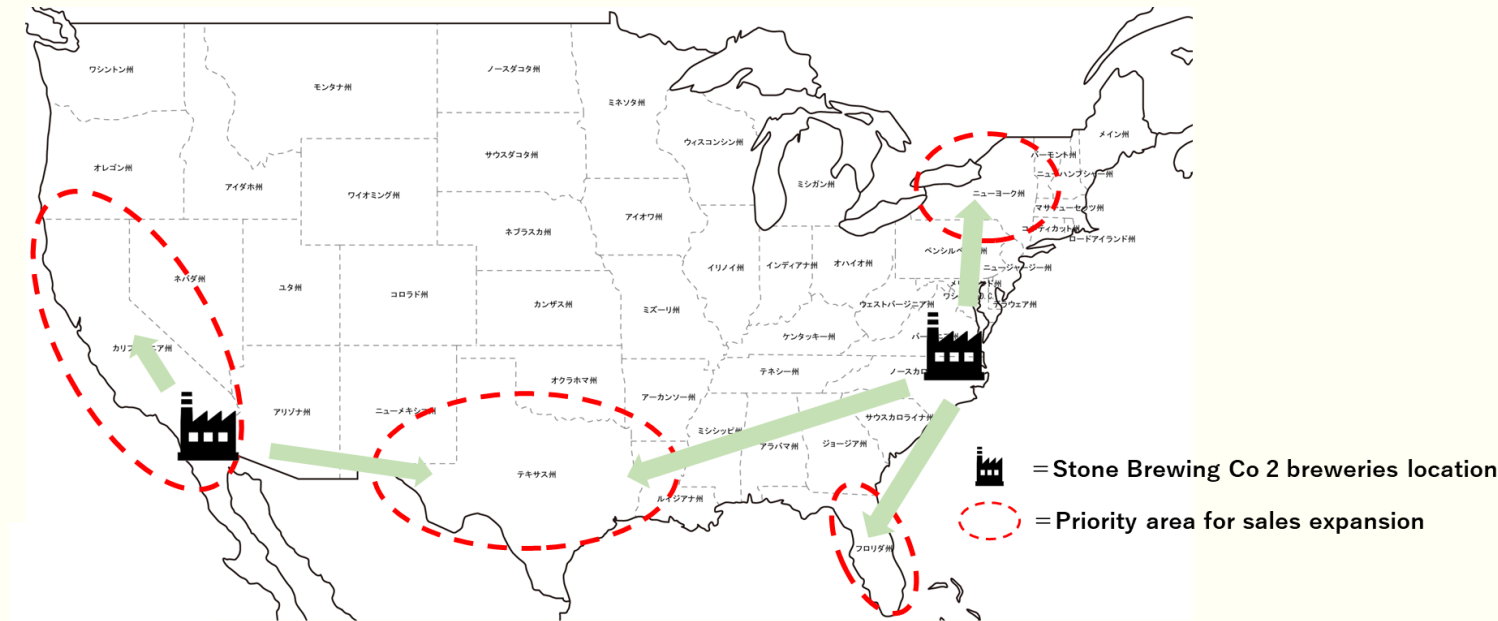
transfer the (2) alcoholic beverage wholesale business to a new company, and Sapporo U.S.A.,Inc will acquire the shares of Stone.



# Overview of the Acquisition of Stone Brewing Co., LLC

## Supply chain optimization through acquisition of manufacturing bases

- **Significantly lower logistics costs** by promoting local production for local consumption
- **Stabilize and streamline operations** by connecting the entire value chain from production to sales inside the United States
- Expect to roughly double the current utilization rate of the two breweries to be acquired.



This acquisition of production bases will help to further speed up business growth in the United States.

- Increase overseas sales volume of Sapporo Brand beers to 10 million cases\* by 2026, and aim to achieve an overall overseas sales volume of 30 million cases\*, including other brands.
- Aim to achieve sales volume in the United States market to 8 million cases\* by 2024.

\*Large bottle equivalent (633ml x 20)

Q	A
What was the acquisition cost?	<p>Stone's equity: 165 million USD (estimate)            Advisory fee: 3 million USD (estimate)            Total: 168 million USD (estimate)            Sapporo USA Inc. may make additional payments to Stone Holdings as consideration for the acquisition of its membership interest in Stone depending on Stone's business performance.</p>
Why leave out the distributing business?	<p>The distributing business is not a part of our operating portfolio in terms of North American business strategy.</p>
What are the most recent sales stats of Stone Brewing Co., LLC?	<p>Earnings returned to pre-pandemic levels in Q1 2022 thanks to the recovery in the commercial-use market in the United States and the redoubling of efforts in home-use products.</p>
What are the expected synergies?	<p>Increase manufacturing and shipment efficiencies by manufacturing Sapporo Premium Beer at Stone's breweries in the United States.</p>
What impacts will this have on earnings?	<p>Prior to carving out the alcoholic beverage wholesale business, Stone Brewing Co., LLC's earnings performance for the fiscal year ended December 2021 was net sales of 230.13 million USD and an operating loss of 9.639 million USD. While it is difficult to isolate this performance based on beer manufacturing and sales business, restaurant business and alcoholic beverage distributing business, the beer manufacturing and sales business and restaurant business that will be acquired expect to turn a profit in FY2023 because production efficiency will be improved and utilization rate doubled with the manufacturing of Sapporo Premium Beer. The promotion of local production for local consumption in the United States is expected to contribute to the earnings of Sapporo U.S.A. and synergies from both companies is expected to lift profits in 2024 and beyond, resulting in steady progress in recouping the investment.</p>

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



This document was prepared for the purpose of providing information to serve as a reference for investors in making investment decisions and not for the solicitation of investment or any other similar such actions.

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