



[Translation]

February 14, 2025

Company Name	Sapporo Holdings Limited
Representative	Masaki Oga President and Representative Director
Stock Code	2501
Listed on	Tokyo Stock Exchange (Prime Market) Sapporo Securities Exchange
Inquiries	Yosuke Nakamura Director of Corporate Planning Department Tel: 81-3-5423-7407

Notice Regarding Group Medium- to Long-Term Growth Strategy

Sapporo Holdings Limited (the “Company”) announced on February 14, 2024, its Medium to Long Term Management Policies for Increasing Group-wide Corporate Value (the “Mid-to-Long-Term Policies”), and subsequently established the Medium to Long-Term Strategy Project (the “Project”) to realize those objectives with a target milestone of 2030. The Company provided an update on the progress of these deliberations on August 13, 2024, and has since continued its ongoing review of the Project.

The Company is pleased to announce that, at the meeting of the Board of Directors held on February 14, 2025, the Board resolved to adopt the results of the Project as the Group Medium to Long-Term Growth Strategy. The following is a summary of the strategy.

1. Issues to be reviewed and process for review

Between September 2023 and January 2024, we established the Group Strategy Review Committee, including expert advisors to help us identify the challenges the Company faces. Based on their findings, we developed and announced the Mid-to-Long-Term Policies, which set out our goals for the future. To achieve these policies, we launched the Project that ran from April to November 2024.

<Challenges identified by the Group Strategy Review Committee>

(1) Lower than expected profitability

The average business profit margin and the average ROE over a ten-year period (2013 – 2022) were as low as 2.5% and 3.0%.

(2) Diversified business portfolio

Our diversified business portfolio has led to a dispersion of management resources and internal competition for investment.

(3) Necessity of a medium- to long-term goal

The Company would benefit from defining a clear medium- to long-term management policy for the Group beyond the current Medium-term Management Plan (2023 – 2026).

As a key part of the review, we have formed a number of working groups drawing from the corporate holding company and operating companies, starting with the Alcoholic Beverages business. The purpose of the working groups is to develop medium- to long-term strategies for each business and plan for the future organizational footprint of the Company. Working group members include both corporate and business division directors and business managers, with participation by independent board directors. Progress has been closely monitored, with monthly update reports to the Sapporo Holdings Board of Directors. In particular, emphasis is being placed on strategy review of the core Alcoholic Beverages business and policy review of the Real Estate business to maximize total company value extraction. For the responsible working groups considered to be especially important, we have retained expert external advisors to assist in this review, while also taking objective analysis by a third party into consideration.

2. Medium- to long-term vision and outline of the strategy

Our medium- to long-term vision is to deliver quality products and experiences to customers around the world. To achieve this vision, we will implement the following five strategies.

① Bonds with Community

We will take action to better provide our customers with fulfilling lifestyles through services that offer exciting experiences and new services centering on alcoholic beverages. In the domestic market, we aim to capitalize on the increased demand for beer resulting from the recent tax revision. Targeting a beer market share of 25%, we will double our marketing investment in our flagship brands, Sapporo Draft Beer Black Label and YEBISU, by 2030. We will also expand our customer touchpoints, primarily through the Restaurants business. Including initiatives related to non-alcoholic beer and ready-to-drink (RTD) beverages, which are described below, we aim to nearly double our current profit margin to 10% or more in the Domestic Alcoholic Beverages business by 2030 (FY2024: 5.8%).

② Healthier Choice

Recognizing the potential long-term contraction of the beer market and the shift in consumer preferences towards low-alcohol and non-alcoholic beverages, we will strengthen our non-alcoholic beer development structure in Japan and scale up our key products to a level where they can make significant profit contributions. In addition, taking cost performance and flavor variety into consideration, the expansion of the RTD market is expected to continue. In the RTD market, we see the demand is growing for low-alcohol and non-alcoholic options, and a convergence with the soft drink category is anticipated. We will integrate the Alcoholic Beverages and Soft Drinks businesses organizationally, leveraging the health functional value of lemons, a key ingredient in the Beverages business, across a wide range of categories. In overseas markets, we will expand the availability of our non-alcoholic beers, including Sapporo 0.0, to Canada and the United States. We are also considering M&A opportunities in the non-alcoholic beer sector.

③ Efficient Foundation

Under the medium- to long-term management policy of “focusing on our Domestic and International Alcoholic Beverages businesses as core businesses and concentrating management resources on growth areas”, we plan to transition to a business holding company structure as the optimal organizational structure for achieving sustainable growth.

In order to respond more effectively to diverse management challenges both domestically and internationally, and to enhance the quality of our management decisions, the new structure will consist of two business divisions, one for domestic operations and one for international operations, as well as corporate functions that will provide a common management foundation. The Alcoholic Beverages, Food & Soft Drinks, and Restaurants businesses, as well as existing subsidiary companies will be reorganized under these two business divisions or the corporate functions. The transition to a business holding company structure is scheduled to begin in September 2025, with the transition targeted for completion in July 2026. The business holding company structure will enhance governance and management efficiency and speed, while we continuously invest in human capital to support the Company's growth. In Japan, we will increase the productivity of each employee, while overseas, we will strengthen our teams who will be responsible for business growth.

④ Strategic Alliance

In the United States, we will implement structural reforms to fundamentally review our production facilities and decrease our operating costs. Furthermore, we will explore strategic alliances with other companies to ensure the continued growth of the Sapporo brand and to complement our production capabilities.

