



SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Q3 Financial Results Briefing for the Fiscal Year Ending December 2023

November 13, 2023

Event Summary

[Company Name]	Sapporo Holdings Limited	
[Company ID]	2501-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending December 2023	
[Fiscal Period]	FY2023 Q3	
[Date]	November 13, 2023	
[Number of Pages]	30	
[Time]	11:00 – 12:04 (Total: 64 minutes, Presentation: 28 minutes, Q&A: 36 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Yoshitada Matsude	Managing Director
	Takayuki Sato	General Manager of Accounting Department

Presentation


Moderator: Hello, investors. Thank you for attending today's briefing on the financial results for Q3 of FY2023 of Sapporo Holdings Limited.

Present today are Mr. Yoshitada Matsude, Managing Director, and Mr. Takayuki Sato, General Manager of Accounting Department of Sapporo Holdings Limited.

Please have the Financial Results, Supplementary Materials to the Financial Results, and Financial Results Presentation PowerPoint presentation at hand. Mr. Matsude and Mr. Sato will begin with a 30-minute overview of the Q3 financial results based on the PowerPoint presentation of the financial results, followed by a question-and-answer session. The entire meeting is expected to last approximately one hour.

First, Mr. Matsude will talk about the summary, and then Mr. Sato will explain the details. Thank you for your cooperation.

Summary



Business results: increased revenue and core operating profit

(billions of yen)	2022 Q3 Result	2023 Q3 Result	YoY changes (amount)	YoY changes (%)
Revenue	345.8	377.7	31.9	9.2%
Core operating profit	5.8	14.4	8.6	149.8%
Operating profit	7.5	9.6	2.0	27.1%
Profit attributable to owners of parent	5.3	3.1	(2.2)	(42.2)%

- In addition to strong sales in the alcoholic beverages business, structural reforms are steadily contributing to profitability, resulting in **increased revenue and profit**
- **Profit declined** due to the impact of one-off costs for the dissolution of Anchor and decreased foreign exchange profit
- **Upwardly revise the full-year earnings forecast** based on steady progress against the plan

Main topics

- The continuing recovery trend for sales volume of commercial-use products in Alcoholic Beverages and sales at existing restaurants exceeded expectations at the beginning of the year
- Canned Black Label was down 3% due to the impact of the downturn following last year's rush demand prior to price revisions, but this was still higher than the change in overall demand for canned beer, which was down 8% (Black Label was up 1% compared to the previous year for the cumulative period from Jan.-Oct.)
- In addition to core brands, there were steady sales for the new RTD products "Shin Lemon Sour" and "Craft Spice Soda"
- Sapporo brand continues to see strong sales overseas
- The effect of structural reforms in the Restaurants and Food & Soft Drinks businesses implemented since the pandemic are contributing steadily to bottom line

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Matsude: My name is Matsude from Sapporo Holdings. Thank you for your time today. I will provide a summary of the financial results and the revised forecast.

Please see the summary. Revenue was JPY377.7 billion, up 9% from the previous year, and core operating profit was JPY14.4 billion, up 150% from the previous year. In addition to the strong performance of the alcoholic beverages business, structural reforms have steadily contributed to profits.

In addition, the net income phase, including the loss from the dissolution of Anchor Brewing Company, showed steady progress at a level exceeding the Company's plan. In light of these factors, we have now revised our earnings forecast upward.


Five major topics are listed below. First is the recovery of the commercial market. Beer sales volume for the commercial market continued to recover, with a 24% increase over the previous year and a 56% increase in existing restaurants sales at Sapporo Lion.

Next is the steady growth in the household market. Our mainstay product, Black Label cans, declined 3% from the previous year in January to September, but increased 1% in January to October, progressing about 5 points above total demand.

Sales of RTDs also progressed favorably, with an 18% increase in sales, thanks to solid sales of new products in addition to core products.

It is also growing overseas. Overseas sales volume of the Sapporo brand continued to grow with a 6.5% increase over the previous year.

Finally, the contribution of structural reform effects. The restaurant business posted an increase of JPY2.5 billion in profit from January to September, and the food and soft drinks business also contributed to a steady improvement in profitability with an increase of JPY2.2 billion. In light of these circumstances, the Company has revised its earnings forecast.

Earnings Forecast Revision 

Earnings Forecast Revision

We will upwardly revise the full-year earnings forecast for FY2023. We will implement appropriate measures to promote structural reforms and growth strategy.

(billions of yen)	Initial Plan	Revised Plan	Revised Amount	2022 Result	Change Amount
Revenue	490.0	510.0	20.0	478.4	31.5
Core operating profit	13.5	16.5	3.0	9.3	7.2
Operating profit	9.5	12.0	2.5	10.1	1.9
Profit attributable to owners of parent	5.5	7.0	1.5	5.4	1.5
ROE	3.3%	4.1%	—	3.3%	—

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An outline is provided. We have revised our revenue forecast upward by 4% from the initial plan to JPY510 billion, and our core operating profit forecast upward by 20% from the initial plan to JPY16.5 billion.

In addition, at the beginning of the year, we have set aside approximately JPY3 billion for restructuring expenses, resulting in a net income forecast of JPY7 billion and a ROE of 4.1%.

Earnings Forecast Revision



Earnings Forecast Revision_Revenue						
Revenue (billions of yen)	Initial Plan	Revised Plan	Revised Amount	Main revisions	2022 Result	Change Amount
Revenue	490.0	510.0	20.0		478.4	31.5
Alcoholic Beverages Japanese	250.0	265.0	15.0	- Increased sales of commercial-use products, price revisions for commercial-use products	245.4	19.6
Alcoholic Beverages Overseas	80.0	86.0	6.0	- Revision of foreign exchange forecast	74.0	12.0
Restaurants	17.0	19.5	2.5	- Increased sales at existing restaurants	15.3	4.2
Food & Soft Drinks Japanese	95.0	92.0	(3.0)	- Volume decrease associated with structural reforms such as SKU reduction	98.3	(6.3)
Food & Soft Drinks Overseas	26.0	26.0	0.0		24.6	1.4
Real Estate	22.0	21.5	(0.5)	- Decline in equity investments Because investments are being made after scrutinizing market conditions and deals	20.7	0.7
Other	0.0	0.0	0.0		0.1	(0.1)

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I would like to explain the positive and negative factors of sales revenue and core operating profit.

First, sales revenue. Driving the JPY20 billion upward revision were domestic and overseas alcoholic beverages. Domestic alcoholic beverages take into account an increase in sales volume for commercial use, and then additional price revisions, mainly for commercial use. In addition, the foreign exchange forecast for overseas alcoholic beverages has been revised.

Below, the restaurant business expects an increase in existing restaurant sales, the domestic food and soft drinks business expects a decrease in volume due to the reduction of unprofitable SKUs, and the real estate business expects a decrease in equity investments.

Earnings Forecast Revision



Earnings Forecast Revision_Core operating profit

Core operating profit (billions of yen)	Initial Plan	Revised Plan	Revised Amount	Main revisions	2022 Result	Change Amount
Revenue	13.5	16.5	3.0		9.3	7.2
Alcoholic Beverages Japanese	12.5	14.5	2.0	- Effect of increased revenue - Cost management	8.5	6.0
Alcoholic Beverages Overseas	0.5	0.1	(0.4)	- One-off integration costs	(0.3)	0.3
Restaurants	0.4	1.9	1.6	- Effect of increased revenue	(0.5)	2.4
Food & Soft Drinks Japanese	1.3	2.3	1.0	- Structural reforms - Cost management	0.9	1.4
Food & Soft Drinks Overseas	1.1	1.1	0.0		0.9	0.2
Real Estate	5.9	5.2	(0.7)	- Decline in equity investments Because investments are being made after scrutinizing market conditions and deals	6.5	(1.3)
Other	(8.1)	(8.6)	(0.5)		(6.6)	(1.9)

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Next is core operating profit. The upward revision of JPY3 billion reflects the effects of revenue growth, cost management, and structural reforms in the domestic alcoholic beverages business, the restaurant business, and the domestic food and soft drinks business, respectively.

