SAPPORO HOLDINGS LTD.

Sapporo Holdings Limited

Financial Results Briefing for the Third Quarter of the Fiscal Year Ending December 2024

November 13, 2024

Event Summary

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[Venue]	Webcast
[Number of Speakers]	2 Takayuki Sato — Group Operating Officer, General Manager of Accounting Department Yosuke Nakamura — General Manager of Corporate Planning Department

Presentation

Moderator: Good afternoon. Thank you for attending today's financial results briefing of Sapporo Holdings Limited for Q3 of the fiscal year ending December 2024. We will now begin the information session.

Present today are Takayuki Sato, Group Operating Officer, General Manager of Accounting Department, and Yosuke Nakamura, General Manager of Corporate Planning Department from Sapporo Holdings Limited.

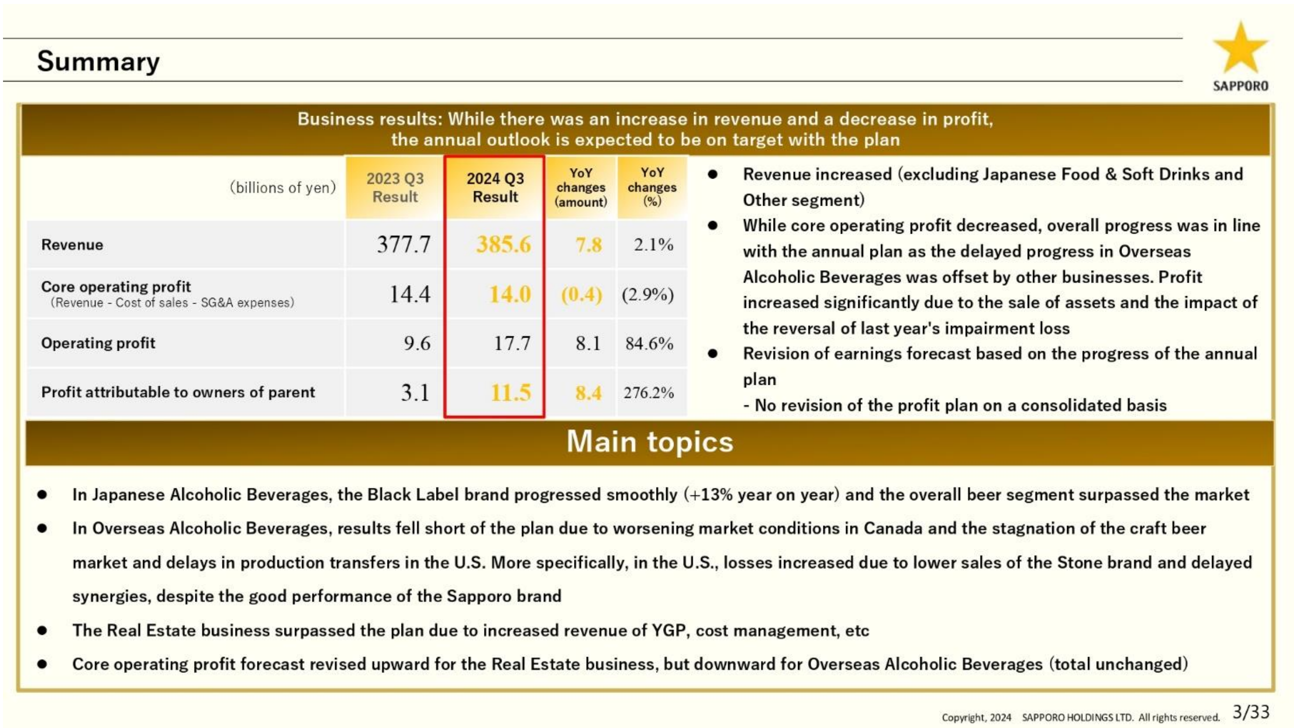
Please have the financial statements, supplementary information, and the Powerpoint presentation material on hand.

Mr. Sato will explain the overview of the Q3 financial results based on the PowerPoint presentation of the financial results for 20 minutes, followed by a question-and-answer session. The entire financial results briefing will last approximately one hour.

Now, Mr. Sato will explain the situation.

Sato: Hello, everyone. My name is Sato from Sapporo Holdings. I would like to present the overview of the Q3 2024 financial results that we announced yesterday.

Today, I will first provide a summary of the financial results and then offer a supplementary explanation regarding the revision of the earnings forecast announced yesterday. Following that, I will go into the details of the financial results.



Now, please see the next page. This is page three of the material, which provides a summary of the financial results for Q3.

For Q3, revenue increased by JPY 7.8 billion YoY. This increase was mainly driven by higher beer sales in the domestic alcoholic beverages segment and increased export sales, as well as higher sales in our real estate business due to improved office occupancy rates at YGP. Additionally, overseas sales increased on a yen basis due to the weaker yen.

Although core operating profit slightly decreased YoY, the decline in profit from the overseas alcoholic beverages segment was offset by other businesses, keeping overall progress in line with our initial plan.

Operating profit and below showed a significant increase YoY due to factors such as asset sales and the reversal of last year's impairment loss resulting from the decision to liquidate Anchor.

Main topics are listed at the bottom of this page. Firstly, in Japan, the mainstay brand, Black Label, maintained strong sales, thanks to successful brand strengthening efforts. Under these circumstances, sales increased by 13% YoY, surpassing the overall growth of the beer market, as demand has further shifted from Happoshu to beer since the alcohol tax revision in October last year.

In the overseas alcoholic beverages business, while the Sapporo brand continues to perform well, sales of the Stone brand declined, particularly in the United States where the overall craft beer market is stagnating. Additionally, there was a delay in the planned transfer of production in Q3, resulting in a decline in profit, falling short of the plan. The situation remains challenging.

In the real estate business, in addition to increased revenue from Yebisu Garden Place (YGP), cost reduction efforts have also borne fruit, leading to results that exceed both the previous year's performance and plan.

The earnings forecast will be explained on the following pages.

Earnings Forecast Revision

Earnings Forecast Revision

Revenue forecast revised upward and core operating profit by segment revised based on the progress of the annual plan
- No revision of the profit plan on a consolidated basis

(billions of yen)	2024 Initial Plan	2024 Revised Plan	Revised Amount	2023 Result	Change Amount
Revenue	523.5	526.0	2.5	518.6	7.4
Core operating profit	19.0	19.0	-	15.6	3.4
Operating profit	17.6	17.6	-	11.8	5.8
Profit attributable to owners of parent	10.0	10.0	-	8.7	1.3
ROE	5.5%	5.5%	-	5.0%	-

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Please see page five of the material. I would like to explain the revision of our full-year earnings forecast announced this time.

We have revised our consolidated total revenue forecast upward slightly by JPY2.5 billion from the initial plan, bringing it to JPY526 billion. Although we have revised core operating profit by segment, the consolidated total remains unchanged at JPY19 billion, the same as the initial plan.

Other key indicators also remain unchanged from the initial plan.

