

(TRANSLATION)

[This English translation is an abridged version of the original notice in Japanese. In the event of any discrepancy, the Japanese version prevails.]

(Securities code: 2501)

March 7, 2017

To Our Shareholders

Tsutomu Kamijo
Chairman and Director
Sapporo Holdings Limited
20-1, Ebisu 4-chome, Shibuya-ku, Tokyo

Notice of Convocation of the 93rd Ordinary General Meeting of Shareholders

Dear Sirs/Madams:

You are cordially invited to attend the 93rd Ordinary General Meeting of Shareholders of Sapporo Holdings Limited (the “Company”) to be held as described below.

We would be grateful if you would take the time to exercise your voting rights by one of the methods described on page 3.

Description

- Date and time of the meeting: Thursday, March 30, 2017 at 10:00 a.m.
(The reception desk is presently scheduled to open at 9:00 a.m.)
- Place of the meeting: Peacock Room, 2nd floor of the Main Building, Imperial Hotel
Tokyo
1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo
- Purpose of the meeting:
Matters to be reported:
- (1) Reports on the business, the consolidated financial statements, and the results of audit of the consolidated financial statements by the accounting auditors and the Audit & Supervisory Board for the 93rd business term (from January 1, 2016 to December 31, 2016).
 - (2) Report on the non-consolidated financial statements for the 93rd business term (from January 1, 2016 to December 31, 2016).

Matters to be resolved:

- | | |
|------------------------|---|
| Proposal No. 1: | Dividends from Surplus |
| Proposal No. 2: | Partial Amendments of the Articles of Incorporation |
| Proposal No. 3: | Election of Nine (9) Directors |
| Proposal No. 4: | Election of One (1) Audit & Supervisory Board Member |
| Proposal No. 5: | Election of One (1) Substitute Audit & Supervisory Board Member |
| Proposal No. 6: | Revision of the Remuneration Amount of Directors |
| Proposal No. 7: | Approval of Policy toward Large-Scale Purchase of Share Certificates, etc., of the Company |

Guidance Notes on the Exercise of Voting Rights

We would be grateful if you would take the time to review the Reference Materials for the General Meeting of Shareholders in the following pages and exercise your voting rights. You may exercise your voting rights by the following three methods.

If you are able to attend the meeting

Submission to Receptionist at the Meeting

Please submit the enclosed voting rights exercise form to the receptionist at the place of the meeting on the day of the meeting.

Date and time of the meeting: Thursday, March 30, 2017 at 10:00 a.m.

Place of the meeting: Peacock Room, 2nd floor of the Main Building, Imperial Hotel Tokyo

We kindly ask you to bring this Notice of Convocation as reference documents describing the planned proceedings on the day.

If you are unable to attend the meeting

Exercise of Voting Rights by Mail

Please indicate your approval or disapproval in respect of each proposal on the enclosed voting rights exercise form and send the form back to us.

In the event that your approval or disapproval of any proposal is not indicated on the voting rights exercise form, this shall be considered as approval of the proposal or proposals.

Deadline: Please post to arrive by no later than 5:30 p.m. on Wednesday, March 29, 2017

Exercise of Voting Rights by Internet

If you wish to exercise your voting rights by Internet, access the website for exercising voting rights (see the URL below) from your personal computer, smartphone or mobile phone, use the “login ID” and “temporary password” described in the enclosed voting rights exercise form and register your approval or disapproval of proposals by following the directions on the screen.

Website for exercising voting rights
<http://www.it-soukai.com>

Deadline: Please register by no later than 5:30 p.m. on Wednesday, March 29, 2017

If you exercise your voting rights both by mail (in writing) and by Internet, we will only accept, as effective, the exercise of your voting rights via the Internet. If you exercise your voting rights more than once by Internet, we will only accept, as effective, the last exercise of your voting rights. The cost of Internet access (access fees to Internet service providers, telecommunications fees, etc.) will be borne by you, the shareholder. Depending on your Internet operating environment, you may be unable to use the website for exercising voting rights.

For Inquiries with Respect to the Exercise of Voting Rights by Internet

Please contact:

Internet Help Dial [Japanese only]
Stock Transfer Agency Department
Mizuho Trust & Banking Co., Ltd.
Telephone: 0120-768-524 (toll-free, domestic calls only)
Operating hours: 9:00 a.m. to 9:00 p.m.
(excluding Saturdays, Sundays and national holidays)

To Institutional Investors

In addition to the above-mentioned method for exercising voting rights by Internet, the electronic platform for exercising voting rights, which is operated by Investor Communications Japan Inc. (ICJ, Inc.), is available to those who have applied to use such platform beforehand.

Reference Materials for the General Meeting of Shareholders

Proposal No. 1 – Dividends from Surplus

The Company considers the appropriate return of profits to its shareholders as a fundamental aspect of management policy and has adopted a basic policy to undertake stable dividend payments taking into consideration the Company's performance and financial condition.

Meanwhile, pursuant to the "Sapporo Group Long-Term Management Vision 'SPEED150'", which was announced in November 2016, the Company, starting this year, is working under the "First Medium-Term Management Plan 2020", which calls for a dividend payout ratio of 30% as a target for return of profits to its shareholders.

The operating results for the 93rd business term are as shown in the Business Report. While taking into consideration the provision of return of profits to its shareholders and the future business environment, etc., the Company intends to distribute the year-end dividends for the 93rd business term as follows.

- 1 Category of dividend assets:
Cash
- 2 Matters relating to the allocation of dividend assets and the total amount of such allocation:
37 yen per share of the Company's common stock
The total amount of dividends: 2,887,713,359 yen
- 3 Date on which the dividends from surplus will take effect:
March 31, 2017

- Notes
1. Pursuant to a resolution of the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016, a consolidation of shares (common shares) at the ratio of 1 share for each 5 shares was carried out on July 1, 2016. The year-end dividend for the current fiscal year is equivalent to 7.40 yen (increase in dividend of 0.40 yen) per pre-consolidation share.
 2. In regard to the financial indicator set forth in the "First Medium-Term Management Plan 2020", if net profit for the current term accruing to the parent company shareholder changes significantly because of an extraordinary profit or loss, etc. stemming from special factor, the impact from this may be taken into consideration when deciding a dividend amount.

Proposal No. 2 – Partial Amendments of the Articles of Incorporation

1. Reason of Amendments

In order to give flexibility to the management of the General Meeting of Shareholders, the provisions with respect to the Convener and Chairperson of the General Meeting of Shareholders set forth in Article 14 of the current Articles of Incorporation will be required to change.

2. Details of Amendments

The details of the amendments are as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 3 General Meetings of Shareholders</p> <p>(Convener and Chairperson)</p> <p>Article 14 Unless otherwise stipulated by laws and regulations, a general meeting of shareholders shall be convened and chaired by the President and Director pursuant to resolution of the Board of Directors. When the post of President and Director is <u>not</u> established or the President and Director is <u>is</u> unable to attend, other Directors shall convene such general meetings and act as the chairperson thereof in accordance with the order determined in advance by resolution of the Board of Directors.</p>	<p>Chapter 3 General Meetings of Shareholders</p> <p>(Convener and Chairperson)</p> <p>Article 14 Unless otherwise stipulated by laws and regulations, a general meeting of shareholders shall be convened and chaired by <u>the Chairman and Director or</u> the President and Director pursuant to resolution of the Board of Directors. When the post of <u>neither the Chairman and Director nor the</u> President and Director is established or <u>both the</u> <u>Chairman and Director and</u> the President and Director <u>are</u> unable to attend, other Directors shall convene such general meetings and act as the chairperson thereof in accordance with the order determined in advance by resolution of the Board of Directors.</p>

Proposal No. 3 – Election of Nine (9) Directors

At the conclusion of this general meeting, the terms of office of all nine (9) directors will expire. The Company therefore proposes the election of nine (9) directors (including three (3) outside directors). The candidates for director are as follows:

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
1	<p style="text-align: center;">Incumbent</p> <p style="text-align: center;">Tsutomu Kamijo</p> <p>(January 6, 1954) 63 years old</p> <p>Number of Shares Held in the Company 16,098 shares</p> <p>Number of Board of Directors' meetings attended 12/12</p>	<p>April 1976 Joined the Company (former Sapporo Breweries Limited)</p> <p>March 2001 Director (Member of the Board), Director of Sales Planning Department, of Sapporo Beverage Co., Ltd.</p> <p>September 2003 Director (Member of the Board) and Managing Executive Officer, Director of Marketing Department, of Sapporo Beverage Co., Ltd.</p> <p>September 2005 Director (Member of the Board) and Managing Executive Officer, Director of Management Strategy Headquarters, of Sapporo Beverage Co., Ltd.</p> <p>March 2007 Director (Member of the Board), Director of Corporate Planning Department, of the Company</p> <p>March 2009 Managing Director (Member of the Board) of the Company</p> <p>March 2011 President and Representative Director of Sapporo Beverage Co., Ltd. President and Representative Director of the Company and CEO of the Group</p> <p>January 2017 Chairman and Representative Director (up to the present)</p> <p>Mr. Kamijo will have served as a director of the Company for ten (10) years as of the conclusion of this general meeting</p> <p>[Reasons for Presenting Mr. Tsutomu Kamijo as a Candidate for Director] Mr. Tsutomu Kamijo has been Representative Director of the Company since 2011, and has a wealth of experience, a rich track record and great insight as a manager. The Company has determined that he will be the right administrator and supervisor of overall group management, and he has thus been presented to the shareholders as a candidate for director.</p>
2	<p style="text-align: center;">New Candidate</p> <p style="text-align: center;">Masaki Oga</p> <p>(December 2, 1958) 58 years old</p> <p>Number of Shares Held in the Company 11,990 shares</p>	<p>April 1982 Joined the Company (former Sapporo Breweries Limited)</p> <p>October 2006 Director, Tokyo Headquarters Office, Tokyo Metropolitan Area Sales & Marketing Division of Sapporo Breweries Limited (newly established company)</p> <p>March 2009 Operating Officer, Director of Hokkaido Sales & Marketing Division of Sapporo Breweries Limited</p> <p>March 2010 Director (Member of the Board) and Managing Officer, Director of Marketing Department of Sapporo Breweries Limited</p> <p>March 2013 President and Representative Director of Sapporo Breweries Limited</p> <p>March 2015 Director (Member of the Board) and Group Operating Officer of the Company</p> <p>March 2015 Group Operating Officer of the Company</p> <p>January 2017 President and Group Operating Officer of the Company (up to the present)</p> <p>[Reasons for Presenting Mr. Masaki Oga as a Candidate for Director] Mr. Masaki Oga has served as a director of the Company and president and representative director of an operating company, and has thereby gained a wealth of experience, a rich track record and great insight as a manager. The Company has determined that he will be the right person to promote the group management and strengthen the corporate governance of the Company, and he has thus been presented to the shareholders as a candidate for director.</p>

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
3	<p style="text-align: center;">Incumbent</p> <p>Hiroyuki Nose (February 3, 1963) 54 years old</p> <p>Number of Shares Held in the Company 2,769 shares</p> <p>Number of Board of Directors' meetings attended 12/12</p>	<p>April 1986 Joined the Company (former Sapporo Breweries Limited)</p> <p>March 2011 Director of Shochu Planning Department, of Sapporo Breweries Limited (newly established company)</p> <p>September 2012 Director of Yebisu Brand Planning Department of Sapporo Breweries Limited</p> <p>March 2013 Director of Brand Planning Department of Sapporo Breweries Limited</p> <p>March 2015 Director (Member of the Board), Director of Business Planning Department, of the Company (up to the present)</p> <p>Mr. Nose will have served as a director of the Company for two (2) years as of the conclusion of this general meeting.</p> <p>[Reasons for Presenting Mr. Hiroyuki Nose as a Candidate for Director] Having had wide experience in sales & marketing departments of operating companies and been in charge of brand planning department, Mr. Hiroyuki Nose has an experience, a track record and insight for marketing strategies. The Company has determined that he will be the right person to formulate and promote the growth strategy of the Sapporo Group, and he has thus been presented to the shareholders as a candidate for director.</p>
4	<p style="text-align: center;">Incumbent</p> <p>Shinichi Soya (September 20, 1963) 53 years old</p> <p>Number of Shares Held in the Company 3,282 shares</p> <p>Number of Board of Directors' meetings attended 10/10</p>	<p>April 1986 Joined the Company (former Sapporo Breweries Limited)</p> <p>October 2006 Director of Strategic Planning Department, Hokkaido Headquarters, of Sapporo Breweries Limited (newly established company)</p> <p>November 2009 Director (Member of the Board) of Pokka Corporation (currently POKKA SAPPORO Food & Beverage Ltd.)</p> <p>March 2012 Director (Member of the Board), Director of Corporate Planning Department of Sapporo Beverage Co., Ltd.</p> <p>November 2012 Managing Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd.</p> <p>March 2014 Director (Member of the Board) of Sapporo International Inc. Director (Member of Board) of Sapporo Group Management Co., Ltd (up to the present)</p> <p>March 2015 Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food & Beverage Ltd.</p> <p>March 2016 Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company (up to the present)</p> <p>Mr. Soya will have served as a director of the Company for one (1) year as of the conclusion of this general meeting.</p> <p>[Reasons for Presenting Mr. Shinichi Soya as a Candidate for Director] Having had wide experience in the accounting & finance departments of operating companies as well as been in charge of the corporate planning and international departments, Mr. Shinichi Soya has an experience, a track record and insight for overall corporate planning. The Company has determined that he will be the right person to strengthen the group management structure and global management of the Company, and he has thus been presented to the shareholders as a candidate for director.</p>