On the other hand, the negative revision reflects one-off costs incurred by Stone in the overseas alcoholic beverages business and a decrease in equity investments in the real estate business.

The following is a detailed explanation of the financial results. Mr. Sato, General Manager of the Accounting Department, will explain.

Financial Highlights



(billions of yen)	2022 Q3 Result	2023 Q3 Result	YoY changes (amount)	YoY changes (%)
Revenue	345.8	377.7	31.9	9.2%
Revenue (Excluding liquor tax)	261.6	291.6	30.0	11.4%
Overseas revenue	72.5	90.0	17.4	24.0%
EBITDA	20.9	29.3	8.5	40.5%
Core operating profit	5.8	14.4	8.6	149.8%
Core operating profit margin	1.7%	3.8%	—	—
Other operating income (expense)	1.8	(4.8)	(6.6)	—
Operating profit	7.5	9.6	2.0	27.1%
Profit attributable to owners of parent	5.3	3.1	(2.2)	(42.2)%

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Sato: My name is Sato from the Accounting Department of Sapporo Holdings. I will provide an overview of our financial results for Q3 of 2023, and an explanation of how we are promoting management with an awareness of the cost of capital and stock price.

First, let me supplement the financial highlights. In Q3 of this fiscal year, sales revenue increased 9.2% from the previous year to JPY377.7 billion, core operating profit increased approximately 2.5 times to JPY14.4 billion, and net income decreased 42.2% to JPY3.1 billion due to the loss recorded from the dissolution of Anchor Brewing Company.

In addition, the financial targets outlined in the mid-term management plan for overseas sales revenue and growth rate, including the effect of foreign exchange rates, were 24% and EBITDA growth rate was 40.5%, making a good start for the first year of the mid-term management plan.



Situation of External Environment Affecting Business Results

Impacts of the COVID-19 pandemic

- Sales volume of commercial-use products for Japan alcoholic beverages and sales of Restaurants business continue to recover, exceeding expectations at the beginning of the year.

Alcoholic beverages in Japan

Bar graph: Commercial-use (bottles and kegs) Sales Volume Results(vs. 2019)

Line graph: Total Demand for Commercial-use Products (vs. 2019) (estimated by Sapporo HD)



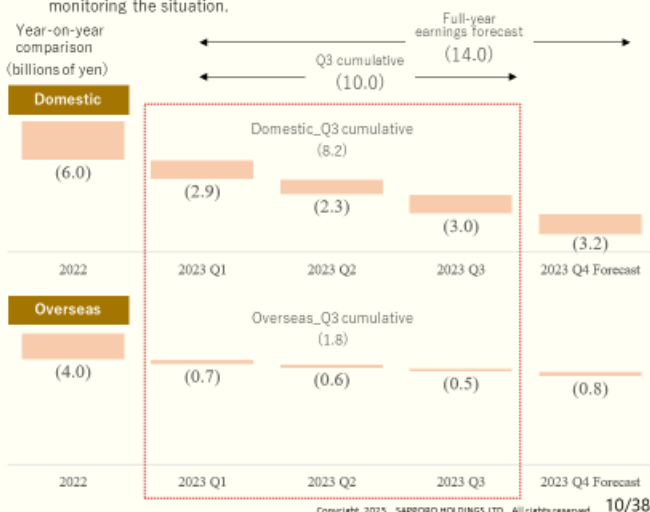
Alcoholic beverages in restaurants

Bar graph : Sapporo Lion restaurants existing store Sales Results(vs. 2019)



Higher costs such as surging raw material costs

- Costs are expected to increase by ¥14.0 billion vs. 2022 and ¥1.5 billion vs. the initial forecast.(No change from Q2 financial results) but price revisions will address the situation. We will respond appropriately to the risk of additional cost increases by closely monitoring the situation.



I will continue explaining external environment affecting our business performance. First, concerning the impact of the new COVID-19, the restaurant market has recovered better than expected at the beginning of this year, and our domestic alcoholic beverages for commercial use have currently recovered to a level exceeding 80% of the 2019 level.

In addition, our directly managed restaurant business has recovered to a level exceeding 100% compared to 2019 on a comparable restaurant basis. As shown in the table, the number of customers is about 90% of the 2019 level, but the price per customer is in the mid-110% range, so total sales are higher than in 2019.

On the right side, the situation of cost increases due to the rising cost of raw materials. The cumulative cost increase through Q3 was JPY10 billion versus the previous year. The annual forecast is JPY14 billion. This is expected to result in a cost increase of JPY1.5 billion, even with respect to the initial plan at the beginning of the year.

However, we have always covered this issue by revising prices, etc., and we will continue to take measures while monitoring the situation.

Financial Highlights



(billions of yen)	2022 Q3 Result	2023 Q3 Result	YoY changes (amount)	YoY changes (%)	(billions of yen)	2022 Q3 Result	2023 Q3 Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	345.8	377.7	31.9	9.2%	Core Operating Profit by Segment	5.8	14.4	8.6	149.8%
Alcoholic Beverages	241.0	274.3	33.3	13.8%	Alcoholic Beverages	4.9	12.8	7.8	159.9%
Japanese	178.4	192.5	14.1	7.9%	Japanese	4.7	10.2	5.5	118.4%
Overseas	51.7	66.9	15.2	29.3%	Overseas	1.0	0.8	(0.2)	(19.2)%
Restaurants	10.8	14.9	4.1	37.7%	Restaurants	(0.8)	1.7	2.5	—
Food & Soft Drinks	89.5	87.4	(2.1)	(2.4)%	Food & Soft Drinks	0.8	3.0	2.2	263.1%
Japanese	71.5	67.6	(3.9)	(5.5)%	Japanese	(0.3)	1.9	2.2	—
Overseas	18.0	19.8	1.8	9.9%	Overseas	1.1	1.1	0.1	5.0%
Real Estate	15.2	16.0	0.7	4.9%	Real Estate	4.8	4.2	(0.7)	(13.7)%
Other	0.1	0.1	0.0	11.7%	Other - General corporate and intercompany eliminations	(4.8)	(5.6)	(0.7)	—

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Financial highlights by business segment. First, look at the table on the left, Revenue from Sales. With the exception of domestic food and soft drinks, sales increased in all businesses. The alcoholic beverages business saw enormous revenue growth, driven mainly by domestic alcoholic beverages, which benefited from a recovery in the commercial-use market and price revisions, as well as overseas alcoholic beverages, including the newly consolidated Stone and the effect of the yen's depreciation.

In addition, the domestic food and soft drinks business has positioned this year as a year for thorough structural reforms, so although revenue is down, income is up.

Next, on the right side, please see core operating profit. Profits were also driven by the alcoholic beverages business, with significant gains in domestic alcoholic beverages and restaurant business, which both saw significant revenue growth.

