SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q2 Financial Results Briefing for the Fiscal Year Ending December 2022

August 12, 2022

Event Summary

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Presentation

Moderator: Hello, investors. Thank you for attending today's financial results briefing for Q2 of FY2022 of Sapporo Holdings Limited. The time has arrived, and we will now begin.

Presenters today are Mr. Masaki Oga, President and Representative Director, Sapporo Holdings Limited; Mr. Yoshitada Matsude, Managing Director, Sapporo Holdings Limited; and Mr. Hiroyuki Nose, President and Representative Director, Sapporo Breweries Limited. Please have at hand the Financial Results, Supplementary Materials to the Financial Results, and Financial Results Presentation PowerPoint.

Mr. Oga and Mr. Matsude will first provide an overview of Q2 financial results for approximately 40 minutes based on the PowerPoint presentation of the financial results, followed by a question-and-answer session. The entire meeting will last approximately one and a half hours.

We will now begin the online meeting. First Mr. Oga will start the explanation. Thank you for your cooperation.

Oga: Good morning, everyone. I would like to begin with an explanation based on this explanatory material.

Please look at the financial summary on page four. These are the results for Q2. Sales revenue was JPY213.8 billion, a YoY increase of JPY14.1 billion. In addition to growth in overseas alcoholic beverages, a recovery in restaurant demands due to deregulation and growth in RTDs contributed to the increase in sales.

And core operating profit was a negative JPY2.2 billion, a YoY increase of JPY1.3 billion. This improvement in business profit was due to the effect of increased revenues, as well as the effect of structural reforms in the restaurant and food and beverage businesses.

Operating profit was a negative JPY0.2 billion, a decrease of JPY19.3 billion from the previous year, reflecting the absence of gains from the sale of real estate last year.

Then, our annual forecast is in line with our plan at the beginning of the year. In addition to the effect of increased sales due to various price revisions, we also expect an increase in overseas sales, but there is still a downside risk, so at this point we are forecasting sales as planned.

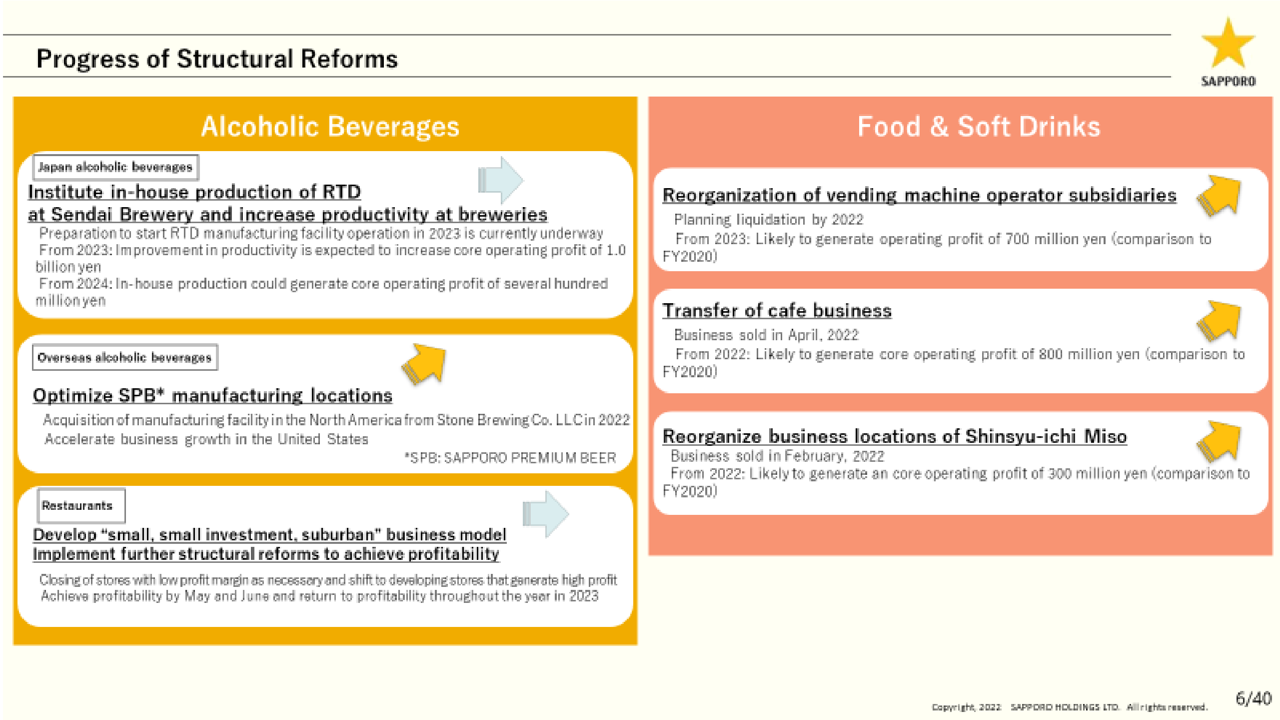
We have listed the progress of our future growth strategies in each of our businesses on page five.

First, in domestic alcoholic beverages, we are continuing to strengthen our beer cans. Although we have received a slight rebound in stay home demand for beer due to the recovery of commercial use, this January to June sales volume for beer and beer-type beverages total cans this year is still 9% higher than in 2019 （beer cans up 10% YoY） , and we would like to continue to strengthen our cans. And we are introducing new products in the areas of RTD, non-alcoholic, and micro-alcoholic products, and the second is to grow in these areas.

As for overseas, Canada is experiencing a shift to premium beer. Although total demand has been struggling unexpectedly, we hope to grow beyond the previous year by premiumizing and strengthening our RTD business. In the US, the SAPPORO brand continues to do very well. We are achieving double-digit growth, and we hope to quickly generate synergies from the acquisition of Stone's manufacturing facilities.

In the food and beverage business, we are considering expanding sales of All Lemon. Although the volume of beverages from vending machines is slightly declining, we would like to expand our beverage business in total, especially for lemons. Overseas, we are expanding our business to more than 60 countries around the world, centering on Singapore, and we would like to further accelerate the Singapore-centered part of our business.

In the real estate business, Center Plaza will have its final grand opening on November 8 this year. Foodie's Garden, the second floor of the basement, has already opened in April, and we would like to further promote efforts to increase the value of the property here. Furthermore, we have made several investments this year, not only in the usual business of rent income as before, but also in expanding income from new businesses through equity investments and other means. We hope to grow in each of our businesses based on our proven track record of success.



On the other hand, we are making progress in structural reforms. As for alcoholic beverages, since we are going to shift in-house RTD production to the Sendai plant and discontinue beer production in Sendai, we would like to further accelerate the productivity improvement of the total beer plant. Our efforts are progressing smoothly so far, and we expect to see an annual effect of JPY1 billion in productivity improvement from 2023 onward, with the in-house production of RTDs also expected to bring several hundred million yen.

As for overseas, we would like to accelerate the speed of our business growth by acquiring Stone's production base mentioned earlier.

In the restaurant business, which suffered the most damage from the coronavirus disaster, we will further strengthen our business structure to return to profitability. We will continue to develop new stores, but in a small, compact, and strong form. In fact, in May and June of this year, we achieved a profit in a single month, and although we are still affected by the coronavirus this year, we expect to return to profitability for the full year in 2023.

Then there is the progress of structural reforms in the food and beverage business. Public Vending Services, the vending machine operator subsidiary, was liquidated, and we estimate the effect of the liquidation to be about JPY700 million per year.

The sale of the café business was completed this year, which is expected to have an effect of about JPY800 million.

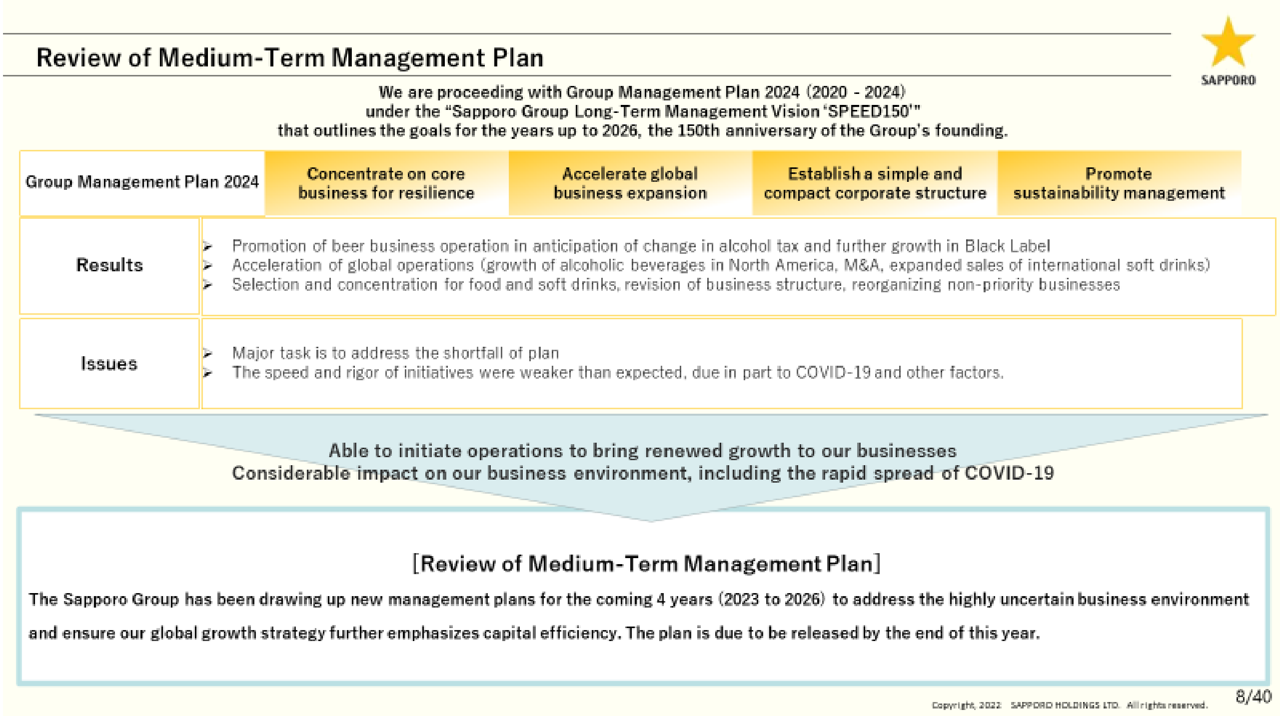
In addition to the reorganization of our miso production bases, structural reforms are underway.

I would like to talk one more time here about the Stone Brewing Co. acquisition in the growth strategy I mentioned earlier.

As you can see on this map released this year, the western area centering on California, the eastern area centering on New York, and the southern area centering on Texas and Florida are the areas in the US where the total demand for beer is high and where we have our important bases.

