Corporate Governance Report

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The corporate governance of Sapporo Holdings Limited (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company has set forth as follows Sapporo Group's "Management Philosophy", " Fundamental Management Policy", and "Fundamental Operational Principles", and in order to realize the foregoing and strive for the sustained enhancement of the Group's overall corporate value, will value the strengthening and enhancement of the Group's corporate governance as a vital managerial goal, will clearly specify supervisory, executive and audit functions within the Group under a holding company structure, and will endeavor to strengthen managerial oversight with a view to greater transparency in management and the attainment of the Group's business objectives.

(1) Management Philosophy
Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles.

(2) Fundamental Management Policy
The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value.

(3) Fundamental Operational Principles
Under a pure holding company structure, with the fundamental operational principles for the Sapporo Group as set forth below, the Sapporo Group, while allowing the business divisions within the Sapporo Group to maintain their autonomy, will pursue optimization and the creation of synergy for the Sapporo Group as a whole, and will aim to maximize corporate value.

1) Principles for the Group's Overall Optimization
With the maximization of Sapporo Group's value and the Group's overall optimization understood as goals, the Group's companies will focus energy on their respective business activities and in turn contribute to improving the Group's consolidated performance results.

2) Principles of Autonomy and Independence
The Sapporo Group's companies will work to enhance their operating foundations and aim to be independent, with a view to achieving the purposes for which they were established and accomplishing their respective missions under Sapporo's management policy.
The Company will delegate to Group company Presidents the executive authority they require to manage their businesses, and the Group company Presidents will assume responsibility for such management. Likewise, the Company will provide all support and advice necessary for the growth and development of the Group's companies.

3) Principle of Mutual Cooperation
The Company and the Group's companies, while taking economic feasibility into consideration, will cooperate with each other in the procurement of materials, products, services and the like, as well as in other areas of business promotion, and will endeavor to achieve synergistic effects for the Group.

The Company, with respect to its basic approach and operation policy etc. to Corporate Governance, has put in place the "Basic Policy on Corporate Governance", which is disclosed on the Company website. Please refer to the following URL to view said policy:
http://www.sapporoholdings.jp/english/ir/management/pdf/basic_governance_approach.pdf

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has implemented all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Basic Policy 1-4. Strategic Holding of Shares]

The Company is engaged in businesses such as alcohol, food and beverages, restaurants, and real estate, which are closely connected with its customers' lifestyles, and believes it to be necessary, for the purposes of business strategy, to maintain cooperative relationships with the many companies along its supply chain from development through procurement, manufacturing, logistics and sales. On the basis of this belief, the Company may in some cases retain Strategic Holding of Shares if, after comprehensively considering the state of such cooperative relationships, the Company finds that doing so will help raise corporate value over the medium-to-long term. The Board of Directors will regularly verify annually whether the Company's Strategic Holding of Shares are being appropriately retained and managed in accordance with its strategic holdings policy.

On this point, please refer to "5. Basic Policy on Strategic Holding of Shares and on the Exercise of Voting Rights Pertaining to Strategically-Held Shares" in the abovementioned "Basic Policy on Corporate Governance", which sets forth the policy detailed in the previous paragraph.

[Basic Policy 1-7. Transactions between Related Parties]

In cases where, pursuant to the Board of Directors Rules, it is necessary for the Company to carry out a competitive transaction, a self-dealing transaction, or a conflict-of-interest transaction with a Director, the Company must first obtain approval from the Board of Directors.
For transactions with major shareholders etc., internal rules are set forth elsewhere, and all officers and employees are thoroughly notified of such rules.

On this point, please refer to "7. Transactions Between Related Parties" in the abovementioned "Basic Policy on Corporate Governance", which sets forth the policies detailed in the previous paragraph.

[Basic Principles 3-1. Ensuring Appropriate Disclosure of Information]

(1) The Company's "Management Philosophy" and "Fundamental Management Policy" are as follows.
1) Management Philosophy
The Company will contribute to the evolution of creative, enriching and rewarding lifestyles
2) Fundamental Management Policy
The Sapporo Group strives to maintain integrity in corporate conduct that reinforces stakeholder trust and aims to achieve continuous growth in corporate value.

With regard to the details of the Sapporo Group Long-Term Management Vision "SPEED150"for the period from 2017 to 2026 and the "First Medium-Term Management Plan 2020" for the period from 2017 to 2020, please refer to the following URL:
http://www.sapporoholdings.jp/english/company/management/

(2) The Basic Approach to Corporate Governance is also set forth in the Report "I. 1. Basic Views" and in "1. Basic Thinking to Corporate Governance" in the abovementioned "Basic Policy on Corporate Governance"; please refer to those documents.

(3) The Company has established a "Compensation Committee" as an advisory body of the Board of Directors. The policies and procedures for decision-making regarding Directors' compensation are set forth in "12(5)①. Compensation Committee" in the abovementioned "Basic Policy on Corporate Governance"; please refer to that document.

(4) The Company has established a "Nominations Committee" as an advisory body of the Board of Directors. The policies and procedures for appointment of Directors and Audit & Supervisory Board Members are set forth in "12(5)②. Nominations Committee" in the abovementioned "Basic Policy on Corporate Governance"; please refer to that document.

(5) The reasons for the selection or appointment of Directors and Audit & Supervisory Board Members, including officers other than Independent Outside Officers, are disclosed in the Notice of Convocation of the 92nd Ordinary General Meetings of Shareholders. The Notices of Convocation of the 92nd through the 94th Ordinary General Meetings of Shareholders are disclosed on the Company website; please refer to the following URL:
http://www.sapporoholdings.jp/english/ir/event/meeting.html

[Supplemental Principle 4-1-1. Scope of Delegation to Management]

In addition to the matters set forth in laws and regulations and the Company's Articles of Incorporation, the Company has set forth, in the "Board of Directors Rules", the matters that are to be determined and decided by the Board of Directors, including the Group's management policy and business plans, and other material matters relating to the conduct of corporate operations in business companies.

In combination with other internal regulations, these Rules clarify the scope of matters delegated to management, allowing management to engage in swift decision-making within the scope of its authority via the Management Council, Group Management Council, and other advisory bodies.

[Principle 4-9. Standards and Qualifications for Judging Independence of Independent Outside Directors

The independence standards for Outside Officers of the Company are set forth in "II.1 [Independent Officers] Matters relating to Independent Officers" of this report and in "Appendix 1. Standards for Independence of Outside Officers" in the abovementioned "Basic Policy on Corporate Governance"; please refer to these documents.

[Supplemental Principle 4-11-1. Approach to Balancing the Knowledge/Experience/Abilities, and to the Diversity and Scale, of the Board of Directors as a Whole]

The overall structure of the Company's Board of Directors is set forth in "12(5)②. Nominations Committee" in the abovementioned "Basic Policy on Corporate Governance"; please refer to that document.