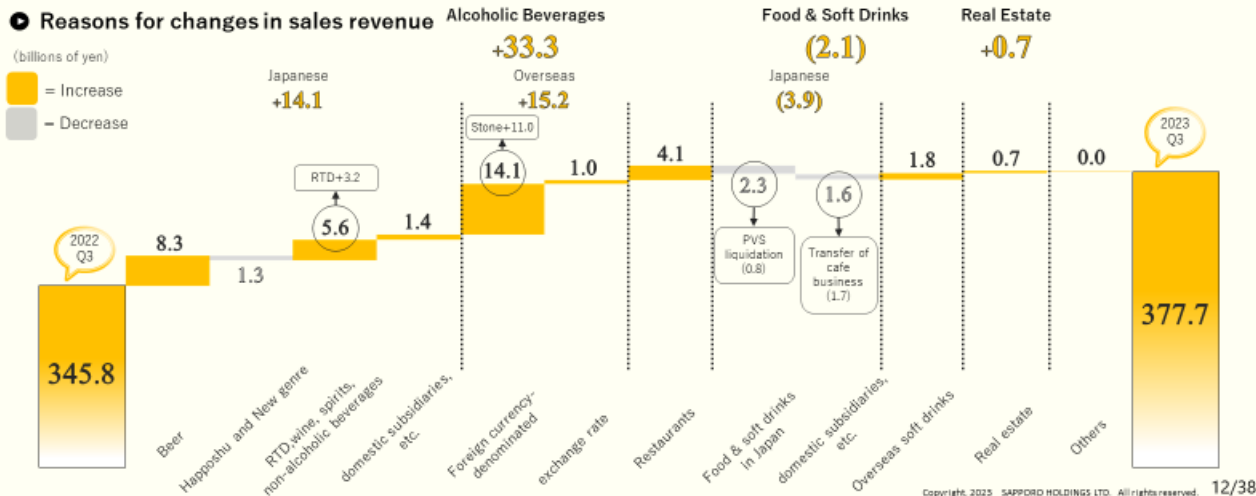
The overseas alcoholic beverages business saw a decrease in profit partly due to the impact of integration costs in the U.S., while the real estate business saw a decrease in profit partly due to the impact of air conditioning work at the YGP Tower.

Financial Highlights



Revenue increased 31.9 billion yen <+9.2%> driven by the alcoholic beverages business

For Japan alcoholic beverages, in addition to the recovery in commercial-use beer products and strong performance of RTD, the price revision effect also contributed to increased sales. The primary factors for increased revenue were, in the overseas alcoholic beverage business, the continued strong performance of SPB and the effect of newly consolidating Stone, and, in the restaurants business, the recovery in demand for dining out at beer halls and other establishments. Revenue decreased for Japan food & soft drinks due to structural reforms in the previous year, including the transfer of the cafe business, the liquidation of a vending machine operator subsidiary, and SKU reduction.



We would like to supplement the sales revenue summary with a waterfall chart.

First, the alcoholic beverages business reported an increase of JPY33.3 billion. Of that amount, domestic alcoholic beverages sales increased 8% to JPY8.3 billion for beer, which is our focus, and sales of RTDs increased 19% to JPY3.2 billion. In addition, subsidiaries including Sapporo Beer Garden also reported a total increase of JPY1.4 billion in revenues.

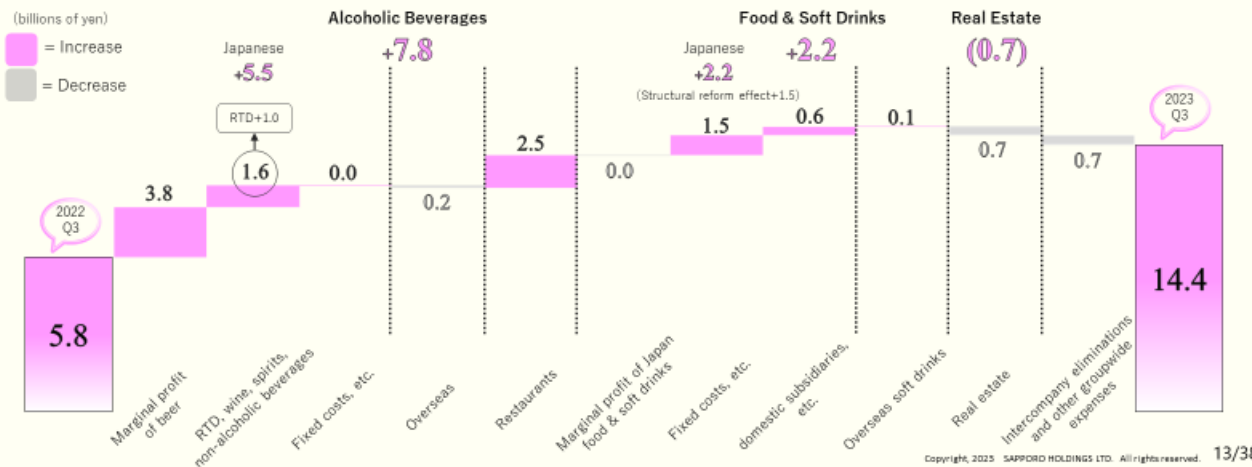
Overseas sales of alcoholic beverages increased by JPY11 billion due to the effect of Stone, which was newly consolidated from September last year, and by JPY15.2 billion in total, including an increase in sales at Sleeman Breweries.

As for the food and soft drinks business, sales decreased by JPY2.1 billion. Domestic food and soft drinks sales, for which we are implementing structural reforms, decreased by JPY3.9 billion, while overseas beverage sales increased by JPY1.8 billion, including the effect of foreign exchange rates.

In the real estate business, revenue increased by JPY700 million, partly due to the effect of YGP Center Plaza, which was reopened last November.

Profit increased by 8.6 billion yen <+149.8%> due to increased revenue and the effect of structural reforms
 Increased revenue in the alcoholic beverages business and the effect of structural reforms on the restaurant business and Japan food & soft drinks business steadily contributed to profitability, resulting in increased profit
 Profit decreased for real estate due to factors such as HVAC work at the YGP offices

Reasons for changes in core operating profit



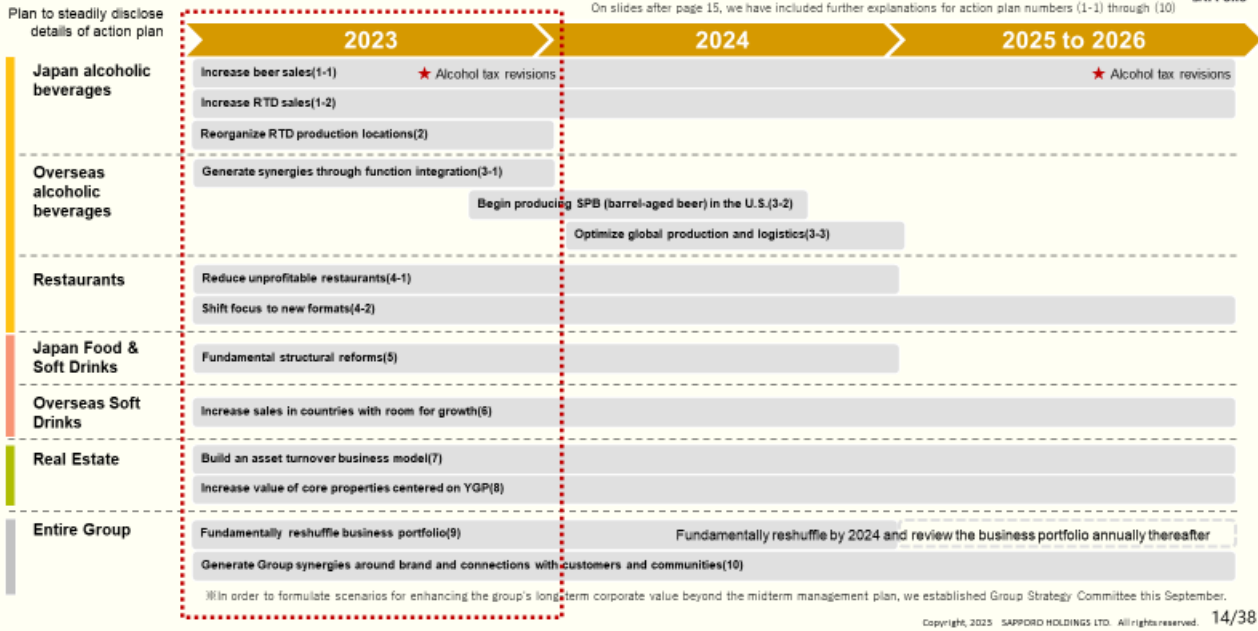
Supplemental Core Operating Profit Summary. The alcoholic beverages business as a whole reported an increase of JPY7.8 billion. In domestic alcoholic beverages, profit increased by JPY5.5 billion, driven by increased sales of beer and RTDs. Overseas alcoholic beverages decreased by JPY0.2 billion. This decrease is due to the impact of integration costs and other factors resulting from the new consolidation of Stone.