We have been thinking about establishing an optimal manufacturing base in this area for some time, including building our own factory, and we decided that acquiring Stone Brewing Co. would be the best choice.

First, they have the ability to manufacture our SAPPORO brand. And they possess a strong local brand. We believe that by having and developing a factory here, including taking over the management team as management, we can expect to further improve upon Stone's current factory utilization rate to double it by significantly reducing logistics costs and stabilizing and streamlining the business. I am convinced that this will be a major growth center for us.



While doing so, we are currently developing a four-year medium-term management plan starting in 2020 under the Group Management Plan 2024.

However, the coronavirus pandemic started in 2020, and we developed from a loss-making start in 2020, and we are still reeling from the effects of the coronavirus from 2020, 2021, and now in our third year. Under such circumstances, we are reviewing the current medium-term management plan one more time, as we are not convinced that it is in conformity with the current plan by any means.

The four policies, concentration on core business, strengthening of core business, and acceleration of global expansion, have not yielded good results, especially in the area of performance, since there was a situation in which the market suffered, mainly in the restaurant industry. We were also able to acquire factories for global expansion, but negotiations stalled.

I believe that we have made a lot of progress in what we can do internally, such as the simple and compact corporate structure and sustainable management on the right side, but there are still many issues to be addressed and the plan has been ineffective in some areas.

In this context, we are currently formulating a new four-year management plan from the next year, 2023 to 2026. We then plan to announce the results by the end of this year. With the outbreak of the war and the global impact that is not limited to a few regions, we are planning to announce this year that we will adapt to this highly uncertain environment and ensure our growth strategy, including global expansion, while placing greater emphasis on capital efficiency. We hope that you will look forward to it.

That is all from me.

Moderator: We would like to continue with an explanation from Mr. Matsude. Thank you.

Financial Highlights

SAPPORO

(billions of yen)	2021 Q2 Result	2022 Q2 Result	YoY changes (amount)	YoY changes (%)
Revenue	199.7	213.8	14.1	7.1%
Revenue (Excluding liquor tax)	151.1	162.4	11.3	7.5%
Overseas revenue	34.7	43.1	8.4	24.3%
EBITDA	6.9	7.9	0.9	13.4%
Core operating profit	(3.5)	(2.2)	1.3	—
Core operating profit margin	(1.7%)	(1.0%)	—	—
Operating profit	19.1	(0.2)	(19.3)	—
Profit attributable to owners of parent	12.3	(0.4)	(12.7)	—
D/E ratio (times) ※Net	1.2	1.1	(0.0)	—

The balance of debt excludes the balance of lease obligations.

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Matsude: My name is Matsude from Sapporo Holdings. I will now explain the details of the financial results.

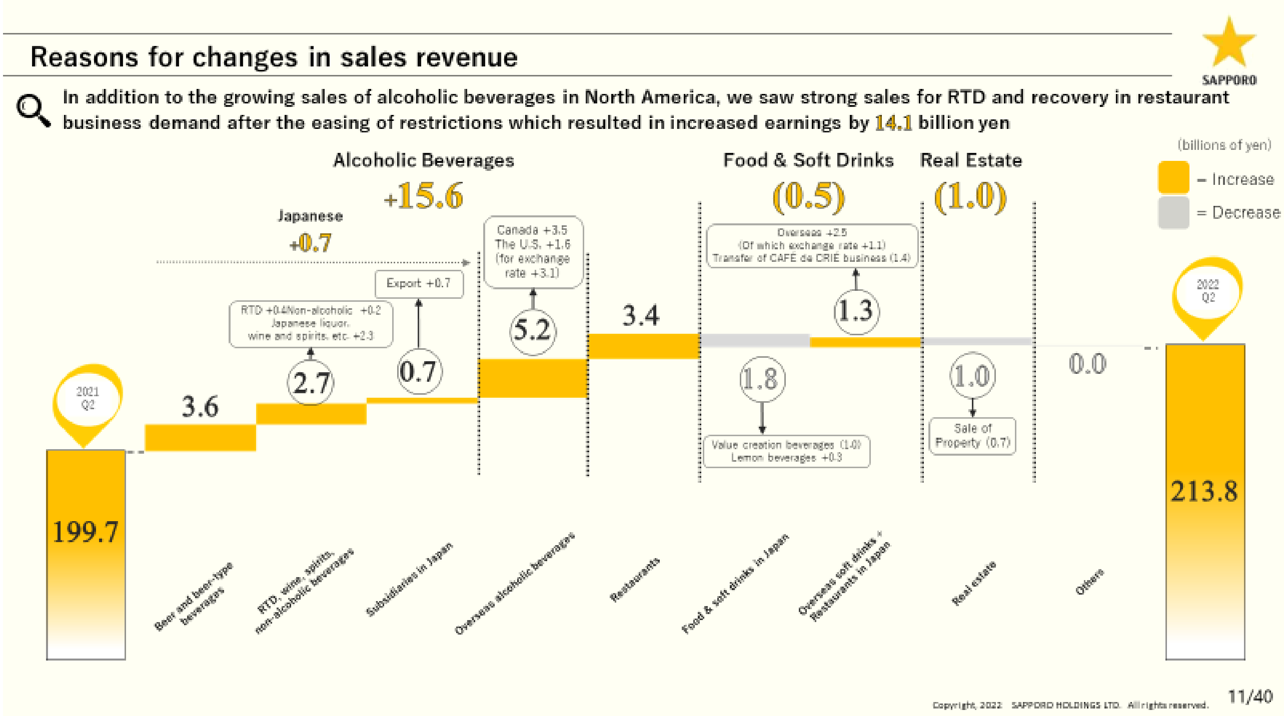
Please open the document to page 10. This is the financial highlights.

In Q2 of this year, sales revenue was JPY213.8 billion, an increase of JPY14.1 billion, or 7%. Growth in overseas alcoholic beverages, especially in North America, as well as a recovery in restaurant demand due to deregulation and progress in RTDs, contributed to the domestic alcoholic beverages and restaurant business.

Core operating profit was a negative JPY2.2 billion, an improvement of JPY1.3 billion from the previous year. The impact of rapidly rising costs amounted to approximately JPY3 billion in H1 for the Group as a whole. In addition to the positive effect of increased sales of domestic and overseas alcoholic beverages, structural reforms in the restaurant and food and beverage businesses contributed to this increase.

Operating profit was a negative JPY0.2 billion, a JPY19.3 billion decrease from the previous year's gain on the sale of real estate.

Net income was a negative JPY0.4 billion, a decrease of JPY12.7 billion.



I will now explain in more detail the reasons for the increase or decrease in the financial results.

The next factor is the increase or decrease in sales revenue. The increase in sales was JPY14.1 billion due to growth in overseas alcoholic beverages, mainly in North America, as well as a recovery in demand for food service and growth in RTD sales. Of this amount, approximately 30%, or JPY4 billion, was attributable to foreign exchange effects.

Let me explain a little about the contents of each segment. The alcoholic beverages business was a major driver of revenue growth. This is an increase of JPY15.6 billion, or 12%, from the previous fiscal year. The domestic alcoholic beverages business accounted for slightly less than half of this total, with sales up JPY7 billion, or 7%, thanks to the recovery effect in the restaurant market and steady sales of RTDs. Beer products account for JPY3.6 billion, about half of the sales growth.

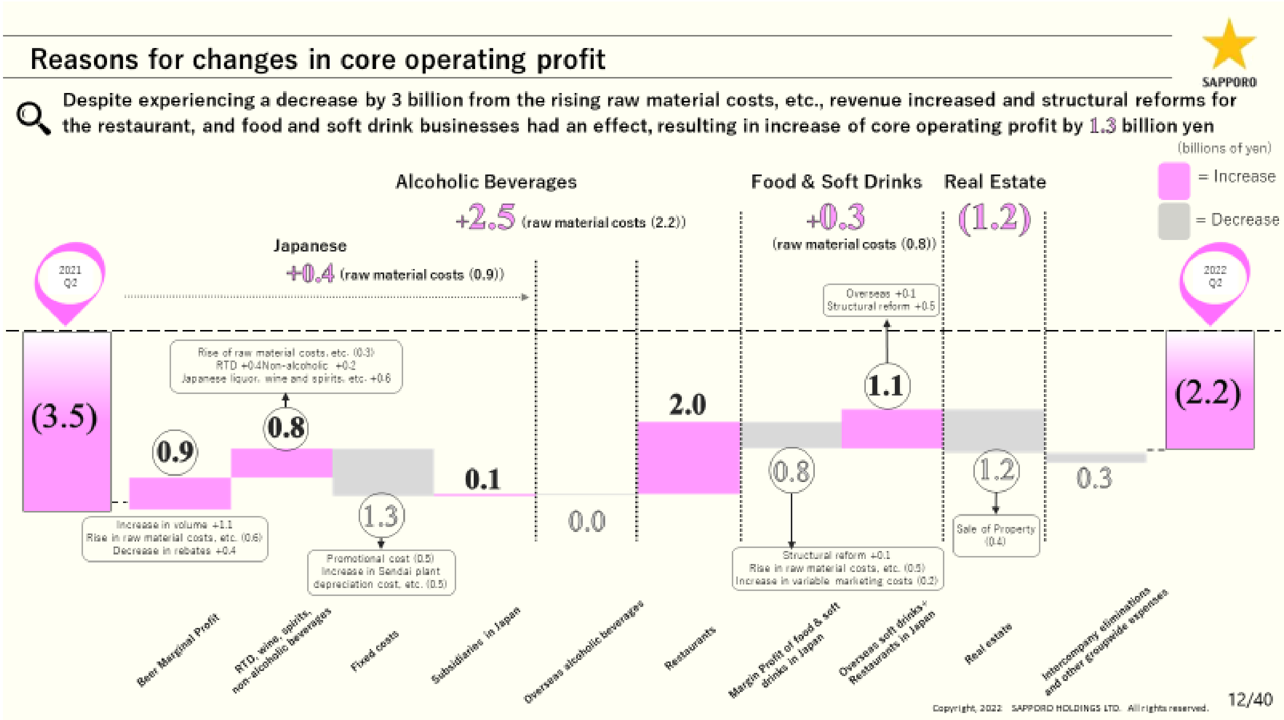
Sales volume through Q2 was up 3% from the previous year. This was driven by beer, happoshu, and new genre beer. Next is a JPY2.7 billion increase in sales of RTDs, spirits, etc. As for RTDs, Koime no lemon sours have contributed. In addition, exports to Europe and South Korea grew, resulting in JPY0.7 billion increase in sales.

Overseas alcoholic beverages sales increased 21%, or JPY5.2 billion, mainly due to volume growth in North America. Foreign exchange effects accounted for JPY3.1 billion of this amount. The effect of increased revenue in local currency was a positive JPY1 billion in the US and JPY1.1 billion in Canada. The main reasons for the increase in sales in the US were an increase in sales volume of the SAPPORO brand, and in Canada, an improved product mix and the effect of price revisions.