Earnings Forecast Revision

Earnings Forecast Revision (Revenue)

Revenue (billions of yen)	2024 Initial Plan	2024 Revised Plan	Revised Amount	Main revisions	2023 Result	Change Amount
Revenue	523.5	526.0	2.5		518.6	7.4
Japan Alcoholic Beverages	270.0	270.0	-		268.3	1.7
Overseas Alcoholic Beverages	90.0	92.0	2.0	Revision of foreign exchange forecast, etc	88.6	3.4
Restaurants	20.0	20.0	-		20.0	0.0
Japan Food & Soft Drinks	92.0	92.0	-		93.5	(1.5)
Overseas Food & Soft Drinks	28.0	28.0	-		26.4	1.6
Real Estate	23.5	24.0	0.5	Revenue of YGP increases, etc	21.7	2.3
Other	0.0	0.0	-		0.1	(0.1)

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Please see page six of the material. I would like to explain our outlook for revenue by business segment.

The consolidated total revenue is revised by JPY2.5 billion. For overseas alcoholic beverages, the revenue is revised by JPY2.0 billion. This is mainly due to revision of the foreign exchange forecast, taking into account the weaker yen situation this year. In the real estate business, we are projecting an increase of JPY500 million in revenue , due to the positive impact of the YGP revenue increase.

Although some fluctuations are expected in other businesses, we are maintaining the initial plan at this time.

Earnings Forecast Revision

SAPPORO

Earnings Forecast Revision (Core operating profit)

Core operating profit (billions of yen)	2024 Initial Plan	2024 Revised Plan	Revised Amount	Main revisions	2023 Result	Change Amount
Revenue	19.0	19.0	-		15.6	3.4
Japan Alcoholic Beverages	15.5	15.5	-		14.2	1.3
Overseas Alcoholic Beverages	1.0	0.0	(1.0)	U.S. (0.9), Canada (0.6), Vietnam +0.5	(0.3)	0.3
Restaurants	1.8	1.8	-		2.1	(0.3)
Japan Food & Soft Drinks	2.2	2.2	-		2.2	0.0
Overseas Food & Soft Drinks	1.3	1.3	-		(0.6)	1.9
Real Estate	5.8	6.8	1.0	Revenue of YGP increases, cost management, etc	5.8	1.0
Other	(8.5)	(8.5)	-		(7.8)	(0.7)

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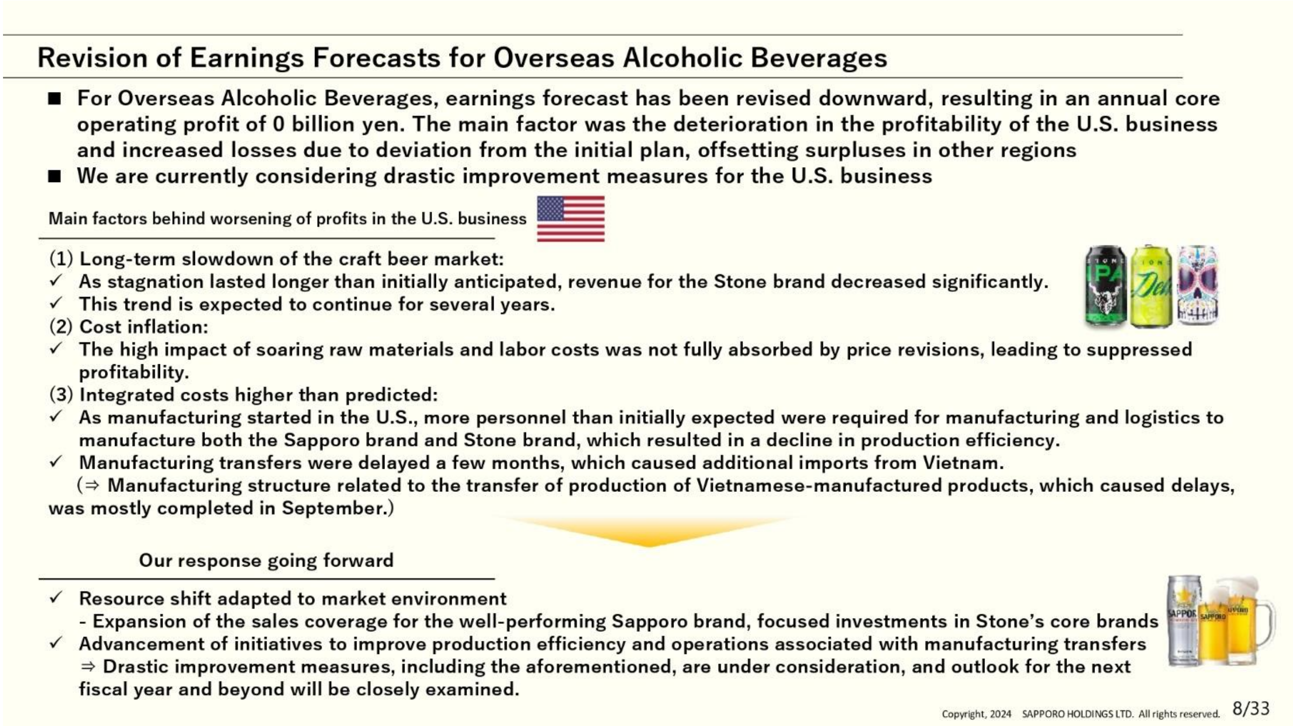
Please see page seven of the material. This page shows our outlook for core operating profit by business segment. Like revenue, we have revised the forecasts for two segments: overseas alcoholic beverages and real estate.

For overseas alcoholic beverages, we anticipate a JPY 1.0 billion decrease in profit compared to the initial plan. The main reason for this is underperformance in the United States, primarily due to slowdown in the craft beer market, which has resulted in lower sales of the Stone brand ,as well as increased integration costs among other factors. We will provide more details on the next page.

In addition to factors in the United States, we expect sales and profits to decline in Canada due to market downturns driven by inflation and other factors. Conversely, in Vietnam, we foresee an increase in profit due to strong exports to neighboring countries.

Regarding the real estate business, we have revised our initial plan upward by JPY 1.0 billion, considering the sector’s strong performance up to the third quarter.



Please see page eight of the material. I would like to provide some additional explanation regarding the revised forecast for overseas alcoholic beverages here.

We have revised our overseas alcoholic beverages business core operating profit forecast downward by JPY 1 billion from our initial plan. The main factor is the worsening profitability of our US business. Losses have increased compared to the initial plan and have offset gains in other areas.

We have identified three main factors.

The first is the continued slowdown in the craft beer market in the United States. Partly due to this, revenue of the Stone brand also declined compared to our initial forecast.

The second point is the impact of cost inflation. Although we have implemented selling price increases, we have not yet been able to fully offset the impact of these cost increases, which remains a negative factor.

The third point is related to integration costs. Profitability has deteriorated this fiscal year partly due to delays in the transfer of manufacturing operations caused by equipment issues. As of now, the manufacturing transfers have been completed and all production lines are operational. However, productivity improvements in manufacturing and logistics are still insufficient, and we are currently producing with more personnel than initially expected.

Under these circumstances, we will continue to strive to expand revenue of the Sapporo brand and concentrate on the core Stone brand to maintain and enhance revenue and improve sales efficiency.

In terms of production, we have just completed the manufacturing transfers, and we will focus on improving the efficiency of production, logistics, and related operations in the next stage.

That's all for the earnings forecast revision.