In addition, restaurant business income improved by JPY2.5 billion due to the structural reforms that have been undertaken since the Covid-19 disaster and the effect of a significant increase in sales.

In the food and soft drinks business, profit improved by JPY2.2 billion. In addition to the transfer and liquidation of subsidiaries last year, structural reforms such as mix improvement through SKU reductions and disposal cost reductions have been effective.

The real estate business reported a JPY0.7 billion decrease in income. Although there was an increase in income due to the reopening of YGP Center Plaza, this was not enough to cover the decrease in rent due to vacancies in the office tower of YGP Tower for air conditioning work.

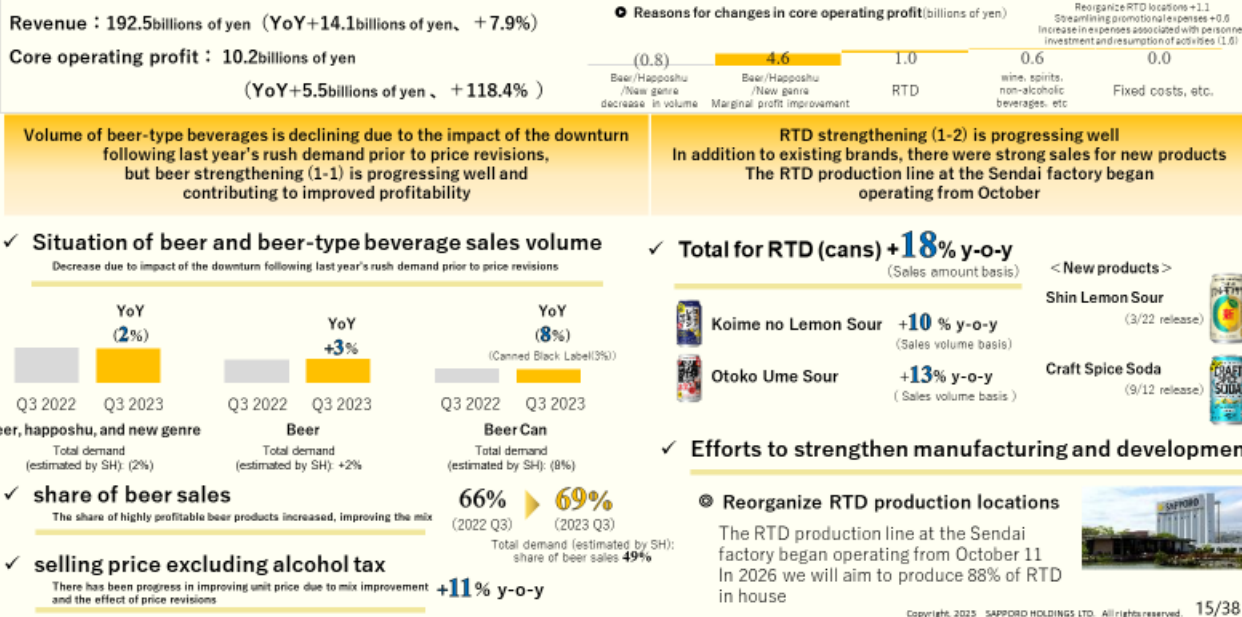
Action Plan



I will continue with an overview of the progress of the medium-term management plan's action plan and our business operations.

Here is a list of the Action Plans that we published in February. Please note that the table includes bracketed numbers in the form of beer enhancements (1-1). This information is provided for reference on page 15 and subsequent slides.

Alcoholic Beverages ~Japanese~



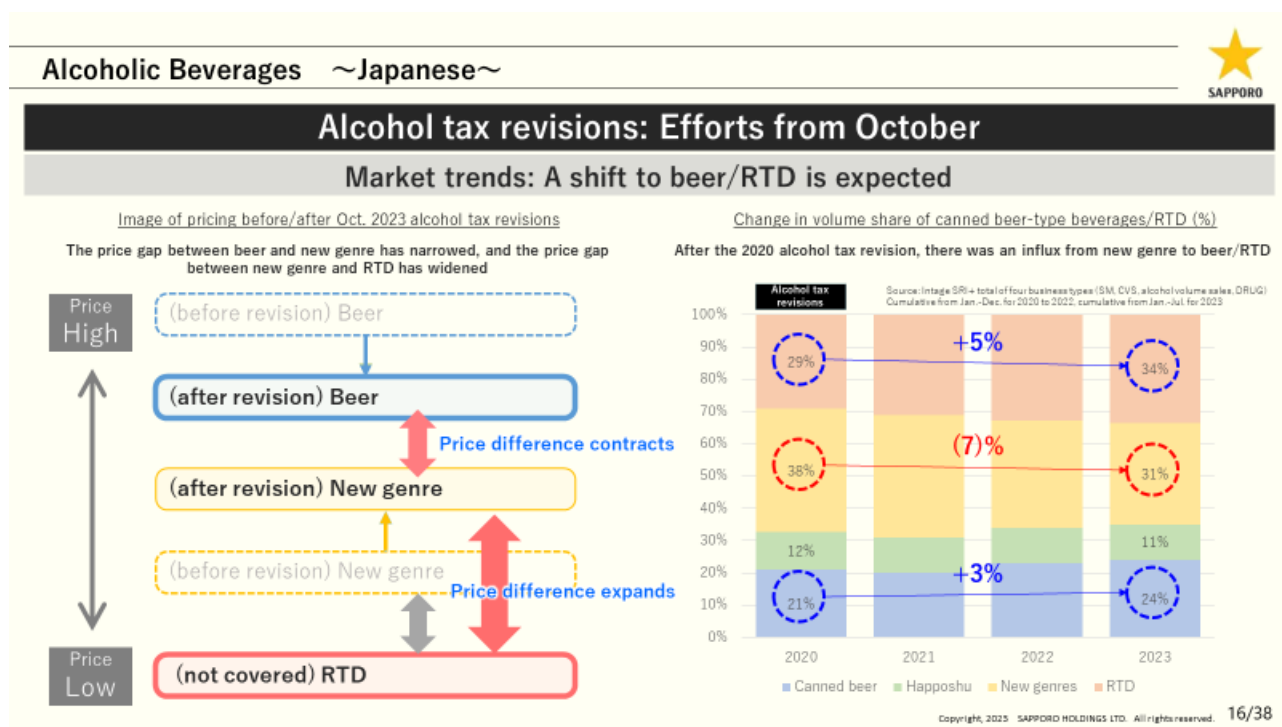
Now, let's look at the alcoholic beverages business. First, let me explain the status of beer and beer sales volume. Beer sales, as shown in the leftmost graph, were generally in line with gross demand, minus 2% YoY, and affected by a reactionary decline from last year's temporary demand.