Next is the food service business. Sales here increased by 110%, or JPY3.4 billion, to more than double the previous year's level due to a recovery in demand for food service as a result of deregulation. If I may explain how the deregulation has changed the regulation of activities in TMG associated with the coronavirus, 174 days were under the regulation in H1 of last year. This year, the period was 60 days, and there was also this change in the environment.

Beverage business decreased by JPY0.5 billion, or minus-1%. There was a JPY1.4 billion impact from the transfer of Pokka Create Co., Ltd. shares on April 1. Excluding this effect, on a continuing operations basis, revenue increased by JPY1 billion compared to the previous fiscal year. The decrease in sales in the beverage business due to structural reforms in the vending machine business was offset by growth in the overseas business.

Next is the real estate business. The real estate business was down JPY1 billion, or 9%. The sale of properties last year had an impact of JPY700 million, and in addition, the renovation of the Yebisu Garden Place commercial building had an impact.



Let me move on to the factors that may cause an increase or decrease in core operating profit.

Despite the impact of cost deterioration, core operating profit improved by JPY1.3 billion due to the effect of increased sales in the domestic and overseas alcoholic beverages businesses, as well as the effect of structural reforms in the restaurant and food and beverage businesses. In addition to raw material cost increases, the worsening cost of goods sold includes energy and logistics costs, as well as the impact of foreign exchange rates.

Looking at the contents, the alcoholic beverages business was the driver of profit growth here as well. This is an improvement of JPY2.5 billion. The impact of cost deterioration was JPY2.2 billion in total, both in Japan and overseas, but this was offset by the effects of increased sales and structural reforms.

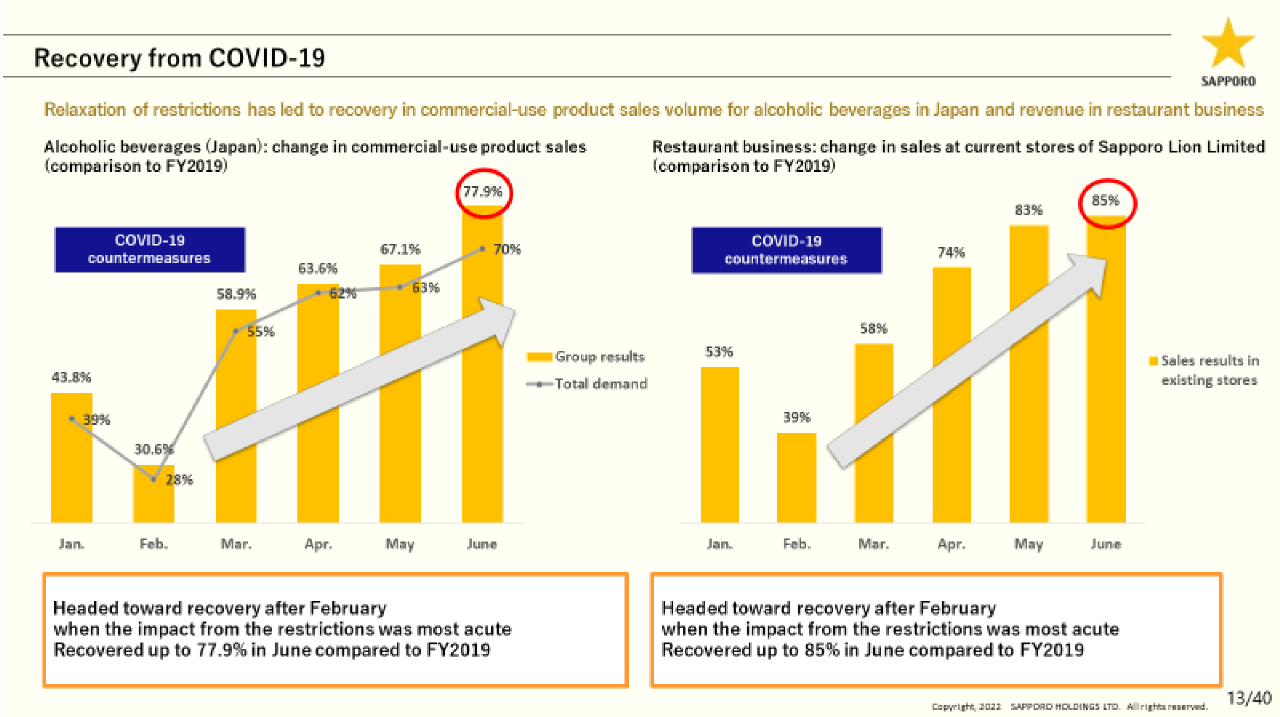
The domestic alcoholic beverages business increased by JPY0.4 billion. The cost increase of JPY0.9 billion due to cost deterioration and an additional JPY0.5 billion in depreciation associated with the conversion of the Sendai plant to RTD were offset by the positive effect of increased sales.

Next is the overseas alcoholic beverages business. The overseas alcoholic beverages business secured profits on par with the previous year. There was a cost deterioration of approximately JPY1.3 billion, and in addition, the cost increase including the recording of a portion of the fees associated with the acquisition of Stone Brewing Co., amounting to approximately JPY200 million was offset by the positive effect of higher sales.

Next is the food service business. This is an improvement of JPY2 billion due to the realization of structural reform effects supported by increased revenues.

Next is the food and beverage business. This is a JPY300 million improvement. Although there was a JPY0.8 billion impact from higher costs, structural reform effects of approximately JPY0.6 billion became apparent, in addition to the effect of increased sales from overseas operations. This is the situation we have covered here.

The real estate business reported a decrease of JPY1.2 billion. The impact from the sale of the property in the previous year was approximately JPY400 million, in addition to a decrease in rent due to the renewal of the commercial area of Yebisu Garden Place and the impact of one-time costs was approximately JPY500 million.

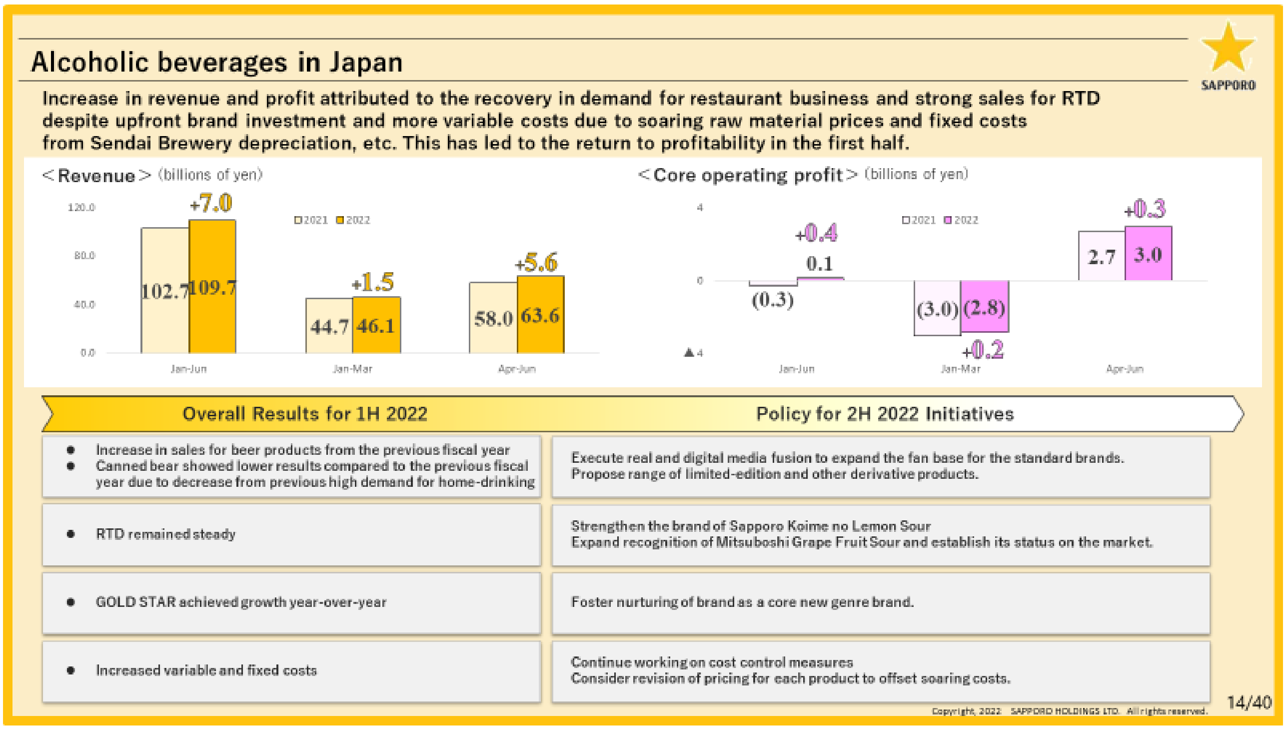


Next, I would like to report on the status of recovery from the coronavirus.

On the left is the sales volume of the domestic alcoholic beverages business for commercial use. The comparison is 2019 before the coronavirus pandemic. On the right is the same-store sales trend of our restaurant business, Sapporo Lion Ltd.

As you can see, both of them have confirmed a recovery after bottoming out in February.

Although we are not optimistic about the current situation due to the seventh wave, we believe that we have confirmed the possibility of up to 70% to 80% of the 2019 level in the event of a recovery.



Next, I would like to review H1 and supplement H2 policy for each business.

The first is the domestic alcoholic beverages business. The increase in variable costs due to soaring raw material prices and the increase in fixed costs such as increased depreciation at the Sendai plant were offset by the positive effect of higher sales.