[Supplemental Principle 4-11-2. Status of Director/ Audit & Supervisory Board Member Concurrent Appointments as Officers of Other Listed Companies]

The Company discloses the material concurrent appointments of its Directors and Audit & Supervisory Board Members in the business reports and general shareholders' reference materials indicated in Notices of Convocation of Ordinary General Meetings of Shareholders; please refer to the Company website for details. We have judged that all such concurrent appointments are limited to a reasonable scope, in consideration of the time and effort required for appropriate performance of the duties and responsibilities of a Company Director or an Audit & Supervisory Board Member.
http://www.sapporoholdings.jp/english/ir/event/pdf/180226_01.pdf

[Supplemental Principle 4-11-3. Assessment of the Effectiveness of the Board of Directors]

As set forth in "12(6) Assessment of the Board of Directors" in the abovementioned "Basic Policy on Corporate Governance", each year, the Company, on the basis of self-evaluations by each Director, analyzes and assesses the effectiveness of the Board of Directors and discloses a summary of the results.

(1) Initiatives in Response to the Results of Board of Directors Effectiveness Assessments for FY2016

In response to the issues uncovered as a result of the Board of Directors effectiveness assessments for FY2016, in order to ensure that this would lead to a constructive discussion based on medium-to-long term policies and the directions of corporate strategy, the Company endeavored to provide ample opportunities for provision of the information necessary for decision-making processes, including reports from the deal evaluation stage and, as needed, prior explanations and off-site meetings other than Board of Directors meetings. In addition, officer training sessions have been implemented, and opportunities have been provided for Outside Officers to develop an understanding of the Sapporo Group corporate profile, of industrial information, and of other similar matters.

(2) Results of Board of Directors Effectiveness Assessments for FY2017

With respect to the Board of Directors effectiveness assessments for FY2017, in continuation of similar practices in FY2016, all Directors underwent an anonymous survey. In consideration of the results of this survey, a discussion with a view to the ascertainment of current states of affairs and the recognition of issues and challenges was conducted at a Board of Directors meeting held in December.

As a result of the assessment, it was judged that the structure, management, and roles and duties of the Board of Directors, as well as the provision of information by the Board of Directors to Outside Officers, advisory bodies etc. were functioning appropriately, and that the effectiveness of the Board of Directors as a whole were ensured.

By means of an evaluative comparison with the results of the FY2016 assessment and other similar activities, it was confirmed/shared that there is room for further improvement in regard to the content and the volume of Board of Directors meeting materials, and that going forward, for the fulfillment of the "First Medium-Term Management Plan 2020", there is a need for all Directors to draw on their knowledge and experience to bring about a more vigorous discussion.

Through the resolution of acknowledged issues and the implementation of continuous assessments that make use of appropriate methods, the Company is making an effort to further improve the effectiveness of its Board of Directors.

[Supplemental Principle 4-14-2. Training Policy for Directors/Audit & Supervisory Board Members]

The Company is implementing the following training to enable Directors and Audit & Supervisory Board Members to acquire a deeper understanding of their roles and duties and fully discharge their responsibilities.
(1) Persons newly appointed as Directors or Audit & Supervisory Board Members will undergo training in regard to the necessary laws and regulations including the Companies Act, and in regard to corporate governance.

(2) After the appointment of any Director or Audit & Supervisory Board Member, the Company will continue to provide a diverse program of training activities, to be conducted internally and externally, in regard to legal amendments and business issues and challenges etc.

(3) Persons newly appointed as Independent Outside Directors and Independent Outside Audit & Supervisory Board Members will receive explanations necessary in regard to the corporate profile of Sapporo Group, the Group's management strategy and financial condition, and other important matters, and will also be provided with opportunities to observe Group company production facilities and research sites etc. for the purpose of acquiring a deeper understanding of the Sapporo Group.

With respect to this paragraph, please also refer to "12(8) Training Policy for Directors" and "13(5) Training Policy for Audit & Supervisory Board Members" in the abovementioned "Basic Policy on Corporate Governance."

[Principle 5-1. Policy on Constructive Dialogue with Shareholders]

The policy on constructive dialogue with shareholders is set forth in "15. Dialogue with Shareholders" in the abovementioned "Basic Policy on Corporate Governance"; please refer to that document.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan Ltd. (on trust)	4,916,100	6.24
Japan Trustee Services Bank, Ltd (on trust)	3,362,000	4.27
STATE STREET BANK AND TRUST COMPANY 505001	2,546,865	3.23
Mizuho Trust & Banking of the employee pension trust of Trust & Custody Services Bank, Ltd.	2,442,400	3.10
Nippon Life Insurance Company	2,237,364	2.84
Meiji Yasuda Life Insurance Company	2,236,800	2.84
The Norinchukin Bank	1,875,115	2.38
Mizuho Bank, Ltd.	1,806,584	2.29
Marubeni Corporation	1,649,266	2.09
Mizuho Trust & Banking Co., Ltd., employee pension trust, Mizuho Bank account, re-trusted to Trust & Custody Services Bank, Ltd.	1,594,000	2.02

Controlling Shareholder (except for Parent Company)	---
Parent Company	None

Supplementary Explanation

Notes on abovementioned status of major shareholders

1) 2,442 thousand shares held by Mizuho Trust & Banking of the employee pension trust of Trust & Custody Services Bank, Ltd. are the trust property of the employee pension trust entrusted to Trust & Custody Services Bank, Ltd. by Mizuho Trust & Banking Co., Ltd., in regard to which trust Mizuho Trust & Banking Co., Ltd. retains voting rights. Mizuho Trust & Banking Co., Ltd. holds 832 thousand shares in addition to the foregoing.
2) The 1,594 thousand shares held by Mizuho Trust & Banking Co., Ltd., employee pension trust, Mizuho Bank account, re-trusted to Trust & Custody Services Bank, Ltd are the trust property of the employee pension trust entrusted to Trust & Custody Services Bank, Ltd. by Mizuho Bank, Ltd., in regard to which trust Mizuho Bank, Ltd. retains voting rights.
3) In a Large Shareholding Report (Change in Shareholding) which was made available for public inspection as of March 8, 2017, it is described that, Mizuho Bank, Ltd. and other two joint holders hold the following shares as of March 1, 2017; however, since the Company could not confirm the actual number of shares owned as of December 31, 2017, such shares are not included in Status of Major Shareholders described above.
The content of the Large Shareholding Report is as follows.

【Name or Company Name/Address/Number of Shares Owned (thousand shares)/Percentage of Number of Shares Owned by Total Number of Issued Shares (%)】

Mizuho Bank, Ltd. and other two joint holders/1-5-5, Otemachi, Chiyoda-ku, Tokyo/9,774/12.40

4) In a Large Shareholding Report which was made available for public inspection as of December 18, 2017, it is described that, Mitsubishi UFJ Financial Group, Inc. and other three joint holders hold the following

shares as of December 11, 2017; however, since the Company could not confirm the actual number of shares owned as of December 31, 2017, such shares are not included in Status of Major Shareholders described above.
The content of the Large Shareholding Report is as follows.