However, beer sales are up 3% year over year, exceeding total demand, and we are making good progress in strengthening our beer offerings. In addition, while total demand for canned beer is expected to decline 8% YoY, our Black Label is -3%, which is higher than total demand. Also, the month of October has been favorable.

Beer accounted for 69% of the total, up about 3% from last year's period. The beer component of the overall market is estimated at 49%. The unit sales price of beer excluding liquor tax improved by 11% over the previous year, partly due to price revisions.

Then look at the RTD on the right. Total sales of RTD cans increased 18% over the previous year. Existing brands are performing well with strong sales of Koime no Lemon Sour (+10%) and Otoko Ume Sour (+13%), as well as strong initial shipments of the new Shin Lemon Sour and Craft Spice Soda.

In addition, the Sendai Plant started the operation of its RTD production line on October 11. We will continue to strengthen our manufacturing and development efforts.



I would like to continue with a supplementary explanation of the alcohol tax revision. First, the market trend describes a situation where a shift to beer and RTDs is expected to continue.

As shown in the figure on the left, the October alcohol tax revision will narrow the price gap between beer and new genres and widen the price gap between new genres and RTDs.

The table on the right shows the change in the composition ratio after the 2020 revision of the alcohol tax, and it is assumed that there will be a further influx of beer and RTDs after the revision.

Alcohol tax revisions: Efforts from October

Our efforts: These changes present a possible opportunity for our company, which has a high proportion of beer products **Break away from low profitability** and realize **business growth** by strengthening main brands and proposing new products

Strengthening main brands		New product proposals	
 <p>Black Label Capture new customers & enhance brand loyalty</p> <p>Advertising Strengthen unique worldview</p>  <p>Home-use Launch of limited release products</p>  <p>Commercial-use Black Label TheBar</p>  <p>Perfect Black Label</p>	 <p>Yebisu Existing brand+ & roll-out of CREATIVE BREW</p> <ul style="list-style-type: none"> Stimulate purchase of high-priced beer during the year-end and New Years period when demand is at its peak Roll-out of new CREATIVE BREW line  <p>Part 1: New Origin (2/21 launch)</p>  <p>Part 2: Orange (10/11 launch)</p>	 <p>Nanamaru A "draft" beer with 70% less purine bodies and carbs</p> <p>About 90% of light/zero beer-type beverages are happoshu or new genre ⇒ There is room for growth for beer</p> <p>The light/zero market is expanding against a backdrop of growing health consciousness</p> <p>New proposal for beer that is both delicious and low in purine bodies and carbs amid growing awareness of the need to take care of one's body</p>	 <p>Craft Spice Soda Our 2nd RTD product promoted as going great with a meal, following the New Lemon Sour</p> <p>There is a growing need for new alcoholic drinks that go great with a meal and can be drank as a first drink</p> <p>Realize a deliciousness that is not sweet by utilizing spices We propose a drink that goes great with and complements a meal</p>

This section describes the Company's efforts in light of the revision of alcohol tax. We view alcohol tax revisions as an opportunity change for our company, which has a high percentage of beer products. Taking advantage of this opportunity, the Company intends to strengthen its business by both reinforcing its major brands and proposing new products.

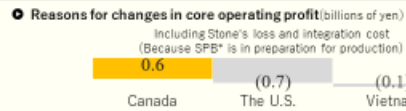
In strengthening our major brands, we will first attract new customers and increase brand loyalty for Black Label, and for the Yebisu brand, we will develop CREATIVE BREW in addition to existing products.

As for new product proposals on the right side, Nanamaru has recently proposed a new beer that is both purine-free and sugar-free. In addition, Craft Spiced Soda is proposing a new food drink. Going forward, we will continue to strengthen new product proposals.

Alcoholic Beverages ~Overseas~



Revenue : 66.9billions of yen (YoY+15.2billions of yen, +29.3%)
 Core operating profit : 0.8billions of yen
 (YoY+(0.2)billions of yen, (19.2)%)



In Canada we increased both revenue and profit mainly due to the effect of improved unit price, despite the impact of inflation and other factors
 In the US, while SPB continues to perform well and the function integration and improvements in logistics costs are taking effect, profit declined due to deteriorating market conditions caused by bad weather in Southern CA*, which is Stone's main battleground, and inflation, as well as the fact that SPB production is in preparation (3-2)

✓ Sales in each country

● Canada

+0% y-o-y

- The home-use market declined year-on-year, partly due to inflation
- Company performance exceeded total demand and was on par with last year

● The U.S. (SPB)

+2% y-o-y

- Total demand declined year-on-year, due to bad weather and inflation, among other factors
- SPB remained strong, at +2% year-on-year

● Vietnam

- Strong performance for beer kegs
- Both the market and group results were sluggish for canned beverages due to stagnancy of the Vietnamese economy and the impact of inflation

✓ Status of synergies with Stone

Steadily generate synergies through function integration

Preparations continue to start SPB manufacturing within the year

● Intensification of collaboration with agents in APAC

Distributorship agreement signed with Carlsberg for SPB in Hong Kong, Singapore and Malaysia
 Aiming to sell 1.5 million cases** in the ASEAN + Hong Kong market* in 2026

- Hong Kong, Singapore
Signed agreement prior to distributorship contract (Aim to launch from Jan. 1, 2024)
- Malaysia
Signed agreement prior to distributorship contract and production outsourcing contract



*Includes Vietnam, Singapore, Malaysia, Thailand, Indonesia, the Philippines, and Cambodia within ASEAN
 **Equivalent to 20 large bottles of 633 ml each

I will now continue with an explanation of overseas alcoholic beverages. First, let me add some additional information about the sales situation in each country.

First, let's talk about Canada. As for total demand, the commercial market has recovered, but the household market appears to be below the previous year's level, partly due to inflation. Our results exceeded total demand in this environment and were on par with the previous year.

Also in the U.S., total demand seems to be lower than the previous year, but our SAPPORO PREMIUM BEER maintained strong sales and exceeded total demand by 2%.

Also in Vietnam, although overall demand is sluggish, the Company is experiencing a situation in which cans are struggling but kegs are performing well as a result of steady measures taken by the Company.

Under these circumstances, our main efforts are, first of all, to create synergies with Stone in the U.S. We are now preparing for the production of SAPPORO PREMIUM BEER by the end of this year.

For APAC, we will also work to expand sales by signing a distributorship agreement with Carlsberg for SAPPORO PREMIUM BEER in Hong Kong, Singapore, and Malaysia. In this way, we plan to continue to accelerate growth in APAC.

