



Supplementary Explanatory Materials Concerning the December 23rd Timely Disclosure

December 23, 2020

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

- 1. Revision to Consolidated Earnings Forecast**
- 2. Impairment Losses on Fixed Assets (Consolidated)**
- 3. Loss on Valuation of Shares of Subsidiaries (Non-consolidated)**
- 4. Outcome of Implementation of Early Retirement Incentive Program**

1. Revision to Consolidated Earnings Forecast

Revision to Consolidated Earnings Forecast: Revenue

▶ Revenue forecast for Restaurants and Food & Soft Drinks businesses revised downward due to impact of COVID-19 resurgence

(billions of yen)	2020 Previous forecast	2020 New forecast	Change	(Ref.) 2019 Results	Factors behind change
Revenue	444.5	436.0	(8.5)	491.9	
Alcoholic Beverages	286.9	285.4	(1.5)	330.2	
Japan & Asia	229.4	229.4	0.0	254.7	
North America	44.9	44.9	0.0	48.3	
Restaurants	12.7	11.2	(1.5)	27.3	Decline due to intensified mood of self-restraint and cooling of consumer sentiment due to impact of COVID-19 resurgence
Food & Soft Drinks	134.0	127.0	(7.0)	136.9	Decline in sales of soft drinks via vending machines and cafe due to COVID-19 resurgence
Real Estate	23.4	23.4	0.0	24.7	
Other	0.2	0.2	0.0	0.2	

Revision to Consolidated Earnings Forecast: Core Operating Profit

▶ Despite impact of revenue decline, core operating profit forecast revised upward due to steady progress with cost reductions

(billions of yen)	2020 Previous forecast	2020 New forecast	Change	(Ref.) 2019 Results	Factors behind change
Core operating profit	1.0	2.5	+1.5	11.7	
Alcoholic Beverages	(0.4)	1.3	+1.7	8.5	
Japan & Asia	4.5	6.0	+1.5	8.0	Control of sales promotion expenses and other costs
North America	0.0	0.5	+0.5	0.2	Control of sales promotion expenses and other costs
Restaurants	(4.9)	(5.2)	(0.3)	0.4	Impact of revenue decline
Food & Soft Drinks	(2.7)	(2.9)	(0.2)	(0.5)	Impact of cafe revenue decline
Real Estate	10.5	10.5	0.0	10.7	
Other	(6.4)	(6.4)	0.0	(7.1)	

Revision to Consolidated Earnings Forecast: Profit Attributable to Owners of Parent

▶ PS* expecting to book impairment loss (see next page); profits, from operating profit down, revised downward significantly

*POKKA SAPPORO Food & Beverages Ltd.
(billions of yen)

	2020 Previous forecast	2020 New forecast	Change	(Ref.) 2019 Result	Factors behind change
Core operating profit	1.0	2.5	+1.5	11.7	
Other operating income	3.0	3.0	0.0	3.5	
Other operating expenses	11.9	23.7	(11.8)	3.0	Pokka Sapporo: (1.1) on impairment loss on fixed assets
Operating profit	(7.9)	(18.2)	(10.3)	12.2	
Profit before tax	(9.4)	(21.4)	(12.0)	11.6	
Income taxes	(2.9)	(5.0)	(2.1)	4.3	
Profit	(6.5)	(16.4)	(9.9)	3.8	Include loss from discontinued operations(3.5)
Profit attributable to owners of parent	(6.5)	(15.8)	(9.3)	4.4	

2. Impairment Losses on Fixed Assets (Consolidated)

Impairment Loss on Fixed Assets (Consolidated)

Impairment loss on fixed assets held by POKKA SAPPORO Food & Beverages

The company expects to book **approx. 11.0 billion yen (estimated)** as impairment loss under **other operating expenses** (consolidated) in the fourth quarter of 2020.

***Although this will impact consolidated operating profit, it will have no impact on cash flow**

[Background to impairment loss] Losses for 2nd consecutive year & COVID-19 resurgence

While the impact of temporary factors (such as unfavorable weather with the cool summer and mild winter of 2019, and the COVID-19 pandemic in 2020) has been significant, we deemed it appropriate to book an impairment loss this year as the COVID-19 outbreak resurged and it became clear in the second half that the company was set to post losses for a second consecutive year.

