

**Financial Results**  
**for the three months ended March 31, 2021 — Consolidated**  
**(Based on IFRS)**

May 7, 2021

Company name **Sapporo Holdings Limited**

Security code 2501

Listed on Tokyo Stock Exchange (First Section); Sapporo Securities Exchange

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

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Scheduled dates:

Filing of quarterly financial report May 14, 2021

Commencement of dividend payments -

Supplementary information to the year-end earnings results Available

Quarterly earnings results briefing held Yes  
(mainly targeted at institutional investors and analysts)

**1. Consolidated Financial Results for the three months ended March 31, 2021**  
**(January 1 – March 31, 2021)**

(Amounts in million yen rounded to the nearest million yen)

**(1) Operating Results**

(Percentage figures represent year-over-year changes)

	Revenue		Core Operating profit		Operating profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2021	89,894	(9.9)	(6,852)	—	(6,160)	—	(5,248)	—
Three months ended March 31, 2020	99,824	(1.1)	(6,197)	—	(6,078)	—	(4,704)	—

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	million yen	%	million yen	%	Yen	Yen
Three months ended March 31, 2021	(5,199)	—	(615)	—	(66.75)	(66.75)
Three months ended March 31, 2020	(4,649)	—	(18,591)	—	(59.69)	(59.69)

Note: Profit before tax

Three months ended March 31, 2021 (6,230) million yen

Three months ended March 31, 2020 (6,304) million yen

\*Core operating profit is a proprietary profit indicator that measures the performance consistency of our business. Core operating profit is calculated as Revenue – Cost of sales – SG&A expenses.

## (2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	million yen	million yen	million yen	%
Three months ended March 31, 2021	602,413	145,640	145,889	24.2
Year ended December 31, 2020	616,349	149,551	149,781	24.3

## 2. Dividends

Record date or period	Dividend per share				
	End Q1	End Q2	End Q3	Year-end	Full year
	yen	yen	yen	yen	yen
Year ended December 31, 2020	—	—	—	42.00	42.00
Year ending December 31, 2021	—				
Year ending December 31, 2020 (forecast)		—	—	42.00	42.00

Note: Changes to the latest dividend forecast announced: None

## 3. Forecast of Consolidated Earnings for the Year Ending December 31, 2021 (January 1 – December 31, 2021)

(Percentage figures represent year-over-year changes)

	Revenue		Core operating profit		Operating profit		Profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	%
Year ending December 31, 2021	468,200	7.7	9,000	111.2	18,000	—	12,000	—	12,000	—	154.05

Note: Changes to the latest consolidated results forecast announced: None

\*Earnings forecasts for the six months ending June 30, 2021 are omitted because the company manages performance targets on a yearly basis.

#### **4. Other**

- (1) Changes to scope of consolidation: None
- (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accounting policies required by IFRS: None
  - 2) Changes other than 1) above: None
  - 3) Changes in accounting estimates: None
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued at end of period (treasury stock included):
    - March 31, 2021: 78,794,298 shares
    - December 31, 2020: 78,794,298 shares
  - 2) Number of shares held in treasury at end of period:
    - March 31, 2021: 897,542 shares
    - December 31, 2020: 896,951 shares
  - 3) Average number of outstanding shares during the period:
    - Three months ended March 31, 2021: 77,897,031 shares
    - Three months ended March 31, 2020: 77,895,889 shares

#### **Audit Status**

The quarterly financial results are outside the scope of audit procedures based on the Financial Instruments and Exchange Act.

#### **Appropriate Use of Earnings Forecasts and Other Important Information**

This document contains projections and other forward-looking statements based on information available to the Company as of the date of this document. Actual results may differ from those expressed or implied by forward-looking statements due to various factors. For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to “1. Analysis of Operating Results and Financial Condition (3) Consolidated Earnings Forecast” on page 6.

#### **Seasonal factors**

The Group’s operating results are affected by substantial seasonal variation in demand in the Alcoholic Beverages and Food & Soft Drinks businesses. Revenues consequently tend to be lower in the first quarter than in the other three quarters.