【Name or Company Name/Address/Number of Shares Owned (thousand shares)/Percentage of Number of Shares Owned by Total Number of Issued Shares (%)】

Mitsubishi UFJ Financial Group, Inc. and other three joint holders/2-7-1, Marunouchi, Chiyoda-ku, Tokyo/4,242/5.38

5) In a Large Shareholding Report which is being made available for public inspection as of January 10, 2018, it is described that, Nomura Securities Co., Ltd. and other two joint holders hold the following shares as of December 29, 2017; however, since the Company could not confirm the actual number of shares owned as of December 31, 2017, such shares are not included in Status of Major Shareholders described above.
The content of the Report on Bulk Holding is as follows.

【Name or Company Name/Address/Number of Shares Owned (thousand shares)/Percentage of Number of Shares Owned by Total Number of Issued Shares (%)】

Nomura Securities Co., Ltd. and other two joint holders/1-9-1, Nihonbashi, Chuo-ku, Tokyo/3,981/5.05

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section; Sapporo; existing market
Fiscal Year-End	December
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Director Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman (except when serving concurrently as President)
Number of Directors	9
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Officers	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shigehiko Hattori	From another company								△			
Shizuka Uzawa	From another company											
Mackenzie Clugston	Other								○			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲"when a close relative of the Director fell under the category in the past

a. Executive officer (*gyomu shikkou sha*) of the Company or its subsidiaries
b. Non-executive Director or executive officer (*gyomu shikkou sha*) of a parent company of the Company
c. Executive officer (*gyomu shikkou sha*) of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive officer (*gyomu shikkou sha*) thereof
e. Major client or supplier of the listed company or an executive officer (*gyomu shikkou sha*) thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive officer (*gyomu shikkou sha*) of the said major shareholder if the shareholder is a legal entity)
h. Executive officer (*gyomu shikkou sha*) of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
i. Executive officer (*gyomu shikkou sha*) of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
j. Executive officer (*gyomu shikkou sha*) of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officers	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigehiko Hattori	○	Mr. Shigehiko Hattori was engaged in business execution at Shimadzu Corporation until June 2015. Although the said company's products were purchased by certain plants of the Company's subsidiaries in the past, the amount of such transactions is immaterial.	Mr. Shigehiko Hattori has a wealth of experience, a rich track record and great insight as the president of a business corporation. He also has a wealth of overseas management experience. Mr. Hattori offers pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with overseas expansion, and he has thus been appointed as an Outside Director. He is designated as an independent officer based on the Company's decision that Mr. Hattori is unlikely to have a conflict of interests with shareholders of the Company in light of the applicable criteria of independence as stipulated by the financial instruments exchanges and "Standards for Independence of Outside Officers" established by the Company.
Shizuka Uzawa	○	---	Mr. Shizuka Uzawa has a wealth of experience, a rich track record and great insight as the president of a holding company. Based on his extensive experience in treasury and corporate management fields, Mr. Uzawa offers pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of the Group's management structure, and he has thus been appointed as an Outside Director. He is designated as an independent officer based on the Company's decision that Mr. Uzawa is unlikely to have a conflict of interests with shareholders of

			the Company in light of the applicable criteria of independence as stipulated by the financial instruments exchanges and "Standards for Independence of Outside Officers" established by the Company.
Mackenzie Clugston	○	Since September 2016, the Company's management has been receiving advice from Mr. Clugston being a consultant of the Company. The remuneration paid to Mr. Clugston was compensation for his advice to the Company's management based on his experience and insight, and such remuneration in the business term ended December 31, 2017 was five million yen or less; thus the arrangement does not affect Mr. Clugston's independence.	Although Mr. Mackenzie Clugston has no experience in directly managing a company, he has extensive insight in the fields of diplomacy and trade in North America and Southeast Asia where the Company is pursuing business development. Based on that wealth of experience, rich track record and great insight, Mr. Clugston can offer pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with global expansion, and he has thus been appointed as an Outside Director. He is designated as an independent officer based on the Company's decision that Mr. Clugston is unlikely to have a conflict of interests with shareholders of the Company in light of the applicable criteria of independence as stipulated by the financial instruments exchanges and "Standards for Independence of Outside Officers" established by the Company.

Voluntary Establishment of Committee(s) Corresponding to Nominations Committee or Compensation Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nominations Committee	Committee Corresponding to Compensation Committee
Committee's Name	Nominations Committee	Compensation Committee
All Committee Members	5	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	1	0

Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has Audit & Supervisory Board, and in order to increase the transparency of operations related to the selection and treatment of Directors, has created a Nominations Committee and Compensation Committee to act as advisory bodies to the Board of Directors. The membership of these committees is composed of the President (or, when the President is chosen from among Group Operating Officers, the Chairman) and all Independent Outside Directors (three), for a total of four people (in the case of recommendation of a candidate for an Audit & Supervisory Board Member, a Standing Audit & Supervisory Board Member is added to the membership); the chairperson is chosen from among Independent Outside Directors.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members receive explanations of audit plans and reports on the results of accounting audits from Accounting Auditors, and also have meetings as needed to exchange information concerning accounting problems, the status of accounting audits, and other similar issues. In addition, the Group Audit Department, which is an Internal Audit Department, has regular meetings to exchange opinions concerning the results of internal audits, the state of internal control, and other similar matters. Furthermore, Audit & Supervisory Board Members review, and share information concerning, Internal Audit Reports by the Group Audit Department.

Accounting Auditors review Internal Audit Reports by the Group Audit Department as needed.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Outside Audit & Supervisory Board Members Designated as Independent Officers	2

Outside Audit & Supervisory Board Members' Relationships with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junya Sato	Lawyer													

Kazuo Sugie	Other										△			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲"when a close relative of the Director fell under the category in the past

a. Executive officer (*gyomu shikkou sha*) of the Company or its subsidiary
b. Non-executive Director or accounting advisor of the Company or its subsidiaries
c. Non-executive Director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive officer (*gyomu shikkou sha*) of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive officer (*gyomu shikkou sha*) thereof
g. Major client or supplier of the Company or an executive officer (*gyomu shikkou sha*) thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive officer (*gyomu shikkou sha*) of the said major shareholder if the shareholder is a legal entity)
j. Executive officer (*gyomu shikkou sha*) of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (Audit & Supervisory Board Member himself/herself only)
k. Executive officer (*gyomu shikkou sha*) of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (Audit & Supervisory Board Member himself/herself only)
l. Executive officer (*gyomu shikkou sha*) of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of Relationships	Reasons for Appointment
Junya Sato	○	---	Although Mr. Junya Sato has no experience directly managing a company, he has a wealth of experience as outside director or outside audit & supervisory board member of other companies. In addition, the Company has determined that he will be capable of monitoring the performance of duties by directors of the Company from an objective and fair perspective based on his wealth of experience as a lawyer with experience in legal affairs in general including in the field of corporate law, and he has thus been selected as an Outside Audit & Supervisory Board Member. He is designated as an independent officer based on the Company's decision that Mr. Sato is unlikely to have a conflict of interests with shareholders of the Company in light of the applicable criteria of independence as stipulated by the

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of Relationships	Reasons for Appointment
			financial instruments exchanges and "Standards for Independence of Outside Officers" established by the Company.
Kazuo Sugie	○	Mr. Kazuo Sugie was involved in business execution at DIC Corporation until March 2015. Although there have been transactions of the said company's products between the said company and the Company's subsidiaries, the amount of such transactions in the most recent business term has been less than 0.1% of either the consolidated net sales of the Company or the consolidated net sales of the said company.	As the president of a business corporation, Mr. Kazuo Sugie has a wealth of experience and highly developed insight based on extensive knowledge and information. The Company has determined that, from his objective and neutral position, Mr. Sugie will audit the performance of duties by directors of the Company, and he has thus been selected as an Outside Audit & Supervisory Board Member. He is designated as an independent officer based on the Company's decision that Mr. Sugie is unlikely to have a conflict of interests with shareholders of the Company in light of the applicable criteria of independence as stipulated by the financial instruments exchanges and "Standards for Independence of Outside Officers" established by the Company.