Financial Highlights

SAPPORO

(billions of yen)	2023 Q3 Result	2024 Q3 Result	YoY changes (amount)	YoY changes (%)
Revenue	377.7	385.6	7.8	2.1%
Revenue (Excluding liquor tax)	291.6	300.9	9.3	3.2%
Overseas revenue	90.0	96.5	6.5	7.2%
EBITDA	29.3	30.4	1.0	3.5%
Core operating profit (Revenue - Cost of sales - SG&A expenses)	14.4	14.0	0.0	(2.9%)
Core operating profit margin	3.8%	3.6%	-	-
Other operating income (expense)	(4.8)	3.7	8.5	-
Operating profit	(9.6)	17.7	8.1	84.6%
Profit attributable to owners of parent	(3.1)	11.5	8.4	276.2%

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Now, I would like to explain the business results. Please see page 10 of the material for the financial highlights.

Revenue for Q3 was JPY385.6 billion, a YoY increase of 2.1%, and core operating profit was JPY14 billion, a YoY decrease of 0.4 billion. The decrease in core operating profit was due to a decline in profit in overseas alcoholic beverages and food & soft drinks segment, as well as increased costs across the entire company. While the Japanese alcoholic beverages and real estate segments helped to offset the decrease, it was not enough to fully cover them, resulting in a slight decline in core operating profit for the first nine months.

Profit attributable to owners of parent increased significantly on a YoY basis, partly due to the reversal of the loss recorded last year.

Financial Highlights

SAPPORO

(billions of yen)	2023 Q3 Result	2024 Q3 Result	YoY changes (amount)	YoY changes (%)
Revenue by Segment	**377.7**	**385.6**	**7.8**	**2.1%**
Alcoholic Beverages	274.3	281.7	7.4	2.7%
Japanese	192.5	194.9	2.4	1.3%
Overseas	66.9	71.1	4.2	6.3%
Restaurants	14.9	15.7	0.8	5.1%
Food & Soft Drinks	87.4	86.2	(1.2)	(1.4%)
Japanese	67.6	65.9	(1.7)	(2.5%)
Overseas	19.8	20.2	0.5	2.3%
Real Estate	16.0	17.6	1.7	10.5%
Other	0.1	0.1	(0.0)	(38.5%)

(billions of yen)	2023 Q3 Result	2024 Q3 Result	YoY changes (amount)	YoY changes (%)
Core Operating Profit by Segment	**14.4**	**14.0**	**(0.4)**	**(2.9%)**
Alcoholic Beverages	12.8	12.9	0.2	1.2%
Japanese	10.2	11.0	0.8	7.9%
Overseas	0.8	0.3	(0.6)	(68.7%)
Restaurants	1.7	1.6	(0.1)	(4.6%)
Food & Soft Drinks	3.0	2.1	(0.9)	(29.3%)
Japanese	1.9	1.4	(0.5)	(26.5%)
Overseas	1.1	0.8	(0.4)	(32.4%)
Real Estate	4.2	5.1	0.9	21.8%
Other・General corporate and intercompany eliminations	(5.6)	(6.2)	(0.6)	-

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Move on to page 11 of the material. Here are the financial highlights by business segment.

First, look at the table on the left, Revenue. Except for Japanese food & soft drinks, revenue basically increased.

The revenue increase was particularly large in the alcoholic beverages business. Revenue rose by JPY2.4 billion in Japan due to a combination of efforts to strengthen domestic beer business and a trend toward a return to beer.

As for overseas alcoholic beverages, while sales of the Sapporo brand were strong, revenue declined due to the impact of market downturn in Canada. In the United States, revenue of the Stone brand declined, resulting in a decline on a local currency basis. However, for the current fiscal year, the impact of the weaker yen is significant, resulting in an increase in revenue on a yen basis.

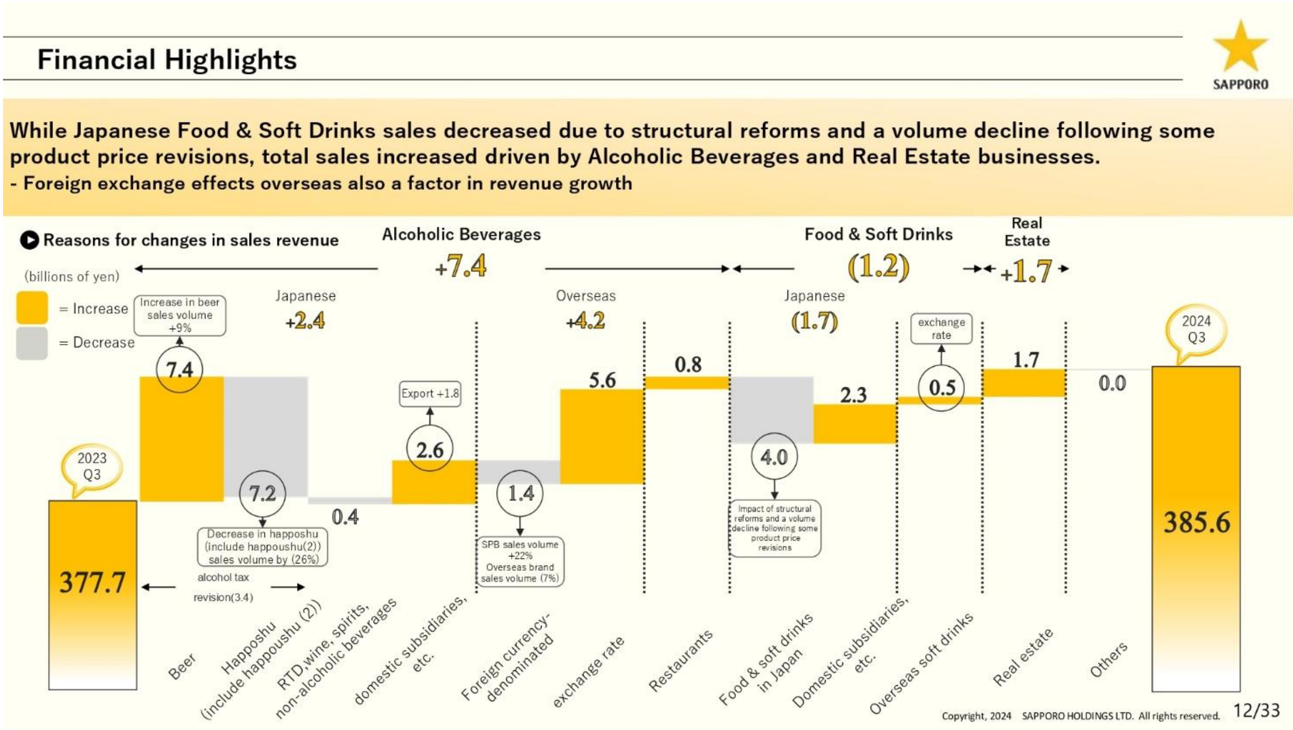
The restaurants business struggled in Q3 due to bad weather and other factors, but overall performance for the first nine months was strong, leading to a YoY increase in revenue.

With regard to food & soft drinks business, we are taking steps to improve profitability in Japan by further narrowing down SKUs and implementing other measures. However, the price revision implemented in May negatively impacted sales volumes, resulting in an overall decline in revenue.

Overseas soft drinks revenue also increased on a Japanese yen basis due to the impact of the weaker yen. However, partly due to the impact of the suspension of export transactions with certain customers last year, revenue decreased on a local currency basis.

In the real estate business, leasing has been successful, and YGP office space has basically recovered to 100% in all areas except for those under construction. As a result, the increase in revenue offset the shortfall caused by the sale of properties at the end of last year.

The next table on the right shows the breakdown of core operating profit. While profit growth in the Japanese alcoholic beverages and real estate businesses offset declines in other businesses and the general corporate segment, total consolidated profit still declined. I will provide more details on the following pages.