# 1. Analysis of Operating Results and Financial Condition

## (1) Operating Results

In the first quarter of 2021 (January 1 to March 31, 2021), the Group was impacted by Japan's re-issuance of a state of emergency due to the COVID-19 pandemic, which caused sales of commercial-use beer, sales of beverages in vending machines, and sales to restaurants such as beer halls, to decline compared to the previous first quarter.

As a result, core operating profit declined year on year with the exception of the Food & Soft Drinks segment. Operating profit and net profit attributable to owners of the parent were down year on year.

### 1) Summary in key figures

Millions of yen, except percentages

	Revenue	Core operating profit	Operating profit	Profit attributable to owners of parent
Year ended March 31, 2021	89,894	(6,852)	(6,160)	(5,199)
Year ended March 31, 2020	99,824	(6,197)	(6,078)	(4,649)
Change (%)	(9.9)	—	—	—

\*Core operating profit is the Sapporo Group's unique profit benchmark for measuring the performance of its regular business and is calculated by deducting cost of sales, and selling, general and administrative expenses, from revenue.

Results by segment are outlined below.

### 2) Results by reportable segment

Millions of yen, except percentages

	Revenue			Core operating profit			Operating profit		
	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Change (%)	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Change (%)	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Change (%)
Alcoholic Beverages	63,373	56,635	(10.6)	(4,607)	(5,022)	—	(4,534)	(4,453)	—
Food & Soft Drinks	30,338	27,579	(9.1)	(1,388)	(1,089)	—	(1,395)	(1,028)	—
Real Estate	6,073	5,635	(7.2)	1,198	719	(40.0)	1,192	728	(39.0)

### Seasonal factors

The Group's operating results are affected by substantial seasonal variation in demand in the Alcoholic Beverages and Food & Soft Drinks businesses. Revenues consequently tend to be lower in the first quarter than in the other three quarters.

## Alcoholic Beverages

### Japan

The commercial-use market in the country has been significantly impacted by the COVID-19 pandemic. Total demand in Japan for beer and beer-type beverages is estimated to have only reached around 90% of the year-earlier level.

Amidst this situation, in the beer category, commercial-use beer sales volume declined, but sales of canned Sapporo Draft Beer Black Label and Yebisu brand beers were strong, with sales volumes at 116% and 119% of the previous year's level, respectively. In the new genre category, the revamping of Sapporo Gold Star, which marked its first anniversary, proved successful, with an increase of 3% year on year in sales volume. As a result of the above, total sales of beer and beer-type beverages stood at 89% of the year-earlier level.

In the RTD<sup>\*1</sup> category, sales of Sapporo Koime no Lemon Sour, a new product launched in March 2021, were strong, while sales of core collaborative RTD product Otoko Ume Sour were also steady, driving category revenue significantly higher year on year.

Our Japanese liquor business also posted a year-on-year increase in revenue with sustained solid sales of Kokuimo brand, Japan's best-selling<sup>\*2</sup> blended imo shochu, as well as Koime no Lemon Sour no Moto.

### **Overseas**

The overseas commercial-use market has been significantly impacted by the COVID-19 pandemic. Total demand in North America for beer and beer-type beverages is estimated to have fallen year on year in Canada, but is recovering in the United States.

Under this trend, overseas brand beers were almost same year on year in sales volume, buoyed by Sleeman Breweries, which shows a strong performance in sales of home-use products. Sales of Sapporo brand beer were down year on year, since the commercial-use market slumped primarily owing to operating restrictions placed on restaurants in the United States.

### **Restaurants**

The entire restaurant industry, including pub restaurants and izakaya, has been suffering substantial impacts from the COVID-19 pandemic since 2020.

Amidst these challenges, the Company's Restaurants business experienced a decline in both revenue and profits year on year, despite efforts to bolster menus along with take-out and delivery products, close unprofitable restaurants, and shift to a low-cost, low-operation business format, among other initiatives.