[Independent Officers]

Number of Independent Officers	5

Matters relating to Independent Officers

The Company has appointed all five Outside Officers (three Outside Directors and two Outside Audit & Supervisory Board Members) who meet the qualifications for independent officers.

Our standards for the independence of Outside Officers are as set forth below.

[Standards for Independence of Outside Officers]

1. In order for the Outside Directors and Outside Audit & Supervisory Board Members ("Outside Officers") of the Company to be Outside Officers who are independent ("Independent Officers"), any such Outside Officers may not fall under any of the following Items (1) through (3).

(1) A person who currently is or during the past ten years was an executive officer (*gyomu shikkou sha*) (in the case where Outside Audit & Supervisory Board Members are designated as Independent Officers, including Directors who are not executive officers (*gyomu shikkou sha*)) of the Company or its consolidated subsidiaries (collectively, "Group") (*1).

(2) A person who currently falls under or during the past three years has fallen under any of the following sub-items (i) through (viii).

(i) A person having the Group as a major business partner, or its executive officer (*gyomu shikkou sha*) (*2);
(ii) A major business partner of the Group or its executive officer (*gyomu shikkou sha*) (*3);
(iii) A consultant, accounting professional, or legal professional who has obtained from the Group large sums of money or other property other than officer remuneration etc. (if a person who has obtained such properties is a corporation, association, or other group, this means a person who belongs to such group) (*4);
(iv) A major shareholder of the Group (if such major shareholder is a corporation, an executive officer (*gyomu shikkou sha*) of such corporation) (*5);
(v) In the case where the executive officer (*gyomu shikkou sha*) of the Company holds the office of Outside Officer of another company, an executive officer (*gyomu shikkou sha*) of such other company;
(vi) A person who has received large donations from the Group or a Director or other executive officer (*gyomu shikkou sha*) of a group that received such donations (*6);
(vii) A member, partner, or employee of the audit corporation that is the accounting auditor for the Group; and
(viii) A major lender of the Group or its executive officer (*gyomu shikkou sha*) (*7)

(3) A spouse or a relative in the second degree or closer of any person listed in Item (1) or Item (2) above (excluding any unimportant person).

2. An Independent Officer of the Company must be an Outside Officer with respect to whom there is no likelihood of a constant and substantial conflict of interests arising with the entire general shareholders of the Company for any reason other than the reasons considered in Items (1) through (3) of Paragraph 1 above.

3. An Outside Officer who falls under any of Items (1) through (3) of Paragraph 1 above may nonetheless be appointed as an Independent Officer of the Company, if the Company considers such Outside Officer to be appropriate as an Independent Officer in light of such Outside Officer's personality and insight etc., on the condition that such Outside Officer satisfy the applicable standards of independence specified by the financial instruments exchanges and that a public explanation be given of the reasons why we consider such Outside Officer to be appropriate as an Independent Officer of the Company.

(Notes)
*1. For any person who was a non-executive Director or an Audit & Supervisory Board Member of the Group at any time over the last ten years, the ten-year period prior to assumption of such office. "Executive officer (*gyomu shikkou sha*)" means a person stipulated in Article 2, Paragraph 3, Item (6) of the enforcement regulations of the Companies Act.
*2. "Person having the Group as a major business partner" means a person who has received from the Group payment of an amount equivalent to 2% or more of its annual consolidated sales in the most recent fiscal year.
*3. "Major business partner of the Group" means a person who in the most recent fiscal year made payment to the Group payment of an amount equivalent to 2% or more of the Company's annual consolidated sales.
*4. "Consultant, accounting professional, or legal professional who has obtained from the Group large sums of money or other property other than officer remuneration etc." means a person who in the most recent fiscal year obtained, other than officers remuneration etc., money or property in an amount or value equivalent to 2% of annual consolidated sales or ten million yen, whichever is higher, or a member, partner, or employee of any law firm, auditing corporation, tax accountant corporation, consulting firm, or other professional advisory firm that received from the Group payment of an amount equivalent to 2% or more of that firm's annual total sales in the most recent fiscal year.
*5. "Major shareholder of the Group" means a person or a corporation who directly or indirectly holds 10% or more of the total voting rights.
*6. "Large donation" means a donation that is made in the most recent fiscal year, the amount of which is not less than the higher of (i) ten million yen or (ii) 30% of the average annual expenses for the relevant group.

*7. "Major lender of the Group" means any financial institution or other major creditor that is essential for the Company's fund-raising, upon which the Company relies to such extent that such lender is not replaceable.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

We have adopted, from 2016, a "Board Benefit Trust (BBT)" stock compensation plan for Directors, group operating officers and some Directors of subsidiaries (excluding Outside Directors; "Group Applicable Officers") for the purpose of reinforcing attention on contributing to an increase in business results over the medium-to-long term and to raising the Company's corporate value.

This plan is a stock compensation plan under which Company stock is acquired through the trust using funds that the Company contributed, and Company stock or the monies equivalent to the amount obtained by converting such Company stock at a market price, as of the resignation date, are provided to the Group Applicable Officers on the basis of their position and performance in accordance with the Officer Stock Benefit Rules stipulated by the Company and subsidiaries which are covered by this plan.

Recipients of Stock Options	

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

The Company does not disclose individual remuneration as there is no officer whose total consolidated remuneration etc. (remuneration etc. as an officer of the Company and as an officer of a major consolidated subsidiary) is more than one hundred million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

In order to determine remuneration in an objective and transparent manner, the Company has established, as an advisory body to the Board of Directors, a Compensation Committee composed of the President (or, when the President is chosen from among group operating officers of the Company, the Chairman of the Company) and all Independent Outside Directors (three), for a total of four people, and the amount of individual remuneration for each Director is determined by such committee on the basis of a resolution of the Board of Directors. The Compensation Committee discusses the policy and standards for remuneration in consideration of public standards or Company performance every year, and determines the amount of individual remuneration for each Director by adding to or reducing from the base remuneration

for each position in accordance with performance for the preceding year, within the maximum ceiling for remuneration payment decided by a General Meeting of Shareholders.