[Future growth strategy] Profitability improvement in Soft Drinks business and growth in the Food field

The company is already engaging in deliberation and concrete actions relating to strategies for future growth covering areas such as focusing on lemon-related products (one of the company's strengths*), soup, and plant-based milk products; implementation of the Early Retirement Incentive Program; and profitability improvements through structural reform of the vending machine business, etc.

Aiming for sustained growth in the Food & Soft Drinks business and to restore profitability in the business next year to post operating profit

*Expecting to achieve record shipments of Pokka Lemon 100 and Kireto Lemon https://www.pokkasapporo-fb.jp/company/news/release/201215_01.html

3 . Loss on Valuation of Shares of Subsidiaries (Non-consolidated)

Impairment loss on fixed assets held by Pokka Sapporo

The company expects to book **approx. 11.0 billion yen (estimated)** as impairment loss under **other operating expenses** (consolidated) in the fourth quarter of 2020.

***Although this will impact consolidated operating profit, it will have no impact on cash flow**

Net assets of Pokka Sapporo will be significantly impaired as a result of the above and the balance of net assets will fall below 50% of the book value of the shares held by Sapporo Holdings

Loss on valuation of Pokka Sapporo shares held by Sapporo Holdings

In the fourth quarter of 2020, we expect to book **approx. 21.5 billion yen (estimated)** in loss on valuation of shares as **extraordinary loss** (in the non-consolidated financial statements of Sapporo Holdings)

***There will be no impact on consolidated financial results**

4 . Outcome of Implementation of Early Retirement Incentive Program

Outcome of Implementation of Early Retirement Incentive Program



	Sapporo Breweries	Pokka Sapporo	Sapporo Lion
Application period	First round: Apr. 1 through Jul. 10, 2020 Second round: Oct. 1 through Dec. 10, 2020	Nov. 1 through Dec. 10, 2020	Nov. 16 through Dec. 18, 2020
Retirement date	First round: Nov. 20, 2020 Second round: May 20, 2021	Feb. 28, 2021	Jan. 31, 2021
No. of employees	First round: 51 Second round: 59	119	126
One-off cost (estimated)	✓ Approx. 5.0 billion yen in total for the three companies (estimated)		
Core operating profit impact (full year*)	✓ Approx. 2.5 to 3.0 billion yen in total for the three companies (estimated)		

*Full-year impact without considering the timing of retirement.

(Supplement) Questions and Answers



Q	A
-What is value of Pokka Sapporo's total assets and fixed assets?	Total assets were worth 66.8 billion yen and fixed assets were worth 33.0 billion as of the end of 2019.
-What fixed assets are to be impaired?	Tangible fixed assets and intangible fixed assets. Since the company is considered to be a single grouping, we will not impair specific fixed assets. Rather, we will reduce the book value of the fixed assets of Pokka Sapporo as a whole.
-Do you have any guidance regarding the concrete efforts being made to improve profitability in the Food & Soft Drinks business, as well as any quantitative effects of these efforts?	We will explain the details of next year's initiatives at the financial results briefing in February.
-Capital has been impaired significantly. Will you make any changes to your financial policy?	No changes will be made. We will continue to work on securing a level where we can maintain our current credit ratings.
-Is there any possibility of another major impairment loss next year or beyond?	We do not foresee any at this point.
-The revision to the revenue of Food & Soft Drinks was substantial. What did not go as expected?	The main factors were that sales of soft drinks via vending machines and sales of café did not recover because of the resurgence of COVID-19.
-Will the early retirement program have a lasting cost reduction impact? Do you have no intention of replacing those who are leaving?	We believe it could have a lasting impact. We are currently increasing the operational efficiency of both manufacturing and sales to facilitate business operations with a streamlined workforce.
-What impact will the impairment have on reduction of depreciation and amortization next year and beyond?	That is still unclear as we are yet to finalize the amount of impairment, but according to our preliminary calculations we expect it be approximately 1.0 billion yen per year.
-Sapporo Breweries will be paying special dividends. Have there been any changes to the Sapporo Holdings shareholder return policy or dividend policy?	There is no particular change to our policy of paying stable dividends. There is also no change to our dividend forecast for this year.

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