Please see page 12 of the material. First, this is a waterfall chart to explain the overview of sales revenue.

First, in the alcoholic beverages business, sales revenue increased by JPY7.4 billion. In Japan, beer sales increased by JPY7.4 billion, which represents a 9% increase in volume. On the other hand, sales revenue of Happoshu decreased by JPY7.2 billion, which is a 26% decrease in volume. Exports were also very strong, with an increase of JPY1.8 billion.

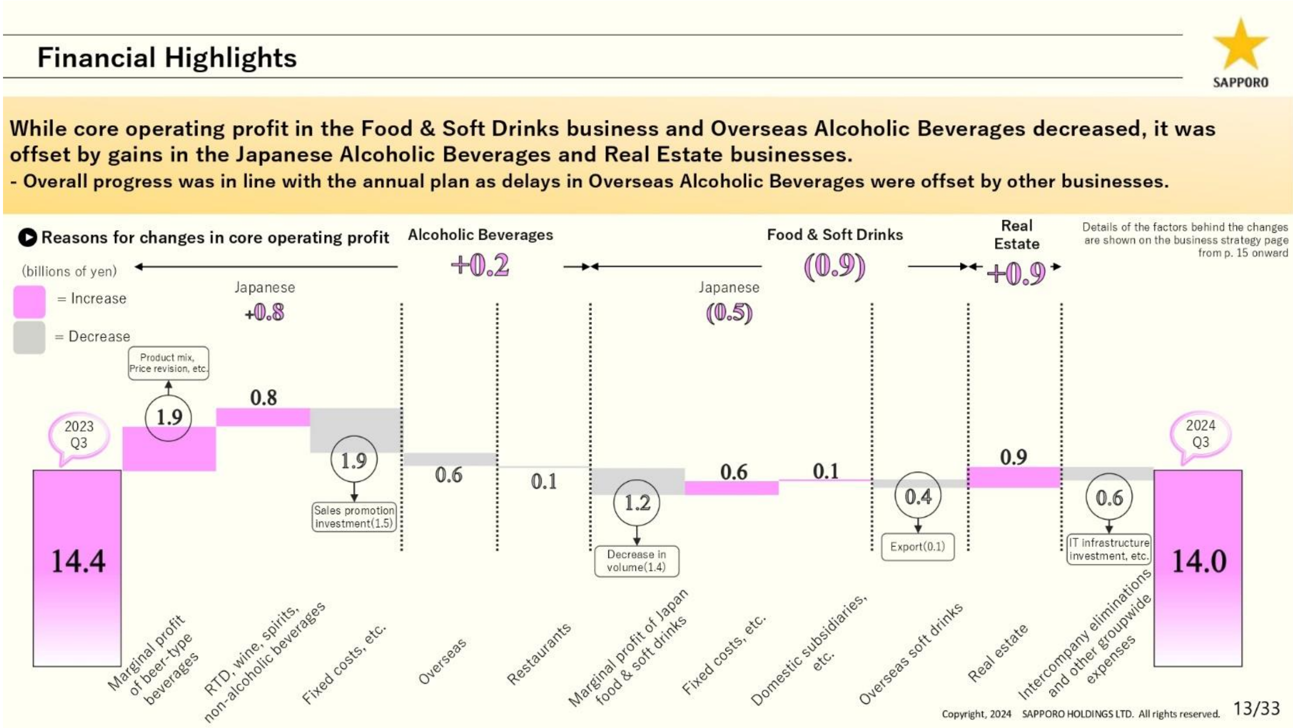
As for overseas alcoholic beverages, revenue in foreign currencies decreased by JPY1.4 billion. While sales revenue of Sapporo brand products increased by 22%, sales revenue of overseas brands such as Sleeman decreased by 7%. However, the impact of foreign exchange rates contributed to an increase in revenue by JPY5.6 billion.

Restaurants revenues increased by JPY0.8 billion. On an existing restaurant basis, results for July, August, and September all exceeded those of the previous year.

Next, in the food & soft drinks business, revenue declined by JPY1.2 billion. In Japan, price revisions at subsidiaries contributed to an increase in revenue, but POKKA SAPPORO on a standalone basis saw a JPY4 billion decrease in revenue due to a reduction in the number of SKUs and a decrease in volume after the price revisions.

Revenue of overseas food & soft drink business increased due to the impact of the weaker yen. On a local currency basis, revenue in Malaysia grew significantly, but the overall revenue decreased YoY due to a substantial decline in exports.

In the real estate business, revenue increased by JPY1.7 billion, driven by an improvement in the occupancy rate of YGP offices.



Please look at page 13 of the material. I would like to explain the overview of core operating profit.

First, the alcoholic beverages business increased profit by JPY0.2 billion. Japanese alcoholic beverages increased by JPY0.8 billion, with an increase of JPY1.9 billion coming from higher marginal profits and other factors, and a decrease of JPY1.5 billion due to increased investment in sales promotion. Other negative factors included human capital investments.

The overseas alcoholic beverages segment saw a decrease of JPY0.6 billion. In Canada, volume and mix deteriorated due to the market downturn, resulting in a decrease of JPY1 billion. In the United States, while the Sapporo brand saw expanded sales, delays in manufacturing transfer and a decline in sales of the Stone brand led to a decrease in profit. However, the liquidation of Anchor last year resulted in improvement, leading to an overall profit increase of JPY 0.1 million for the US business.

In addition, Vietnam, including exports, posted an increase in profit of JPY0.3 billion.

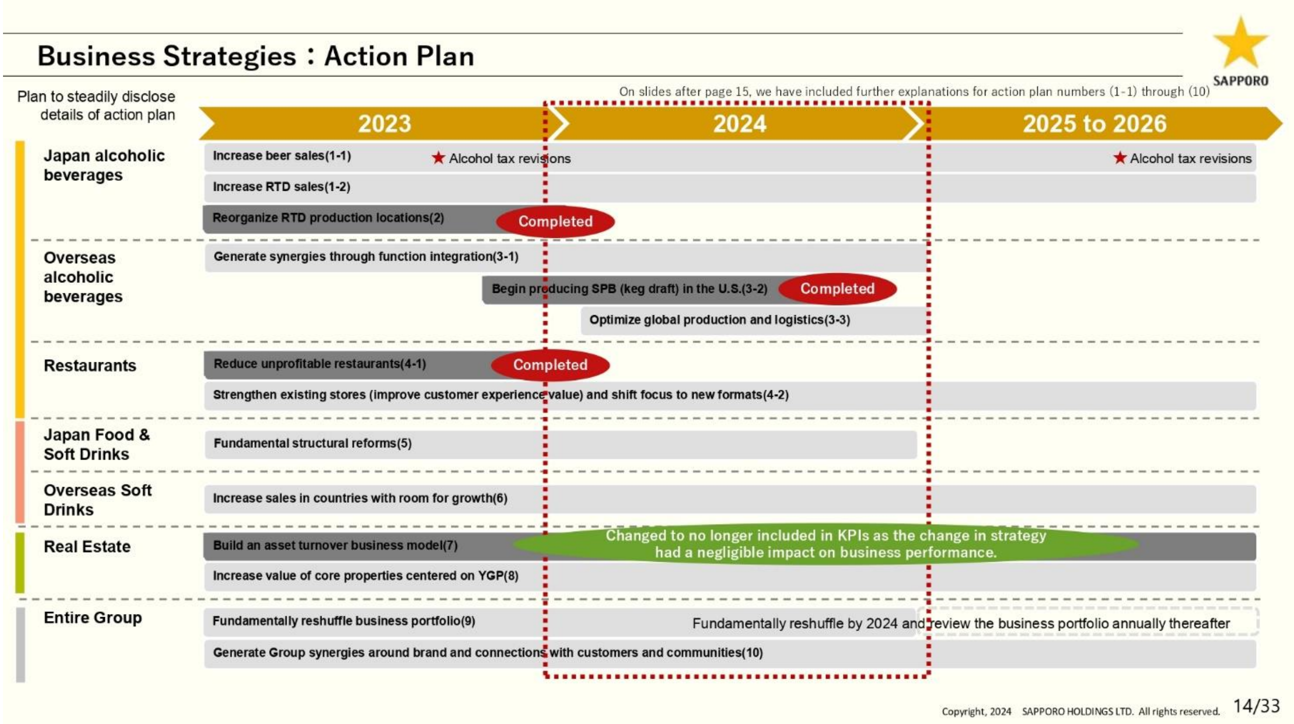
In the restaurants business, although there was a increase in revenue, profit declined by JPY0.1 billion due to cost increases and other factors.