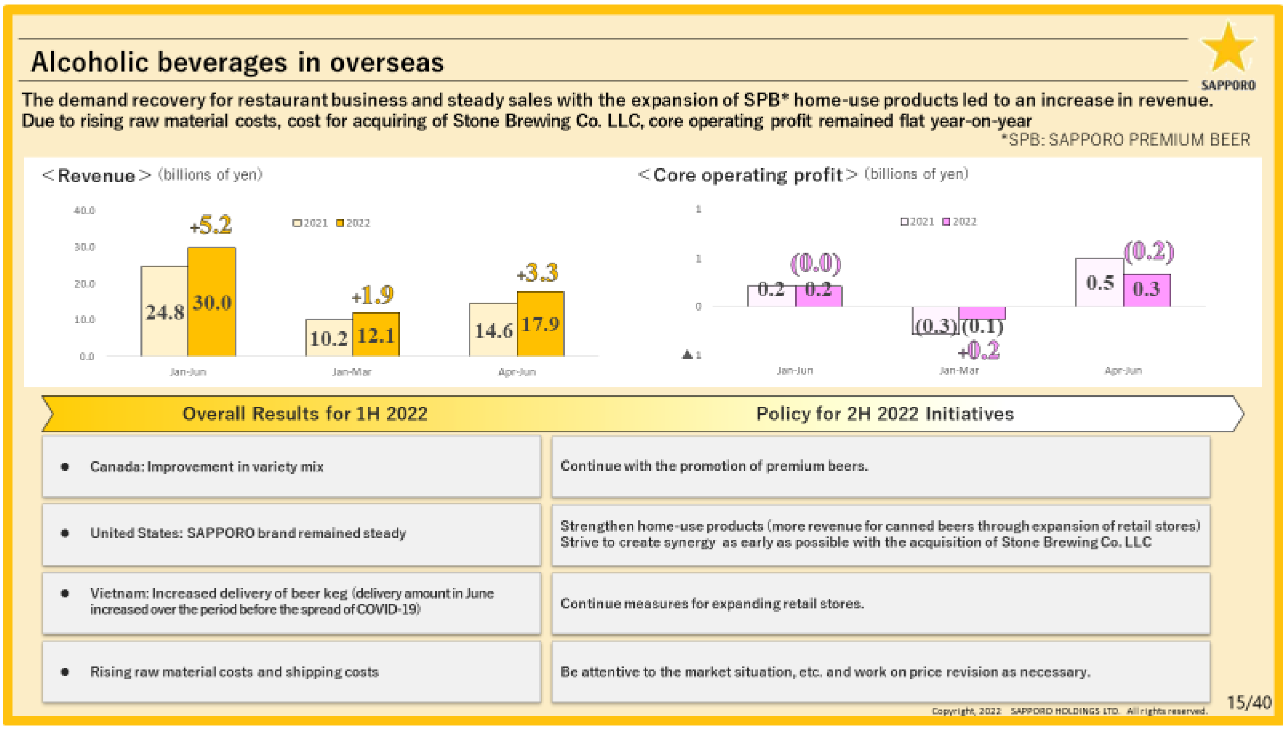
For each of the major strategies, I would like to provide a review of H1 and some additional information about our efforts in H2.

First, it is the beer that is being strengthened. Beer volume increased 11% in H1 due in part to a recovery in commercial use. On the other hand, beer cans for home use were down 4%, affected by the recovery in commercial use. In the future, we will continue to strengthen our standard brands, and also offer derivative products and limited-edition products to strengthen our beer cans.

Next is RTD. In the RTD market, while the overall market was at a standstill in reaction to the recovery of the commercial-use market, we achieved a 2% increase due to strong sales of Koime no lemon sours and other factors. We intend to continue strengthening our core brands and establishing new products in the market.

Next is a new genre. In new genres, GOLD STAR performed well with a 5% increase in H1. We intend to continue nurturing GOLD STAR in H2 of this fiscal year.

Next, let us discuss costs. As a response to the increase in variable and fixed costs, cost deterioration in H1 was JPY0.9 billion. In the domestic alcoholic beverages business, we expect an increase of about JPY2.1 billion for the full year. We will continue to implement cost controls and develop price revisions in H2. Wine, shochu, and Western liquor have already been conducted in July. In addition, we plan to revise the prices of beer and RTD in October and expect the effect of the price revision to be JPY2 to JPY3 billion by the end of the year. For the full year, we expect to generate approximately JPY10 billion.



Next is the overseas alcoholic beverages business. In the overseas alcoholic beverages business, sales increased due to a recovery in demand from restaurants and steady expansion of SAPPORO PREMIUM BEER by strengthening its home-use products. On the other hand, core operating profit was flat YoY due to cost deterioration and a portion of the Stone Brewing Co. acquisition costs.

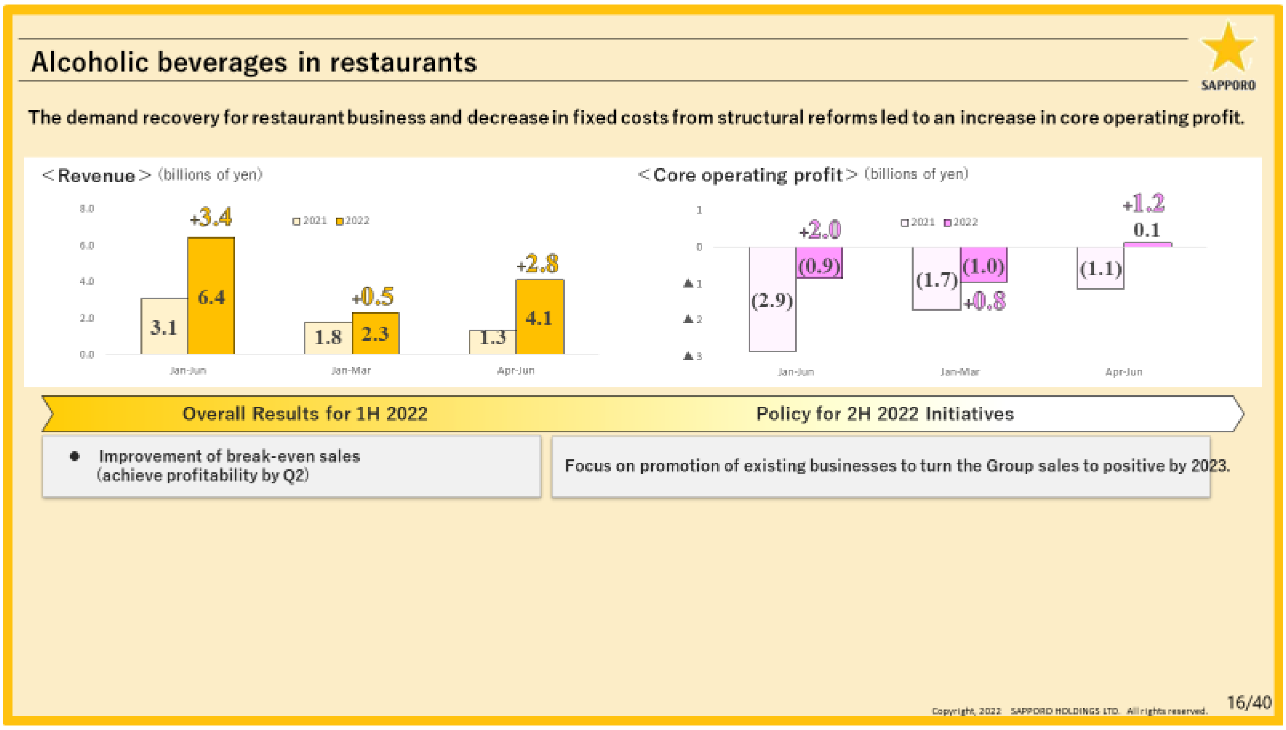
I would like to review H1 and explain our initiatives for H2, including the market situation.

First, here is the situation in Canada. I would like to say a few words about Canada. In Canada, total demand in H1 appears to have declined 4% from the previous year. The Company's sales were down 2% from the previous year, a healthy performance. So, in terms of sales, the mix improvement and the effect of the price increase led to an increase in sales. Regarding beer premiumization and mix improvement, the premium zone was able to exceed the previous year's level. We intend to continue our efforts to beer premiumization.

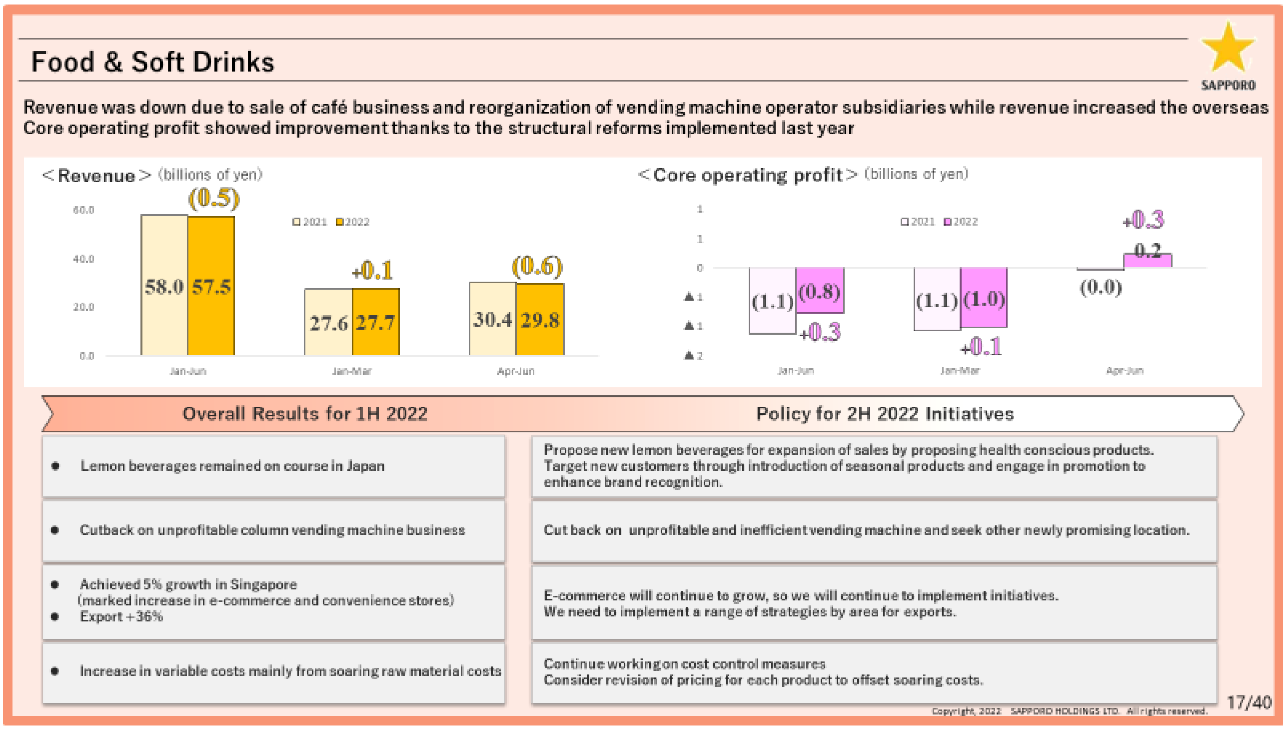
Next is the United States. Total demand appears to have declined 2% from the previous quarter. In response, we were able to significantly increase the sales volume of the SAPPORO brand. In addition to the recovery of the commercial market, we believe that the expansion of the home-use market contributed to this recovery. We intend to continue to our effort to expand the sales volume of home-use market and work to create synergies with Stone Brewing Co. as soon as possible. We have mentioned that the closing of Stone will be in August, but we plan to close at the end of August, and we will incorporate Stone Brewing Co. into our accounting consolidation, hopefully starting in September.

Next, I would like to discuss Vietnam. Total demand was up 24% from the previous year during the January to June period, while the Company's demand was up 18%. The restaurant market, in particular, has recovered significantly due to the effects of deregulation. We intend to continue our efforts to expand the number of stores handling our products.

Next, regarding our response to soaring costs, we would like to respond flexibly by basically revising the prices of overseas alcoholic beverages.