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
5	<p style="text-align: center;">Incumbent</p> <p style="text-align: center;">Mayumi Fukuhara [Legal surname: Kobayashi]</p> <p style="text-align: center;">(April 2, 1964) 52 years old</p> <p>Number of Shares Held in the Company 115 shares</p> <p>Number of Board of Directors' meetings attended 10/10</p>	<p>April 1988 Joined the Company (former Sapporo Breweries Limited)</p> <p>September 2009 Group Leader of Human Resources and General Affairs Department of Sapporo Breweries Limited (newly established company)</p> <p>March 2013 Director of Human Resources and General Affairs Department of Sapporo Breweries Limited</p> <p>March 2014 Director of Human Resources Department of Sapporo Breweries Limited</p> <p>March 2016 Director (Member of the Board), Director of Human Resources Department of the Company (up to the present)</p> <p>Ms. Fukuhara will have served as a director of the Company for one (1) year as of the conclusion of this general meeting.</p> <p>[Reasons for Presenting Ms. Mayumi Fukuhara as a Candidate for Director]</p> <p>Having been in charge of human resources department of operating companies, Ms. Mayumi Fukuhara has an experience, a track record and insight for overall human resources strategy. The Company has determined that she will be the right person to promote the diversity and strengthen human resources development of the Sapporo Group, and she has thus been presented to the shareholders as a candidate for director.</p>
6	<p style="text-align: center;">New Candidate</p> <p style="text-align: center;">Ikuya Yoshida</p> <p style="text-align: center;">(December 21, 1961) 55 years old</p> <p>Number of Shares Held in the Company 4,593 shares</p>	<p>April 1985 Joined the Company (former Sapporo Breweries Limited)</p> <p>July 2003 Director of Production, Research & Development Center, Production & Technology Department of Sapporo Breweries Limited (newly established company)</p> <p>September 2004 Director of Production & Technology Department, Hokkaido Brewery of Sapporo Breweries Limited</p> <p>March 2008 Director of Product, Research & Development Center, Product, Research & Development Department of Sapporo Breweries Limited</p> <p>March 2009 Director of Production & Technology Department, Shizuoka Brewery of Sapporo Breweries Limited</p> <p>September 2010 Director of Kyushu Hita Brewery of Sapporo Breweries Limited President and Representative Director of Tanoshimaru Shuzo Co., Limited</p> <p>September 2012 Director of Chiba Brewery of Sapporo Breweries Limited</p> <p>March 2013 Operating Officer and Director of Chiba Brewery of Sapporo Breweries Limited</p> <p>March 2015 Senior Operating Officer and Director of Chiba Brewery of Sapporo Breweries Limited (up to the present)</p> <p>[Reasons for Presenting Mr. Ikuya Yoshida as a Candidate for Director]</p> <p>Mr. Ikuya Yoshida has a wealth of experience, a rich track record and great insight for the planning and development of new products gained through his employment as a person in charge of the production & technology and product development departments of an operating company. The Company has determined that he will be the right person to promote research and development as well as quality improvement at the Sapporo Group, and he has thus been presented to the shareholders as a candidate for director.</p>

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
7	<p data-bbox="319 521 488 555" style="border: 1px solid black; display: inline-block; padding: 2px;">Incumbent</p> <p data-bbox="319 589 488 701">(Candidate for Outside Director/ Independent Director)</p> <p data-bbox="339 734 467 790">Shigehiko Hattori</p> <p data-bbox="316 835 496 891">(August 21, 1941) 75 years old</p> <p data-bbox="316 925 496 1025">Number of Shares Held in the Company 0 shares</p> <p data-bbox="308 1059 499 1171">Number of Board of Directors' meetings attended 12/12</p>	<p data-bbox="515 309 1380 645"> April 1964 Joined Shimadzu Corporation June 1989 President of Shimadzu Scientific Instruments, Inc. (seconded to the United States of America) June 1993 Director (Member of the Board) of Shimadzu Corporation (seconded to the United States of America) June 1997 Managing Director (Member of the Board) of Shimadzu Corporation June 2003 President and Representative Director of Shimadzu Corporation June 2009 Chairman and Representative Director of Shimadzu Corporation March 2012 Outside Director (Member of the Board) of the Company (up to the present) June 2015 Senior Advisor of Shimadzu Corporation (up to the present) </p> <p data-bbox="515 656 1380 835"> [Status of Important Concurrent Occupations or Positions at Other Organizations] Senior Advisor of Shimadzu Corporation Outside Director of Mitsubishi Tanabe Pharma Corporation Outside Director of Brother Industries, Ltd. Outside Director of Meiji Yasuda Life Insurance Company Outside Audit & Supervisory Board Member of Nikkei Inc. </p> <p data-bbox="515 846 1380 902">Mr. Hattori will have served as an outside director of the Company for five (5) years as of the conclusion of this general meeting.</p> <p data-bbox="515 913 1380 1126"> [Reasons for Presenting Mr. Shigehiko Hattori as a Candidate for Outside Director] 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 presented to the shareholders as a candidate for outside director. </p> <p data-bbox="515 1137 1380 1305"> [Policy on His Independence] 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, and the Company has determined Mr. Hattori is unlikely to have a conflict of interest with shareholders. </p> <p data-bbox="515 1317 1380 1373">The Company designated Mr. Hattori as an independent director as provided for by the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange and has notified each of the Exchanges of his designation.</p>

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
8	<p data-bbox="316 533 486 566" style="border: 1px solid black; padding: 2px; display: inline-block;">Incumbent</p> <p data-bbox="316 600 486 712">(Candidate for Outside Director/ Independent Director)</p> <p data-bbox="316 745 486 779">Teruhiko Ikeda</p> <p data-bbox="316 813 486 869">(December 5, 1946) 70 years old</p> <p data-bbox="316 902 486 1014">Number of Shares Held in the Company 0 shares</p> <p data-bbox="316 1048 486 1160">Number of Board of Directors' meetings attended 12/12</p>	<p data-bbox="510 309 1394 342">April 1969 Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p data-bbox="510 342 1394 398">June 1996 Director (Member of the Board), General Manager of Branch Department of The Fuji Bank, Ltd.</p> <p data-bbox="510 398 1394 432">April 1998 Managing Director (Member of the Board) of The Fuji Bank, Ltd.</p> <p data-bbox="510 432 1394 465">May 2001 Senior Managing Director (Member of the Board) of The Fuji Bank, Ltd.</p> <p data-bbox="510 465 1394 521">April 2002 Director (Member of the Board), Deputy President of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p data-bbox="510 521 1394 555">June 2004 President and CEO of Mizuho Trust & Banking Co., Ltd.</p> <p data-bbox="510 555 1394 589">June 2008 Chairman of Mizuho Trust & Banking Co., Ltd.</p> <p data-bbox="510 589 1394 622">June 2010 Advisor of Mizuho Trust & Banking Co., Ltd. (up to the present)</p> <p data-bbox="510 622 1394 656">March 2012 Outside Director (Member of the Board) of the Company (up to the present)</p> <p data-bbox="510 656 1394 689">[Status of Important Concurrent Occupations or Positions at Other Organizations]</p> <p data-bbox="510 689 1394 723">Advisor of Mizuho Trust & Banking Co., Ltd.</p> <p data-bbox="510 723 1394 757">Outside Audit & Supervisory Board Member of TOKYO FM Broadcasting Co., Ltd.</p> <p data-bbox="510 757 1394 790">Independent Director of NSK Ltd.</p> <p data-bbox="510 790 1394 846">Mr. Ikeda will have served as an outside director of the Company for five (5) years as of the conclusion of this general meeting.</p> <p data-bbox="510 846 1394 880">[Reasons for Presenting Mr. Teruhiko Ikeda as a Candidate for Outside Director]</p> <p data-bbox="510 880 1394 1081">Mr. Teruhiko Ikeda has a wealth of experience, a rich track record and great insight as the manager of a financial institution. Mr. Ikeda 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 risk management, and he has thus been presented to the shareholders as a candidate for outside director.</p> <p data-bbox="510 1081 1394 1115">[Policy on His Independence]</p> <p data-bbox="510 1115 1394 1305">While Mr. Teruhiko Ikeda had engaged in business execution at Mizuho Trust & Banking Co., Ltd. until June 2010, more than six years have passed since he left his executive position, and he is not in a position to directly manage Mizuho Trust & Banking Co., Ltd. nor does he have any special relationship with the said bank. In light of the standards of independence of the Exchanges on which the Company is listed, and the Company's criteria for judgment on independence, the Company has determined Mr. Ikeda is unlikely to have a conflict of interest with shareholders.</p> <p data-bbox="510 1305 1394 1384">The Company designated Mr. Ikeda as an independent director as provided for by the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange and has notified each of the Exchanges of his designation.</p>

Candidate Number	Name (Date of Birth)	Career Summary, Position and Business Responsibility in the Company (Status of Important Concurrent Occupations or Positions at Other Organizations)
9	<p style="text-align: center;">Incumbent</p> <p>(Candidate for Outside Director/ Independent Director)</p> <p style="text-align: center;">Shizuka Uzawa</p> <p>(January 30, 1946) 71 years old</p> <p>Number of Shares Held in the Company 0 shares</p> <p>Number of Board of Directors' meetings attended 12/12</p>	<p>April 1969 Joined Nisshinbo Industries, Inc. (currently Nisshinbo Holdings Inc.)</p> <p>June 2001 Director (Member of the Board), Chief of Accounting and Finance Division of Nisshinbo Industries, Inc.</p> <p>June 2004 Executive Director (Member of the Board) of Nisshinbo Industries, Inc.</p> <p>June 2006 Director (Member of the Board), Executive Managing Officer, and Chief of General Affairs Division of Nisshinbo Industries, Inc.</p> <p>April 2007 Director (Member of the Board), Senior Executive Managing Officer, and Chief of Paper Products Division of Nisshinbo Industries, Inc.</p> <p>April 2008 Director (Member of the Board), Senior Executive Managing Officer, Chief of Paper Products Division, and Chief of Business Support Center of Nisshinbo Industries, Inc.</p> <p>June 2009 President and Representative Director of Nisshinbo Holdings Inc.</p> <p>June 2013 Chairman and Representative Director of Nisshinbo Holdings Inc.</p> <p>March 2015 Outside Director (Member of the Board) of the Company (up to the present)</p> <p>June 2016 Advisor of Nisshinbo Holdings Inc. (up to the present)</p> <p>[Status of Important Concurrent Occupations or Positions at Other Organizations]</p> <p>Advisor of Nisshinbo Holdings Inc.</p> <p>External Executive Director of Japan Finance Corporation</p> <p>Outside Director of Nichirei Corporation</p> <p>Mr. Uzawa will have served as an outside director of the Company for two (2) year as of the conclusion of this general meeting.</p> <p>[Reasons for Presenting Mr. Shizuka Uzawa as a Candidate for Outside Director]</p> <p>Mr. Shizuka Uzawa has a wealth of experience, a rich track record and great insight as the president of a holding company as well as an extensive insight 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 presented to the shareholders a candidate for outside director.</p> <p>[Policy on His Independence]</p> <p>Mr. Shizuka Uzawa is currently an Advisor of Nisshinbo Holdings Inc. No transactions have or are being made between the said company and the Company or its subsidiaries, and the Company has determined Mr. Uzawa is unlikely to have a conflict of interest with shareholders.</p> <p>The Company designated Mr. Uzawa as an independent director as provided for by the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange and has notified each of the Exchanges of his designation.</p>

Notes:

- Each candidate for director has no special interest in the Company.
- The number of shares held in the Company is the effective number of shares held, including shares held through Sapporo Group's Director and Audit & Supervisory Board Member Stock Ownership Plan and its Employee Stock Ownership Plan. Pursuant to a resolution of the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016, a consolidation of shares (common shares) at the ratio of 1 share for each 5 shares was carried out on July 1, 2016. The above-mentioned number of shares held in the Company indicates the shareholdings after this consolidation of shares.
- While Mr. Shigehiko Hattori was serving as a representative director of Shimadzu Corporation, Shimadzu Corporation received a suspension of its designated contractor status from the Japan Ministry of Defense on January 25, 2013, because it was found out that the company had made excessive claims to the Ministry for its expenses for aircraft equipment. The company returned the amount for excessive claims on March 25, 2014, and the suspension of its designated contractor status was lifted.
- The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with Mr. Shigehiko Hattori, Mr. Teruhiko Ikeda and Mr. Shizuka Uzawa. Should the reelection of the three (3) persons be approved, the Company intends to continue the said contracts. The amount of limit of liability which is stipulated in these contracts is to be the minimum liability amount which is stipulated in Article 425, Paragraph 1 of the Companies Act.

