

SAPPORO BREWERIES to Enter Into a Strategic Partnership with Carlsberg—No Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by SAPPORO BREWERIES LIMITED (security code: 2501) regarding a strategic partnership with Carlsberg A/S through capital and business alliance.

- (1) SAPPORO BREWERIES LIMITED ("SAPPORO") announced on July 6 that it has resolved to enter into a major strategic partnership with Carlsberg A/S ("Carlsberg") through capital and business alliance across Southeast Asia and Hong Kong (the "Partnership"). Based on the Partnership, a joint venture will be established to be incorporated in Singapore, to which Carlsberg will contribute its businesses in the relevant markets while SAPPORO will invest approximately USD 643 million (approximately 102.9 billion yen) to acquire a 25% equity stake. It is expected to be established in December this year, subject to the necessary regulatory approvals, etc. SAPPORO will grant a long-term brand license to the joint venture and expects to benefit from diversified revenue streams, including dividends, brand royalties and manufacturing-related earnings. On the marketing front, it aims to expand sales volume of its "Sapporo Premium Beer" in the target markets to approximately 10 times the 2025 level by 2035. In addition, SAPPORO and Carlsberg have entered into a long-term brand license agreement in the U.K. and agreed to include Myanmar as a market for brand licensing. Going forward, they will jointly explore opportunities to introduce Sapporo Premium Beer in other markets in Asia and Europe.
- (2) The Partnership involves the allocation of the funds raised through the injection of external capital into the real estate business and regular business activities to securing the business base for expanding the sales of SAPPORO's own brands in overseas markets. As regards the aforementioned injection of external capital, the first closing took place on June 1, and a 51% equity stake in Sapporo Real Estate Co., Ltd. was transferred. The amount of investment in the Partnership will likely remain well within the cash proceeds from said transaction, and JCR assumes that a highly sound financial structure will be maintained even after the investment. Moreover, the possibility of such growth investments was already taken into consideration in the previous rating review, and thus the Partnership will have no impact on the rating. Looking ahead, JCR will closely watch whether SAPPORO can increase the earnings capacity of the overseas alcoholic beverages business through the investment in the Partnership, etc. and achieve sustainable growth in its business performance.

Shigenobu Tonomura, Takeshi Fujita

<Reference>

Issuer: SAPPORO BREWERIES LIMITED

Long-term Issuer Rating: A- Outlook: Positive

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