As a result of the above factors, revenue in the Alcoholic Beverages segment in the first quarter of 2021 came to ¥56.6 billion (down ¥6.7 billion, or 11% year on year), while the segment posted a core operating loss of ¥5.0 billion (compared with a loss of ¥4.6 billion in the first quarter of 2020) and an operating loss of ¥4.5 billion (compared with a loss of ¥4.5 billion a year earlier).

\*1: RTD, or ready-to-drink beverages, are pre-mixed, low-alcohol cocktail-like beverages that can be consumed as is immediately after opening.

\*2: Based on Intage SRI market research on combined blended imo shochu sales in the supermarket, convenience store, and direct sales channels from July 2019 through March 2021.

### **Food & Soft Drinks**

Demand in the commercial-use market and vending machines has been affected significantly by the COVID-19 pandemic. Total demand in Japan for food and soft drinks is estimated to have only reached 94% of the previous year's level.

Against this backdrop, in the domestic soft drink business, sales of lemon-based soft drinks were strong on rising health consciousness, but this strength could not completely cover the decline in sales volume of vending machines, resulting in a year-on-year drop in total sales volume of soft drinks.

In the domestic food business, sales volume of soup dropped from the past year following a reactionary decline from the demand for stay-at-home consumption seen in the previous year.

Lemon-based food products grew substantially in sales by 20% year on year, as Pokka Lemon 100 recorded increased sales in both small and large sizes amid widening uses. Plant-based milk products also saw a year-on-year increase in its sales volume, with our soymilk yogurt products contributing to this increase.

Pokka Create Co., Ltd., which operates the Café de Crié coffee shop chain, saw revenue fall year on year due to the ongoing impacts the cafe industry has experienced under the COVID-19 pandemic.

As a result of the above factors, revenue in the Food & Soft Drinks segment in the first quarter of 2021 came to ¥27.6 billion (down ¥2.8 billion, or 9% year on year), while the segment posted a core operating loss of ¥1.1 billion (compared with a core operating loss of ¥1.4 billion in the first quarter of 2020) and an operating loss of ¥1.0 billion (compared with a loss of ¥1.4 billion a year earlier).

## **Real Estate**

The office leasing market in the Greater Tokyo area is experiencing a downtrend in occupancy rate and average rents. In this market climate, the Real Estate business maintains steady levels of occupancy rates and office rents at properties owned mainly in the Greater Tokyo Area, including Yebisu Garden Place Tower, the business' core source of earnings, as the number of new tenants is beginning to increase following the exit of some tenants. Meanwhile, revenue from commercial facilities declined due to the impacts of the COVID-19 pandemic.

As a result of the above factors, revenue in the Real Estate segment in the first quarter of 2021 totaled ¥5.6 billion (down ¥0.4 billion, or 7% year on year), while the segment posted a core operating profit of ¥0.7 billion (down ¥0.5 billion, or 40% year on year) and an operating profit of ¥0.7 billion (down ¥0.5 billion, or 39% year on year).

## **(2) Consolidated Financial Condition**

Consolidated assets as of March 31, 2021, totaled ¥602.4 billion, ¥13.9 billion less than at the end of the previous fiscal year (December 31, 2020). The decline was mainly due to the decrease in trade and other receivables and in other financial assets (current), which more than offset an increase in inventories and other financial assets (non-current).

Consolidated total liabilities stood at ¥456.8 billion, which was ¥10.0 billion less than on December 31, 2020, owing to the decrease in other current liabilities, trade and other payables, and bonds and borrowings (non-current), which helped to offset the increase in bonds and borrowings (current).

Consolidated total equity came to ¥145.6 billion, down ¥3.9 billion from December 31, 2020. This decline was due to the posting of a net loss attributable to owners of parent and the payment of year-end dividends, which offset an increase in other components of equity.