Reference Judgment on Independence

In addition to requiring a candidate for independent outside director to fulfill the applicable independence criteria stipulated by financial instruments exchanges, the "Nomination Committee" of the Company voluntarily established with an independent outside director as the Chair recommends talents who have a wealth of experience and a rich track record in, and a great insight for, corporate management or specific professional areas, and are capable of offering pertinent opinions and advice on the management issues of the Company.

Proposal No. 4 – Election of One (1) Audit & Supervisory Board Member

At the conclusion of this general meeting, the term of office of audit & supervisory board member (outside audit & supervisory board member) Mr. Kazuo Sugie will expire. The Company therefore proposes the election of one (1) audit & advisory board member (outside audit & advisory board member).

Additionally, the Company has obtained the approval of the Audit & Supervisory Board for submitting this proposal to this general meeting.

The candidate for audit & supervisory board member is as follows:

Name (Date of Birth)	Career Summary, Position, and Status of Important Concurrent Occupations or Positions at Other Organizations
<p style="text-align: center;">Incumbent</p> <p>(Candidate for Outside Audit & Supervisory Board Member/Independent Audit & Supervisory Board Member)</p> <p style="text-align: center;">Kazuo Sugie</p> <p>(October 5, 1945) 71 years old</p> <p>Number of Shares Held in the Company 0 shares</p> <p>Number of Board of Directors' meetings attended 12/12</p> <p>Number of Audit & Supervisory Board meetings attended 12/12</p>	<p>August 1970 Joined Dainippon Ink and Chemicals, Inc. (currently DIC Corporation)</p> <p>June 2001 Director (Member of the Board) of Dainippon Ink and Chemicals, Inc.</p> <p>June 2002 Managing Director (Member of the Board) of Dainippon Ink and Chemicals, Inc.</p> <p>June 2004 Senior Managing Director (Member of the Board) of Dainippon Ink and Chemicals, Inc.</p> <p>June 2006 Representative Director, Vice President of Dainippon Ink and Chemicals, Inc.</p> <p>April 2008 Representative Director, Executive Vice President of DIC Corporation</p> <p>April 2009 Representative Director, President and CEO of DIC Corporation</p> <p>April 2012 Chairman of the Board of DIC Corporation</p> <p>March 2013 Outside Audit & Supervisory Board Member of the Company (up to the present)</p> <p>March 2015 Senior Advisor of DIC Corporation (up to the present)</p> <p>[Status of Important Concurrent Occupations or Positions at Other Organizations] Senior Advisor of DIC Corporation (scheduled to retire from this position on March 29, 2017)</p> <p>Mr. Sugie will have served as an outside audit & supervisory board member of the Company for four (4) years as of the conclusion of this general meeting.</p> <p>[Reasons for Presenting Mr. Kazuo Sugie as a Candidate for Outside Audit & Supervisory Board Member] 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 presented to the shareholders as a candidate for outside audit & advisory board member.</p> <p>[Policy on His Independence] 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. Accordingly, the Company has determined Mr. Sugie is unlikely to have a conflict of interest with shareholders. The Company designated Mr. Sugie as an independent audit & supervisory board member as provided for by the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange and has notified each of the Exchanges of his designation.</p>

Notes:

1. The candidate for audit & supervisory board member has no special interest in the Company.
2. The Company has entered into a limited liability contract, as stipulated in Article 427, Paragraph 1 of the Companies Act, with Mr. Kazuo Sugie. Should the reelection of him be approved, the Company intends to continue the said contract. The amount of limit of liability which is stipulated in this contract is to be the minimum liability amount which is stipulated in Article 425, Paragraph 1 of the Companies Act.

Proposal No. 5 – Election of One (1) Substitute Audit & Supervisory Board Member

At the commencement of this general meeting, the effect of the election of Mr. Tsugio Yada as a substitute audit & supervisory board member, who was elected as substitute audit & supervisory board member at the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016, expires. In case of the number of incumbent outside audit & supervisory board members becomes less than that is required by laws and ordinances, the Company proposes the election of one (1) substitute audit & supervisory board member for outside audit & supervisory board member.

The Company has obtained the approval of the Audit & Supervisory Board for submitting this proposal to this general meeting.

The candidate for substitute audit & supervisory board member is as follows:

Name (Date of Birth)	Career Summary, Position, and Status of Important Concurrent Occupations or Positions at Other Organizations
<div style="border: 1px solid black; width: fit-content; margin: 0 auto; padding: 2px;">Incumbent</div> <p>(Candidate for Substitute Audit & Supervisory Board Member for Outside Audit & Supervisory Board Member)</p> <p style="text-align: center;">Tsugio Yada</p> <p style="text-align: center;">(July 22, 1948) 68 years old</p> <p>Number of Shares Held in the Company 0 shares</p>	<p>April 1976 Prosecutor at the Tokyo District Public Prosecutors Office Thereafter, worked for the District Public Prosecutors Offices in Sendai, Chiba, Kushiro, Tokyo, Osaka and Tokyo</p> <p>August 1989 Retired from the Special Investigation Department of the Tokyo District Public Prosecutors Office</p> <p>September 1989 Registered as a lawyer (Daiichi Tokyo Bar Association) Established Yada Law Office (currently Nozomi Sogo Attorneys at Law) (up to the present)</p> <p>[Status of Important Concurrent Occupations or Positions at Other Organizations] Lawyer of Nozomi Sogo Attorneys at Law</p> <p>[Reasons for Presenting Mr. Tsugio Yada as a Candidate for Substitute Audit & Supervisory Board Member for Outside Audit & Supervisory Board Member] Although Mr. Tsugio Yada has no experience directly managing a company, the Company has judged that he will be able to audit the performance of duties by directors of the Company from an objective and fair perspective based on his wealth of knowledge and experience as an attorney with expertise in the field of corporate law, and he has thus been presented to the shareholders as a candidate for substitute audit & supervisory board member for outside audit & supervisory board member.</p> <p>[Policy on His Independence] A legal advisory agreement is in place between Mr. Tsugio Yada and the Company in relation to operations of the Audit & Supervisory Board of the Company. However, as the transaction amount during the current business term is immaterial when measured both as a ratio to the Company's consolidated net sales and as a ratio to Mr. Yada's annual billings, the Company has determined Mr. Yada is unlikely to have a conflict of interest with shareholders. If Mr. Yada is appointed to the position of Audit & Supervisory Board Member, the Company plans to terminate the said legal advisory agreement. In addition, should Mr. Yada be appointed to the position of Audit & Supervisory Board Member, the Company intends to designate him as an independent audit & supervisory board member as provided for by the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange and notify each of the Exchanges of his designation.</p>

Notes:

1. The candidate for substitute audit & supervisory board member has no special interest in the Company.
2. Should Mr. Tsugio Yada assume the position of audit & supervisory board member, the Company intends to enter into a limited liability contract, as stipulated in Article 427, Paragraph 1 of the Companies Act, with him. The amount of limit of liability which is stipulated in this contract is to be the minimum liability amount which is stipulated in Article 425, Paragraph 1 of the Companies Act.

Proposal No. 6 – Revision of the Remuneration Amount of Directors

The remuneration of the directors of the Company was resolved to be “not in excess of 240 million yen per year” (excluding the employee salaries in instances where employees serve concurrently as directors) at the 83rd Ordinary General Meeting of Shareholders held on March 29, 2007. These remuneration figures remain current as of this date.

Since that time, however, the responsibility of directors has increased in line with changes in the business environment and enhancements in governance structure. After giving serious consideration to this, along with the expectation of an increased remuneration amount if the Group achieves further earnings growth in the future in line with the long-term management vision, and other various states of affairs such as the economic situation, the Company proposes revising the amount of remuneration of directors to be “not in excess of 500 million yen (of which the amount of remuneration of outside directors shall not exceed 50 million yen) per year”. As before, the remuneration amount paid to directors do not include the employee salaries in instances where employees serve concurrently as directors. Concerning the number of directors, assuming that Proposal No. 3 is approved in its original draft, the number of directors will be nine (9) (including three (3) outside directors).

Remuneration amount for individual directors will be determined through deliberation in the voluntary “Compensation Committee” which will be chaired by an independent outside director.

At the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016, the Company received the approval for the introduction of the performance-linked stock compensation system. This system, which is separate from the above-stated remuneration amount targets directors, group operating officers of the Company, and some directors of the Company’s subsidiaries (excluding outside directors).

Proposal No. 7 – Approval of Policy toward Large-Scale Purchase of Share Certificates, etc., of the Company

In relation to the “Policy toward the Large-Scale Purchase of Share Certificates, etc. of the Company” which was consented to by the shareholders at the 90th ordinary general meeting of shareholders held on March 28, 2014, and became effective on the same date (with a period of validity until the end of the 93rd ordinary general meeting of shareholders to be held on March 30, 2017 (hereinafter referred to as the “General Meeting”)), the Company has continually been assessing the role of such policy, including whether or not to extend the period of validity of such policy, from the perspective of enhancing the corporate value and ultimately protecting the common interests of the shareholders of the Company while at the same time considering subsequent changes in the circumstances.

As a result of these deliberations, at the meeting of the board of directors of the Company held on February 13, 2017, by the agreement of all directors, the “Basic Policy Regarding What and How a Person Controlling Decisions on a Stock Company’s Financial and Business Policies Should Be” (hereinafter referred to as the “Basic Policy on Company Control”) provided for in Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act was resolved, and in addition, conditional upon consent by the shareholders at the General Meeting, it was decided to continue with the “Policy toward Large-Scale Purchase of Share Certificates, etc. of the Company” (hereinafter referred to as the “Policy”), and we hereby give notice to that effect.

The Policy is prepared in order to protect corporate value and ultimately the common interests of the shareholders of the Company. The Policy, which is based on the philosophy that the “Carrying out of the Large-Scale Purchase shall be left to the final decision of the shareholders”, defines the “Large-Scale Purchase Rules” in order to enable the shareholders to make an appropriate decision by requiring the Large-Scale Purchaser of the share certificates, etc. of the Company to provide sufficient information, including the purpose and substance of the Large-Scale Purchase, and by securing a proper assessment period. Thus, the Policy does not prevent the Large-Scale Purchase or deprive the shareholders of the opportunity to determine whether or not to accept the Large-Scale Purchase.

With regard to the continuation of the Policy, we believe, taking the importance of the Policy into account, that it is appropriate to confirm the intention of shareholders, and we hereby request their approval of the continuation of the Policy.

If this proposal is approved by the majority of voting rights of all shareholders holding shares who are present at this General Meeting, the Policy shall continue to be in effect and the expiration date shall be the end of the 96th ordinary general meeting of shareholders of the Company to be held by March 31, 2020.

As for the contents of the Basic Policy on Company Control as well as the Policy, please see the Attachment to Proposal No. 7.

In addition, the main features of the Policy and the parts that have been amended upon continuation of the Policy are as set out below.