For stock compensation for Directors (other than Outside Directors), the Company has adopted a performance-linked "Board Benefit Trust (BBT)" stock compensation plan under which Company stock is provided through the trust depending on his or her position and performance in accordance with the Officer Stock Benefit Rules; such stock is provided at the time of resignation of applicable Director.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

The Company does not assign full-time staff for Independent Outside Directors and Independent Outside Audit & Supervisory Board Members. The Company has established the Board of Directors Office within the Corporate Finance and Business Management Department which provides support by distributing materials and providing explanations etc. to Independent Outside Directors prior to Board of Directors meetings. Secretariats of Audit & Supervisory Board provide support for Independent Outside Audit & Supervisory Board Members. The Board of Directors Office distributes materials and provides explanations to Independent Outside Audit & Supervisory Board Members prior to Board of Directors meetings.

【Those who Resign from President and Representative Director etc.】

Name etc. of Senior Advisor/Advisor who is a Former President and Representative Director etc.

Name	Title/Status	Content of Operation	Working Pattern/Conditions (Full time/Non-Full time, With/Without Compensation, Etc.)	Resignation Date from President, Etc.	Term of Office
Takao Murakami	Honorary Advisor	External Operations (Not involved in Management)	Part Time/ With Compensation	March 30, 2012	One Year
Kazuo Arakawa	Honorary Advisor	---(*1) (Not involved in Management)	Part Time/ Without Compensation	March 28, 1997	Not Specified
Okio Isogai	Honorary Advisor	---(*1) (Not involved in Management)	Part Time/ Without Compensation	March 29, 2001	Not Specified

Total Number of Senior Advisor/Advisor who is a Former President and Representative Director, etc.	3

Other Matters

(i) The Company abolished the Senior Advisor System as of March 29, 2018.

(ii) Appointment of a former President and Representative Director etc., as an Advisor etc., is determined at the Board of Directors after consulting with a Nominations Committee(*2). The compensation is determined at a Compensation Committee(*2).

(Note)

*1 Notwithstanding (ii) above, only using an official title “Honorary Advisor” without substance of operation, service and compensation etc.

*2 The Company has Audit & Supervisory Board, and in order to increase the transparency of operations related to the selection and treatment of Directors and to maintain healthy management functions, has established the Nominations Committee and the Compensation Committee to act as advisory bodies to the Board of Directors. The membership of these committees is composed of the President and all Independent Outside Directors (three), for a total of four people; the chairperson is chosen from among Independent Outside Directors.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1.) Overview of corporate governance system for corporate operations

The Company’s decisions are made through resolutions of Board of Directors with respect to matters that are stipulated in laws and regulations or Articles of Incorporation, or material operational matters in accordance with the “Board of Directors Rules.”

For other corporate operations, based on the table for decision-making authority, the Company has clarified the scope of corporate operations delegated to the management, and the management engages in swift decision-making within the scope of its authority through advisory bodies such as the Management Council and the Group Management Council.

Group operating officers of the Company, who at the same time serve as President and representative director of key business companies of the Group shall, to the President of the Company, make commitment to the managerial goals of their division and clarifying their responsibility for the Group managerial goals, give monthly report regarding the business conditions of their division.

(2) Overview of corporate governance for supervisory and auditing

(Supervisory function)

In order to reinforce the management monitoring functions for the purpose of improving the transparency of the management and achieving management goals under the holding company system, the Company has a Board of Directors made up of nine Directors: (a) six internal Directors who are in charge of controlling the overall corporate operations of the Group and the Group’s management, finance, research and human resources strategies; and (b) three Independent Outside Directors who monitor the Company’s management on the basis of their independent and objective perspective, and of their extensive experience, track record and knowledge.

The Board of Directors shall, in addition to making decisions on statutory matters and material corporate operations matters stipulated in the Board of Directors Rules, appoint the President who controls the overall business execution of the Group, the group operating officers who control the corporate operations of each major business division, and other key personnel, and shall monitor their business execution. From a standpoint that is objective and independent from the management engaged in the conduct of the Company’s corporate operations as Directors , three Independent Outside Directors provide valuable advice and appropriate oversight regarding the deliberation of agenda items for the Board of Directors.

The Company executes limitation of liability agreements with the three Independent Outside Directors in accordance with Article 427, Paragraph 1 of the Companies Act. The maximum amount of their liability is the amount set forth in laws and regulations.

(Auditing function)

The Company is a company with Audit & Supervisory Board, which are independent from the Board of Directors and each Audit & Supervisory Board Members of which audits the performance of the Directors’ duties from an independent standpoint (decision-making by a single individual), and has an Audit & Supervisory Board. There are four Audit & Supervisory Board Members, two of whom are Outside Audit &

Supervisory Board Members, and the Company has allocated a three-person assistant to Audit & Supervisory Board Members as personnel to assist such Audit & Supervisory Board Members in their duties to Secretariats of Audit & Supervisory Board.

Audit & Supervisory Board Members stipulate audit policy and assignments via the Audit & Supervisory Board in accordance with the Company's standards for audits, attend important meetings such as meetings of the Board of Directors, the Management Council, and the Group Management Council, review requests for approval, and audit the business companies and other subsidiaries; the Company has a system wherein Audit & Supervisory Board Members can thoroughly audit the status of the Directors' performance of their duties. As Audit & Supervisory Board Members having an objective and neutral viewpoint, the two Independent Outside Audit & Supervisory Board Members audit the performance of the Directors' duties.

The Company executes limitation of liability agreements with all Audit & Supervisory Board Members in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of their liability is the amount set forth in laws and regulations.

The Group Audit Department (consisting of 14 members) implements internal audits for the business companies, subsidiaries, and the Group as a whole. Yasuo Matsuura and Shigeyoshi Sato, two certified accountants from Ernst & Young ShinNihon LLC, perform the accounting audits. The number of years audited is two years for Yasuo Matsuura and three years for Shigeyoshi Sato. In addition, assistants concerning the accounting audits of the Company consist of 19 certified accountants and 16 others.

(3) Overview of corporate governance system related to nomination and remuneration decisions

In order to increase the transparency of operations related to the selection and treatment of Directors and to maintain healthy management functions, the Company has established a Nominations Committee and a Compensation Committee as advisory bodies to the Board of Directors.

Please refer to "[Directors] Voluntary Establishment of Committee(s) Corresponding to Nominations Committee or Compensation Committee" of this report and "12(5) ① Compensation Committee" and "12(5) ② Nominations Committee" of the "Basic Policy on Corporate Governance" for details regarding each committee.

3. Reasons for Adoption of Current Corporate Governance System

The Company considers the strengthening and reinforcement of Group governance as an important management issue, and, as described in 2. above, is working to clarify the supervisory function, operating functions and audit functions throughout the Group under the holding company system and to strengthen management monitoring functions in order to increase transparency in management and achieve management goals.

Three of the nine Directors are appointed as Independent Outside Directors; Independent Outside Directors provide beneficial advices and monitors the management engaged in corporate operations, from an objective standpoint backed by extensive experience, achievements, and knowledge.