Overall food & soft drinks business saw a decline of JPY0.9 billion in profit. The Japanese domestic business experienced a decrease in profit of JPY 0.5 billion. Although there were effects from the reduction of fixed costs due to structural reforms, the increase in the cost of goods sold and logistics costs continued through the third quarter, resulting in an overall decrease in profit.

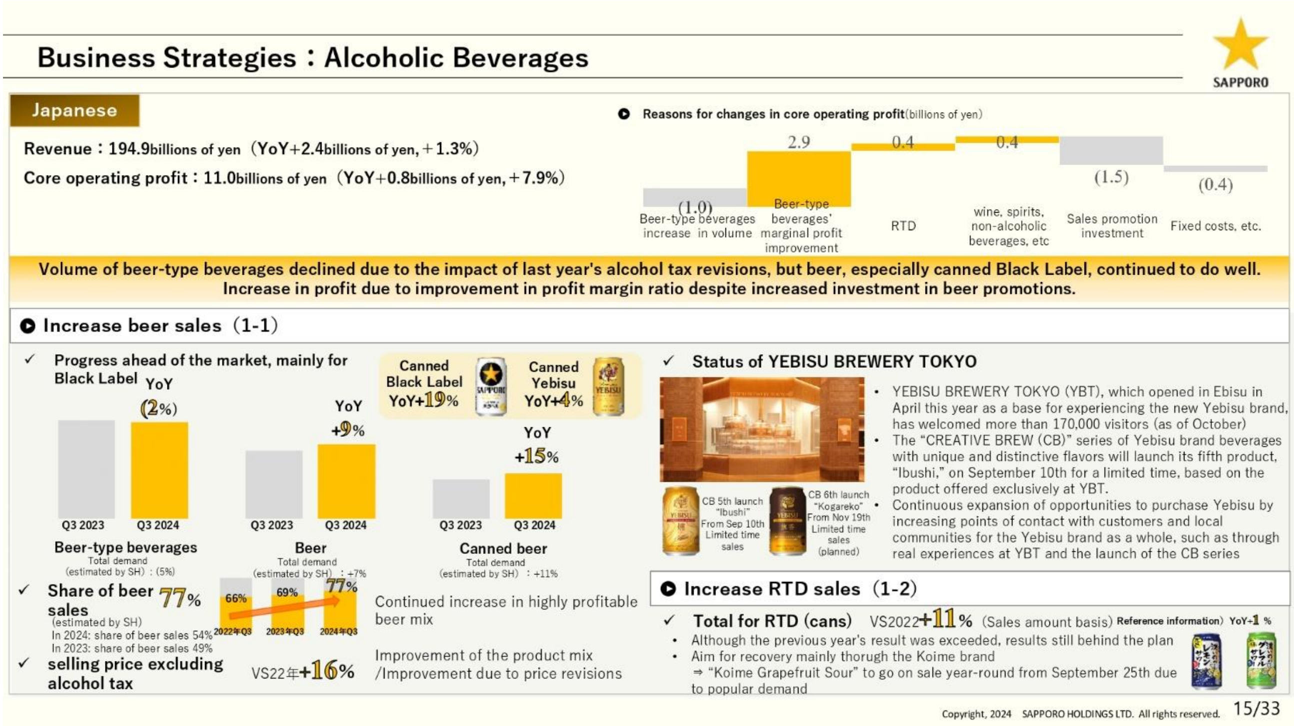
Overseas business decreased profit by JPY0.4 billion. In Malaysia, sales grew significantly, but in Singapore, sales declined due to inflation and other factors. In addition, the lack of profit from exports was also a negative factor.

The real estate business increased profit by JPY0.9 billion. This was driven by the operation of YGP's office space, along with the positive impact of cost reduction efforts.

That concludes the summary of the financial results. Next, I would like to explain the progress of our medium-term management plan's action plan and provide an overview of our business operations.



Page 14 of the material shows a list of action plans that were announced in February of last year. Items marked as Completed are those that have already been completed. Thus, the action plans set forth in our medium-term management plan will be updated and revised as appropriate, and strategies will be implemented to achieve the goals.

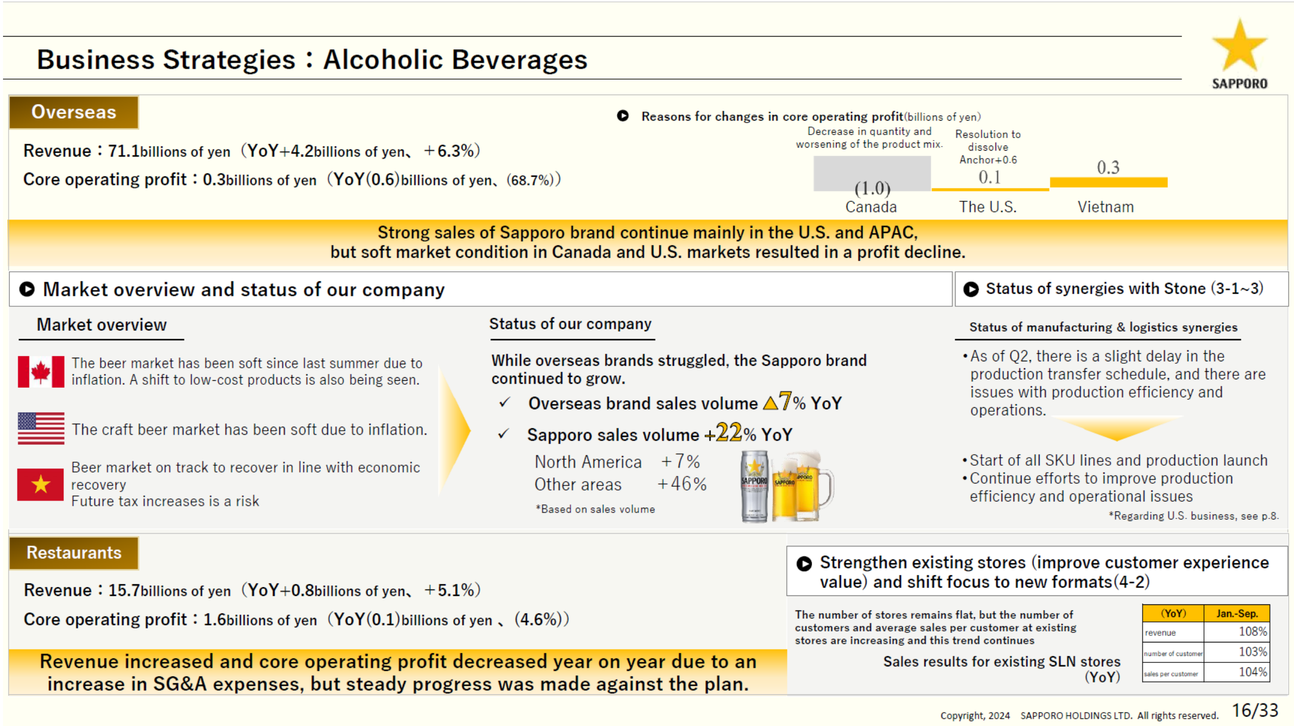


Now please see page 15. This slide outlines the business performance by segment. First, let's look at the Japanese alcoholic beverages segment.