1. Main Features of the Policy

The Company has reviewed and revised the Policy as necessary since it has been adopted in February 2006 from the perspective of protecting the common interests of the shareholders of the Company considering the enforcement of the Companies Act and the Financial Instruments and Exchange Act, or the “Role of Anti-Takeover Policy Taking Into Account the Recent Changes of Various Environment” announced by the Corporate Value Study Group as of June 30, 2008, or any other environmental change or opinions from the shareholders and investors. The main features of such Policy are as follows:

- 1) Structures to Avoid Unnecessary Prolongation of the Process of Large-Scale Purchase Rules
 - Specific contents of the necessary information the provision of which is to be requested to Large-Scale Purchasers have been limited to the extent necessary and sufficient for the shareholders of the Company to determine or the board of directors of the Company to form its opinion.
 - An upper limit (which shall be 60 days, unless an extension is requested by a Large-Scale Purchaser) on the requesting period for the provision of information from Large-Scale Purchasers has been set.
 - The assessment period for the board of directors shall be set as necessary within 60 days, and even if such assessment period is to be extended, such period shall be limited to 90 days maximum, including the original assessment period.
- 2) Structures to Eliminate Arbitrary Decisions by the Board of Directors of the Company
 - An independent committee, which shall be independent from the board of directors as its monitoring body, shall be established, and upon making important decisions concerning the Policy, the board of directors shall consult with such independent committee and give utmost respect to the recommendations of such independent committee.
 - Furthermore, where a resolution of the board of directors is conducted in relation to an important decision relating to the Policy, such decision may not be resolved unless there is agreement by two-thirds or more of independent outside directors attending the board of directors’ meeting.
 - In addition to the monitoring by the independent committee and the independent outside directors as described above, the Policy specifies that resolutions at the shareholders’ meeting or approval of the shareholders may be required depending on the content of the countermeasures selected.
- 3) Structures to Limit Implementation of Countermeasures
 - If a Large-Scale Purchaser complies with the Large-Scale Purchase Rules, the board of directors of the Company shall not take countermeasures against the Large-Scale Purchase, unless it is an exceptional case where it is considered that the common interests of the shareholders of the Company will be clearly and seriously damaged. The Company shall not deem that a Large-Scale Purchaser has not complied with the Large-Scale Purchase Rules just because a Large-Scale Purchaser has not provided a part of the necessary information requested by the board of directors of the Company.
 - Cases where exceptional measures may be taken against Large-Scale Purchasers complying with the Large-Scale Purchase Rules are limited to cases where Large-Scale Purchases are considered to clearly and seriously damage the common interests of the shareholders of the Company, and the Policy specifies that exceptional measures will not be taken against any Large-Scale Purchase just because the intention of a Large-Scale Purchaser formally falls under any act exemplified in the Policy or the Large-Scale Purchase adversely affects the interests of any stakeholder other than the shareholders.
- 4) Others
 - In the event that the board of directors of the Company selects to issue stock acquisition rights by allotment to the shareholders as a specific countermeasure, it has been set in relation to the

acquisition terms and acquisition conditions of the stock acquisition rights that no money shall be delivered as consideration to any persons belonging to a specific Group of Shareholders.

2. Parts Which Have Been Amended upon Continuation of the Policy

Upon continuation of the Policy, the following amendments shall be made.

- (1) An explanation about the “Efforts Based on the Sapporo Group Long-Term Management Vision”, announced in November 2016 in place of the existing “Efforts Based on the Sapporo Group’s New Management Framework”, is given in Attachment “II Effective Utilization of Our Assets, the Formation of the Appropriate Corporate Group, and Other Special Efforts to Realize the Basic Policy on Company Control”. Furthermore, the “Efforts toward Strengthening and Reinforcing of the Corporate Governance” have been updated with an explanation reflecting the latest efforts of the Company.
- (2) An additional explanation is given with respect to the necessity of the continuation of the Policy in Attachment “III Efforts to Prevent the Company’s Financial and Business Policies from Being Controlled by an Inappropriate Party According to the Basic Policy on Company Control”.
- (3) Upon continuation of the Policy, the members of the independent committee will be changed from the previous outside knowledgeable persons to independent outside directors and independent outside audit & supervisory board members. The members-to-be are as mentioned in Appendix 1 of the attachment. The new members will officially be decided through a resolution of the General Meeting and the meeting of the board of directors that will subsequently be held.
- (4) With respect to the “total number of shares to be acquired upon the exercise of the stock acquisition right” described in “Type and Number of Shares to be Acquired upon Exercise of the Stock Acquisition Right” of Appendix 2 of the attachment “Outline of Stock Acquisition Rights”, the maximum number of shares is revised from the previous number of 116,000,000 shares to 120,000,000 shares since all of the convertible bonds are redeemed.
- (5) In addition to the matters set forth above, some of the dates and phrases have been revised and some of the wording has been reorganized.

[End of document]

(Attachment to Proposal No. 7)

I Basic Policy on Company Control

The board of directors of the Company believes that the shareholders of the Company should be entrusted to make the final decision regarding whether or not to accept a large-scale purchase by a specific person.

However, in managing the Company that, as a holding company, controls the management of the entire business of the Group, which is primarily comprised of the domestic alcoholic beverage business, international business, food & 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 a person controlling decisions on our financial and business policies, the shareholder value that could be realized in the future by our shareholders may be damaged.

We shall make every effort to cultivate the shareholders' and the investors' understanding of the appropriate value of the Company's shares through IR activities; however, it is indispensable that the shareholders of the Company are provided with appropriate and sufficient information by both a purchaser and the board of directors of the Company in order to appropriately determine, within a short period of time, whether or not the purchase price of the Company's shares proposed by the purchaser is reasonable, when a large-scale purchase is suddenly made. In addition, we believe that information regarding the impact of the purchase on the Company, the basic management policy that the purchaser wishes to adopt if the purchaser participates in the management of the Company, and the opinion of the board of directors of the Company towards the purchase, etc. is material to the decision making process of the shareholders of the Company who intend to hold the Company's shares continuously in respect of whether or not to continue to hold such shares.

Taking the above into account, we believe that it is necessary for a large-scale purchaser to commence a large-scale purchase only after the purchaser provides necessary and sufficient information regarding the purchase in advance and a certain period for the board of directors of the Company elapses, in accordance with the rules established and disclosed in advance by the Company (please refer to III 3 for details; hereinafter referred to as the "Large-Scale Purchase Rules") for the benefit of the decision making process of the shareholders of the Company.

In addition, in large-scale purchases, it cannot be said that there are never cases where the large-scale purchase in question will be determined as clearly and seriously damaging to the common interests of the shareholders of the Company. In order to protect the common interests of the shareholders of the Company, we believe that it is necessary to take such measures against such purchase as the board of directors of the Company deems appropriate in accordance with the Large-Scale Purchase Rules.

II Effective Utilization of Our Assets, the Formation of the Appropriate Corporate Group, and Other Special Efforts to Realize the Basic Policy on Company Control

In addition to the efforts set forth in III below, we will make every special effort to realize the Basic Policy on Company Control as follows.

1. Efforts Based on the Sapporo Group Long-Term Management Vision

In November 2016, the Sapporo Group formulated and announced the “Sapporo Group Long-Term Management Vision ‘SPEED150’”. This vision sets forth the overall direction the Company should pursue over the next 10 years through 2026, the year marking the 150th anniversary of Group’s founding.

“SPEED150” once again recognizes that the source of the Group’s growth lies in the “Brand Assets” cultivated over the Group’s 140-year history since it was founded. With that recognition the Company has positioned ‘Alcoholic Beverages’, ‘Food’ and ‘Soft Drinks’ as the Group’s three core business fields. In addition to further growth in respect of the existing businesses, the Company, with the strategic theme of “Expansion of the ‘Food’ Field” and “Global Business Expansion”, will work to nurture and strengthen the Group’s brands along with its real estate businesses. Furthermore, the Company will deepen communication with stakeholders through business activities to increase its presence while enhancing the satisfaction of all stake holders.

To realize “SPEED150”, the Company has formulated the “First Medium-Term Management Plan 2020” summarizing the basic strategies to be implemented during the four year period starting from the first year. Based on the general policy theme of “Transformation with Unprecedented Speed”, the Company will strengthen the Group management foundation and carry out business solutions in respect of each business activity in order to stimulate further growth, and will aim to achieve quantitative targets by continuous growth.

2. Efforts toward the Strengthening and Reinforcing of Corporate Governance

We shifted to a pure holding company system in July 2003, and established the management philosophy and basic management policy of the Group as well as the basic principles of the operation of the Group and formulated the Group’s governance system based on the “Basic Policy on Corporate Governance” (hereinafter referred to as the “Basic Policy”) as follows:

(1) Management Philosophy of the Group and Basic Policy on Our Management

Sapporo Group states its management philosophy to be “create enjoyment and contribute to enrichment” and its basic management policy is “strive to maintain integrity in corporate conduct that reinforces stakeholder trust and aim to achieve continuous growth in corporate value”, and is focused on improving the corporate value of the whole Group by achieving continuous growth and revenue and to contribute to the stakeholders in the future.

(2) Basic Principles of the Operation of the Group

Under a holding company system, Sapporo Group has established the basic principles of group operation (the total optimization of the Group, the maintenance of autonomy of each Group company and the mutual cooperation among Group companies) and aims to maximize corporate value by achieving total optimization of Sapporo Group and creating synergies, while retaining the autonomy of each business segment.

(3) Basic Policy on the Constitution of the System of Group Governance

In order to realize the management philosophy and the basic policy of management and to promote the continuous improvement of the corporate value of the whole Group, we established the “Basic Policy” in December 2015. We, in accordance with this Basic Policy, regard the strengthening and reinforcement of Group governance as an important management issue. We are clarifying the supervisory function, operating function and audit function of our Group under the holding company system, and are

endeavoring to improve the transparency of the management and to reinforce the management monitoring function toward the achievement of management goals.

(4) Efforts toward Strengthening the Group Governance System

We have made positive efforts toward strengthening the governance system through adopting operating officers in March 1999 which was before our shift toward a pure holding company system, and reducing the term of office of the directors to one year as of March 2002, etc.

Since we shifted to a pure holding company system in July 2003, we have gradually increased the number of outside directors. We have elected three independent outside directors who have been registered as independent directors pursuant to the rules of the applicable financial instruments exchanges. Also, the “Basic Policy” specifies that three or more persons shall be elected as independent outside directors. Furthermore, despite being a company with audit & supervisory board, we voluntarily established a “nominating committee” and a “compensation committee” in November 1998 to enhance the transparency of the operations concerning personnel and the treatment of directors and made efforts to maintain and improve the soundness of management organizations. In addition, we set up an “independent outside directors committee” in December 2015 to encourage independent outside directors to exchange information and share their thoughts with regard to the Company and the Group’s management strategy and matters relating to corporate governance, etc.

We will further endeavor to strengthen and reinforce corporate governance based on the “Basic Policy” in order to realize continuous growth and improve corporate value in the medium-to-long term.

III Efforts to Prevent the Company’s Financial and Business Policies from Being Controlled by an Inappropriate Party According to the Basic Policy on Company Control

In accordance with the Basic Policy on Company Control described in I above, we consider that it is the efforts to prevent the Company’s financial and business policies from being controlled by an inappropriate party according to the Basic Policy on Company Control that we establish certain reasonable rules that the Large-Scale Purchaser (as defined below) is requested to follow (“Large-Scale Purchase Rules”) in the event of the implementation of any purchase of Share Certificates, Etc.³ of the Company by a Group of Shareholders¹ with the intent to hold 20% or more of the Voting Rights Ratio² of the Group of Shareholders or any purchase of Share Certificates, Etc. of the Company resulting in a Group of Shareholders holding 20% or more of the total voting rights of the Company (we do not make any distinction based on specific means of purchase, such as market transactions or tender offers, but the purchases to which the board of directors of the Company has given prior consent are not included; such a purchase shall be hereinafter referred to as a “Large-Scale Purchase” and a person that conducts a Large-Scale Purchase shall be hereinafter referred to as a “Large-Scale Purchaser”); and that we constitute certain policies depending on whether or not the Large-Scale Purchaser observes the rules. We materialize those rules and policies as the policy toward Large-Scale Purchase of share Certificates, etc. of the Company (hereinafter referred to as the “Policy”), and set forth them as follows.

Notes

1 A Group of Shareholders means:

- (i) a Holder (including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Law. The same shall apply hereinafter) and any Joint Holders (provided in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Law, including a person deemed as a Joint Holder pursuant to Paragraph 6 thereof. The same shall apply hereinafter) of Share Certificates, Etc. (provided in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Law) of the

Company; or

- (ii) a person who makes purchases, etc. (provided in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Law, including any purchase, etc. made on a Financial Instruments Exchange Market) of the Share Certificates, Etc. (provided in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Law) and any Specially Related Parties (provided in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Law).

2 Voting Rights Ratio means:

- (i) in the case of Note 1(i) above, the Share Holding Ratio (provided in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Law; in this case, the number of Share Certificates, Etc. Held (the number of Share Certificates, Etc. Held as provided in the same Paragraph. The same shall apply hereinafter) of the Joint Holders in respect of the holder shall be added) of the holder of the Share Certificates, Etc. of the Company; or
- (ii) in the case of Note 1(ii) above, the amount of the sum of the Shareholding Ratio (provided in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Law) of the Large-Scale Purchaser and its Specially Related Parties.

In calculating the Shareholding Ratio, the annual report, the quarterly report or the treasury stock purchase report of the Company, whichever document has been most recently submitted to the authorities, may be referred to in deciding the Total Number of Voting Rights (provided in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Law) or Total Number of Issued Shares (provided in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Law).

3 Share Certificates, Etc. mean Share Certificates, Etc. as provided in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Law.