Alcoholic Beverages ~Restaurant~



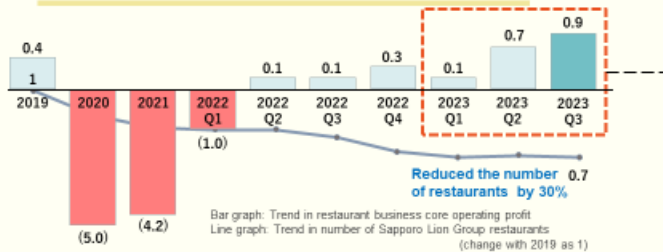
Revenue : 14.9billions of yen (YoY+4.1billions of yen, + 37.7%)
 Core operating profit : 1.7billions of yen (YoY+2.5billions of yen)

Reasons for changes in core operating profit (billions of yen)
 2.3 SLN (non-consolidated settlement)
 0.2 Affiliated companies and others

The effect of structural reforms (4-1) implemented during the pandemic steadily contributed to profit, and the company continued to be profitable

✓ Trends in Core operating Profit and Number of Stores

Continued profitability from Q2 FY2022 onward due to the effects of structural reforms, including reduction of unprofitable locations



Cumulative sales results for existing locations by time slot for SLN Jan.-Sep. (compared to 2019)

Opening~14:59	15:00~16:59	17:00~19:59	20:00~Closed
112%	124%	109%	92%

Sales were strong for the after-lunch to evening time slot due to capturing the inbound tourist and senior customer groups

● Brand communication of Japan alcoholic beverages

- Limited Sale of Yebisu Orange <Keg Beer> at YEBISU BAR



- Beer hall celebrates 124th anniversary

Ebisu Beer Hall, Japan's first beer hall, opened 124 years ago on August 4, 1899 as a promotional location for Yebisu beer. On the occasion of the 100th anniversary of Sapporo Lion's founding, the company designated August 4, the day of its founding, as "Beer Hall Day" to commemorate the birth of the first beer hall in Japan. It was also recognized by the Japan Anniversary Association.



Continuing, restaurant business. In restaurant business, the results of structural reforms have been steadily contributing to the Company's revenue and profit growth year on year and continued profitability in the previous quarter of this year. Factors contributing to this are the strong sales in the afternoon, during what would typically be idle times, especially among inbound and senior customers.

Sapporo Lion stores also serve as important customer contact points, such as limited sales of Yebisu Orange at YEBISU BAR as a new base for transmitting the Sapporo Beer brand.

Food & Soft Drinks



~Japanese~

Revenue : 67.6billions of yen (YoY(3.9)billions of yen, (5.5)%)

Core operating profit : 1.9billions of yen (YoY+2.2billions of yen)

● Reasons for changes in core operating profit(billions of yen)



Effects of structural reforms contributed steadily to the bottom line
Take actions outlined in the medium-term management plan, and proceed to fundamental structural reforms (5)

- ✓ - Status of structural reforms — KPI cost structural reforms
Steady progress in cost structure, contributing to improved business profit

- Improve marginal profit ratio

Decrease in disposal value due to SKU reduction +200 million yen

Variable selling cost unit price improvement +200 million yen

Product mix improvement by reducing unprofitable SKU +500 million yen

- Reduction of fixed costs

Reduction of unprofitable vending machine columns +600 million yen

- Structural reforms, etc. (Review of business portfolio)

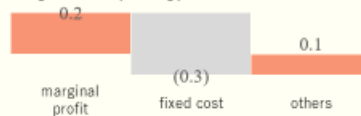
Liquidation of vending machine operator subsidiary PVS +500 million yen

~Overseas~

Revenue : 19.8billions of yen (YoY+1.8billions of yen, +9.9%)

Core operating profit : 1.1billions of yen (YoY+0.1billions of yen, +5.0%)

● Reasons for changes in core operating profit(billions of yen)



Sales grew steadily primarily in Singapore and Malaysia (6)
Continue with initiatives to expand sales channels

- ✓ Situation of sales expansion

Singapore **+5% y-o-y** Strong primarily for home-use channel
(Sales amount on a local currency basis)

Malaysia **+9% y-o-y** Demand is sluggish, but growth is being achieved by strengthening the sales structure
(Sales amount on a local currency basis)

Export **+0% y-o-y** Selection of export destinations based on profitability
(Sales amount on a Singapore currency basis)

Next is the food and soft drinks business. First, in Japan, on the left side, structural reforms are bearing fruit, contributing significantly to the Group's profit growth.

Efforts include a total of JPY1.5 billion in improvements: JPY900 million in improvements of marginal profit rate, such as reductions in the waste loss through SKU reductions and other measures and improvements in the product mix; and JPY600 million in reductions in unprofitable vending machine column expenses. In addition, the liquidation of a subsidiary with low profitability produced an improvement of JPY500 million.

Next, the right side is overseas. In Singapore and Malaysia, sales and earnings are increasing in local currency terms. We plan to continue our efforts to expand sales channels.

Revenue : 16.0billions of yen (YoY+0.7billions of yen, +4.9%)
 Core operating profit : 4.2billions of yen
 (YoY+(0.7)billions of yen, (13.7)%)

Reasons for changes in core operating profit (billions of yen)



While there was increased revenue from YGP Center Plaza, there was a decline in revenue due to HVAC work at the YGP office space and a decrease in profit due to one-off costs
 Proceeding with efforts to build an asset turnover business model (7) and increase value of core properties centered on YGP (8)

✓ Status of YGP

⊙ YGP Center Plaza

Number of visitors increased 1.5 to 2.0x since remodel*
 (*Remodeled in November 2022)



⊙ YGP office wing

Occupancy rate is as expected with decline due to HVAC work**
 Seeking to maintain rent levels by increasing property value

YGP office space occupancy rate



✓ Initiatives promoting reusable energy

● Signing of first virtual PPA in the real estate industry (according to our research)

First step toward generating 100% of own electricity consumption by 2040
 Estimated CO₂ emissions reduction is about 2,000 tons, equivalent to about 15% of the company's electricity consumption

Virtual PPA

PPA is a form of contract for the direct sale of renewable energy power. A virtual PPA is an arrangement separating electrical power and its environmental value to distribute these separately. (this enables power generating companies to supply environmental value from remote locations without physical restrictions, and consumers are able to obtain certificates of environmental value for the amount of electricity generated by the facilities subject to the contract while entering into electricity supply and demand contracts with electricity retail providers as usual)

✓ Status of building an asset turnover business model

- Equity investments

Investments are being made after scrutinizing market conditions and deals

- The REIT Preparatory Office was newly established in March and we established an investment advisory company in August

Next is the real estate business. First, here is the status of YGP. Thanks in part to the YGP Center Plaza, which reopened last November, the number of visitors has increased 1.5 to 2 times, contributing to increased revenues.

The office tower had low occupancy rates due to air-conditioning work, resulting in an overall decrease in profit. Although the office occupancy rate is below 80%, the same level as planned at the beginning of the year, the occupancy rate excluding the construction zone is in the upper 80% to 90% range.

In addition, as part of our efforts to promote renewable energy, we have concluded the first virtual PPA in the real estate industry. CO₂ emissions are expected to be reduced by approximately 2,000 tons, or 15% of the Company's electricity consumption.

Action Plan KPI



		Q3 results		Full year		medium-term plan Target
		2022 Q3	2023 Q3	2022	2023Plan	
※1 Forex assumption: ¥130 ※2 Local currency basis (Singapore dollar) * to be disclosed in Q2 or fiscal year end financial results						
Japan alcoholic beverages	Reinforcement of Beer / Improving Profitability of Beer-type Bev.					
	Increase beer sales: share of beer sales (1-1)	66%	69% +11% (y-o-y)	68%	71% +9% (y-o-y)	79% +11% (VS 2022)
	Improve profit margin: selling price excluding alcohol tax (1-1)	-		-		
	RTD Business Growth and Production Streamlining, Etc.					
Overseas alcoholic beverages	Stone Acquisition Synergy / SPB Growth	4.99million cases	5.31million cases (y-o-y +6%)	6.61million cases	7.47million cases	10.0million cases
	Sapporo brand volume (3-1-3)	-	*	-	\$4M	\$23M
	Cost synergy (3-1-3) ※1	-		-		
Japan food & soft drinks	Cost Structure Reforms (5)	-	¥1.0billion	-	¥1.0billion	¥2.0billion
Overseas soft drinks	Expanding Sales and Increasing Logistics Efficiency	-	+0.7% (y-o-y)	-	+3% (y-o-y)	+30% (VS 2022)
	Overseas sales amount (6) ※2	-		-		
Real Estate	Revenue Structure Diversification	-	*	3.7%	7.2%	19.2%
	Asset share of securitization business (7)	-	*	-	+0.4% (y-o-y)	+2.5% (VS 2022)
	Increase value of YGP** **YGP: Yebisu Garden Place	-	*	-		
Entire Group	Rate of increase in average rent price (8)	-		-		
	Drastic Reorganization of Unprofitable Businesses, Etc. (9) PVS liquidation effect +500 million yen Anchor dissolution effect +300 million yen	-	¥0.8billion	¥1.0billion (y-o-y)	¥0.5billion (y-o-y)	-