Regarding efforts to increase beer sales, sales volume of beer-type beverages decreased by 2% , while the total demand is estimated to have declined by approximately 5%. For beer, sales volume grew by 9%, whereas the total demand increased by 7%. In the case of canned beer, sales volume increased by 15%, while the total demand increased by 11%, indicating that performance exceeded the overall market demand. The share of beer sales stood at 77%, showing an increase in the proportion of highly profitable beer in product mix.

The selling price of beer-type beverages, excluding alcohol tax, increased by 16% compared to 2022. We are working to improve this through mix improvements and price revisions. Since its opening on April 3, YEBISU BREWERY TOKYO has welcomed over 170,000 visitors. We aim to expand our points of contact with customers and the local community through the Yebisu brand and further increase purchasing opportunities.

In terms of strengthening RTD sales, sales volume increased by 1%. However, compared to 2022, the baseline year of our medium-term management plan, sales increased by 19%. The Koime brand, in particular, performed well, and we are working to further expand sales of Koime Grapefruit Sour.



Please see page 16 of the material. We will now explain the overseas alcoholic beverages and restaurant businesses.

First, in the Canadian beer market, conditions remained soft due to inflation. We are also seeing a decline in sales volume and a shift to lower-priced products. Sleeman has also been affected by this situation, and profits have decreased due to a decline in volume and a worsening of the product mix.

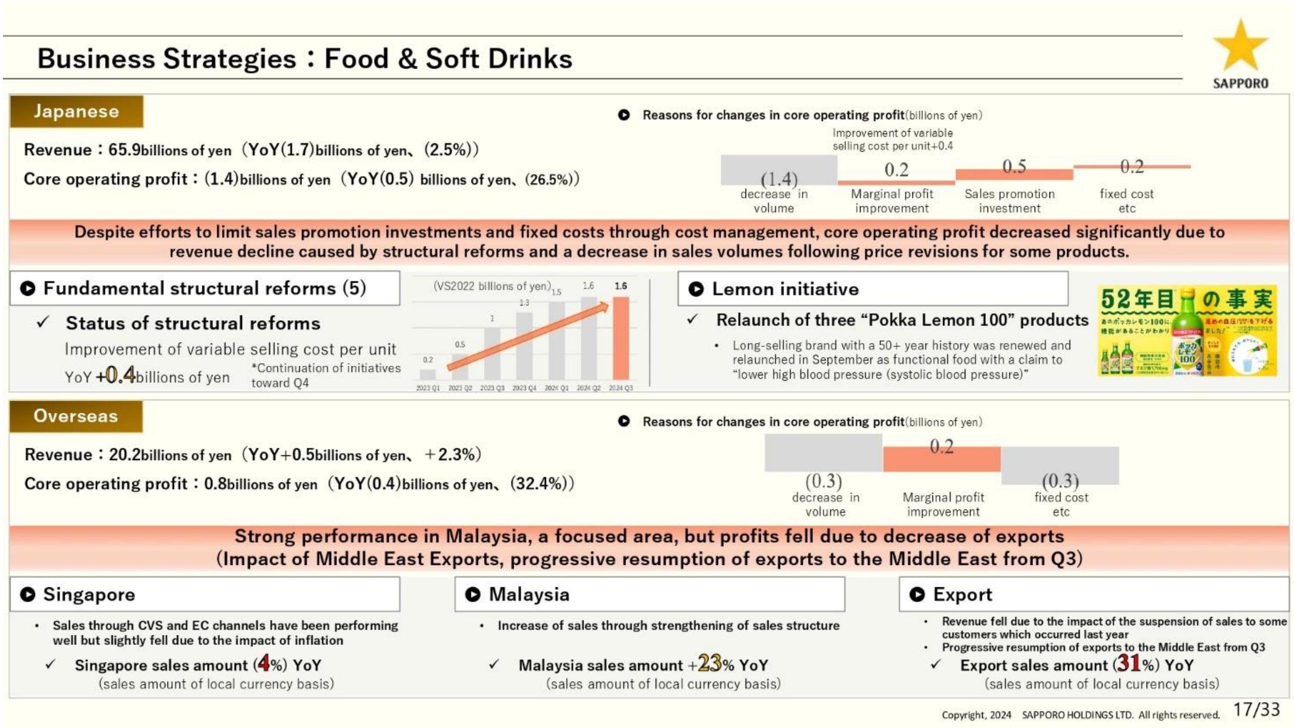
In the United States, the craft beer market is soft due to inflation, while the import category is doing well. Despite the challenging conditions, the Stone brand has been losing volume, while the Sapporo brand continues to perform well. However, in Q3, there was a delay in the manufacturing transfers, and were unable to sufficiently supply Sapporo brand products.

In Vietnam, exports have expanded, and the business is doing well, despite the economic slowdown and the impact of alcohol restrictions in the country.

The Sapporo brand as a whole achieved a significant YoY growth of 22% on a volume basis. North America saw an increase of 7%. In other countries and regions, we achieved a 46% increase, partly due to our efforts with Carlsberg.

Regarding synergies with Stone, there was a delay in the manufacturing transfers, but all production lines started operating in September. At this stage, production efficiency and other issues remain, but we intend to continue our improvement efforts.

In the restaurant business, we will continue to make a steady and stable contribution to profits while working to enhance the customer experience value of both the Sapporo and Yebisu brands.



We move on to page 17 of the material, which outlines the performance of food & soft drinks business.

First, regarding the Japanese business in the upper part of the slide, cost management has been successful, but the impact of the sales volume decrease was substantial, resulting in a decrease in profit. As for the progress of structural reforms, cost reductions improved by JPY 1.6 billion compared to 2022.