As described above, inasmuch as the current corporate governance system is considered to be functioning efficiently, the Company has adopted and is maintaining the current system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	On the occasion of the 94th Ordinary General Meeting of Shareholders held on March 29, 2018, the Company sent out the convocation notice on March 6th, 2018 (23 days prior to the date of the meeting).
Allowing Electronic Exercise of Voting Rights	The exercise of voting rights via the internet (*i.e.*, using a website for the exercise of voting rights operated by securities agents designated by the Company) has been adopted.
Participation in Electronic Voting Platform and Other Measures for Improving the Environment for Exercising Voting Rights by Institutional Investors	The Company has participated in a platform for exercise of voting rights that is operated by Investor Communications Japan Inc.
Providing of Convocation Notice(Summary) in English	The Company prepares an English version (abridged translation) of convocation notices and posts the same on the Company's English website.
Other	The contents of convocation notices (including reference documents) and attachments are posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Posted on the Company's website.	
Regular Investor Briefings for Individual Investors	The Company holds investor briefings several times per year, mainly briefings held by securities companies, conducted by officers and managers in charge of IR as an explainer.	None
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial settlement briefings for analysts and institutional investors after the announcement of the second quarter-end financial results (announced in July or August) and the year-end financial results (announced in February). The Company also distributes audio data of the content of the investor briefings on the Company's website to investors who cannot attend the briefings. In addition, the Company also holds telephone conferences for the first quarter and third quarter, conducted by officers in charge of IR.	Provided
Regular Investor Briefings for Overseas Investors	The Company visits individually, or holds telephone conferences for, overseas investors (applicants are selected through securities brokerage firms or IR consulting firms) once or twice per year.	Provided
Posting of IR Materials on Website	The Company endeavors to enhance the contents of IR website and posts "Financial Results," "Presentation Materials," "Annual Reports and Quarterly Reports," "Materials of Timely Disclosure," "Notices of Convocation of General Meetings of Shareholders," etc.	
Establishment of Department and/or Manager in Charge of IR	An IR Office has been established in the Corporate Finance and Business Management Department.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has stipulated its fundamental management policy as "striving to maintain integrity in corporate conduct that reinforces stakeholder and aiming to achieve continuous growth in corporate value" and is endeavoring to achieve continuous growth and increase corporate value for the entire Group and to contribute to stakeholders into the future.
Implementation of Environmental Activities, CSR Activities etc.	The Company has stipulated four new promises following a review of material issues to be dealt with in accordance with the Group Basic CSR Policy, and has been engaging in environmental protections, CSR activities, and other similar activities. Details regarding such activities are posted on the Company's website under "Sapporo Group's CSR."
Development of Policies on Information Provision to Stakeholders	The Company has provided the item "Proper Disclosure and Management of Corporate Information" in the Sapporo Group Code of Corporate Conduct and has stipulated that information needed by the public is to be disclosed in a timely and proper manner, and that investor relations activities for shareholders and investors is to be enhanced. The Company manages the use of insider information properly, in accordance with the Rules for Preventing Insider Trading.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

As set forth below, the Board of Directors of the Company has stipulated "Guidelines on the Construction of an Internal Control System" relating to "A Development of Systems Necessary to Ensure the Properness of Operations of a Stock Company and Operations of Group of Enterprises Consisting of said Stock Company and its Subsidiaries" under Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of the Companies Act, and the Board of Directors of the Company has also stipulated a "Basic Policy on Framework toward Eliminating Anti-Social Forces" and a "Basic Policy on Ensuring Credibility of Financial Reports." Necessary resolutions have been passed at Board of Directors meetings of each business company.

In order to make an effort to enforce the basic policies passed at the Company's Board of Directors meetings and to continuously develop and reinforce the system for the Group as a whole, the Company has stipulated "Guidelines on the Construction of an Internal Control Systems at Sapporo Group" which specifically stipulates the construction of the Group's internal control system, appointed officers to act as responsible parties, and taken specific measures.

[Guidelines on the Construction of an Internal Control System]

(1) The system for ensuring the execution of duties by Directors and personnel complies with laws and regulations and the Articles of Incorporation

1) The Board of Directors shall prevent actions which violate laws and regulations and the Articles of Incorporation (i) by making decisions or giving approval for statutory matters, management policies and other material matters relating to corporate operations, in accordance with laws and regulations, the Articles of Incorporation and the Board of Directors Rules, and (ii) by monitoring each other's performance of duties as Directors.

2) The Company has stipulated the "Sapporo Group Code of Corporate Conduct" as a code for encouraging all of the Group's officers and employees to take actions based on concrete ethical views, and has constructed a compliance system for the entire Group in cooperation with its subsidiaries, with the Group Risk Management Department as a point of contact. The Company has also established a corporate ethics hotline for the prevention and early discovery of wrongdoing.

3) Under the instruction of the Representative Director, the Group Audit Department, which is an internal audit body independent from the corporate operations line, shall audit, in the whole operations of the Company and its subsidiaries, the status of compliance with laws and regulations, the Articles of Incorporation and internal company rules.

(2) System regarding retention and management of information relating to Directors' execution of operation

1) With respect to the retention and management of information relating to Directors' execution of operation, the Company shall properly retain and manage the following documents (including electromagnetic records) in accordance with applicable laws and regulations and internal company rules, and shall make such documents available as needed.

a. Minutes of General Shareholders Meetings, minutes of Board of Directors and related materials
b. Minutes of the Management Council, minutes of the Group Management Council and related materials
c. Requests for Approval, accompanying documents and other material documents relating to Directors' job performance

2) The department in charge shall stipulate the method for the retention and maintenance of other material documents, in accordance with applicable laws and regulations.

(3) Rules and other systems for the management of risk of loss

1) The risk inherent in material decision-making in corporate operations or the conduct of business shall be managed at the Management Council, and each management division, such as Management Strategy, Accounting and Legal Affairs, shall analyze the possible risk and makes necessary reports with respect to matters to be discussed or reported at the Council.

2) As a risk management in the event of an emergency or when a fact that could lead to a state of emergency comes to light, the Group Risk Management Committee shall discuss solutions including

information disclosure in cooperation with subsidiaries' risk management body etc. and handle such cases promptly and appropriately.

(4) System for ensuring efficient performance of duties by Directors
1) The Board of Directors shall appoint a Representative Director, President and officers with titles, as well as the group operating officers assigned to control key business divisions of the Group or handle key management goals for the entire Group of the Company, and shall ensure that these individuals execute the business for which they are responsible.
2) The President oversees the execution of Group corporate operations as a whole. The Management Council and the Group Management Council are established as advisory bodies for the President, and the President shall gain an understanding of the status of business execution by each division, discuss material matters and make expeditious decisions.
3) The President shall formulate a management plan for the entire Group and obtain approval therefor from the Board of Directors. Reports on the state of execution of these plans by the entire Group shall be made to the Board of Directors quarterly.
4) The group operating officers who are in charge of key business divisions shall make a commitment, to the President, for the management goals of their division, and shall report the management status every month. They shall also attend Board of Directors meetings every quarter and provide reports on the business performance in their division.
5) In order to establish responsibility in business execution and to ensure smooth and efficient operation, the Company stipulates standards for administration, organization, and division of duties and authorities, etc. in the Regulations for the Conduct of Business, and as supplemental provisions, the Company stipulates standards for division of duties in the Division of Duties Regulations, and standards for authority in the Table for Decision-Making Authority.

