



[2023] Dialogue with Capital Markets

- 1. Policy on Dialogue with Capital Markets**
- 2. Dialogue with Investors and Feedback Cycle to Management and Others**

March 2024
<https://www.sapporoholdings.jp>

1. Policy on Dialogue with Capital Markets

In our "Basic Policy on Corporate Governance," we have established the following regarding dialogue with the capital markets:

We maintain a system to facilitate constructive dialogue with shareholders, contributing to sustainable growth and enhancing long-term corporate value:

1. Designate officers responsible for Investor Relations (IR) and Shareholder Relations (SR) as the overall supervisors for all shareholder dialogue.
2. The supervising officer, upon receiving a request for individual dialogue from a shareholder, will confirm the shareholder's main concerns and conduct meetings within a reasonable scope. However, if necessary, other directors (including external directors and directors who are audit committee members) or the responsible officers for IR or SR may conduct the meetings instead.
3. To support dialogue with shareholders, the General Affairs, Finance, and Corporate Communications departments will hold regular meetings and work in close cooperation.
4. Besides individual meetings, regular financial results briefings for analysts and strategic meetings as necessary will be held, and timely and appropriate information disclosure will be made on our company's website.
5. Regularly understanding the shareholder structure to promote dialogue with shareholders. Opinions and concerns gathered through dialogue will be reported to management by the supervising officer.
6. To prevent the leakage of financial results and ensure fairness, a quiet period will be set from the day after the end of each fiscal quarter to the day of the earnings announcement, during which, in principle, no answers or comments will be given on questions related to the results. Additionally, internal training on insider information will be conducted annually to prevent the leakage of insider information.

2. Dialogue with Investors and Feedback Cycle to Management and Others

Dialogue with Investors

We actively engage in dialogue with shareholders and investors through IR (Investor Relations) and SR (Shareholder Relations) activities, providing proactive disclosure about our management, while also listening to the opinions of capital market participants.

Performance

- Earnings presentations for institutional investors and securities analysts: 4 times
- Business strategy presentation: once
- Small meeting with securities analysts: once
- Individual dialogues with institutional investors and securities analysts: 116 times
- Securities firm-sponsored conference: once
- Individual dialogues with institutional investors responsible for exercising voting rights, etc.: 29 times

* External directors also participate in dialogues with investors through SR (Shareholder Relations) activities.

Sharing Information with Management and Others

The requests and suggestions obtained through dialogue with shareholders and investors are utilized in management by discussing them in the Board of Directors meetings, among others, after regular feedback to management.

Performance

- Reports on market reactions post-earnings announcement and feedback from dialogues with investors are presented at the SH Board of Directors and the weekly executive meetings (6 times a year).
- Quarterly dialogue contents are reported via email to SH and business companies (4 times a year).
- Quarterly dialogue contents are discussed and feedback is provided in meetings with the business planning departments of business companies (24 times a year across 6 business companies).

| | Requests and Suggestions from Shareholders/Investors | Insights and Achievements in Our Company |
|---------------------------------------|--|---|
| Business Portfolio | The current medium-term plan has been positively evaluated for clarifying the business portfolio to a certain extent. Going forward, how will the business portfolio be managed? | In managing our business portfolio, we have established qualitative and quantitative criteria, and decided to review them annually at the Board of Directors meetings. Furthermore, while listening to a variety of opinions from the capital markets, we are committed to operating our business portfolio in a way that maximizes our strengths and enhances corporate value. |
| Low profitability | Sapporo's biggest challenge is its low profitability. The company should urgently improve its profit margins, which are inferior compared to its competitors. | Traditionally, we have set profit amount as our management goal, but we have identified low profitability as our biggest challenge. We have now made improving capital efficiency a clear objective by establishing Return on Equity (ROE) as our most important financial goal. We recognize that our current ROE level does not sufficiently exceed the cost of equity capital demanded by the market. We are undertaking various initiatives aimed at achieving sustainable growth and improving capital efficiency. |
| Mid-term Plan Progress and Monitoring | The content of the current medium-term plan is commendable, but its effectiveness remains a challenge. | We recognize that many of our past management plans have not been fully achieved. We believe it is essential to enhance regular monitoring at the Board of Directors to improve execution and achieve our plans. We have also set Key Performance Indicators (KPIs) aimed at achieving our current medium-term plan, and these are being closely monitored by the Board of Directors. |
| Policy-held Shares | Shouldn't we increase the speed of our efforts to reduce policy-held shares? | To improve asset and capital efficiency, we have decided to accelerate our efforts by achieving the reduction targets set in our current medium-term plan ahead of schedule and setting further reduction goals. |
| Board Composition & Skill Matrix | If the number of internal and external directors is exactly half, isn't there a concern that adequate supervisory functions over execution may not be functioning? Additionally, are the necessary skill sets being fulfilled? | We have reviewed the skills of the Board of Directors, and from 2023, we have increased the number of external directors with expertise in real estate, making external directors the majority, thereby enhancing the supervisory function. Additionally, in pursuit of achieving our medium-term plan, we have revised the skill matrix to include "Sustainability" and classified the necessary knowledge, experience, and skills into eight categories. |
| Takeover Defense Measures | Takeover defense measures do not lead to an increase in corporate value. I would like them to be abolished. | While we aim to maximize corporate value and the shared benefits of shareholders by steadily executing our medium-term plan and also considering recent trends regarding takeover defenses and comprehensive feedback from the capital markets, we decided to discontinue our pre-warning type takeover defense measure in 2023. |