1. Necessity of the Policy

(1) Purpose of Introducing the Policy

As described in I above, we believe that, in the event of a Large-Scale Purchase, the Large-Scale Purchaser should provide the board of directors of the Company with necessary and sufficient information regarding the Large-Scale Purchase in advance and should only be allowed to commence a Large-Scale Purchase after a certain assessment period for the board of directors of the Company elapses, in accordance with the Large-Scale Purchase Rules that the Company established and disclosed in advance, for the benefit of the decision making process of the shareholders.

After such information is provided, the board of directors of the Company will immediately start to consider its opinion on the Large-Scale Purchase and shall subsequently form and disclose such opinion after careful consideration with advice from outside experts, etc. In addition, the board of directors of the Company may negotiate with the Large-Scale Purchaser in order to improve the proposal of the Large-Scale Purchaser or offer the shareholders alternative plans developed by the board of directors of the Company, if deemed necessary. Such process shall enable the shareholders of the Company to examine the proposal of the Large-Scale Purchaser and the alternative plans (in the case that any alternative plans are proposed) with reference to the opinion of the board of directors of the Company, and thus, the shareholders of the Company shall be given the opportunity to make the final decision as to whether or not to accept the proposal of the Large-Scale Purchaser.

In addition, the board of directors of the Company established a certain policy to be applied depending on whether or not the Large-Scale Purchaser Rules are observed, and determined to establish the Policy as efforts in the case of a Large-Scale Purchase by an inappropriate party according to the Basic Policy on Company Control.

The Policy is in compliance with the three principles set forth in “Guidelines With Respect To Anti Takeover Policy for Securing And Enhancing Corporate Value and Common Interests of Shareholders” made by Ministry of Economy, Trade and Industry and Ministry of Justice and dated May 27, 2005 and has been drafted in reference to “Role of Anti Takeover Policy Based on Recent Changes of Environments” made by Corporate Value Study Group and dated June 30, 2008.

(2) Necessity of Continuing the Policy

Since October 2007, the Group has been making efforts with respect to the “Sapporo Group’s New Management Framework” targeting 2016, the year marking the 140th anniversary of the Group’s founding. We believe this resulted in the achievement of the development of a stable profit structure and the expansion of business fields and the improvement of corporate value at a certain level. However, there is always the possibility that unforeseen circumstances will occur. We cannot, even at this point, completely deny the risk that a “Large-Scale Purchaser” may emerge and significantly undermine the common interests of the shareholders of the Company.

As described in II, the Group newly announced the “Sapporo Group Long-Term Management Vision” in November 2016. The Group started making efforts to further improve corporate value, with the recognition that the Group’s further growth lies in “Our Unique Brand Assets” cultivated with support from customers since our founding in 1876. Under such circumstances, the policy and strategy of a “Large-Scale Purchaser” who does not fully understand the Group’s business may damage those brand values, resulting in a decline in corporate value in the medium-to-long term.

As describe in II, the Company believes that strengthening the base of the corporate governance system and achieving the goals set up under the “Sapporo Group Long-Term Management Vision” will result in lowering the risk that a “Large-Scale Purchaser” will emerge. Thus, at this point, we believe that it is essential to continue the Policy.

For the avoidance of doubt, the Company has not received any specific offer of the Large-Scale Purchase at this point.

2. Establishment of Independent Committee

The Independent Committee is established as a body to ensure that the Policy is properly applied and to prevent arbitrary decisions by the board of directors of the Company. The Independent Committee shall have at least three members and in order to be able to judge fairly and neutrally, its members shall be elected from independent outside directors of the Company and independent outside audit & supervisory board members of the Company or outside knowledgeable persons⁴ who are independent of the management team of the Company. The names and personal histories of those who are elected as the members will be immediately disclosed. In addition, the term of office of the members shall expire at the close of the meeting of the board of directors that is to be held immediately after the ordinary general meeting of shareholders regarding the last fiscal year ending within one year after the appointment, and the members for the next term shall be elected at such meeting of the board of directors.

For reference, the names and personal histories of those who will be elected as the members of the Independent Committee at the meeting of the board of directors, to be held immediately after the General Meeting, are described in Appendix 1.

In the Policy, we set forth the objective requirements for the invocation of countermeasures, that we will not take the countermeasures in the event the Large-Scale Purchaser observes the Large-Scale Purchase Rules, unless it is an exceptional case where it is considered that the common interests of the shareholders of the Company will be clearly and seriously damaged (described in III 4(1) below), and that we may take the countermeasures in the event the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules (described in III 4(2) below); however, in the event the board of directors of the Company makes a significant determination pertaining to the Policy, including an event in which we make an exceptional response described in III 4(1) below and an event in which we take the countermeasures described in III 4(2) below, the board of directors of the Company shall consult with the Independent Committee and respect the recommendations of the Independent Committee to the utmost extent.

Furthermore, where a vote of the board of directors is conducted in relation to an important decision relating to the Policy, the decision will not be resolved unless there is agreement by two-thirds or more of the independent outside directors of the Company attending the meeting.

Note 4 Outside knowledgeable persons are elected from corporate managers who have sufficient experience, persons who are familiar with the investment banking business, lawyers, certified public accountants, academic experts who specialize in the Corporation Law, etc. or persons who are equivalent to these personnel.

3. Details of the Large-Scale Purchase Rules

(1) Provision of Information

The Large-Scale Purchase Rules which we hereby establish require that (i) a Large-Scale Purchaser provide, in advance, necessary and sufficient information regarding the Large-Scale Purchase to the board of directors of the Company, and that (ii) the Large-Scale Purchaser commence the Large-Scale Purchase only after a certain assessment period for the board of directors of the Company.

More specifically, first, a Large-Scale Purchaser is required to submit to the Representative Director of the Company a “letter of intent” to comply with the Large-Scale Purchase Rules, which shall specify the name, address, law governing the incorporation, name of the representative, contact details in Japan of the Large-Scale Purchaser and an outline of the proposed Large-Scale Purchase, and in addition, a Large-Scale Purchaser is required to provide the board of directors of the Company with necessary and sufficient information (hereinafter referred to as the “Necessary Information”) to allow shareholders of the Company to make their decision and the board of directors of the Company to form its opinion.

Within ten (10) business days after receipt of such letter of intent, the board of directors of the Company will deliver to the Large-Scale Purchaser a list of the Necessary Information to be initially provided by the Large-Scale Purchaser. If the information initially provided by the Large-Scale Purchaser is deemed less than as the Necessary Information as a result of the board of directors’ examination, the board of directors of the Company will require the Large-Scale Purchaser to provide additional information until the Company has received all of the Necessary Information.

The board of directors of the Company may, as necessary, set the due date for responses of the Large-Scale Purchaser every time the board of directors of the Company requests the provision of information from the perspective of prompt administration of the Large-Scale Purchase Rules. In addition, the board of directors of the Company shall set a period equal to 60 days commencing on the date of dispatch of the list of the Necessary Information to be initially provided by the Large-Scale Purchaser as the upper limit of the period within which the board of directors of the Company shall request the Large-Scale Purchaser to provide information and the Large-Scale Purchaser shall respond (hereinafter referred to as the “Information Provision Request Period”). In the event that the Information Provision

Request Period reaches the upper limit and expires, the board of directors of the Company shall terminate the correspondence with the Large-Scale Purchaser with respect to the provision of information at that time and immediately commence the Board Assessment Period (as defined below.), even where not all Necessary Information has been provided. However, if the Large-Scale Purchaser requests for an extension of the Information Provision Request Period for reasonable cause, the board may extend the Information Provision Request Period by up to 30 days as necessary. On the other hand, the board shall terminate the Information Provision Request Period and commence the Board Assessment Period immediately upon provision of all Necessary Information even before the expiration of the Information Provision Request Period.

Part of the general items of the Necessary Information is as set forth in (1) through (5) below. Details of the Necessary Information may differ according to the characteristics of the Large-Scale Purchaser and the purpose and details of the Large-Scale Purchase; however, in all cases, such Necessary Information shall be limited to within the necessary and sufficient scope for the judgment of the shareholders of the Company and the formation of opinion of the board of directors of the Company. In the case that the Large-Scale Purchaser is unable to provide part of the Necessary Information, the board will request the Large-Scale Purchaser to provide instead the specific reasons for the inability to provide such information. Such inability of the Large-Scale Purchaser to provide information and the reasons for such inability will be information subject to evaluation and analysis for the judgment of the shareholders of the Company and the formation of opinion of the board of directors of the Company.

- (1) An outline (including information relating to the substance of the business of the Large-Scale Purchaser, capital structure and experience in businesses similar to the Company's business or the Group's business) of the Large-Scale Purchaser and its group (including Joint Holders and Specially Related Parties);
- (2) The purpose and substance of the Large-Scale Purchase (including amounts/type of the consideration of the purchase, etc., timing of the purchase, etc., structure of related transactions, and legality of the means of purchase, etc., feasibility of purchase, etc. and related transactions);
- (3) The basis for the calculation of the value of the Company's shares and financial resources backing the purchase (including specific names of the financial backers (including substantial backers), financing methods, and substance of related transactions);
- (4) The candidates for the management team (including information regarding experience at businesses similar to business of the Company and the Group), basic management policy, business plan, capital policy, distribution policy, policy of utilization of assets, etc. (hereinafter referred to as the "Management Basic Policy after Purchase") expected after the Large-Scale Purchaser participates in the management of the Company's business and the Group's business; and
- (5) The possibility and basic substance of any change of the Company's and the Group's relationship with stakeholders, such as business partners, customers, employees, etc., as planned after the completion of the Large-Scale Purchase.

In addition to the cases of disclosure required in accordance with laws and regulations and the rules of financial instruments exchanges, we will disclose at the time the board of directors of the Company deems appropriate all or part of the fact that a Large-Scale Purchase was proposed and the Necessary Information provided to the board of directors of the Company, if such disclosure is considered necessary for the shareholders of the Company to make their decisions.

(2) Assessment Period for the Board of Directors

Subsequent to the expiration or termination of the Information Provision Request Period, the board of directors of the Company shall set a period equal to or less than 60 days which is necessary for the board of directors to assess, examine, negotiate, form an opinion and seek alternative plans (hereinafter referred to as the “Board Assessment Period”). The board of directors of the Company sets the specific period in consideration of the level of difficulty in making an assessment of the Large-Scale Purchase, including an assessment of the purpose of the purchase, the kind of consideration, the means of the purchase, etc., and the board of directors of the Company may extend the period to a maximum of 90 days (including the initial set period), upon consultation with the Independent Committee and giving the utmost respect to the recommendations of the Independent Committee. The Large-Scale Purchase may only be commenced after the Board Assessment Period has elapsed. Moreover, in the event the Necessary Information is completely provided, the board of directors of the Company shall promptly disclose such fact and the expiration date of the Board Assessment Period. In addition, in the event the board of directors of the Company extends the Board Assessment Period after receiving the recommendation of the Independent Committee, it promptly discloses the extended period and the reasons for the extension.

The board of directors of the Company shall thoroughly assess and examine the Necessary Information it receives, in consultation with the Independent Committee, with advice from outside experts during the Board Assessment Period as needed and giving the utmost respect to the recommendation of the Independent Committee, and shall form and disclose its opinion. In addition, the board of directors of the Company may negotiate with the Large-Scale Purchaser in order to improve the terms of the proposed Large-Scale Purchase or may offer alternative plans to shareholders of the Company, as necessary.

4. Policy toward Large-Scale Purchases

(1) In the Event a Large-Scale Purchaser Observes the Large-Scale Purchase Rules

If a Large-Scale Purchaser observes the Large-Scale Purchase Rules, the board of directors of the Company, even if it disagrees with the proposed Large-Scale Purchase, will not, except for the exceptional cases set forth below, take countermeasures against the Large-Scale Purchase, while it may attempt to persuade the shareholders of the Company by expressing an objection to the proposal of the Large-Scale Purchase or by offering alternative plans. The board of directors of the Company believes that the shareholders of the Company should make their own decision as to whether or not they accept the proposal of the Large-Scale Purchaser upon consideration of such proposal and the opinion on such proposal and alternative plans provided by the Company.

As exceptional cases, in the event that it is considered that the Large-Scale Purchase will clearly and seriously damage the common interests of the shareholders of the Company, including the case where, for example, it is intended that the Large-Scale Purchase entails any of the acts set forth in (1) through (5) below and such act will likely cause irreparable damage to the Company or will in fact likely coerce shareholders to sell their shares, the board of directors of the Company may take any measures considered to be appropriate, as exceptional measures, in order to protect the interests of the shareholders of the Company.