(5) System for ensuring appropriate execution of duties in the corporate group consisting of the Company, its parent company, and its subsidiaries
1) Secure systems of receiving periodic reports from Directors of subsidiaries with respect to matters relating to the performance of their duties.
2) The Board of Directors shall stipulate policies under Paragraph 1, 3 and 4 of the Guidelines on the Construction of an Internal Control System, and ensure that subsidiaries establish a required system for their Board of Directors in accordance with these basic policies.
3) Corporate Finance and Business Management Department shall be in charge of controlling subsidiaries and shall control the corporate operations of subsidiaries in accordance with the "Sapporo Group Company Management Operation Rules." Material matters relating to the entire Group shall be discussed at Board of Directors meetings, the Management Council and committee meetings ancillary thereto.

(6) Matters relating to personnel in the case where Audit & Supervisory Board Members decide to have such personnel support their duties, and matters relating to the independence of such personnel from Directors
1) If Audit & Supervisory Board Members request the assignment of personnel to support their duties, Assistants to Audit & Supervisory Board Member will be assigned.
2) In cases where Assistants to Audit & Supervisory Board Member are put in place for Audit & Supervisory Board Members, the Company shall ensure the independence of such staff from Directors by respecting the opinions of Audit & Supervisory Board Members in relation to the assignment and evaluation of such staff etc., and the Company shall also ensure the Audit & Supervisory Board Members' effectiveness in directing such staff.

(7) Structure for reporting from Directors and employees to Audit & Supervisory Board Members and other structures regarding reports to Audit & Supervisory Board Members
1) Audit & Supervisory Board Members shall be provided with reports from Directors or employees regarding the following matters.
a. Matters to be reported regularly
・ Management, business and financial status, risk management and compliance status
b. Matters to be reported in special circumstances
・ Matters which may cause serious damage to the Company and other material facts related to management

・ Fraud in relation to Directors' performance of their duties and material breaches of laws and regulations or the Articles of Incorporation

2) In order to receive the report of 1) above and to gain an understanding of the status of Directors' performance of their duties, the Company shall maintain a system in which Audit & Supervisory Board Members attend Board of Directors, a Standing Audit & Supervisory Board Members attends Management Council and Group Management Council meetings, review important documents relating to business execution such as requests for approval, and in which Directors and personnel otherwise make reports to Audit & Supervisory Board Members.

3) A system shall be in place such that Directors, Audit & Supervisory Board Members and employees of subsidiaries, or any party that has obtained reports therefrom, must report to Audit & Supervisory Board Members.

4) A system shall be in place such that whistleblowers who report to Audit & Supervisory Board Members are not treated unfavorably.

(8) Other systems ensuring efficient audits by Audit & Supervisory Board Members

1) Directors shall attempt to acquire a better understanding of the auditing of Directors and employees by Audit & Supervisory Board Members, and to create an environment for auditing by Audit & Supervisory Board Members.

2) A system shall be in place such that Audit & Supervisory Board Members can collect necessary information, including by holding occasional meetings with Representative Directors, obtaining reports from the Group Audit Department, and periodically exchanging opinions with Accounting Auditors.

3) A policy shall be stipulated regarding the Company's bearing of fees and liabilities arising from the job performance by Audit & Supervisory Board Members.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

(1) The Group, as a code of conduct, is not and will not be engaged in any relationship with anti-social forces and organizations which could pose a threat to the order or the safety of civil society, and shall implement such code of conduct thoroughly.

(2) Under this Basic Policy, the Company shall create an administrative division which handles matters relating to anti-social forces and organizations, and shall appoint a person in charge of preventing undue claims, collect and manage information within the Group, and develop and enforce the system for eliminating such anti-social forces and organizations by cooperating with police, organized crime group elimination organizations, lawyers, and other outside specialized organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted

Supplementary Explanation

The "Basic Policy Regarding What and How a Person Controlling Decisions on a Stock Company's Financial and Business Policies Should Be" provided for in the Ordinance for Enforcement of the Companies Act was resolved at the Board of Directors held on February 13, 2017, and the overview of the content is as set forth below. The Basic Policy was approved by the shareholders at the 93rd Ordinary General Meeting of Shareholders held on March 30, 2017, and became effective on the same date.

1. Basic Policy on Company Control

In managing the Company that, as a holding company, controls the management of the entire business of the Group, which consists primarily of the domestic alcoholic beverage business, international business, food and soft drink business, food service business and real estate business, it is indispensable to have extensive know-how, abundant experience, and an understanding of the relationships established with the stakeholders, including domestic and foreign customers, employees, business partners, etc. Without a sufficient understanding of the above matters by persons in control of decisions on the Company's financial and business policies, the shareholder value that could be realized by Company shareholders in the future may be damaged. Therefore, in order to protect the common interest of shareholders of the Company, the Company believes that it is necessary to take measures, as the Board of Directors deems appropriate, against the large-scale purchase of shares etc. of the Company, which may clearly and seriously damage the common interest of shareholders ("Large-Scale Purchase", with the purchaser being referred to as a "Large-Scale Purchaser").

2. Effective Utilization of the Company's Assets, Formation of an Appropriate Corporate Group, and Other Special Efforts to Realize the Basic Policy on Company Control

In November 2016, The Company formulated and announced the "Sapporo Group Long-Term Management Vision 'SPEED150'", which stipulates the direction for the next 10 years from 2017 through 2026, the year of the 150th anniversary of the Company's founding. In "SPEED 150", with renewed awareness that the source of the Group's growth lies in the "Brand Assets" cultivated over the 140-year history since the Group's founding, the Company values "Alcoholic Beverages", "Food" and "Soft Drinks" as its Group's three core business fields. Along with the continuous growth in existing businesses, by setting "Accelerate Growth in the 'Food' Field" and "Promote Global Business Expansion'" as strategic themes, the Company will work to nurture and strengthen the Group's brands along with its real estate holdings. The Company will also strive to utilize corporate activities for the enhancement of communication with stakeholders, expand the Company's presence, and aim to meet the expectations of all Company stakeholders.

The Company has made positive efforts toward strengthening corporate governance systems through the introduction of operating officers in March 1999, prior to the Company's shift to a pure holding company structure, and the reduction to one year of the term of office for Directors as of March 2002, etc. Since the Company shifted to a pure holding company structure in July 2003, the Company has been strengthening and reinforcing corporate governance and has gradually increased the number of Outside Directors.

The Company is a company with Audit & Supervisory Board, but has voluntarily established a "Nominations Committee" and a "Compensation Committee" and is working to increase the transparency of operations related to the selection and treatment of Directors, and to maintain and develop a healthy management structure. In addition, the Company established an "Independent Outside Directors Committee" in December 2015, with the aim of enhancing information exchange and attaining a common understanding among the Independent Outside Directors in relation to the management strategies of the Company and the Group, and in relation to matters concerning corporate governance.

The Company is striving to achieve continuous growth and increase corporate value over the medium-to-long term in accordance with "Basic Policy on Corporate Governance."