In Vietnam, a key market in Asia, while we have previously pursued growth independently, we have signed a memorandum of understanding with Carlsberg to explore collaborations in both commercial and operational areas to accelerate business expansion.

⑤ Inorganic Growth

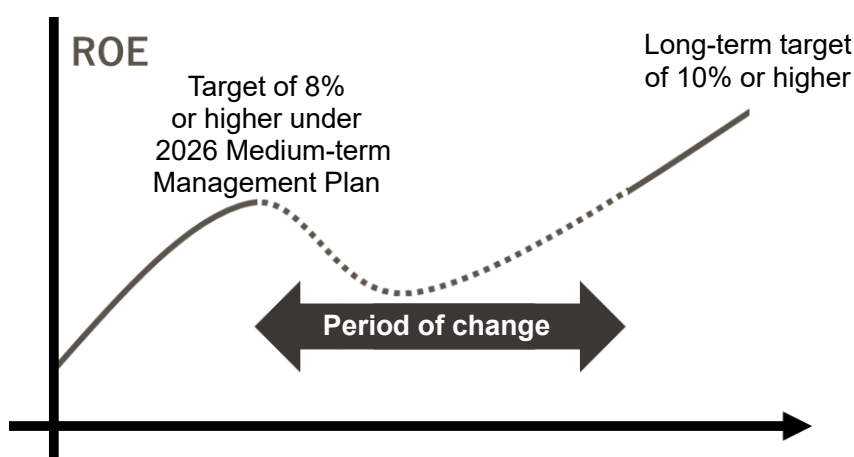
We are considering various strategies, including large-scale M&A, to utilize funds expected to be raised through the injection of external capital into the Real Estate business to invest in growth in the Alcoholic Beverages business. In Japan, we will evaluate potential opportunities to supplement existing capabilities in the RTD business and SCM area. In the United States, our most important overseas market, we will consider M&A with other market participants to establish a more robust beer business foundation and dramatically strengthen the Overseas Alcoholic Beverages business. We will also examine M&A in the non-alcoholic sector, taking into account growing health consciousness and the long-term trend towards moderation of alcohol consumption.

3. Financial Strategy

We have implemented a long-term goal of achieving a return on equity (ROE) of 10% or higher. We use return on invested capital (ROIC) as an internal financial management indicator, set ROIC spread targets as guidelines for business plan development, and aim to improve ROE through various initiatives to improve capital efficiency.

We will maintain a sound financial position and ensure the financial stability (credit rating 'A' or higher) necessary for achieving sustainable growth, while implementing appropriate cash allocation.

Looking ahead towards 2030, we will strive to further enhance our profitability through the five strategies outlined above, targeting an average annual growth rate of approximately 10% in operating profit from 2024 to 2030. While the off-balance sheet treatment of the Real Estate business following the injection of external capital, as described below, is expected to increase capital levels and consequently enhance financial stability, it will also lead to a decrease in ROE. To achieve our long-term goals, we will accelerate long-term profit growth by re-investing capital from external investment in the Real Estate business into the growth of the Alcoholic Beverages business, aiming for further long-term improvement in capital efficiency.



<Mid-to-Long-Term ROE Trend>

This upcoming medium-term period will be a time of drastic change during which our financial structure will undergo significant modifications depending on the strategies we choose. Recognizing that we expect meaningful fluctuations over this period, we will consider implementing the financial targets for 2030 in conjunction with the formulation of the next Medium-term Management Plan.

4. Injection of external capital into real estate business

The purpose of external capital injection into the Real Estate business is to concentrate the Group's management resources on the Alcoholic Beverages business and to invest the expected funds into growth investments in the Alcoholic Beverages business to improve capital profitability and increase the corporate value of the entire Sapporo Group. Sapporo Real Estate Co., Ltd ("SRE"), which has been responsible for the Company's Real Estate business to date, will be separated from the Group's balance sheet by incorporating capital from external partners. SRE also aims to increase corporate value by enhancing the value of properties.

Since our disclosure on September 19, 2024, regarding commencing a process to evaluate proposals from potential partners, we have received proposals from over ten corporations or funds, both domestic and international, regarding the injection of external capital into the Real Estate business. We are continuing to explore various options to achieve the objectives of this initiative, including the potential sale of shares in SRE, which holds Yebisu Garden Place, and determine the optimal course of action and timeline. We expect to reach a conclusion on these considerations by the end of 2025.

Since these considerations are expected to enter a critical phase in the future, we do not anticipate disclosing further details regarding the progress of these discussions. If any material event that is required to be disclosed occurs, we will disclose it in a timely and appropriate manner.

We will continue to listen to the voices of our stakeholders, including shareholders, and steadily implement the Group Medium- to Long-Term Growth Strategy to enhance the sustainable value of the Group.

■Reference

- Notice of Medium- to Long-Term Management Policies for Increasing Group-wide Corporate Value (announced on February 14, 2024)
[20240214_ml_ja.pdf\(sapporoholdings.jp\)](#)
- Update to Medium- to Long-Term Management Policies for Increasing Group-wide Corporate Value (announced on August 13, 2024)
[20240813_mlt_ja.pdf\(sapporoholdings.jp\)](#)
- Notice of Soliciting and Evaluating External Proposals for the Real Estate Business (announced on September 19, 2024)
[20240919_sh_notice_ja.pdf\(sapporoholdings.jp\)](#)

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