Next is the food service business. Sales increased and core operating loss improved due to a recovery in demand for restaurant services and a decrease in fixed costs resulting from structural reforms. As you can see, we were able to return to profitability in business income for the April to June period, and we intend to continue to entrench structural reforms.



Next is the food and beverage business. In the food and beverage business, sales increased in the overseas business. In Japan, the sale of Pokka Create Co., Ltd. had a particularly large impact, and we are also promoting structural reform of vending machines, resulting in a decline in total sales. On the other hand, structural reforms contributed to a narrowing of the deficit in business income.

This is a review of H1 and initiatives for H2.

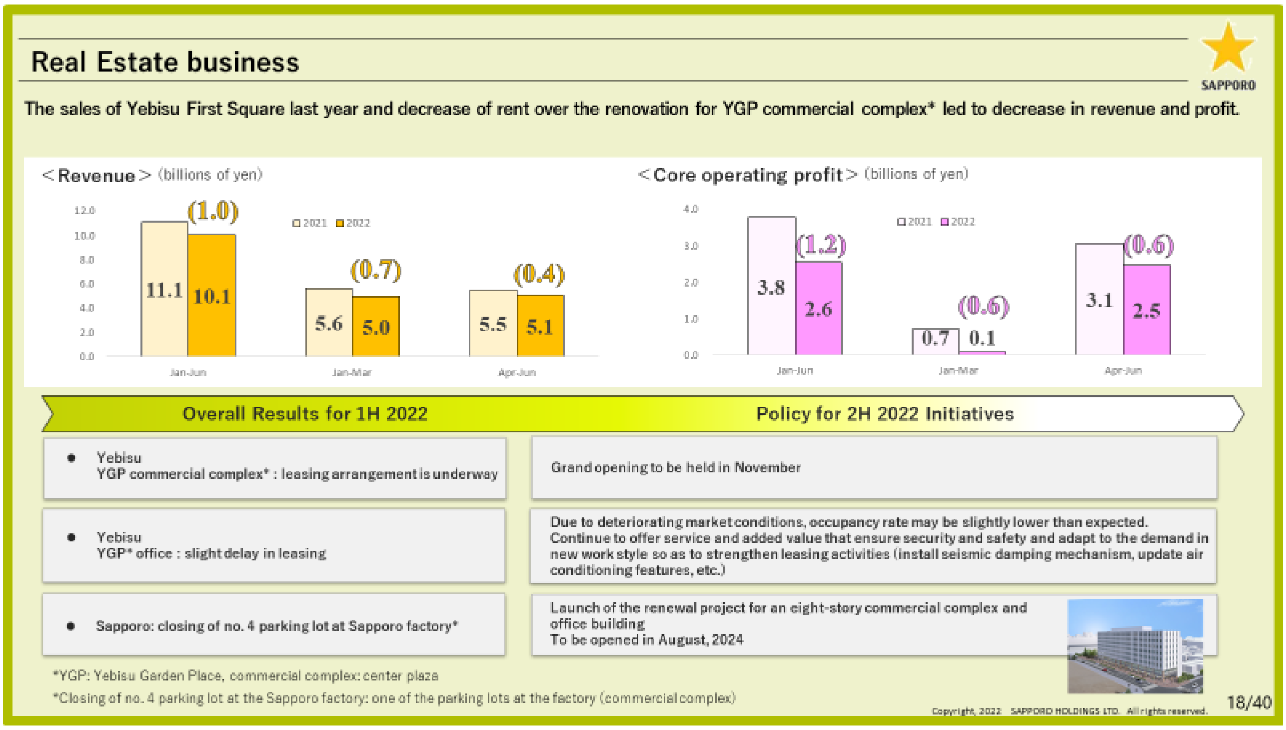
First, lemon beverages continued to perform well. We will continue to strengthen our efforts.

Next, regarding the structural reform of the vending machine business, the number of vending machines decreased by 10% from the previous fiscal year due to the policy of removing unprofitable vending machines from the market. This includes the effects of the reorganization of our vending machine subsidiaries, as mentioned by Mr. Oga at the beginning of this presentation.

Public Vending Services, our vending machine subsidiaries, ceased its operations in June. For the full year of last year, the Company reported sales revenue of JPY3 billion and a business loss of JPY0.7 billion.

Next, I would like to discuss our overseas beverage business. The overseas beverages business accounts for approximately 20% of net sales in the food and beverage business. Sales revenue was JPY11.2 billion from January to June. In the period from January to June, both domestic sales and exports to Singapore were strong, resulting in an increase of JPY2.5 billion in sales. We intend to continue to maintain the growth trend in H2.

Next, we will address cost deterioration. We will continue to implement cost controls in this area as well, and plan to implement price revisions in Japan in H2 of this fiscal year. The revision of lemon food products has already been implemented since August, and the effects will gradually become apparent. We have already announced that we will be revising the price of drinking water in October.



Next is the real estate business. Both sales and income decreased due to the sale of properties last year and lower rental income from the renovation of the Yebisu Garden Place commercial area.

This is a review of H1 and initiatives for H2.

First, as for the renewal of the commercial area of Yebisu Garden Place, one of the four floors, the second floor of the basement, opened on April 15. The remaining areas are currently undergoing renovation and preparation, but we are making steady progress toward the grand opening on November 8. The majority of the properties are stores, and leasing of the store parcels has been completed.

Next, I would like to talk about the offices at Yebisu Garden Place. There has been a slight delay in leasing this property. As you are aware, market conditions have been slow to pick up, and we have been affected by this, resulting in a slight decline in projected occupancy rates. The occupancy rate for the year is expected to be about 3% lower than planned.

At the same time, we will continue to strengthen our efforts to steadily promote value-enhancing initiatives, and since there have been some delays due to leasing activities focused on rent levels, we will continue to strengthen our efforts in this area. Although a large tenant will vacate the building in H2, we have already decided to move in 7% of the building in terms of occupancy rate.

Next, I would like to discuss Parking Lot Four at the Sapporo Factory. We have already released this as well for this parking lot, and we have started to develop it. The property will be redeveloped as an eight-story mixed-use commercial office building. The grand opening is scheduled for August 2024, with a site area of 4,500 square meters and a total floor area of 14,300 square meters.

Profit attributable to owners of parent

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(billions of yen)	2021 Q2 Result	Details	2022 Q2 Result	Details
Core operating Profit	**(3.5)**		**(2.2)**	
Other operating income	24.5	Gain on sales of fixed assets, etc.	3.1	Gain on sales of fixed assets, etc.
Other operating expenses	1.9		1.2	
Operating Profit	**19.1**		**(0.2)**	
Profit before tax	**19.1**		**0.8**	
Income taxes	6.8		1.1	
Profit	**12.3**		**(0.4)**	
Loss attributable to non-controlling interest	(0.1)		0.0	
Profit attributable to owners of parent	**12.3**		**(0.4)**	

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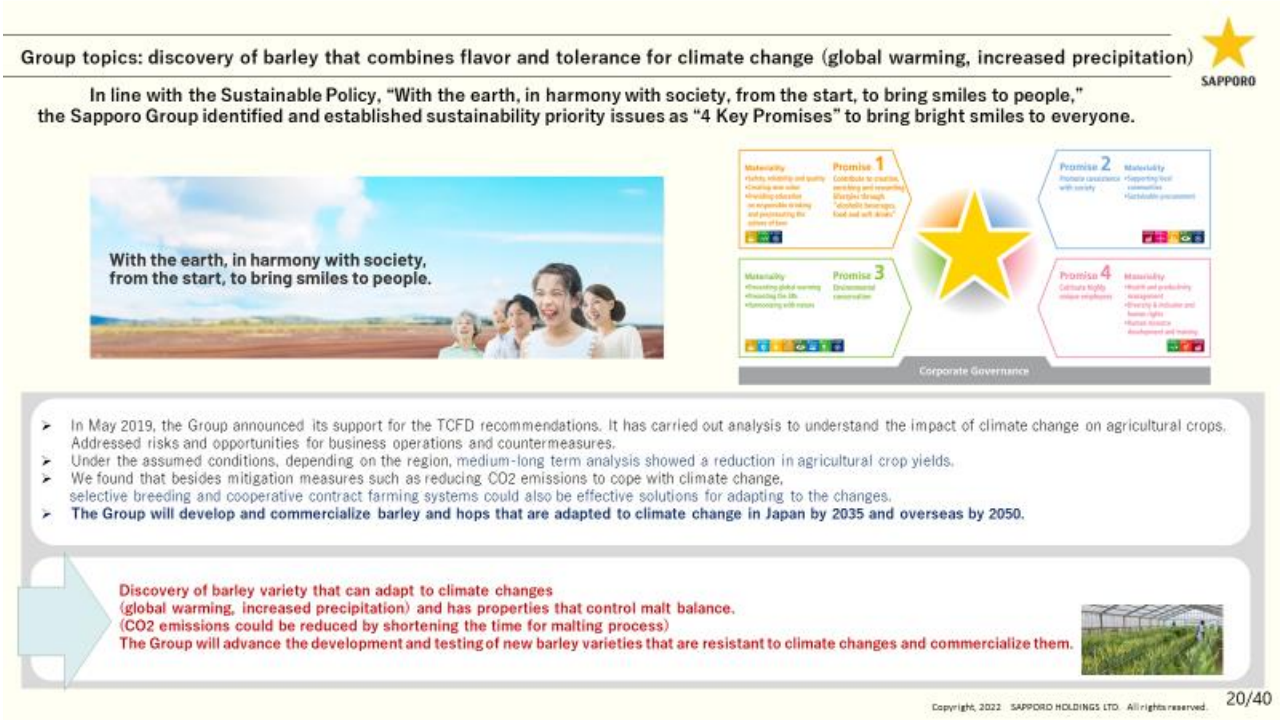
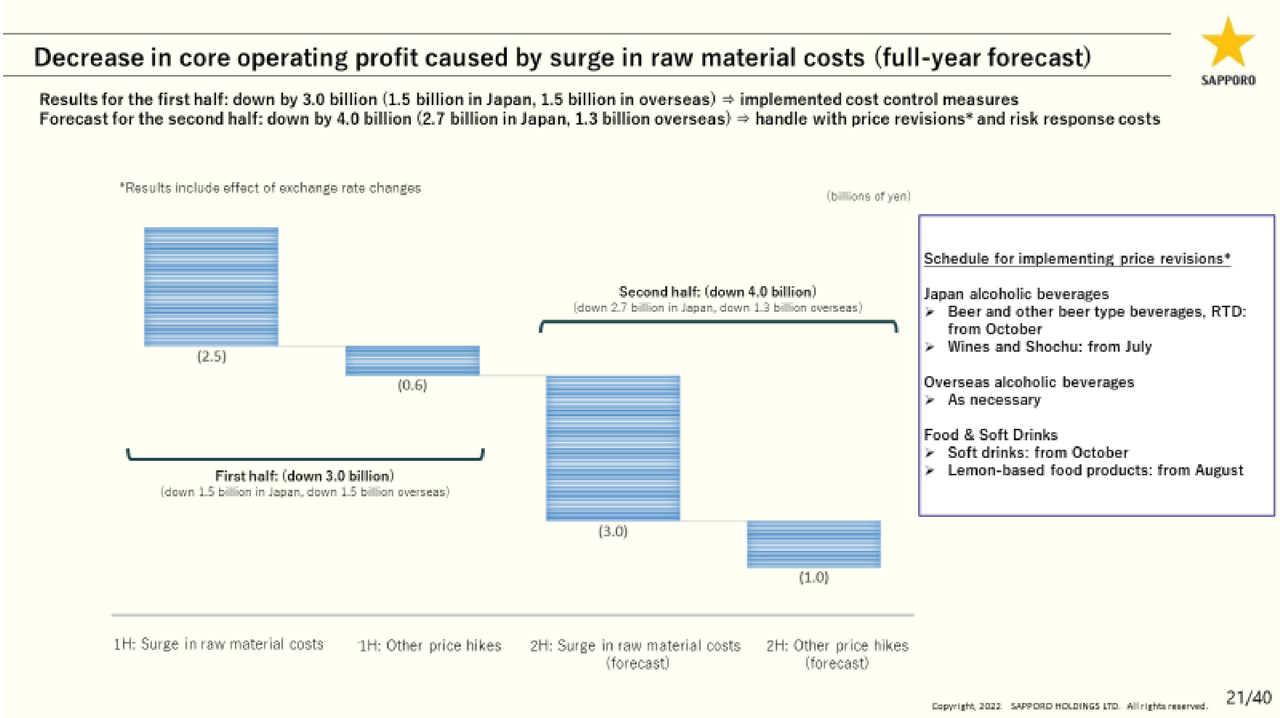
Operating profit and profit attributable to owners of the parent have been explained at the beginning of this report, so I will skip them.