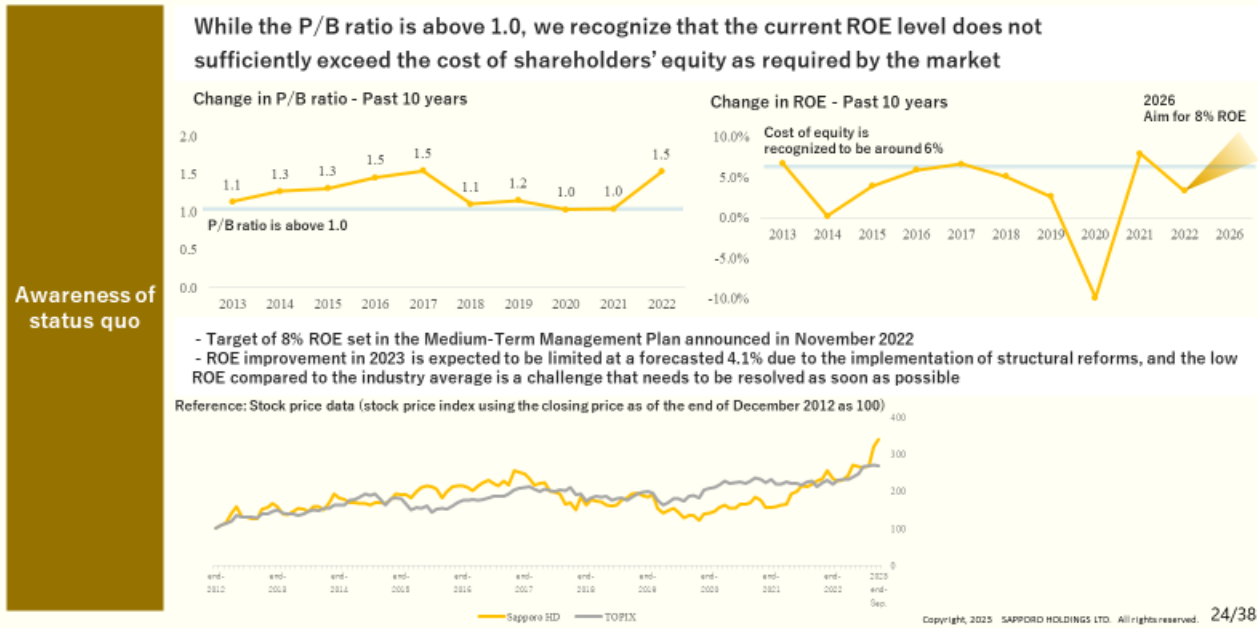
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Here is a list of Action Plan KPIs. In domestic alcoholic beverages, both the percentage of beer sales and the unit sales price excluding liquor tax improved steadily.

RTD sales growth is also taking measures to achieve the annual target. We are also positioned to see plans for the full year for cost structure reforms in domestic food and soft drinks and a radical reorganization of the business portfolio across the Company.

Items marked with asterisk will be disclosed only at the end of the fiscal year, or at the end of Q2 and the fiscal year.

Promotion of management that is aware of cost of capital and stock price



New from this quarter, on and after page 23 of the document, we have added explanatory material on the promotion of cost-of-capital and stock price-conscious management.

First, we describe our perception of the current status of the Company. The graph above shows PBR and ROE over the past ten years. P/B ratios have continuously remained above 1x. At the same time, however, we recognize that the current ROE level does not fully exceed the cost of shareholders' equity required by the market.

In light of this situation, the medium-term management plan announced last November sets a target of ROE of 8% or more, with capital efficiency in mind.

The table below shows stock price trends starting from the end of 2012. Most recently, the stock price has outperformed TOPIX.

Promotion of management that is aware of cost of capital and stock price



Policy	To promote a financial strategy that emphasizes "sustainable growth" and "capital efficiency," which we have been working on for some time, and to achieve an increase in corporate value <ul style="list-style-type: none">- Aim to achieve Medium-Term Management Plan financial targets (ROE of at least 8% in 2026, overseas sales revenue and EBITDA growth of 10%/year)- Promote both growth investment and shareholder returns based on cash allocation policy	
Efforts to enhance ROE	For the realization of sustainable growth <ul style="list-style-type: none">● Enhance the earning capacity of each business<ul style="list-style-type: none">- Realization of business growth Proactively develop areas of strength- Cost-related structural reforms Create business structures that can respond to changes in the environment● Growth investment<ul style="list-style-type: none">- Investment in overseas businesses with growth potential- Investment in domestic business to strengthen the earnings base Respond flexibly to growth investment opportunities by utilizing financial leverage to the extent that our current credit rating can still be guaranteed	For the enhancement of capital efficiency <ul style="list-style-type: none">● Review of business portfolio<ul style="list-style-type: none">- Fundamental review of businesses positioned for restructuring/reorganization Exit businesses that cannot be expected to improve and focus on growth areas● Balance sheet reforms<ul style="list-style-type: none">- Review of assets held Improve or sell underutilized assets and assets with low turnover- Reduce cross-shareholdings Aim to reduce the ratio of book value of cross-shareholdings to total equity attributable to owners of parent to less than 20% at an early stage during the period of the Medium-Term Management Plan● Shareholder returns<ul style="list-style-type: none">- Increase the level of dividends in accordance with profit growth Aim to increase the amount of dividends while maintaining dividend stability

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This policy is based on recognizing the current situation and efforts to improve ROE. Our policy is to promote a financial strategy emphasizing sustainable growth and capital efficiency, which we have been working on for some time to enhance our corporate value. We will aim to achieve ROE of 8% or more and realize growth.

In our efforts to improve ROE, we will first improve the profitability of each business and invest in growth areas in order to achieve sustainable growth.

To this end, as described in the section on improving capital efficiency, we will first review our business portfolio, withdraw from or downsize businesses that cannot be expected to improve and focus on growth areas.

In addition, the Company will make early progress in balance sheet reform and aim to quickly achieve a 20% ratio of book value of stock holdings to net assets for policy stock holdings.

Finally, shareholder returns will be aimed at increasing the level of dividends in line with profit growth.

As mentioned above, we have been working on management that is aware of the cost of capital and stock price, and furthermore, we plan to further enhance disclosure to investors in the future.

Since the information on page 26 and beyond is for reference only, we will omit the explanation. We hope you will make use of the data and other information provided.

That concludes my explanation. Thank you very much.

Main Questions & Answers

[General]

Q1 What are your views on profit growth for the next fiscal year as you work toward 25 billion in core operating profit in 2026?

A1 At present, I would like to mainly go over what we will focus on this year, and what kind of environment we will be faced with.

First, the cost of raw materials has a significant impact on profitability in the business environment. While we have to expect a slight increase here, we believe that the level will be within the range that can be absorbed over an entire year, following the price revisions implemented this year. Another point is how to proceed with efforts to address the shift in demand toward beer and RTD that is occurring as a result of the alcohol tax revisions.