## **(3) Consolidated Earnings Forecast**

The Company has not made revisions to its full-year consolidated earnings forecast for the fiscal year ending December 31, 2021 in the forecast announced on February 10, 2021

## 2. Consolidated Financial Statements

### (1) Consolidated Statement of Financial Position

(Millions of yen)

	December 31, 2020	March 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	19,734	19,101
Trade and other receivables	84,475	60,840
Inventories	36,001	39,768
Other financial assets	5,459	3,701
Income taxes receivable	8,755	10,451
Other current assets	6,128	5,945
Subtotal	<u>160,551</u>	<u>139,807</u>
Assets held for sale	278	—
Total current assets	<u>160,829</u>	<u>139,807</u>
Non-current assets		
Property, plant and equipment	126,650	129,347
Investment property	218,574	219,169
Goodwill	17,920	18,060
Intangible assets	9,023	9,011
Investments accounted for using equity method	446	1,348
Other financial assets	69,969	72,920
Other non-current assets	6,108	5,791
Deferred tax assets	6,831	6,961
Total non-current assets	<u>455,520</u>	<u>462,606</u>
Total assets	<u><u>616,349</u></u>	<u><u>602,413</u></u>

(Millions of yen)

	December 31, 2020	March 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	31,927	30,479
Bonds and borrowings	83,177	90,476
Lease liabilities	5,836	6,051
Income taxes payable	727	409
Other financial liabilities	38,120	35,758
Other current liabilities	56,456	44,038
Total current liabilities	216,243	207,211
Non-current liabilities		
Bonds and borrowings	158,091	157,101
Lease liabilities	21,046	21,133
Other financial liabilities	45,344	45,493
Retirement benefit liability	3,965	3,494
Other non-current liabilities	2,832	2,900
Deferred tax liabilities	19,277	19,440
Total non-current liabilities	250,555	249,562
Total liabilities	466,798	456,773
Equity		
Share capital	53,887	53,887
Capital surplus	40,853	40,837
Treasury shares	(1,787)	(1,789)
Retained earnings	33,459	25,408
Other components of equity	23,370	27,546
Total equity attributable to owners of parent	149,781	145,889
Non-controlling interests	(231)	(249)
Total equity	149,551	145,640
Total liabilities and equity	616,349	602,413



## (2) Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Revenue	99,824	89,894
Cost of sales	71,446	65,617
Gross profit	28,378	24,277
Selling, general and administrative expenses	34,575	31,128
Other operating income	355	1,299
Other operating expenses	237	607
Operating loss	(6,078)	(6,160)
Finance income	239	376
Finance costs	466	449
Share of profit of investments accounted for using equity method	2	3
Loss before tax	(6,304)	(6,230)
Income tax expense	(1,599)	(982)
Loss	(4,704)	(5,248)
Loss attributable to		
Owners of parent	(4,649)	(5,199)
Non-controlling interests	(55)	(49)
Loss	(4,704)	(5,248)
Basic loss per share	(59.69)	(66.75)
Diluted loss per share	(59.69)	(66.75)

## (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Loss	(4,704)	(5,248)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(9,838)	1,813
Remeasurements of defined benefit plans	(2,038)	218
Total of items that will not be reclassified to profit or loss	(11,876)	2,031
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,007)	2,585
Effective portion of cash flow hedges	(4)	17
Total of items that may be reclassified to profit or loss	(2,011)	2,602
Total other comprehensive income, net of tax	(13,887)	4,633
Comprehensive income	<u>(18,591)</u>	<u>(615)</u>
Comprehensive income attributable to		
Owners of parent	(18,496)	(597)
Non-controlling interests	(95)	(19)
Comprehensive income	<u>(18,591)</u>	<u>(615)</u>

#### (4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2020	53,887	40,958	(1,792)	51,521	(863)	(68)
Loss				(4,649)		
Other comprehensive income					(1,967)	(4)
Comprehensive income	-	-	-	(4,649)	(1,967)	(4)
Purchase of treasury shares			(1)			
Disposal of treasury shares		(0)	0			
Dividends				(3,277)		
Transfer from other components of equity to retained earnings				(2,394)		
Total transactions with owners	-	(0)	(1)	(5,671)	-	-
Balance as of March 31, 2020	53,887	40,958	(1,793)	41,201	(2,829)	(72)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2020	30,428	-	29,497	174,071	454	174,524
Loss			-	(4,649)	(55)	(4,704)
Other comprehensive income	(9,838)	(2,038)	(13,846)	(13,846)	(40)	(13,887)
Comprehensive income	(9,838)	(2,038)	(13,846)	(18,496)	(95)	(18,591)
Purchase of treasury shares			-	(1)	-	(1)
Disposal of treasury shares			-	0	-	0
Dividends			-	(3,277)	-	(3,277)
Transfer from other components of equity to retained earnings	356	2,038	2,394	-	-	-
Total transactions with owners	356	2,038	2,394	(3,278)	-	(3,278)
Balance as of March 31, 2020	20,946	-	18,045	152,297	358	152,655