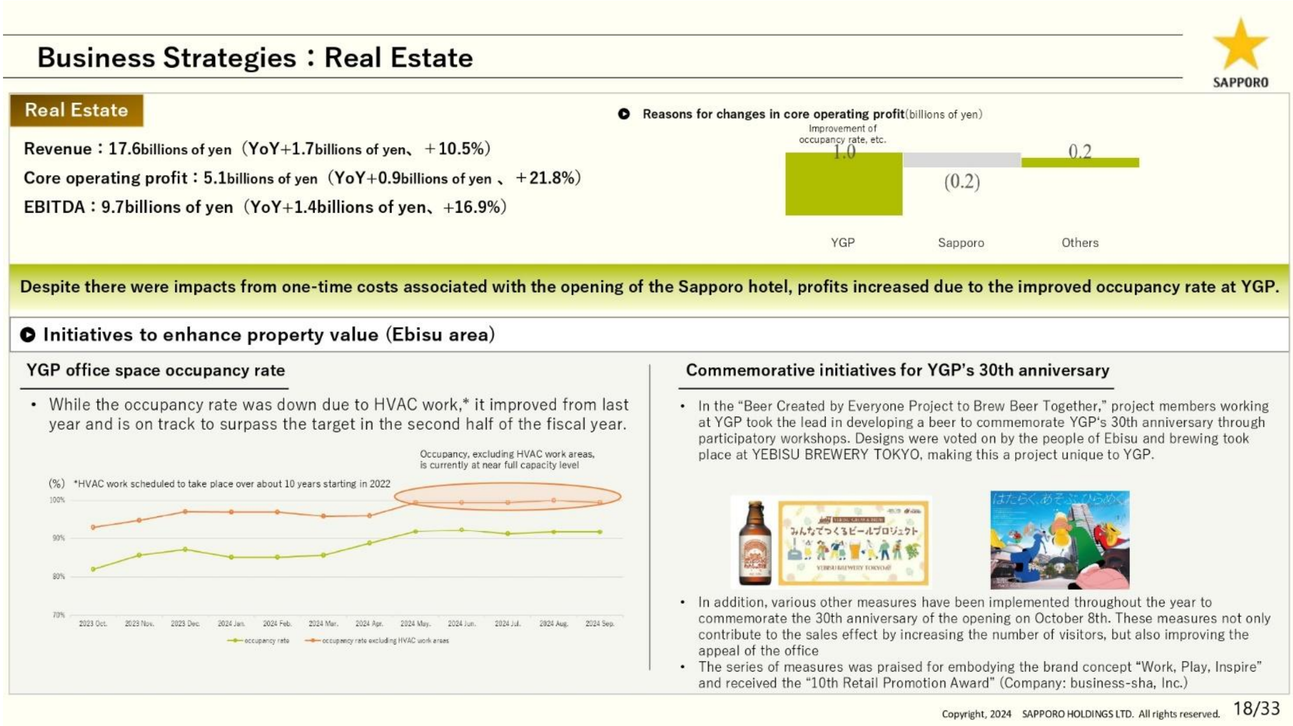
For lemon initiative, we will continue to actively create and develop new markets as the number one lemon company, with an awareness of health, such as the relaunch of Pokka Lemon 100 as functional food.

Next, let's discuss the overseas food & soft drinks business in the lower part of the slide.

In Singapore, the CVS and EC channels are performing well, but inflation and other factors had a negative impact, resulting in a 4% decrease on a local currency basis.

In Malaysia, where we are focusing our efforts, we increased sales by 23%YoY through strengthening of the sales structure.

Regarding exports, revenue decreased by 31% due to the impact of the suspension of sales to certain customer that occurred last year. However, we are pleased to report that we have been gradually resuming exports to the Middle East since the middle of Q3.



We move on to page 18 of the material., which outlines the performance of real estate business.

First of all, YGP's occupancy rate remains low due to the ongoing HVAC work. However, the occupancy rate excluding the work area, has improved to almost 100% at this point, thanks to effective leasing of the vacant space. Cost reduction efforts have also contributed to the increase in profit.

This year marks the 30th anniversary of the opening of YGP, and through events held throughout the year, we are strengthening not only the Yebisu Garden Place facility, but also the Yebisu brand.

Action Plan KPI

※1 Forex assumption: ¥130
※2 Local currency basis (Singapore dollar)

Segment	KPI	Q3results 2022 Q3	Q3results 2023 Q3	Q3results 2024 Q3	Full year 2022	Full year 2023	Full year 2024 plan	medium-term plan Target
Japan alcoholic beverages	**Reinforcement of Beer / Improving Profitability of Beer-type Bev.**							
	Increase beer sales: share of beer sales (1-1)	66%	69%	77%	68%	73%	79%	79%
	Improve profit margin: selling price excluding alcohol tax (1-1)	-	+11% (VS2022)	+16% (VS2022)	-	+9% (VS2022)	+11% (VS2022)	+11% (VS2022)
	RTD Business Growth and Production Streamlining, Etc.							
	RTD growth: RTD(cans) sales amount (1-2)	-	+18% (VS2022)	+19% (VS2022)	-	+19% (VS2022)	+31% (VS2022)	+74% (VS2022)
	Increase production efficiency: ratio of in-house production (2)	-	-	-	73%	63%	88%	88%
Overseas alcoholic beverages	**Stone Acquisition Synergy / SPB Growth**							
	Sapporo brand volume (3-1~3)	4.99 million cases	5.31 million cases	6.47 million cases (YoY+22%)	6.61 million cases	7.16 million cases	8.09 million cases (YoY+13%)	10.0 million cases
	Cost synergy (3-1~3) ※1	-	-	-	-	$4M	$11M	$23M (VS2022)
Japan food & soft drinks	**Cost Structure Reforms** (5)	-	1.0billion	1.6billion (YoY 0.3 billion)	-	1.3billion	2.0billion (YoY 0.7 billion)	2.0billion (VS2022)
Overseas soft drinks	**Expanding Sales and Increasing Logistics Efficiency** Overseas sales amount (6) ※2 exclude OEM sales	-	+0.7% (VS2022)	(3%) (VS2022)	-	+2.8% (VS2022)	+7.6% (VS2022)	+30% (VS2022)
Real Estate	**Increase value of YGP** Rate of increase in average rental price (8)	-	-	-	-	+0.5% (VS2022)	+2.8% (VS2022)	+2.5% (VS2022)
Entire Group	**Fundamentally reshuffle business portfolio** (9)	-	-	-	-	1.1billion (VS2022)	-	-

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Finally, please see page 19 of the material. This is the list of Action Plan KPIs.

First of all, in Japanese alcoholic beverage segment, reinforcement of beer and improving profitability of beer-type beverages, we are making steady progress. Our full year forecast for 2024 shows that we are on track to meet our medium-term plan target for 2026. As for RTD business growth, although it remained at the same level YoY in Q3, we intend to take steps for further growth in the future.

We are also making steady progress in growing the Sapporo brand in overseas alcoholic beverages. Meanwhile, we will continue to promote cost synergies by carefully constructing a strategy to achieve full-fledged results from the next year.

In the food & soft drinks business, we are targeting a level of domestic cost structure reforms that will reach our 2026 target by the end of this year.

We are also working to expand sales of overseas soft drinks, although there has been a delay in progress due to a decrease in exports. We aim to offset this and achieve sales expansion going forward.

The following pages are for reference only, and we hope you will find them useful.

That is all for my explanation. Thank you very much.

Main Questions & Answers

[Japan Alcoholic Beverages]

Q1. Regarding the next fiscal year, which areas are expected to play a leading role in driving overall growth?

A1. The main focus will be to steadily expand the domestic alcoholic beverages segment and make a solid recovery in lagging areas in overseas markets.

Q2. Competitors have announced price increases for beer-type beverages. Could you share your market outlook for beer along with your future strategy?