3. Efforts to Prevent the Company's Financial and Business Policies from Being Controlled by Inappropriate Parties, in Accordance with the Basic Policy on Company Control

In order to prevent the Company's finance and business policies from being controlled by inappropriate parties, in accordance with the Basic Policy on Company Control, the Company asks that Large-Scale Purchasers follow certain reasonable rules ("Large-Scale Purchase Rules"), and has stipulated certain policies for compliance and non-compliance in relation thereto. The Company stipulated these as the Company Policy for Handling the Large-Scale Purchase of Shares etc. (the "Large-Scale Purchase Policy").

In the Large-Scale Purchase Rules, it is stipulated that a Large-Scale Purchaser must provide the Board of Directors with all necessary and sufficient information concerning the relevant Large-Scale Purchase in advance, in order to ensure that shareholders are provided with the information necessary to decide whether or not to accept such Large-Scale Purchase, and with the opinion of the Board of Directors of the Company and the opportunity to receive alternative proposals. The Large-Scale Purchase may be commenced only after a certain period of assessment by the Board of Directors of the Company has elapsed. If a Large-Scale Purchaser complies with the Large-Scale Purchase Rules, except in exceptional cases where it is considered that the common interests of the Company's shareholders will be clearly and seriously damaged, the Board of Directors may not take countermeasures against the relevant Large-Scale Purchase. On the other hand, if a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, the Board of Directors of the Company may take the countermeasures available to them under the Companies Act, other laws, and the Articles of Incorporation of the Company against the Large-Scale Purchase to protect the common interests of the Company's shareholders.

Please refer to the Company's website (*) for details regarding the Large-Scale Purchase Policy.

The Large-Scale Purchase Policy was approved by shareholders at the 93rd Ordinary Meeting of General Shareholders held on March 30, 2017, and became effective on the same date (with a period of validity until the end of the 96th ordinary general shareholders meeting, to be held by March 31, 2020).

(*) Website: http://www.sapporoholdings.jp/english/news_release/pdf/17021304.pdf

4. The Large-Scale Purchase Policy Is in Compliance with the Basic Policy on Company Control, Will Not Damage the Common Interests of Shareholders of the Company, and Does Not Have As a Purpose the Maintenance of the Status of Company Officers; the Reasons Therefor

(1) The Large-Scale Purchase Policy is in compliance with the Basic Policy on Company Control.

The Large-Scale Purchase Policy explicitly stipulates that the Board of Directors may take countermeasures against Large-Scale Purchasers who do not observe the Large-Scale Purchase Rules. Even when there is compliance with the Large-Scale Purchase Rules, if the Board of Directors of the Company deems that the Large-Scale Purchase will clearly and seriously impair the common interest of the shareholders of the Company, it may take such countermeasures as it deems appropriate for protecting the common interest of shareholders. As such, it can be said that the Large-Scale Purchase Policy was established in line with the Basic Policy on Company Control.

(2) The Policy shall not impair the common interest of shareholders.

As described in 1. the Basic Policy on Company Control is premised on the assumption that the common interest of shareholders of the Company should be respected. The Large-Scale Purchase Policy is consistent with the Basic Policy on Company Control and is intended to ensure that shareholders of the Company are provided with the information necessary to decide whether or not to accept a Large-Scale Purchase, with the opinion of the Board of Directors of the Company, and with the opportunity to receive alternative proposals. Because the shareholders of the Company and investors can make proper investment judgments through the Large-Scale Purchase Policy, said policy does not damage the common interest of the shareholders of the Company, but rather supports those interests.

(3) The Policy does not have as a purpose the maintenance of the status of the Company Officers.

The Large-Scale Purchase Policy provides a detailed advance disclosure of the cases in which the Board of Directors of the Company may take countermeasures, and countermeasures by the Board of Directors of the Company may be taken in accordance with said policy. The Board of Directors of the Company may not unilaterally implement and continue the Policy; the approval of shareholders of the Company is required.

In addition, in when, in relation to a Large-Scale Purchase, the Board of Directors of the Company is to assess and review the purchase and form an opinion as a board, the Board of Directors shall request advice from outside experts, etc. as necessary, and shall consult with the Independent Committee, which consists of members who are independent of the management team that conducts the Company's corporate operations, and shall give utmost respect to the recommendations of such Independent Committee. As mentioned above, the Policy includes procedures through which the appropriate operations by the Board of Directors of the Company are ensured.

As described above, the Company believes it to be clear that the Policy does not have as a purpose the maintenance of the status of officers.

2. Other Matters Concerning to Corporate Governance System

1. Basic Stance Regarding Timely Disclosure by the Company

The Company conducts corporate operations having stipulated, as a fundamental management policy, that it is "striving to maintain integrity in corporate conduct that reinforces stakeholder trust and aiming to achieve continuous growth in corporate value." The Company recognizes that the timely and appropriate disclosure of information requested by the public is an essential responsibility for a corporation, and endeavors to disclose such information in a timely manner.

The Company stipulates as follows regarding the "Proper Disclosure and Management of Corporate Information" in the "Sapporo Group Code of Corporate Conduct", for the Company, each Group and employees, and strives to act in compliance with such code.

Proper Disclosure and Management of Corporate Information, from "Sapporo Group Code of Corporate Conduct"

・ The Company must properly disclose, in a timely manner, management information regarding the Company's corporate financial condition, business activities and similar matters, and must take measures to help shareholders and investors understand Sapporo Group more deeply through investor relations activities.

・ The Company must properly manage the use of insider information in accordance with the Sapporo Group Rules for Preventing Insider Trading.

2. The Company's Internal System for Timely Disclosure

The Managing Executive Officer is the person responsible for handling information, and the actual practices related to information disclosure such as timely disclosure are handled by the Corporate Finance and Business Management Department as set forth below.

(1) Information collection and timely disclosure determinations

・ Information collection from each division and each Group company is handled by Corporate Finance and Business Management Department (1. Financial statement information; 2. Decisions; 3-1. Facts that have arisen other than risk matters) and the Group Risk Management Department (3-2. Risk matters).

・ With respect to 1. Financial statement information, 2. Decisions, and 3-1. Facts that have arisen other than risk matters, Corporate Finance and Business Management Department passes information on to the Timely Disclosure Consideration Meeting (handling office: Corporate Finance and Business Management Department), which analyzes such information, and in light of the Timely Disclosure Rules etc., prior consideration is made regarding whether to disclose and the content and method of disclosure.

・ With respect to 3-2. Risk matters, the Group Risk Management Committee (administration office: Group Risk Management Department) analyzes the relevant risk information, considers whether to disclose the same in a timely manner, and refers the matter to the Timely Disclosure Consideration Meeting, if it is deemed necessary.

(2) Public announcement

・ With respect to 1. Financial statement information, 2. Decisions, 3-1. and 3-2. Facts that have arisen including risk matters, matters are discussed or reported at the Management Council or Group Management

Council (chair: President; administrative office: Managing Executive Officer) after prior consideration at the Timely Disclosure Consideration Meeting as set forth in (1) above, and in addition to decision-making and approval regarding such matter, the content and method etc. of timely disclosure are determined.

・ For 1. Financial statement information, and 3-1 and 3-2. Facts that have arisen including risk matters, disclosure will be made promptly after the report to the Management Council or Group Management Council is made. For 2. Decisions, disclosure will be made promptly after decision-making at the Management Council.