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Exchange differences on translation of foreign operations	Effective portion of cash flow hedges
Balance as of January 1, 2021	53,887	40,853	(1,787)	33,459	(1,806)	(40)
Loss				(5,199)		
Other comprehensive income					2,554	17
Comprehensive income	-	-	-	(5,199)	2,554	17
Purchase of treasury shares			(1)			
Dividends				(3,277)		
Share-based remuneration transactions		(17)				
Transfer from other components of equity to retained earnings				426		
Total transactions with owners	-	(17)	(1)	(2,851)	-	-
Balance as of March 31, 2021	53,887	40,837	(1,789)	25,408	748	(22)

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total other components of equity			
Balance as of January 1, 2021	25,215	-	23,370	149,781	(231)	149,551
Loss			-	(5,199)	(49)	(5,248)
Other comprehensive income	1,813	218	4,603	4,603	30	4,633
Comprehensive income	1,813	218	4,603	(597)	(19)	(615)
Purchase of treasury shares			-	(1)	-	(1)
Dividends			-	(3,277)	-	(3,277)
Share-based remuneration transactions			-	(17)	-	(17)
Transfer from other components of equity to retained earnings	(208)	(218)	(426)	-	-	-
Total transactions with owners	(208)	(218)	(426)	(3,295)	-	(3,295)
Balance as of March 31, 2021	26,820	-	27,546	145,889	(249)	145,640

## (5) Notes on the Going-concern Assumption

Not applicable

## (6) Segment Information

### 1. Overview of reportable segments

The Company's reportable segments are components of the Sapporo Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

Under the Company, which is a pure holding company, Group companies carry out business activities and formulate strategies for the products and services they offer and for the sales markets they cover.

The Group's businesses are segmented mainly based on the products, services and sales markets of Group companies and their affiliate companies. The Company's three reportable segments are Alcoholic Beverages, Food & Soft Drinks, and Real Estate.

The Alcoholic Beverages segment produces and sells alcoholic beverages and operates restaurants of various styles.

The Food & Soft Drinks segment produces and sells foods and soft drinks.

The Real Estate segment's activities include leasing and development of real estate.

### 2. Revenue, profit (or loss)

(millions of yen)

	Three months ended March 31, 2020 (January 1, 2020 – March 31, 2020)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	63,373	30,338	6,073	40	99,824	–	99,824
Inter-segment revenue	2,234	34	660	0	2,929	(2,929)	–
Total	65,607	30,372	6,733	40	102,752	(2,929)	99,824
Operating profit (loss)	(4,534)	(1,395)	1,192	7	(4,729)	(1,349)	(6,078)

(millions of yen)

	Three months ended March 31, 2021 (January 1, 2021 – March 31, 2021)						
	Alcoholic Beverages	Food & Soft Drinks	Real Estate	Other *1	Total	Adjustment	Consolidated total
Revenue							
To outside customers	56,635	27,579	5,635	45	89,894	–	89,894
Inter-segment revenue	2,854	213	604	0	3,671	(3,671)	–
Total	59,488	27,792	6,239	46	93,565	(3,671)	89,894
Operating profit (loss)	(4,453)	(1,028)	728	8	(4,746)	(1,414)	(6,160)

(1) "Other" comprises businesses, such as health food business, etc., that are not included in reportable segments. Adjustment included General corporate and intercompany eliminations. General corporation are general administrative expenses that do not belong to the reporting segment.

(Subsequent Events)

None