This is the Group topic for H1, and it is related to sustainability.

This is the discovery of a barley that can both tolerate increased rainfall due to global warming and taste great. We have been developing new varieties of barley and hops that can adapt to climate change.

We have recently discovered a barley variety that is both tolerant to increased rainfall due to global warming and tasty, and we intend to verify this and put it to practical use.



Finally, I would like to explain the impact of the sharp rise in raw material prices and our outlook for the full year here.

In addition to raw material costs, energy costs, logistics costs, and foreign exchange effects are also included in this figure.

The impact of raw material price hikes in H1 was approximately JPY3 billion, and the forecast for H2 is JPY4 billion. Although the situation regarding the impact of raw material price hikes is changing day by day, we currently expect JPY7 billion for the full year. Domestic businesses are JPY4.2 billion and overseas businesses are JPY2.8 billion.

As for our response to this deterioration in cost of sales, we would like to respond by revising our overseas prices as appropriate, as we have done in the past. As for the domestic market, we have focused on cost control in H1, and we plan to implement a series of price revisions in H2 in Japan. As a result, we expect to be able to cover most of the JPY7 billion cost increase through price revisions.

The rest of this presentation is for reference only, and I would like to conclude with my explanation.

Thank you for your attention.

Question & Answer

Moderator [M]: Thank you for your explanation. We will now begin the question-and-answer session.

First of all, Mr. Saji from Mizuho Securities, please ask a question.

Saji [Q]: Thank you very much. I have two questions. The first point is that the domestic beer market has been very strong in the beer category in Q2, and canned beer is doing very well. I am concerned, however, that when the commercial use is gradually improved, it may put a brake on canned beer, which has been very good. I would like to confirm one thing about the changing trends in the beer market, including the impact of the price increase starting in October, and whether or not your company will be able to maintain this strong performance since you have been doing very well for the past year until the beer tax is reduced next year.

Nose [A]: Thank you, Mr. Saji. This is Nose. Thanks to the situation, or rather, as for the beer market, there will be a price increase starting in October, and as you pointed out, there will be another tax cut next October as far as beer is concerned, two such big events will follow within a year.

From our point of view, since about 2015, there has been a steady increase in growth, especially in cans, and as you know, I think we have been able to demonstrate the strength of our fundamentals and our base, relatively speaking.

As you mentioned, there has been a partial recovery in the commercial beer market, and although we ourselves have not launched any new products, we believe that our competitors' new products have had a negative impact on our products slightly.

However, the condition of the products themselves has not declined significantly, and we intend to survive one price increase from now on. Including the new strategies and new value-enhancing initiatives that will continue in the next year period, as well as the fact that after October, once again, price reductions and taxes will be lowered, I would be grateful if the home-use market itself could be evaluated positively in the long run for the beer side.

In any case, our strategy itself is not so much that something has changed significantly with regard to canned beer for home use, but on the contrary, we are largely positive about the fact that many customers have been exposed to our product through what we call stay home consumption. Therefore, we hope that you will recognize that there is a chance. That is all.

Saji [Q]: Thank you very much. Incidentally, the 4% decline in sales volume of Yebisu was partly due to the influence of other companies, but what is your perspective on this?

Nose [A]: Yebisu has a low weighting for commercial use, especially in terms of brand weighting in the beer category. For Black Label, nearly 40% of the beer is on draft, but for Yebisu, the cans account for a larger portion instead of draft. The decline in the volume of Yebisu this time is due to the fact that the recovery in commercial use is not affected directly, although the volume of Black Label has exceeded the previous year's level. We have this kind of perspective by looking at only January to June of this year.

Another thing is that, although I don't really like the term “standard beer,” the category of standard beer was relatively strong, while the slightly higher-priced premium beer category had various factors other than beer to raise the price. I think that customer didn’t react well to this during January to June, and that was a big factor. However, since we are looking at this from a long-term perspective, we are ready and willing to move forward with strategies for the next year and beyond, new initiatives to increase value, and premiumization of all of our beers. Therefore, we are determined to resolve this issue through changes in touch points with various customers.

Saji [Q]: Thank you very much. Second, I would like to ask about foreign liquors. In particular, the cost of overseas alcoholic beverages will increase by JPY2.8 billion this year, and I understand that your company's cost deterioration includes not only raw materials but also so-called energy costs. I wonder how much of an impact this will have.

The acquisition of Stone Brewing Co., which will probably be included in the mid-term plan, and the logistics costs in this area, to what extent can we expect cost reductions in the future? Please let me check the room for synergies in that area, rather than top line synergies, but rather in the area of common cost savings room.

Matsude [A]: Thank you for your question, Mr. Saji. My name is Matsude. First of all, regarding cost increase, we have mentioned JPY2.8 billion for overseas, but JPY2.1 billion is for overseas alcoholic beverages. The remainder is for overseas beverages. As for overseas alcoholic beverages, logistics and energy-related products account for about JPY400 million of the JPY2.1 billion.

Also, I am very sorry to say that we would like to withhold information on possible future synergies, including our business, because it is before the closing. However, the scale of the M&A is more than JPY20 billion, and we expect the payback period to be approximately 10 years, so please use this as an analogy.

Saji [Q]: Thank you very much. Is it correct to say that the part that is now being brought from overseas, the imports coming in from Vietnam and Canada, will basically replace the production?

Matsude [A]: First of all, we have products that are manufactured in Canada and the US. We will start the process of manufacturing these products at Stone Brewing Co. as a first step. We would like to assume that Vietnam will be added in due course.

Saji [M]: I understand. I will ask after closing for more details.

Matsude [M]: Yes, sorry. Thank you for your understanding.

Saji [M]: Thank you.

Moderator [M]: We will now move on to your next question. Mr. Fujiwara from Nomura Securities.

Fujiwara [Q]: Thank you very much. I am Fujiwara from Nomura. Thank you for your cooperation. First, I would like to ask President Oga. There has been talk of revising the mid-term plan, and I would like to wait for the announcement of the details, but as the President commented at the beginning of the meeting, the current profit structure is not adapted to the changes in the business environment.

What are the issues now, from your point of view? Also, what are your company's future strategies regarding the emphasis on capital efficiency and the acceleration of global expansion? Please let me know these two points, the challenges and future parts of this project. This is the first question.

Oga [A]: The first thing this challenge faced during the coronavirus pandemic was food service. In 2020, as well as in 2021, we are expected to incur a deficit of approximately JPY6 billion in food services. This is Sapporo Lion, or Café de Crier, which was sold, or Shinsei-en, a beer garden, which is also being developed, and the total for these restaurants is JPY6 billion. However, we have taken measures during this period, including the fact that Sapporo Lion made a profit in May and June, as we have closed many stores over the past two to three years and made them more muscular. This is where we were relatively quick to address the issue.

We are planning to make an announcement by the end of this year in order to clarify the direction and specific examples of how to further reform the issues that we have been talking about for some time in each business. The second is not only structural reform, but also for investors and employees alike, without growth, it won't be attractive, and it won't be interesting, so we would like to clarify what we do to grow. We have one pending project in the US that we have been working on for some time, but we would like to clarify as much as possible about other areas as well.

Fujiwara [Q]: I understand. We will wait for more details and another announcement later in the year. Thank you. Second, we have heard that the cost of raw materials, including energy, will increase by JPY7 billion this fiscal year. Also, in your presentation earlier, you mentioned that the price increase starting in October will have an effect of JPY2 to JPY3 billion in Q4 of this fiscal year, or about JPY10 billion per year. I would like to confirm this. How do you see demand trends and is this a net impact? I would be grateful if you could confirm this area as well.

Matsude [A]: My name is Matsude. Thank you for your question. It's the trend of cost of goods sold in the next fiscal year. First of all, there is one thing that is constantly changing day by day. In addition, we are in the process of discussing various issues with suppliers, so I would like to refrain from presenting specific figures at this time.

However, as far as we can say, the scale of the amount will be even larger than this year. The largest impact is seen in the overseas alcoholic beverages and domestic alcoholic beverages businesses. However, we expect to be able to respond to the overseas market with the same price revisions as before, and for domestic alcoholic beverages, we believe we will be able to cover the effects of the revisions to be implemented in October. Also, as I mentioned earlier, the effect of the price increase for beer and RTDs in the domestic alcoholic beverages business should be recognized after the net decrease in demand.

Fujiwara [Q]: Just to confirm, when you say that overseas and domestic alcoholic beverages will be larger next year than this year, you mean that the cost increase is expected to be about JPY2.1 billion each this year, and that there is a possibility that this JPY2.1 billion figure will grow next year?

Matsude [A]: Yes.

Fujiwara [Q]: I don't know if it is three or four, for example, but that is the kind of image you mean. It would go up.