With this background in mind, I would like to present three courses of action.

The first concerns the structural reforms. We hope to reach a certain point in the structural reforms next year.

The second is strengthening the profitability of the Japanese alcoholic beverages business. As we have stated in the past, we will continue to strengthen beer and RTD. On the other hand, we would like to restart future-oriented investment, brand investment, personnel investment, capital investment, etc., to some extent, which have been limited since the COVID-19 pandemic.

The third is growth in North America. As you are aware, we would like to start full-scale synergies, including in-house production of Sapporo Premium Beer. However, due to the extremely harsh economic environment and adverse winds in the US beer market, we will keep an eye on changes in the business environment.

In the coming year, we would like to get firmly on track to achieve an ROE of 8% and an average EBITDA growth rate of around 10% in 2026. Please understand that we are now at the stage of finalizing how to balance the structural reforms, future investment, and profit growth.

[Alcoholic Beverages]

Q2 What do you think will the beer-type beverage market be next year? Tell us your market approaches for beer and other beverages for off-trade and on-trade next year. Also, please explain the trends following the alcohol tax revisions.

A2 Our current estimation is that beer-type beverages as a whole will decline by about 2%. Looking at beer and other beverages (happoshu + new genre) together, we believe the happoshu and new genre categories will fall nearly 10% and shift towards beer, partly due to the alcohol tax revisions in October of this year. Beer is expected to increase by about 5%. On the point of on-trade and off-trade, canned beer will be a driving force as the recovery in on-trade runs its course. We expect that on-trade will be flat year-on-year, with a roughly 7% increase in canned beer.

It is difficult to comment on trends following the alcohol tax revisions due to the impact of speculative demand and household inventories, but we believe there will be a full-fledged shift to beer and a smaller shift to RTD once household inventories from speculative demand for new genre are depleted. We are formulating future strategies based on the expectation that this will cause the bottom line of beer to be raised by about 5-8%.

Q3 Regarding the profitability of domestic alcoholic beverages, you have set a target of 5.7% as the core operating profit margin in the Medium-Term Management Plan, and have revised this year's target to 5.5%. To a certain extent, you have drawn close to the target profit margin. How much further do you think you can raise the profit margin?

A3 We are at the stage where the Medium-Term Management Plan target is coming into view. We are proceeding with internal discussions regarding what to do with this target value. We recognize that we must lay thorough foundations for future growth, and we would like to build a strategy that is balanced with long-term growth rather than achieving goals through temporary cost reductions.

Q4 Where are you considering making investments in terms of marketing investment?

A4 Current trends are proceeding favorably. Beer and RTD are the categories to watch, and among them, we would like to strengthen Black Label, which is a main product. In addition, Brewery Tokyo will be opened in Yebisu Garden Place for the Yebisu brand next April, which will further enhance our ability to spread information and contribute to strengthening of brand power.

Q5 In North America ,there was a downward revision. Tell us the background behind this and the status of synergies with Stone Brewing, including the market environment. I would also like to hear about the trends for Sapporo Premium Beer.

A5 The downward revision in the US was due to increased integration costs. This is not related to us so much as it stems from early expenditures in contrast to our initial plan of post-merger integration.

The generation of synergies with Stone Brewing is proceeding smoothly, with production of Sapporo Premium Beer beginning before the end of the year, and we plan to start full-scale synergies over the next year. Things are progressing well. Also, with respect to core operating profit, the USA reported increased profits for July-September. While there were negative factors such as integration costs, overall effect was positive due to improved logistics costs and the dissolution of Anchor.

Furthermore, the brand condition of Sapporo Premium Beer is becoming somewhat volatile, with year-on-year changes of +9% in the first quarter, -4% in the second quarter, and +2% in the third quarter. Although the weather in California was unfavorable for some time, in terms of trends, Sapporo Premium Beer is outperforming total demand as well as its previous year's performance and is expected to continue performing well.

Conversely, with respect to the Stone brand, the total demand for craft beer has weakened considerably. While the brand is outperforming total demand, we would like to take steps to address the fact that volume has decreased year-on-year.

Q6 I believe you estimated \$4 million in synergies this year. Is that progressing as anticipated? Also, how is this outlook in the next fiscal year and beyond?

A6 There have been about \$3 million generated this year as of Q3, and we believe we can reach \$4 million for the year. We will create an approach for next year and beyond while examining how we should view Stone's brand condition and how we should view Sapporo Premium Beer while keeping an eye on total demand in the US.

[Food & Soft Drinks]

Q7 I understand that structural reforms for food & soft drinks in Japan are proceeding smoothly. Please tell us specifically where and how SKU reduction and product mix improvement are occurring under the structural reforms. Also, I would like to confirm how you will improve the profit margin over the medium term.

A7 SKU reduction is being conducted for soft drinks and food products. SKU reduction is proceeding with a focus on vending machine products for soft drinks and a focus on the soup category for food products. In terms of volume, we have reached about 30% reduction overall and will shift resources to products with higher profitability. Going forward, this will not be limited to SKU reforms; we will make efforts on vending machine structural reforms, specification revisions, and price revisions, among other areas. And we will focus on the lemon business, which is one of our advantages, in order to strengthen this area further.

Q8 With respect to structural reforms for the Japan food & soft drinks business, I would like to confirm whether next year's structural reforms will be an extension of the current reforms or whether we can expect more in-depth structural reforms.

A8 First, with respect to efforts that are currently underway, these efforts will be continued next year. Regarding more in-depth structural reforms, I would like to refrain from covering that at this time. We hope you are aware that there are some matters which we need to work on.

Q9 Regarding the focus lemon business, I would like to know how much this area is reflected in sales.

A9 From January-September, there was an approx. 5% increase in sales for lemon foods. The lemon foods sector currently represents about 100 million yen in volume, and we would like to expand this further in the future. Lemon soft drinks are at about the same level as last year. Under the COVID-19 pandemic the increase-decrease trend in sales became distorted, but since we have achieved sales growth of around 5-10% thus far, we intend to shift resources away from unprofitable divisions to growth areas in order to achieve continual growth.

[Other topics]

Q10 Is there any schedule for the Group Strategy Review Committee to provide the results of its discussions?

A10 We are considering strategy options for enhancing medium- to long-term corporate value, which is the overarching goal of the Medium-Term Management Plan. As it is a fixed-term committee, it will study these matters thoroughly over the course of this year and next year and we will disclose any information we can provide to you promptly and appropriately.

Q11 I would like to know what kind of discussions the Group Strategy Review Committee is currently having. Are they also discussing revisions to the Medium-Term Management Plan?

A11 Since this is a process in which certain courses of action or conclusions reached through discussions at the committee are discussed and confirmed at the Board of Directors of Sapporo Holdings, the committee itself is positioned at a preliminary stage in the process. Therefore, the contents of discussions, points, or directionality cannot be disclosed at this stage. The scope of discussions focuses on enhancing medium- to long-term corporate value, which is the overarching goal of the Medium-Term Management Plan, so please understand that these discussions include future outlooks. The achievement of the Medium-Term Management Plan is being appropriately monitored by the Board of Directors.

Q12 The cost of shareholders' equity is around 6%. What is your awareness of the cost of equity for each business, and what kind of issues have been recognized?

A12 For each business division, we plan to manage ROIC rather than ROE. Naturally, the WACC for the real estate business is lower than that for alcoholic beverages or food, and the WACC for overseas business is higher than in Japan. In the future, we would like to complete the structural reforms and then consider the disclosure of indicators.