A2. As for price increases, we are still in the process of formulating plans for the next fiscal year, and no decisions have been made at this time. We intend to develop our pricing strategy while carefully considering costs at any given time. Looking ahead to the next fiscal year, logistics and raw material costs are on an upward trend, so we believe it will be crucial to effectively recover these costs. There are some uncertainties regarding the beer market due to price increases by other companies, but with the liquor tax being revised the year after next, we believe that beer will be the more popular within beer-type beverages. We see this as a tailwind for us, given our long-standing focus on strengthening our beer business. Domestically, we plan to concentrate on beer. Additionally, while RTD sales were on par with the previous year as of Q3, we aim to implement strategies in Q4 to achieve slightly better results.

Q3. You mentioned that logistics and raw material costs are expected to increase. What is the outlook for costs in the next fiscal year? Additionally, how much are unit costs expected to rise this year?

A3. While exchange rates may have an impact, we believe costs will continue to trend upward even without that factor. For the next fiscal year, we are working with the assumption that unit costs will rise by a low single-digit percentage compared to this year. As of the Q3, overall costs have increased by 3.5 billion yen.

[Overseas Alcoholic Beverages]

Q4. What are your thoughts on the craft beer markets in Canada and the U.S. beyond next year? Additionally, what strategies are you considering for the top line in both the Canadian and U.S. markets?

A4. Starting with the Canadian market, the situation has been challenging with a significant downturn since around last summer. However, in the short term, Ontario presents a major opportunity as retail restrictions have been eased. Previously, sales were limited to beer stores and liquor shops, but the expansion of sales channels due to deregulation is a positive development. Additionally, costs associated with fixed fees in the past are no longer applicable as sales channels expand. While competition is expected to intensify, we see this as an opportunity to drive sales growth. In the medium term, we aim to not only strengthen our beer offerings but also to focus on branding for RTD beverages and other products, creating a competitive edge in the market.

Regarding the U.S., Sapporo Premium Beer (SPB) has been performing exceptionally well. Although production and shipments were disrupted in August and September of Q3, we have set up a recovery plan for Q4. In terms of sales synergies with Stone Brewing , we have gained solid access to retail chains that were previously out of reach. Collaborations with distributors have also expanded our reach, and we aim to strengthen these efforts further. We believe there is still room for SPB to gain traction if we can ensure strong distribution and we will focus on key areas as we proceed. On the product side, SPB's redesigned label has been well received, and we intend to continue investing in such initiatives. Regarding Stone Brewing, while the craft beer market has softened, leading to some shelf losses, we are clearly distinguishing between core and non-core brands. By lightening resources allocated to non-core brands and tolerating some declines there, we aim to firmly maintain the core brands that are central to the business. We believe SPB still has growth potential in the U.S. At the end of Q3, sales volume in North America had grown by 7% YoY, and we aim to achieve an even higher growth rate moving forward.

Q5. Regarding the impact of regulatory easing in Ontario, what percentage of sales does Ontario represent?

A5. Ontario accounts for approximately 40% of our sales, so we anticipate a significant impact.

Q6. While the transfer of production to Stone Brewing has been completed despite delays, it was initially expected to generate cost synergies of around $11 million at the beginning of the year. How much has this fallen short? The materials on page 8 of the briefing mention "drastic improvement measures to improve production efficiency and operations associated with manufacturing transfers are under consideration." Could you elaborate on this?

A6. The delay in realizing synergies has resulted in the amount being reduced to about half of the initial estimate. Although the production transfer has been completed, personnel are currently being allocated to production systems and logistics operations. As operational efficiency is less than initially expected, we are first focusing on efforts to improve operations by reducing personnel.

Q7. Regarding cost synergies from the acquisition of Stone Brewing, it was anticipated that the production transfer would lead to significant reductions in logistics costs. However, it seems that there has been little improvement in logistics. Should we understand that cost synergies will not materialize without fundamental structural reforms?

A7. Freight costs for shipments from Canada to Vietnam have been clearly reduced. The current challenge lies in operational costs, such as warehouse operations within the U.S., where efficiency is an issue. In terms of freight costs, the synergies are being realized. The difficulty in seeing profitability improvements reflected in the numbers is due to the slow growth in the top line, and we ask for your understanding of this situation.

Q8. Is it correct to understand that the gap between the plan and the actual results following the acquisition of Stone Brewing is due to the slower-than-expected growth of the Stone brand's top line, a lack of progress in efficiency improvements, and delays in the production transfer?

A8. That is correct. Additionally, we ask for your understanding that the discrepancy is also due to an increase in personnel for production and logistics operations compared to the initial plan.

Q9. I believe the downward revision this time boils down to issues with the post-merger integration (PMI) for Stone Brewing not going smoothly. Moving forward, as you explore overseas M&A opportunities, I think it will be necessary to review your management structure to ensure smoother PMI processes. What are your thoughts on this?

A9. We believe that PMI should not be left solely to the local entity but should be tackled collaboratively by Sapporo Holdings and Sapporo Breweries as a unified effort. This spring, we restructured Sapporo Holdings to establish an International Strategy Department to oversee PMI efforts. Additionally, in July, a new executive officer took charge of this role. Strengthening governance for our overseas operations and enhancing PMI immediately after new M&A initiatives will remain a top priority. We aim to bolster both human and organizational resources as we move forward. While our company has traditionally relied heavily on internal resources, we plan to leverage external expertise and knowledge effectively. Although discussions are still ongoing internally and we cannot share specific details at this point, we will provide updates as progress is made.

[Real Estate]

Q10. Regarding real estate, YGP's occupancy rate has risen to 88%, which I understand is about a 1% increase compared to the end of last year. Could you explain the factors behind the increased occupancy rate in the office building?

A10. As you mentioned, YGP's office occupancy rate, excluding construction areas, is close to 100%. Previously, there were small vacant spaces before construction that were difficult to fill. However, we are now carefully engaging in leasing activities and actively filling pre-construction spaces, which has contributed to the improved occupancy rate. We hope this explanation clarifies the situation.

Q11. Core operating profit forecasts have been raised by approximately 1 billion yen. Could you provide a breakdown of this increase? Additionally, regarding real estate, could you share updates on recruitment efforts for value enhancement, particularly the future schedule and whether the results will be disclosed?

A11. Efforts to reduce costs, such as reviewing outsourced operations, have yielded results across various areas. The increase is roughly evenly split, with about 500 million yen each attributed to these initiatives. As for the status of recruiting external partners, the process began following the release on September 19 during Q3, and it is currently ongoing. While we are awaiting specific proposals, we must refrain from providing details at this time. Regarding the schedule, we ask for your understanding that we cannot disclose specific timelines. Internally, we have set a rough guideline, but since this is a large-scale project, there are areas where we are proceeding with some uncertainty. Therefore, we will refrain from specifying a clear timeline publicly.

Q12. While the deadline for recruitment is undisclosed, will there be any updates by the time of the full-year financial results announcement?

A12. We expect the process to still be ongoing at the time of the full-year announcement, but we will share any updates if there are any to report.

Q13. Regarding real estate, with YGP reaching 100% occupancy (excluding construction areas), do you plan to actively increase rent? Additionally, you mentioned that cost reductions, such as outsourcing expenses, have yielded about 500 million yen in savings. What are your future plans for cost-related initiatives?

A13. Rent levels are trending slightly upward as market conditions improve. While we do not plan to implement sharp increases, we will carefully monitor the market and proceed accordingly. As for cost initiatives, this year's efforts have produced significant results. While such large-scale savings may not occur every time, we intend to continue exploring various measures, including cost reviews, to achieve further improvements.