Matsude [A]: Yes, that's right. The current trend is continuing, but on the other hand, I am sure that the tide is turning a bit in the cost trend itself. For example, aluminum peaked out in March, crude oil also peaked out in June, and WTI was 130 per barrel, but is now hovering around USD90 per barrel. Also, as for malt, it depends on the situation in Ukraine, but wheat exports are starting to resume in earnest, and if anything, there are signs that they are starting to come back a little from what they have been doing. What is also hard to read is the impact of the weak yen. Aluminum, crude oil, and malt are all imported, so they are also greatly affected by foreign exchange rates, and we believe that we must look at things in a mixed light.

Fujiwara [Q]: I understand. Also, regarding the net price effect, including the decrease in demand mentioned earlier, I would appreciate it if you could comment at the end on the extent to which you have seen a direct decrease in demand as a result of the price increase.

Nose [A]: My name is Nose. In general, it is generally said that if you raise prices, demand will drop by several percent.

When we talk about what will happen in the next year, there may be a temporary impact, plus another increase or decrease in taxes due to liquor tax revision. In addition, the strategies of each company in Japan can change in a short period of time, whether or not to launch new products, so it is difficult to say what percentage of sales will decrease when including these factors in the official talk.

In general, as I just said, it will not positively affect the demand, so it may negatively affect it, but also, again, the recovery of the commercial use and other things in this market. Maybe you want an answer to your expectations, but I've been in this market for a long time and it's very hard to answer. We will be looking at that and formulating a plan, or strategy, for the next year, so I am hoping that you would take that into consideration. It's a very important point.

Fujiwara [Q]: If it were normal, it would probably be easier to understand, but there is still some recovery for business use and so on.

Nose [A]: The most important point next year will be what measures to take in response to this, and in what month, so that is the point of the net calculation.

Oga [A]: No one is sure, but Sapporo Lion is saying that the price increase this spring will not have much of an impact on the various activities they are doing, including those related to food ingredients, right? That being said, I think that customers are also very tolerant of the consumption and price aspects of this whole trend today, not just beer or food products. So, I think there will be some impact during the year, but I am optimistic that we will not have to worry too much, considering that there will be price declines due to tax revision during the next year.

Fujiwara [M]: I understand. Thank you very much.

Moderator [M]: Thank you. I will now move on to your next question. Ms. Yoshida of JP Morgan Securities.

Yoshida [Q]: My name is Yoshida from JP Morgan Securities. Thank you for your assistance. Thank you for your cooperation. I would like to make two points as well.

The first point is at the foreign liquors. I understand that the cost of the acquisition of Stone Brewing Co. is included in Q2 profit, perhaps JPY200 million or so, but even taking this into account, I have the impression that this profit is still small. I believe that even on a currency-neutral basis, there has been growth, but I would like to ask whether this price pass-through is really working. This is the first point.

The second point is the middle plan, although I think the details are still to be worked out, so I just want to confirm the direction. I was under the impression that the main focus here would be on growth strategies, as you said earlier that we need to grow, not just structure. The problem is that your company, especially in the domestic alcoholic beverage and beverage areas, is very low compared to your competitors, and I think that further structural reforms will be necessary. I would like to ask if you are thinking about further structural reforms. Please answer these two points.

Matsude [A]: Mr. Yoshida, my name is Matsude. Thank you for your question. You asked about price pass-through in our overseas alcoholic beverages business, and in the larger scope, Canada is doing well. As for the US, we feel that a time lag is occurring. Therefore, we are trying to pass on the price, but the cost deterioration has further progressed, resulting in a gap of approximately JPY200 million in the US. We plan to catch up on this in about six months.

Yoshida [Q]: I understand. I didn't see that much in the first, but is the US experiencing a time lag from about the second?

Matsude [A]: Yes, that's right. I hope you understand that the portion of the price increase in Q1 worked well until the middle of Q1, and that the cost deterioration that began to appear around the middle of Q1 could not be fully covered in Q2.

Yoshida [Q]: Yes, sir. Since you are talking about a six-month gap, does that mean that price pass-through will be smooth if we look at this year and next year?

Matsude [A]: Yes, that's right. Another variable is the extent to which we can create synergies with Stone Brewing Co.

Yoshida [M]: Okay, thank you.

Nose [A]: I think you were talking about further growth, but in the domestic alcoholic beverages business, as you know, as we announced last year, we started an initiative at the Sendai factory to improve beer productivity, and last year we also made some changes to our workforce, or rather, introduced an early retirement system.

As for the key to our future growth in domestic alcoholic beverages, we have talked about how we will respond to cost increases in terms of profits by raising prices, but one of the most important points is how we can change the composition of our product portfolio. One thing we would like to do is to expand the beer side of the business, and another is to find opportunities to increase the unit sales price and to change the mix of varieties.

We will also seek to expand the volume of RTDs. So, the January to June period was 102%, and although the domestic RTD can industry as a whole has lost some momentum this year due to the cessation of the stay home, we will continue to develop new brands and new products in the new year and beyond, including the fact that we were able to achieve solid growth from January to June. This and the other key point is how the unit sales price can be changed. In addition to this, we intend to develop new alcoholic beverages, etc., so we will definitely take on the challenge of how to increase the marginal profit in total.

We are also discussing internally where we can effectively increase efficiency, including reviewing various aspects of sales promotion costs. We do not intend to simplify what we can do by controlling the market, but we still intend to proceed by determining where the markets for growth and expansion are. Rather than doing more on the domestic side, I hope that we will be able to assemble a growth strategy for such areas and discuss it in the next mid-term plan.

Also, with regard to overseas types, especially in the US and Canada, the sense of volume will become larger, but from the recognition of this year's issues, SAPPORO PREMIUM is doing very well on the US side, although costs have been rising. Last year was our highest sales ever, and this year's January to June sales are also up about 20%. I believe it is not wrong to say that even if the volume increases by about 20% or even if one-time M&A expenses are allocated, the fact that profitability does not improve easily is fundamentally related to the logistics function and the location of manufacturing, and that this is a major issue to be recognized. Therefore, we believe that by promoting the effects of this integration, we will be able to firmly promote structural reforms.

Also, basically, we will be doing a firm PMI with Stone Brewing Co. and speeding things up after we close in the future. I believe that there are many things that can be done from various angles, and we will continue to work on this. That is all.

Yoshida [Q]: Okay, thank you. In the domestic market, if you change the product mix, increase the volume of RTDs, and review sales promotion expenses, do you think you can raise the profit margin of alcoholic beverages by 3% to 4%, for example, and by how much?

Nose [A]: We are not satisfied with the current percentages of sales revenue and business profit margin, and we are now firmly promoting internal discussions based on the understanding that one of the major points will be how much we can change or raise these percentages in the next mid-term business plan. We intend to do this by increasing marginal profit and, on the fixed cost side, we must of course make the necessary investments. I will not give specific figures today, but I am aware that this is a major theme of the next mid-term plan. That is all.

Yoshida [M]: I understand. Thank you very much.

Oga [A]: I believe that structural reforms in food products and real estate are exactly the same, so I would like to stop doing what I have to stop doing, or even if it is negative now, I would like to organize it properly from the viewpoint of whether it can really become a pillar of the industry in the future.

Yoshida [M]: Thank you.

Moderator [M]: We will now move on to your next question. Mr. Sumoge of Okasan Securities.

Sumoge [Q]: Hello. Okasan Securities, my name is Sumoge. Thank you for your assistance. I, too, would like to ask about North American liquors. In the documents released at the time of the previous acquisition, not the current documents, it was mentioned that the Company is aiming for an overall overseas sales volume of 30 million cases by 2026. The annual plan for this fiscal year is about 20.5 million cases, so I think they have calculated that they can grow by an average of 10% per year, but I honestly have the impression that it is quite challenging. May I first confirm how this goal will be achieved in the current situation? Please do so.

Nose [A]: My name is Nose. Thank you very much. The breakdown of the 30 million cases, is 20 million cases for overseas brands and 10 million cases for SAPPORO PREMIUM. This time, Stone Brewing's overseas brand will also be included in the figures, which is the growth of in-organic products. SAPPORO PREMIUM is also doing very well, with a 20% increase in domestic sales in the US this fiscal year. We are planning to further expand our operations in Southeast Asia, Australia, and Europe, as well as establish sales offices in Asia.

To say it is different from Japan is to choose a new distributor in the midst of organic growth and to do so while aligning our awareness with each other. We are also working on e-commerce in China, South Korea is on the road to recovery, and Vietnam is doing well domestically. I believe that further growth is possible for SAPPORO PREMIUM, and that it is possible in terms of volume, by carefully assessing the factors for each country.

Also, SLEEMAN has about 10 million cases overseas, and Stone Brewing Co. will join them, and by taking initiatives for the next stage of growth, we will be able to achieve the 30 million cases, which may seem like a bit of a stretch from your perspective, but from an internal point of view, it is a solid plan. We are looking at each country in detail, and we are working with the idea of promoting initiatives. That is all from me.

Sumoge [Q]: Thank you. By the way, how many cases of Stone's company will be added on top of that?

Nose [A]: About 3 million cases, if you look at it annually.

Sumoge [Q]: I think the utilization rate is down now because that will be transferred, but at what stage is it 3 million cases?

Nose [A]: You can see that it is based on last year.

Sumoge [Q]: I imagine there is a little more in terms of capacity.

Nose [A]: Yes, there is.

Sumoge [Q]: By the way, how much production capacity do you have?

Nose [A]: I don't have a specific number, but in terms of the volume of factories in the east and west right now, it's about half of what we have. So, I just mentioned 3 million, which is roughly half of our manufacturing capacity.

Sumoge [Q]: Then I imagine about 6 million.

Nose [A]: You can have that image.

Sumoge [Q]: Regarding overseas alcoholic beverages, since we have just received the figures, if we were to transfer 3 million cases of alcoholic beverages that are currently produced in other countries or transferred to the US, then there would be a slight surplus in other production capacities. I think that would leave us with a bit of excess capacity in other areas of production. I believe that the production transfer in Vietnam was originally transferred based on the same concept, and I have the idea that fixed costs may not be reduced quite so much. I'm a little skeptical that this transfer will really improve overall profitability, but is there anything you can add to this idea?

Nose [A]: Regarding the US side, as I just mentioned, there is a volume of SAPPORO PREMIUM BEER that is sold on the US side, so basically, by transferring it there, the warehouse cost and each warehouse has its own, Stone Brewing Co. and Sapporo Beer have their own. Also, the logistics base, COGS will go down, and logistics costs can be greatly reduced, which is a prerequisite for the EBIT contribution to go forward here.

I understand that you are asking if the Canadian side is now wondering if a decrease in volume will reduce profits on their side, but SLEEMAN is also quite full in terms of capacity, to begin with. If we leave it as is, we are conversely talking about having to invest in the Canadian side to raise the production capacity even more. So, if we can have a little extra capacity there, we don't have to cash out that investment in reverse, and since SLEEMAN has originally drawn up a growth strategy, especially with the growth of products centered on SLEEMAN CLEAR, we will be able to afford to do the opposite, which will have a positive effect in the long run. This will have a positive effect in the long run. Organic growth is possible.