- (1) act of purchasing a substantial portion of shares and demanding the company to repurchase such shares at a high price;
- (2) acts such as temporarily controlling the company and managing it to realize a profit for the purchaser at the sacrifice of the company, including the acquisition of important assets, etc. of the company at a low price;

- (3) act of using the assets of the company as security or the source of repayment of the debt of the purchaser or its Group companies, etc.;
- (4) act of temporarily controlling the management of the company and to have the company dispose of its valuable assets, etc., which have no immediate relationship with the businesses of the company, and to have the company temporarily pay large dividends against the profits gained from such disposition, or sell the shares at a higher price, taking the opportunity to rapidly increase the share price influenced by the temporarily large payment of dividends; or
- (5) act of purchasing shares, including takeover bids, etc., without soliciting the purchase of all shares at the initial purchase and with terms and conditions for second purchase that are less favorable or that are unclear.

However, even in the case where the Large-Scale Purchaser intends with respect to such Large-Scale Purchase to use the assets of the company as security for the purchaser's debt or to dispose of idle assets of the company and have the company pay large dividends against the profits of such disposition, the above-mentioned exceptional measures shall be taken only in the event that such Large-Scale Purchase is determined as clearly and seriously damaging the common interests of the shareholders of the Company, and shall not be taken solely for reasons that the intention of the Large-Scale Purchaser falls within the actions set forth above or negatively affects the interests of stakeholders other than the shareholders.

In addition, in order to secure the objectiveness and reasonableness of the decisions made in the event that the exceptional measures described above are taken, the board of directors of the Company shall assess the specific details of the Large-Scale Purchaser and the Large-Scale Purchase and the influence of the Large-Scale Purchase on the common interests of the shareholders of the Company by taking into account the Necessary Information, including the Management Basic Policy after Purchase, provided by the Large-Scale Purchaser, and obtaining the advice of outside experts, etc., as necessary, and give utmost respect to the recommendations of the Independent Committee, before making judgment.

(2) In the Event a Large-Scale Purchaser Does Not Observe the Large-Scale Purchase Rules

If a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, regardless of the specific method of purchase, the board of directors of the Company may take countermeasures against the Large-Scale Purchase to protect the common interests of the shareholders of the Company. Countermeasures include the issuance of stock acquisition rights or any other measures that the board of directors of the Company is permitted to take under the Corporation Law or other laws and the Articles of Incorporation of the Company. When determining whether or not the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules, the board shall sufficiently consider to a reasonable extent various facts on the side of the Large-Scale Purchaser, including the facts that the Large-Scale Purchaser may not necessarily have detailed information with respect to the Company or that there are items with respect to which the Large-Scale Purchaser is not expected to disclose voluntarily due to its takeover strategy (for example, specific figures of profits after acquisition, etc.), and at least shall not determine that the Large Scale Purchaser has not complied with the Large-Scale Purchase Rules solely for the reason that part of the Necessary Information that has been requested by the board of directors of the Company has not been provided by the Large-Scale Purchaser. The board of directors of the Company shall decide whether or not a Large-Scale Purchaser observes the Large-Scale Purchase Rules and whether it is appropriate to take countermeasures by taking into account the opinions of outside experts, etc. and by giving the utmost respect to the recommendations of the Independent Committee.

The board of directors of the Company will select the specific countermeasures that it deems most

appropriate at that time and adopt such countermeasures after receiving the recommendations of the Independent Committee. Depending on the content of the countermeasures selected, the board may request resolutions of the general meeting of shareholders in accordance with the laws and regulations or provisions of the Articles of Incorporation, or approval by the shareholders present at the general meeting of shareholders based on the recommendations of the Independent Committee.

In the event the board of directors of the Company elects to issue stock acquisition rights as a specific countermeasure, the outline of such stock acquisition rights shall be as described in Appendix 2 attached hereto; however, if the board of directors of the Company actually elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and the conditions for exercise, acquisition terms and acquisition conditions etc., of the stock acquisition rights considering the effectiveness thereof as a countermeasure, including, for instance, the condition not to belong to a specific Group of Shareholders with a 20% or more Voting Rights Ratio.

(3) Cessation, etc. of Taking Countermeasures

When the board of directors of the Company, after having decided to take the exceptional measures described in III 4(1) above or the countermeasures described in III 4(2) above, judges that it is no longer appropriate to take countermeasures in such an event as the withdrawal or change by the Large-Scale Purchaser of the Large-Scale Purchase, it may cease to take or change countermeasures upon giving the utmost respect to the recommendations of the Independent Committee.

For example, when the board of directors of the Company judges that it is no longer appropriate to take countermeasures in such an event as the withdrawal or change by a Large-Scale Purchaser of the Large-Scale Purchase in the case of the gratuitous allotment of stock acquisition rights, even after shareholders who are entitled to receive stock acquisition rights have been determined, it may cease the countermeasures, as follows:

- (1) Until the effective date of the stock acquisition rights, the board of directors of the Company may cease the gratuitous allotment of stock acquisition rights upon the recommendation of the Independent Committee; or
- (2) After the gratuitous allotment of stock acquisition rights and until the exercise period begins, the board of directors of the Company may acquire stock acquisition rights gratuitously upon the recommendation of the Independent Committee.
In the event of such cessation of countermeasures, the board of directors of the Company shall disclose the information that the Independent Committee believes necessary.

5. Influence, etc. on Shareholders and Investors

(1) Influence, etc. of the Large-Scale Purchase Rules on Shareholders and Investors

The purpose of the Large-Scale Purchase Rules is to provide the shareholders of the Company with the information necessary for them to determine whether or not to accept a Large-Scale Purchase in addition to the opinion of the board of directors of the Company that is actually in charge of the Company's management, and to ensure that the shareholders of the Company have opportunities to receive any alternative plans. The board of directors of the Company believes that under the Large-Scale Purchase Rules, the shareholders of the Company, with sufficient information, will be able to make appropriate decisions as to whether or not to accept the Large-Scale Purchase, whereby the common interests of the shareholders of the Company shall be protected. Accordingly, the board of directors of the Company believes that the establishment of the Large-Scale Purchase Rules is a prerequisite for appropriate investment decisions of the shareholders of the Company and investors and is for the interest of the

shareholders of the Company and investors.

The board of directors of the Company hereby advises the shareholders of the Company and investors to observe carefully any actions by a Large-Scale Purchaser, because the policy of the Company will differ depending on whether or not a Large-Scale Purchaser complies with the Large-Scale Purchase Rules, as described in III 4 above.

(2) Influence, etc. of Countermeasures on Shareholders and Investors

If a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, the board of directors of the Company may take countermeasures, which the board of directors of the Company is permitted to take under the Corporation Law or other laws and the Articles of Incorporation of the Company, to protect the common interests of the shareholders of the Company. However, given the structure of the countermeasures, the board of directors of the Company does not expect that taking such countermeasures will cause any legal or economic damage or loss to the shareholders of the Company (excluding a Large-Scale Purchaser who does not observe the Large-Scale Purchase Rules or implements a Large-Scale Purchase which is considered to clearly and seriously damage the common interests of the shareholders of the Company). When the board of directors of the Company elects to take any specific countermeasure, the board of directors of the Company will make an appropriate disclosure in a timely manner in accordance with the relevant laws, regulations and stock exchange regulations.

The procedures related to the shareholders of the Company in respect of the issuance of stock acquisition rights, as one of the possible countermeasures, are as follows.

With respect to the issuance of stock acquisition rights, it may be necessary for the shareholders to make a payment of certain amount of money within a specific period in order to acquire new shares upon exercising his/her stock acquisition rights. When the board of directors of the Company decides to acquire stock acquisition rights, it may issue new stock to shareholders without paying the amount equivalent to the exercise price, in exchange for the acquisition of the stock acquisition rights. Details of these procedures will be informed in accordance with the laws and regulations in the event of actual issuance of stock acquisition rights. However, in order for shareholders to acquire the stock acquisition rights, the shareholders of the Company need to be recorded in the register of shareholders as of the end of the date of the allotment of the stock acquisition rights to be separately decided upon and publicly announced by the board of directors of the Company.

In addition, in the event the board of directors of the Company ceases to issue stock acquisition rights or acquire issued stock acquisition rights gratuitously, upon the recommendation of the Independent Committee, the share value shall not be diluted, so that shareholders and investors, who purchased or sold shares after the date of the expiration of the gratuitous allotment of stock acquisition rights on the assumption that the stock value of the Company would be diluted do not suffer unexpected losses because of movements in share price.

6. Period of Validity, and Expiration and Repeal of the Policy

The Policy shall continue to be in effect, provided it is approved at the General Meeting, and the Policy will remain effective until the close of the Company's 96th ordinary general meeting of shareholders to be held on or before March 31, 2020.

However, the Policy may be repealed, even during the period of validity, if a repeal of the Policy is resolved at the general meeting of shareholders. Furthermore, the Policy shall be repealed on the date of resolution of the board of directors of the Company if it adopts a resolution of repeal of the Policy without the resolution of the general meeting of shareholders. If the Policy is determined to be repealed, the board

of directors of the Company shall promptly give notice of such fact.

In addition, during the period of validity of the Policy, from the viewpoint of the improvement of corporate value and, ultimately, the protection of the common interests of the shareholders of the Company, the board of directors of the Company will review the Policy from time to time in light of improvement of related laws and regulations and the listing system of the Tokyo Stock Exchange and the Sapporo Stock Exchange, and may change the Policy upon the approval of the Company's general meeting of shareholders. In such case, the board of directors of the Company will promptly disclose the content of such change.

Although the period of validity of the Policy is approximately three years, up to the close of the Company's 96th ordinary general meeting of shareholders, as described above, the Policy may be repealed by the resolution of the general meeting of shareholders or the board of directors of the Company before the expiration of the period of validity of the Policy. Moreover, the board of directors of the Company may exempt the application of the Policy to a specific purchase of shares, etc. of the Company, even during the period of validity of the Policy, by consenting in advance to the purchase. Therefore, the Policy is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the term of office of the directors of the Company is one year and the Company has not adopted a staggered board, the Policy is not a slow-hand takeover defense measure either (i.e., a takeover defense measure the triggering of which takes more time to stop due to the fact that the directors cannot be replaced all at once), and the Policy can be repealed by way of replacing the directors at the annual general meeting of shareholders.

IV The Policy Will Comply with the Basic Policy on Company Control, So As Not to Damage the Common Interests of Shareholders and Not to Pursue the Maintenance of the Status of Directors and Reasons Therefor

(1) The Policy Will Comply with the Basic Policy on Company Control

The Policy sets forth matters such as the substance of the Large-Scale Purchase Rules, the policy toward a Large-Scale Purchase, the establishment of the Independent Committee, and the influence on shareholders and investors.

In the Policy, it is stipulated that a Large-Scale Purchaser is required to provide the board of directors of the Company with all necessary and sufficient information concerning the Large-Scale Purchase in advance and that it may commence the Large-Scale Purchase only after a certain assessment period for the board of directors of the Company has elapsed, and that the board of directors of the Company may take countermeasures against any Large-Scale Purchaser who does not observe these rules.

In addition, it is stipulated that, even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, in the event that the board of directors of the Company judges that the Large-Scale Purchase by the Large-Scale Purchaser will seriously damage the common interests of the shareholders of the Company, the board of directors of the Company may take countermeasures against the Large-Scale Purchaser that are considered necessary in order to protect the common interests of the shareholders of the Company.

As set forth above, the Policy is consistent with the Basic Policy on Company Control.

(2) The Policy Will Not Damage the Common Interests of Shareholders of the Company

As described in I, the Basic Policy on Company Control is based on the assumption that the common interests of shareholders of the Company should be respected. The Policy is consistent with the Basic

Policy on Company Control and 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, the opinion of the board of directors of the Company and the opportunity to receive alternative plans. Because the shareholders of the Company and investors can make proper investment judgments through the Policy, it does not damage the common interests of the shareholders of the Company, but rather contributes to their interests.

In addition, we believe that the facts that, among other things, (i) the implementation and continuation of the Policy depend on the approval of shareholders of the Company, (ii) when the board of directors of the Company makes a material decision in relation to the Policy, it gives the utmost respect to the recommendation made by the Independent Committee, which consists of members who are independent of the management team operating businesses of the Company, and (iii) the shareholders of the Company can repeal the Policy if they so desire, ensure that the Policy will not damage the common interests of shareholders of the Company.

(3) The Policy Will Not Pursue the Maintenance of the Status of Directors

The Policy has a broad principle that leaves the final decision whether or not a Large-Scale Purchase shall be accepted to the judgment of the shareholders of the Company, requires compliance with the Large-Scale Purchase Rules and allows countermeasures to the extent necessary to protect the common interests of the shareholders of the Company. The Policy discloses the condition that the board of directors of the Company may take countermeasures in advance and in detail, and countermeasures by the board of directors of the Company may be taken in accordance with the provisions of the Policy. The board of directors of the Company cannot solely implement and continue the Policy, and the approval of shareholders of the Company is necessary.

