

Key Questions & Answers from conference call for 25Q4

< Medium- to long-term strategy >

Q1. Could you elaborate on your cash allocation approach? You have indicated that the cash inflow from the injection of external capital into the real estate business may be used for M&A as well. Please share your investment image by region and category (e.g., capex vs. M&A).

A1. While we are not in a position to disclose specific details at this stage, we believe certain investments are necessary to ensure business sustainability, particularly in domestic alcoholic beverages, taking into account the upcoming liquor tax revision. Accordingly, we plan to proceed early with investments such as improving production efficiency and investing in sustainability initiatives.

In addition, we will continue investing in growth areas including non-alcoholic beverages and RTD.

For overseas alcoholic beverages, after assessing progress on structural reforms—primarily in North America—and the status of organic investments to support the growth of Sapporo Premium Beer (SPB), we will also consider inorganic options such as M&A. Given challenges recognized from our past M&A track record, we intend to proceed cautiously, including through strengthening our organizational capabilities.

We also plan to make phased investments in IT to ensure business sustainability, with the aim of building an integrated platform over time.

Q2. You described FY2026 as a transition year for growth beyond next year. With future-oriented investments—including JPY15 billion in structural reform costs, what kind of growth are you aiming for from next year onward?

A2. We plan to provide direction together with the announcement of our next medium-term management plan and therefore would like to refrain from disclosing specific figures at this

stage. That said, in FY2027 we aim to secure core operating profit and operating profit levels comparable to FY2025.

Looking toward FY2030, we aim to raise the core operating profit margin in Japan alcoholic beverages from the current level of approximately 9% to 10% or higher, and to use the benefits of growth investments as additional drivers of profit growth. We also expect structural reforms in overseas alcoholic beverages to contribute as a profit growth driver.

Q3. Please explain more specifically how structural reforms in overseas alcoholic beverages will contribute to overall profit growth. Also, what do you think about structural reforms in domestic beverages?

A3. For overseas alcoholic beverages, structural reforms will focus mainly on cost structure reforms in North America, particularly the United States. While the Sapporo brand continues to grow, underperformance of overseas brand has been a major factor behind the deterioration in earnings structure. Although some elements remain under review, we are considering reviewing assets related to non-Sapporo brands to better align them with a structure that contributes more effectively to the Sapporo brand.

For domestic beverages, we will pursue synergies with alcoholic beverages with a focus on lemon-based products. We recognize the need to improve efficiency in certain areas to enhance profitability. We sold the Gunma plant last year, and we continue to incorporate one-time costs while pursuing further efficiency improvements.

Q4. During the current mid-term plan period, the area that has delivered the most tangible results appears to be the domestic alcoholic beverages business, with the business profit margin reaching close to 9%. However, considering competitors' business profit margins, we believe that, given your relatively high beer mix, the Company should be able to aim for an even higher level. You have set a target of achieving a business profit margin of 10% or higher by 2030—could this be achieved ahead of schedule? Also, please explain what will be required to lift the business profit margin to the next level.

A4. As of the end of FY2025, narrowly defined beer accounts for 81% of our beer-category mix. We believe that increasing this ratio to 90% or higher would make it possible to raise the margin to around 10%.

At the same time, we believe upfront investments are necessary to build brand value, particularly in light of the liquor tax revision. Black Label has continued to grow over the past 10 years even amid a challenging market environment, and brands such as Classic and Sapporo Lager have also grown without significant cannibalization.

Given the need for additional promotional investments this year and next, we do not expect to reach the target rapidly. However, we view 10% in FY2030 as a minimum level, and we intend to formulate our plan with the aim of exceeding that level.

Q5. Given the external capital injection into real estate and the transition to a business holding company structure, what do you see as your company's strengths today? What is needed to leverage those strengths globally?

A5. In the past, the emergence of happoshu and happoshu(2) products weakened, relatively speaking, the strength of the Sapporo brand rooted in local communities. However, we have reaffirmed the connection between regional identity and beer brands as our core strength, and over the past 10 years we have concentrated investments on narrowly defined beer, which has driven growth in domestic alcoholic beverages.

With the liquor tax revision as a catalyst, some competitors are moving toward standardizing certain happoshu(2) products as beer. However, we believe that concentrating investments on enhancing brand value in the premium and standard segments—rather than competing primarily in the economy segment—will create long-term competitive advantage.

Overseas, particularly in North America, demand for Japanese beer is rising. We believe strengthening brand value domestically will also serve as a foundation for overseas growth. The competitive advantage of the Sapporo brand lies in its association with a specific region—Hokkaido. The perception of “Sapporo = Hokkaido” conveys a sense of Japan’s “coolness” and sophistication, which differentiates the brand. We intend to grow by highlighting our strong ties to Japan.

< **Domestic Business (Japan Alcoholic Beverages): FY2026 Plan** >

Q6. What is your view on the competitive environment in the beer industry this year. What competitive assumptions did you use when formulating your plan for 2026? In particular, we understand that the recent cyberattack affecting a competitor has led the remaining three major brewers to gain share. Looking ahead, we see a risk that the competitive environment could become more challenging due to two factors: (1) a recovery in sales as the competitor resumes shipments, and (2) the liquor tax revision scheduled for October.

A6. We have assumed total demand at around the mid-95% range to just under 96%. Our strengths differ from those of competitors, and we expect a certain level of price differentiation to remain even after the liquor tax revision. Accordingly, we are not assuming that we will be drawn into intensified price competition. We will accelerate investments to strengthen narrowly defined beer within the current category framework.

Q7. Is there downside risk to your domestic alcoholic beverages plan if peers resume shipments and recover share?

A7. There may be some temporary rebound impact given the situation since October last year, but this has already been incorporated into our plan.