We also have a plan to gradually move to Vietnam, but looking at the business in Vietnam alone, exports to neighboring countries and the recovery in the domestic market have made it very profitable. When you think about it, moving the business to Vietnam will conversely increase the concentration on the Vietnam business side, and not the profit gain from having exports to Japan and the US. The story was originally about SCM based in Southeast Asia, so Vietnam was included. I see both in a very positive light, because I think we have a meaningful challenge to change the profit margin there, not the other way around.

Sumoge [Q]: The way I see it, there is a risk that Vietnam and Canada will lose profits due to the transfer of production.

Nose [A]: That is true. No denial, there.

Sumoge [Q]: Looking at it from a total perspective, the transfer of production will reduce logistics costs, so even if we only look at the transfer in the short term, it should not have a negative impact on profits.

Nose [A]: If you look at global business and SCM, you can always generate more total profit that way, for sure. So, temporarily, Canada and that one may look slightly dented, and of course we will do our best not to see it, and we will do our best not to let that happen, but even if it does, I think the Group total will be positive. I don't think I should be afraid of that.

Sumoge [Q]: Okay, thank you very much. In addition, this is about Stone Brewing Co. I understand that half of your sales come from food service. What is your view on the portfolio here? Is it an image to hold on to?

Matsude [A]: My name is Matsude. We are aware that it is not half of sales, and if sales are roughly 15billion yen, it is about one-fifth of that. We recognize that this is about the size of our portfolio.

Sumoge [Q]: Do you envision holding on to it because it's not very big, and the sales channels will expand, and you will continue with the same portfolio?

Matsude [A]: Yes, that's right. It's not a restaurant like Sapporo Lion, which has many Ginza Lion stores, but a pub-brewery adjacent to the factory, or is it a pub-brewery business, where the products produced at the factory are served at a nearby hospitality beer garden. We have received reports that the current situation is also recovering quite well, partly due to the lifting of various behavioral restrictions in the United States. We have been informed that structural reforms were already underway in the restaurant sector before we bought the company. That is all.

Sumoge [M]: Yes, I understand, thank you. That is all.

Moderator [M]: We will now move on to your next question. Ms. Takagi from SMBC Nikko Securities.

Takagi [Q]: Hello, my name is Takagi. Thank you for your understanding. First of all, I would like to ask Mr. Nose about the first point, RTD. As for RTD, Mr. Nose, you said that the commercial runoff has put the brakes on a bit this year and that it will be okay from now on, but I was wondering if that is really true. I think the return to beer has also had an impact, and companies are introducing so many products, believing that this market will grow, that there is a concentration of lemon products, and it seems as if the market is already saturated. Isn't the recovery for commercial use still going on? Since your company's strategy is to grow more with RTD here, I would like to know if you are really okay with RTD here. This is the first point.

Nose [A]: I think I was asked this last time, but last year and the year before, the growth of the RTD market in Japan for each company was quite vigorous. It was time for us to review our strategy and switch product brands, so last year, the volume was still small, but we were able to grow significantly, and I think we managed to survive the January to June period this year as well.

One point that I would like to make is that the opportunities to RTD are going to increase in the future, and I don't want this to be taken too negatively, but this is a story that has been told for some time, considering the tax portion for next year and beyond. The new genre beer side is going up, and the price difference with RTD will increase, so if RTD is the market, customers will probably go there more.

Also, as you say, there may be a difference in whether or not it is seen as a new proposal rather than saturation by the various products offered by each company, but I believe there is still potential for stimulation and awareness among customers. I do not want to blindly increase the number of product brands, but rather to make our current products standardized, and even so, new product development is essential for market expansion, and I think we are being asked how we should approach this. I think we are also being asked how we should approach this issue.

Because of this, we are currently working on enhancing the development team on the Sapporo Beer side, and we have done several expansions including the technical development team, not specifically people who have experience on the beer side, but people like those we have hired from beverage and other industries. It is actually because of these people that unique products are being created at Sapporo Beer.

This was also discussed with the R&D side last week, but this approach is quite difficult if you only think of beer companies, and RTS is no different, but it may sound shortsighted to say that we will still do it by offering new proposals with new products, but I think that is the point of our strategy. I still think there is a point to the strategy.

Therefore, if we continue such efforts in the next year and beyond, switching products well and communicating with customers, I believe we will be able to draw a good picture of growth. Therefore, I am not sure what kind of standardization measures and what kind of new proposals will be made by each company this year. I may be somewhat full of it, but I hope to continue to deal with that in the new year and beyond.

Takagi [Q]: Is it correct to say that the market was negative this fiscal year due to a combination of various other factors in addition to the outflow of business-use products, however, as the tax system changes toward the next fiscal year, the price advantage will emerge again, so the market may recover again?

Nose [A]: Correct. That is how I see it.

Takagi [Q]: For example, Koime no lemon sour, is that a product that came about as a result of the new organization, or rather, the coming together of various people?

Nose [A]: Yes, that's right. We started the development of RTD in earnest around 2015, so we may be rather newcomers to the market, but I am aware that the members of this group had a lot of discussions and made a lot of progress.

If you just look at the lemon category, sure, the category is growing and growing, but the market is swelling and expanding, and that's where new segments can be created again, really. This is the interesting part of marketing. Therefore, I would definitely like to give it a try, and I would like to do so, because we can develop products as much as we want, depending on how we position ourselves among the lemons.

Takagi [Q]: Okay, thank you. The second question I would like to ask President Oga is, at the beginning, you mentioned that there were areas in the current mid-term plan that were not very effective, and I think it was very difficult with the sense of headwinds, but in what specific areas did the President fail to complete? What was the bottleneck? Can you increase its effectiveness in the future? Please let me know about that.

Oga [A]: The reason I mentioned effectiveness is that the coronavirus was the first to have an impact, and in a sense, the commercial market has evaporated, so when that market disappeared, we could not do what we had planned or intended to do.

Takagi [Q]: Do you have anything in terms of structural reform?

Oga [A]: In terms of structural reform, since we were still dealing with the coronavirus, there were various difficulties and setbacks with our partner, and it is true that there were restrictions when we were trying to move forward with various projects after that.

Takagi [Q]: You have not changed your stance to dig deeper into such structural reforms in the next stage from now on, have you?

Oga [A]: Yes, that's right.

Takagi [Q]: In those areas, can their effectiveness be enhanced in what will be a time of peace? Or is there something more necessary in your company, such as a change in organizational structure? What do you think?

Oga [A]: I believe that organizational and human factors are also naturally involved. However, the current medium-term plan itself was originally a medium-term plan that called for structural reforms and changes. But in the end, the fact that this trend did not progress under the current circumstances is the very reason why we, as a company, are halfway through and have finished the project. Therefore, we intend to do this properly, including the part about redoing it once more.

Takagi [Q]: Am I correct in understanding that it is the field of food and beverage that is a particular challenge?

Oga [A]: I believe that there are many issues regarding food and beverage.

Takagi [M]: Okay, I'm looking forward to it. Thank you very much.

Oga [M]: Thank you very much.

Moderator [M]: The next question will be my last. Mr. Miura from Citi Securities.

Miura [Q]: It's Miura from Citi. Thank you very much. My first question is if you could tell me what the prices of beer, happoshu, and new genres in stores will look like on October 1 of this year. In addition, I would like to get an idea of what the prices of beer, happoshu, and new genres in stores will be like next October. For example, I would like to have this discussion. Beer is now sold in six-packs for JPY868. The new genre is sold for JPY648. What form will each take this October or next October? Could you please enlighten us a little?

Oga [A]: Thank you, Mr. Miura. When people ask me about selling prices, I always find the answer troubling.

Miura [Q]: The selling price, as I mentioned earlier, is JPY968 for a can of beer, and if that is the case now, or JPY648 for a new genre, then based on that.

Oga [A]: You are right, but we have announced that we are raising the manufacturer's shipping price now, and from this point on, the wholesalers and retailers will be talking. Therefore, it is not easy for me to say that we are estimating the price to be around this level, so I would appreciate it if you could refrain from doing so.

However, the extent of the tax reduction for the next year has been disclosed, and I am sure you are aware of it, so I have a feeling that the amount of the tax reduction next year will be similar to the percentage of the amount we raised the shipping price of the manufacturer, especially in the case of beer. However, the selling price and the retail price are the key points of each retailer's strategy, and each business entity has its own price. I think that everyone is probably in the middle of this project, so I would appreciate it if you would refrain from telling me how much it will cost at this time.

Miura [Q]: I understand very well. One more thing. Can you give us a rough estimate of this year's and next year's estimates for total demand of beer, happoshu, and new genres?

Oga [A]: In terms of the annual forecast for 2022 on the beer side, which we looked at at the beginning of this year, the recovery in keg sales is slightly picking up, but I think it will be weak, so I think beer sales will increase by double digits, including keg sales. However, it still feels like less than 90% when compared to 2019, so that's what we are looking at.

On the new genre side, the new genre beer, H1 also saw a YoY drop , but even throughout the year, for price-sensitive customers, prices are set to rise from October onward, so H2 may work more negatively than the first. Since October. This may not matter to the customer, but in September, temporary demand will occur, and once the volume swells, it will be itty-bitty. However, since everyone shares the view that the new genre beer side has been struggling a bit since the price went up in October of the year before last, it seems unlikely that it will change even if we go there.

As for next year, we can't talk about commercial returns, but as expected, they will probably recover a little more, not as much as this year, and that will be a plus there, more than this year. On the beer side, that's where the cans are, and I'm sure each company has its own strategy, but when there is a price cut after October, the market will move again. Therefore, I would like to see the outlook for total demand, and I would like to see the movement of customers in October, and then look at the households again. At this stage, the expected value and the actual situation are different, so I would like to take a calm look at it.

Miura [Q]: I understand. Finally Sapporo Lion, if you look at the commercial returns, the goal mark has outperformed the market average by quite a bit.

Matsude [A]: My name is Matsude. Thank you very much. Thank you for saying that we outperform the market average. As I have said in the past, I believe that this is the result of the speedy restructuring of stores over the past two years. Does it answer your question?

Miura [Q]: So the good beer didn't get even better?

Matsude [A]: That is part of it, but I think the direct monetary effect is largely due to the structural reforms.

Oga [A]: Also, Lion is not a high-priced restaurant, but it is not low-priced either, so I think it is very difficult to make a profit at a price of hundreds of yen per cup, but we are in the business of charging reasonable prices, so I think there is a range there.

Miura [M]: That is all.

Moderator [M]: Thank you very much. This concludes the question-and-answer session.

Finally, I would like to offer a few words from Oga. Thank you for your cooperation.

Oga [M]: Thank you for your time. We will have another opportunity to present our medium-term management plan, so please do not hesitate to contact us. Thank you very much for your time today.

Moderator [M]: That concludes the online meeting. Thank you very much for your participation to the end of today's meeting. Thank you for your continued support.

[END]