In addition, in the event that, in relation to a Large-Scale Purchase, the board of directors of the Company assesses and reviews the purchase, forms opinions, suggests alternative plans, negotiates with the Large-Scale Purchaser, or takes countermeasures, the board requests advice from outside experts, etc., as necessary, and consults with the Independent Committee consisting of members who are independent of the management team operating businesses of the Company and gives utmost respect to the recommendation of the 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, we believe that it is clear that the Policy does not pursue the maintenance of the status of directors.

[End of document]

Name and Personal History of the Members of Independent Committee (Scheduled)

Shigehiko Hattori

August 1941	Born
April 1964	Joined Shimadzu Corporation
June 1989	President of Shimadzu Scientific Instruments, Inc. (seconded to the United States of America)
June 1993	Director (Member of the Board) of Shimadzu Corporation (seconded to the United States of America)
June 1997	Managing Director (Member of the Board) of Shimadzu Corporation
June 2003	President and Representative Director of Shimadzu Corporation
June 2009	Chairman and Representative Director of Shimadzu Corporation
March 2012	Outside Director (Member of the Board) of the Company (up to the present)
June 2015	Senior Advisor of Shimadzu Corporation (up to the present)

<Status of Important Concurrent Occupations or Positions at Other Organizations>

Senior Advisor of Shimadzu Corporation; Outside Director of Mitsubishi Tanabe Pharma Corporation, Outside Director of Brother Industries, Ltd.; Outside Director of Meiji Yasuda Life Insurance Company; and Outside Audit & Supervisory Board Member of Nikkei Inc.

Shizuka Uzawa

January 1946	Born
April 1969	Joined Nisshinbo Industries, Inc. (currently Nisshinbo Holdings Inc.)
June 2001	Director (Member of the Board), Chief of Accounting and Finance Division of Nisshinbo Industries, Inc.
June 2004	Executive Director (Member of the Board) of Nisshinbo Industries, Inc.
June 2006	Director (Member of the Board), Executive Managing Officer, and Chief of General Affairs Division of Nisshinbo Industries, Inc.
April 2007	Director (Member of the Board), Senior Executive Managing Officer, and Chief of Paper Products Division of Nisshinbo Industries, Inc.
April 2008	Director (Member of the Board), Senior Executive Managing Officer, Chief of Paper Products Division, and Chief of Business Support Center of Nisshinbo Industries, Inc.
June 2009	President and Representative Director of Nisshinbo Holdings Inc.
June 2013	Chairman and Representative Director of Nisshinbo Holdings Inc.
March 2015	Outside Director (Member of the Board) of the Company (up to the present)
June 2016	Advisor of Nisshinbo Holdings Inc. (up to the present)

<Status of Important Concurrent Occupations or Positions at Other Organizations>

Advisor of Nisshinbo Holdings Inc.; External Executive Director of Japan Finance Corporation; and Outside Director of Nichirei Corporation

Junya Sato

May 1953	Born
April 1982	Registered as a lawyer (Daiichi Tokyo Bar Association) Joined Law Offices of Furness, Sato & Ishizawa (currently Law Offices of Ishizawa, Ko & Sato) (up to the present)
October 1990	Registered as a lawyer in the State of New York
April 2011	Vice President of Daiichi Tokyo Bar Association
March 2012	Outside Audit & Supervisory Board Member of the Company (up to the present)

<Status of Important Concurrent Occupations or Positions at Other Organizations>

Lawyer at Law Offices of Ishizawa, Ko & Sato; Outside Director of Nikki Co., Ltd.; Outside Director of Mitsui Mining & Smelting Co., Ltd.; and Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings, Co., Ltd.

[End of document]

Outline of Stock Acquisition Rights

1. Shareholders Who are Entitled to Receive Stock Acquisition Rights and Conditions of Issuance Thereof:

One (1) stock acquisition right shall be allotted to a shareholder for each share of common stock of the Company held by such shareholder (excluding the Company's common stocks held by the Company), whose name is recorded in the register of shareholders as of the end of the date of allotment to be specified by the board of directors of the Company.

2. Type and Number of Shares to be Acquired upon Exercise of the Stock Acquisition Right:

The type of shares to be acquired upon exercise of the stock acquisition right shall be common stock of the Company, and the total number of such shares shall be up to 120,000,000. The number of shares to be acquired upon exercise of one (1) stock acquisition right shall be separately determined by the board of directors of the Company; provided, however, that such number shall be adjusted to the extent necessary if the Company performs a stock split or a stock consolidation.

3. Total Number of Stock Acquisition Rights to be Issued:

The total number of stock acquisition rights to be allotted shall be separately determined by the board of directors of the Company. The board of directors of the Company may allot stock acquisition rights in installments.

4. Issuance Price of Stock Acquisition Rights:

The issuance price of the stock acquisition right is nil.

5. Amount to be Paid upon Exercise of Stock Acquisition Rights:

The amount to be paid upon exercise of a stock acquisition right shall be an amount to be determined by the board of directors of the Company which shall be at least one (1) Japanese yen.

6. Restriction on Transfer of Stock Acquisition Rights:

Stock acquisition rights may not be transferred without the approval of the board of directors of the Company.

7. Conditions of Exercise, Terms of Acquisition and Conditions of Acquisition of Stock Acquisition Rights:

Certain conditions of exercise shall be provided, including a condition that a person belonging to a Group of Shareholders that holds at least 20% of the Voting Rights Ratio may not exercise stock acquisition rights. Details of the conditions shall be separately determined by the board of directors of the Company.

In addition, there could be terms of acquisition and conditions of acquisition established. As between certain shareholder groups holding at least 20% of the Voting Rights Ratio and other shareholders, there could be differences in treatment relating to the price of the acquisition or other terms, and the stock acquisition rights held by people belonging to a certain group of shareholders holding at least 20% of the Voting Right Ratio will not be within the class that can acquire. In the case of acquisition of the stock acquisition rights held by people belonging to a certain group of shareholders holding at least 20% of the Voting Right Ratio, the Company shall not pay cash as consideration of such stock acquisition rights.

Further details will be decided separately by the board or directors of the Company.

8. Exercise Period, etc. of Stock Acquisition Rights:

The exercise period, extinguishment grounds, extinguishment conditions and other necessary subject matter of the stock acquisition rights shall be separately determined by the board of directors of the Company.

[End of document]

Business Report

(From January 1, 2016 to December 31, 2016)

1. Review of Sapporo Group Operations

(1) Operations and Operating Results

In the Japanese economy during the term under review, despite the introduction of a negative interest rate policy in February, a revival in personal consumption was not achieved, and the situation in the Middle East and the decision by the United Kingdom to exit the European Union led to yen appreciation. Thereafter, the results of the U.S. presidential election caused the yen to depreciate against the U.S. dollar, creating a rapidly changing economic environment in which the future is difficult to read. More specifically, conditions in the industries in which the Sapporo Group (the “Group” or “Sapporo Group”) conducts its operations were as follows.

In the Japanese alcoholic beverages industry, unseasonable summer weather and consumers’ increasing thriftiness put downward pressure on demand at drinking outlets. Overseas, the North American beer market was generally flat, but the Asian beer market continued the steady expansion seen in recent years. In the food & soft drinks industry, we believe demand was affected by the weather and natural disasters. In the real estate industry, vacancy rates in the Greater Tokyo office leasing market improved, while rent levels rose gradually.

Amid this environment, the Group accelerated the growth strategies based on “SAPPORO Group Management Plan 2015-2016” to demonstrate its presence as a distinctive “manufacturer of food products”, with an aim to achieve its financial targets for 2016.

In the Japanese alcoholic beverage business, designating 2016 as the “first year of a new period of growth in the beer business”, the Group worked to strengthen our core brands. Specifically, we implemented a consistent marketing strategy for our mainstay beer brand, Sapporo Draft Beer Black Label. Attesting to the success of this approach, we achieved the second consecutive year of sales increases for this brand, amid a decline in overall beer demand. In non-beer growth categories, the Group focused on high-value-added products in the wine and spirits categories, promoting further diversification.

In the international business, SLEEMAN BREWERIES LTD. in Canada and Sapporo U.S.A., INC. in the United States of America aggressively implemented sales promotions in the premium beer markets in North America. In the American beverage market, Country Pure Foods, Inc. acquired a fruit juice sherbet business and worked to expand sales. In Vietnam, the Group continued marketing investments to establish the Sapporo brand. In April, we enhanced the quality of our bottled products, and in July launched new products targeting the mid-price market.

The food & soft drinks business endeavored to strengthen marketing and lower costs at its Japan operations as part of our management initiative while concentrating investment on core brands, especially the lemon-based and soup products, two areas where the Group has a strong competitive edge. Overseas, the Group established a joint-venture company that is engaged in production and sales in Indonesia and completed construction of a factory to perform licensed production in Myanmar, strengthening its soft drinks business from its Southeast Asian base.

In the restaurant business in Japan, the Group continued to open outlets, focusing on its key Ginza Lion and Yebisu Bar formats, while closing or changing the formats of unprofitable outlets in a bid to improve profitability. In Singapore, we continued with initiatives aimed at spreading the reputation of our Ginza Lion brand to the world.

In the real estate business, the high occupancy rates at our rental properties remained. The Group enhanced the property value of Yebisu Garden Place, which is our core property, by improving the dining area to raise the attraction level of the city area. In September, we opened GINZA PLACE, a commercial complex conceptualized as a “base for information dissemination and exchange”.

As a result of the above, the Sapporo Group's consolidated operating results for the term under review were as follows.

Net sales

In the Japanese alcoholic beverages business, the sales volume of beer and beer-type beverages was unchanged year on year, but a higher sales volume affected by factors such as diversified offerings pushed up sales year on year. In the International business, on the other hand, although sales volume in North America and Vietnam increased year on year, and the fruit juice sherbet business acquired by Country Pure Foods, Inc. made a contribution, the impact of exchange rates led to a decrease in sales. The food & soft drinks business increased sales and achieved higher sales volumes for its food and beverage products in Japan. In the Restaurants business, the new consolidation of Marushinkawamura Inc. and Ginrin Suisan Inc. boosted sales. In the real estate business, sales increased thanks to contributions such as GINZA PLACE, which opened in September.

As a result, consolidated net sales came to ¥541.8 billion, reflecting an increase of ¥8.0 billion or 2% compared with the previous term.

Operating income

In the Japanese Alcoholic Beverages business, beer made up an increasing proportion of beer-type products. Thanks to this factor, the impact of an improved product mix and lower fixed costs, profit increased. In the International business, business in North America was favorable, and we succeeded in lowering logistics and other costs, prompting a rise in profit. In the food & soft drinks business, higher sales of food and beverage products in Japan led to higher profit. In the Restaurants business, structural reforms bolstered profit. The Real Estate business also achieved profit growth, thanks to an increase in rental income from core properties.

As a result, consolidated operating income amounted to ¥20.2 billion, reflecting an increase of ¥6.3 billion or 45% compared with the previous term.

Ordinary income

Due to the increase in consolidated operating income, consolidated ordinary income amounted to ¥19.2 billion, reflecting an increase of ¥5.9 billion or 45% compared with the previous term.

Profit attributable to owners of parent

A ¥1.4 billion loss on disposal of property, plant and equipment and ¥1.0 billion loss on impairment of property, plant and equipment were recorded under extraordinary losses.

As a result, profit attributable to owners of parent amounted to ¥9.4 billion, reflecting an increase of ¥3.3 billion or 55% compared with the previous term.

(2) Issues to be Addressed by the Group

a. The Sapporo Group's Medium- to Long-Term Management Strategy

The Company has formulated the Sapporo Group Long-Term Management Vision "SPEED150" and the First Medium-Term Management Plan 2020 in November 2016. The "SPEED150" vision sets forth the overall direction the Company should pursue over the next 10 years through 2026, the year marking the Group's 150th anniversary of founding. The First Medium-Term Management Plan 2020 lays out the basic strategies the Company will implement over the next four years through 2020.

● Sapporo Group Long-Term Management Vision "SPEED150"

The Company has formulated the 2026 Group Vision and the Action Guidelines, both of which will be achieved by pursuing management reforms and business growth with speed while continuing to adhere to the Management Philosophy and Fundamental Management Policy.

Recognizing once again that the source of the Group’s growth lies in the brand assets cultivated over the Group’s 140-year history since it was founded, the Company has positioned “Alcoholic Beverages”, “Food” and “Soft Drinks” as the Group’s three core business fields, and will work to nurture and strengthen the Group’s brands along with the real estate business. The Company stands out among the numerous food companies in Japan for conducting business in all three fields of “Alcoholic Beverages”, “Food” and “Soft Drinks”. Leveraging this unique strength, the Company will work to supply distinctive products and services worldwide in conjunction with expanding its contact points with customers, with the aim of driving robust growth.

● First Medium-Term Management Plan 2020

<p>Fundamental Policy</p> <p>The Company aims to transition to a growth stage as early as possible based on the theme of “Transformation with Unprecedented Speed”.</p> <p>(1) Business Activities</p> <p>The Company will enhance its cash generation capabilities by achieving continuous growth and producing results based on the identification of competitive fields in each business.</p> <p>1) Achieve continuous growth in existing businesses Achieve steady growth based on identification of competitive fields in the existing five businesses</p> <p>2) Produce results in the investment business Enhance profitability in the Vietnam business, North American beverage business and the food & soft drinks business</p> <p>3) Capture growth opportunities Capture growth opportunities by allocating resources to growth in the “Food” field and global business expansion</p> <p>(2) Group Management</p> <p>The Company will take the lead in strengthening its platform through the strategic shift of resources, and business structure reforms and promotion of segment management.</p> <p>1) Implement a Group structure that fits the actual state of growth and optimization of Head Office functions</p> <p>2) Strengthen platform functions</p> <ul style="list-style-type: none"> • R&D Bolster resources (human resources and research & development expenses) to drive growth in the “Food” field • Personnel and human resources Shift human resources to growth fields and implement health promotion measures • Finance Strengthen the financial base by enhancing asset efficiency and bolstering monitoring

b. Corporate Governance System

The Company recognizes the importance to the management of the Company of enhancing corporate governance, and dedicates itself to clarify the supervisory, business execution and auditing functions throughout the Group under the holding company structure, and to increase transparency as well as the supervisory functions of management activities related to achieving management goals, in order to achieve continuous growth in corporate value while adhering to the Sapporo Group’s management philosophy, fundamental management policy, etc. The Company established the Basic Policy on Corporate Governance in December 2015, and posted it on the Company’s website.

Consolidated Balance Sheet

(As of December 31, 2016)

(Million Yen)

Item	93rd business term (As of December 31, 2016)	(Reference) 92nd business term (As of December 31, 2015)	Item	93rd business term (As of December 31, 2016)	(Reference) 92nd business term (As of December 31, 2015)
[Assets]			[Liabilities]		
Current assets	164,183	156,364	Current liabilities	212,123	233,643
Cash and cash equivalents	10,589	10,430	Notes and accounts payable – trade	38,503	36,772
Notes and accounts receivable – trade	96,850	92,335	Short-term bank loans	30,337	65,822
Merchandise and finished products	24,657	24,912	Commercial paper	33,000	17,000
Raw materials and supplies	13,315	13,722	Current portion of bonds	10,083	10,000
Deferred tax assets	3,639	4,457	Lease obligations	3,024	2,932
Other	15,213	10,570	Liquor taxes payable	34,228	33,903
Allowance for doubtful receivables	(82)	(64)	Income taxes payable	1,680	6,114
			Accrued bonuses	2,980	2,219
			Deposits received	8,214	8,824
			Other	50,071	50,054
Fixed assets	462,168	464,023	Long-term liabilities	247,847	222,921
Property, plant and equipment	345,495	337,042	Bonds	50,128	50,000
Buildings and structures	172,788	169,519	Long-term bank loans	114,593	91,919
Machinery and vehicles	43,898	44,368	Lease obligations	6,968	5,353
Land	111,636	105,121	Deferred tax liabilities	18,804	21,216
Lease assets	9,276	7,758	Net defined benefit liability	8,995	7,636
Construction in progress	3,694	6,637	Dealers' deposits for guarantees	33,241	32,833
Other	4,201	3,636	Other	15,115	13,963
Intangible assets	37,950	40,978	Total liabilities	459,971	456,565
Goodwill	27,439	30,235	[Net Assets]		
Other	10,511	10,743	Shareholders' equity	140,112	133,394
Investments and other assets	78,721	86,002	Common stock	53,886	53,886
Investment securities	59,296	61,848	Capital surplus	46,089	45,913
Long-term loans receivable	4,789	9,016	Retained earnings	41,932	35,189
Deferred tax assets	1,070	1,009	Treasury stock, at cost	(1,795)	(1,595)
Other	14,760	15,362	Accumulated other comprehensive income	20,574	24,533
Allowance for doubtful receivables	(1,195)	(1,234)	Unrealized holding gain on securities	22,517	23,926
			Deferred hedge gains (losses)	41	(11)
			Foreign currency translation adjustments	(1,943)	(1,255)
			Remeasurements of defined benefit plans	(41)	1,874
			Non-controlling interests	5,693	5,894
			Total net assets	166,380	163,822
Total assets	626,351	620,388	Total liabilities and net assets	626,351	620,388

Consolidated Statement of Income

(From January 1, 2016 to December 31, 2016)

(Million Yen)

Item	93rd business term (From January 1, 2016 to December 31, 2016)	(Reference) 92nd business term (From January 1, 2015 to December 31, 2015)
Net sales	541,847	533,748
Cost of sales	352,420	352,808
Gross profit	189,426	180,940
Selling, general and administrative expenses	169,159	166,990
Operating income	20,267	13,950
Non-operating income	2,316	2,921
Interest income	231	252
Dividend income	1,111	1,123
Equity in income of affiliates	15	17
Gain on valuation of derivatives	–	468
Other	958	1,059
Non-operating expenses	3,381	3,659
Interest expense	2,142	2,279
Foreign exchange losses	217	537
Loss on valuation of derivatives	252	–
Other	769	842
Ordinary income	19,202	13,211
Extraordinary gains	59	7,895
Gain on sales of property, plant and equipment	45	7,453
Gain on sales of investment securities	13	46
Gain on sales of consolidated subsidiaries	–	72
Subsidy income	–	322
Extraordinary losses	2,858	9,415
Loss on disposal of property, plant and equipment	1,413	1,534
Loss on sales of property, plant and equipment	26	24
Loss on impairment of property, plant and equipment	1,018	5,956
Loss on devaluation of investment securities	22	1,758
Compensation expenses	376	142
Profit before income taxes	16,403	11,690
Income taxes: current	6,185	7,409
Income taxes: deferred	838	(1,830)
Profit	9,380	6,112
Profit (loss) attributable to non-controlling interests	(89)	3
Profit attributable to owners of parent	9,469	6,108

Consolidated Statement of Changes in Shareholders' Equity

(From January 1, 2016 to December 31, 2016)

(Million Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2016	53,886	45,913	35,189	(1,595)	133,394
Changes during period					
Cash dividends			(2,726)		(2,726)
Profit attributable to owners of parent			9,469		9,469
Purchase of treasury stock				(471)	(471)
Disposition of treasury stock		175		271	447
Net change in items other than shareholders' equity during period					
Total changes during period	-	175	6,742	(199)	6,718
Balance as of December 31, 2016	53,886	46,089	41,932	(1,795)	140,112

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Deferred hedge gains	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of January 1, 2016	23,926	(11)	(1,255)	1,874	24,533	5,894	163,822
Changes during period							
Cash dividends							(2,726)
Profit attributable to owners of parent							9,469
Purchase of treasury stock							(471)
Disposition of treasury stock							447
Net change in items other than shareholders' equity during period	(1,408)	52	(687)	(1,915)	(3,959)	(200)	(4,160)
Total changes during period	(1,408)	52	(687)	(1,915)	(3,959)	(200)	2,558
Balance as of December 31, 2016	22,517	41	(1,943)	(41)	20,574	5,693	166,380

Non-Consolidated Balance Sheet

(As of December 31, 2016)

(Million Yen)

Item	93rd business term (As of December 31, 2016)	(Reference) 92nd business term (As of December 31, 2015)	Item	93rd business term (As of December 31, 2016)	(Reference) 92nd business term (As of December 31, 2015)
[Assets]			[Liabilities]		
Current assets	56,109	170,393	Current liabilities	76,952	96,786
Cash and cash equivalents	185	2,069	Short-term bank loans	15,750	16,000
Accounts receivable	623	405	Current portion of bonds	10,000	10,000
Advance payments-trade	13	-	Current portion of long-term debt	11,212	40,805
Prepaid expenses	7	7	Commercial paper	33,000	17,000
Deferred tax assets	96	82	Current portion of lease obligations	0	3
Accrued revenue	4,226	6,201	Accounts payable	1,018	2,940
Short-term loan receivables	50,957	161,607	Accrued expenses	225	247
Other	2	20	Income taxes payable	9	2,850
Allowance for doubtful receivables	(1)	(1)	Consumption taxes payable	2	37
			Deposits received	5,606	5,565
			Unearned revenue	0	1,252
			Accrued bonuses	126	83
Fixed assets	338,365	214,737	Long-term liabilities	161,049	141,314
Property, plant and equipment	285	76	Bonds	50,000	50,000
Buildings	57	60	Long-term bank loans	107,444	86,862
Machinery	5	5	Lease obligations	-	0
Tools, furniture and fixtures	222	5	Employees' retirement benefits	1,789	2,926
Lease assets	0	4	Deferred tax liabilities	1,806	1,515
Construction in progress	0	-	Asset retirement obligations	9	9
Intangible assets	4	-	Total liabilities	238,001	238,101
Software	4	-	[Net Assets]		
Investments and other assets	338,075	214,661	Shareholders' equity	150,606	141,900
Investment securities	14,373	13,803	Common stock	53,886	53,886
Shares in affiliates	173,039	173,395	Capital surplus	46,721	46,545
Long-term loans receivable	153,893	30,722	Capital reserves	46,543	46,543
Long-term prepaid expenses	15	16	Other capital surplus	177	2
Other	285	255	Retained earnings	51,793	43,064
Allowance for investment loss	(3,532)	(3,532)	Earnings reserve	6,754	6,754
			Other retained earnings	45,039	36,310
			Contingent reserve	16,339	16,339
			Unappropriated retained earnings at end of period	28,700	19,971
			Treasury stock, at cost	(1,795)	(1,595)
			Valuation and translation adjustments	5,867	5,128
			Unrealized holding gain on securities	5,867	5,128
			Total net assets	156,473	147,029
Total assets	394,475	385,130	Total liabilities and net assets	394,475	385,130

Non-Consolidated Statement of Income

(From January 1, 2016 to December 31, 2016)

(Million Yen)

Item	93rd business term (From January 1, 2016 to December 31, 2016)	(Reference) 92nd business term (From January 1, 2015 to December 31, 2015)
Operating revenues	14,124	6,987
Managing revenue from operating companies	3,867	3,830
Dividend income from subsidiaries and affiliates	10,051	3,146
Other	206	10
Operating expenses	4,709	4,087
General administrative expenses	4,709	4,087
Operating income	9,415	2,900
Non-operating income	2,770	2,948
Interest and dividend income	2,751	2,911
Other	19	36
Non-operating expenses	1,378	1,479
Interest expense	1,231	1,402
Provision for allowance for doubtful accounts	–	1
Other	147	75
Ordinary income	10,807	4,369
Extraordinary gains	981	0
Gain on sales of investment securities	–	0
Gain on liquidation of subsidiaries and affiliates	981	–
Extraordinary losses	1	150
Loss on disposal of property, plant and equipment	1	0
Loss on devaluation of investment securities	–	149
Profit before income taxes	11,787	4,219
Income taxes: current	(114)	153
Income taxes: deferred	445	95
Profit	11,455	3,970

Non-Consolidated Statement of Changes in Shareholders' Equity

(From January 1, 2016 to December 31, 2016)

(Million Yen)

	Shareholders' equity									
	Common stock	Capital surplus			Earnings reserve	Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserves	Other capital surplus	Total capital surplus		Contingent reserve	Other retained earnings	Unappropriated retained earnings		
Balance as of January 1, 2016	53,886	46,543	2	46,545	6,754	16,339	19,971	43,064	(1,595)	141,900
Changes during period										
Cash dividends							(2,726)	(2,726)		(2,726)
Profit							11,455	11,455		11,455
Purchase of treasury stock									(471)	(471)
Disposition of treasury stock			175	175					271	447
Net changes of items other than shareholders' equity during period										
Total changes during period	-	-	175	175	-	-	8,729	8,729	(199)	8,705
Balance as of December 31, 2016	53,886	46,543	177	46,721	6,754	16,339	28,700	51,793	(1,795)	150,606

	Valuation and translation adjustments		Total net assets
	Unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of January 1, 2016	5,128	5,128	147,029
Changes during period			
Cash dividends			(2,726)
Profit			11,455
Purchase of treasury stock			(471)
Disposition of treasury stock			447
Net changes of items other than shareholders' equity during period	738	738	738
Total changes during period	738	738	9,444
Balance as of December 31, 2016	5,867	5,867	156,473