

Integrated Report 2017

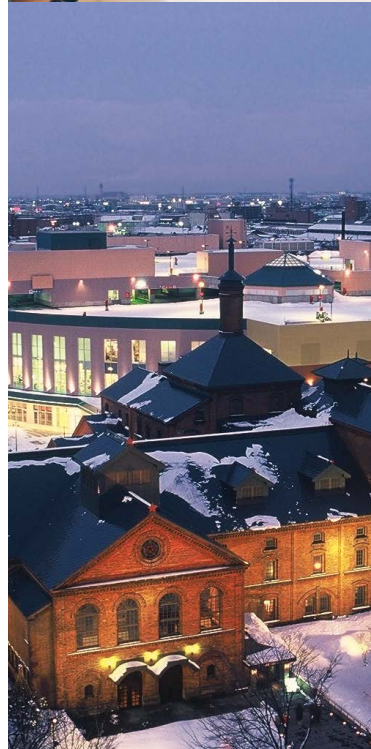
SAPPORO HOLDINGS LIMITED

Management Philosophy

As an intrinsic part of people's lives,
Sapporo will contribute to
the evolution of creative,
enriching and rewarding lifestyles.

Fundamental Management Policy

The Sapporo Group strives to
maintain integrity in corporate conduct
that reinforces stakeholder trust
and aims to achieve continuous growth
in corporate value.



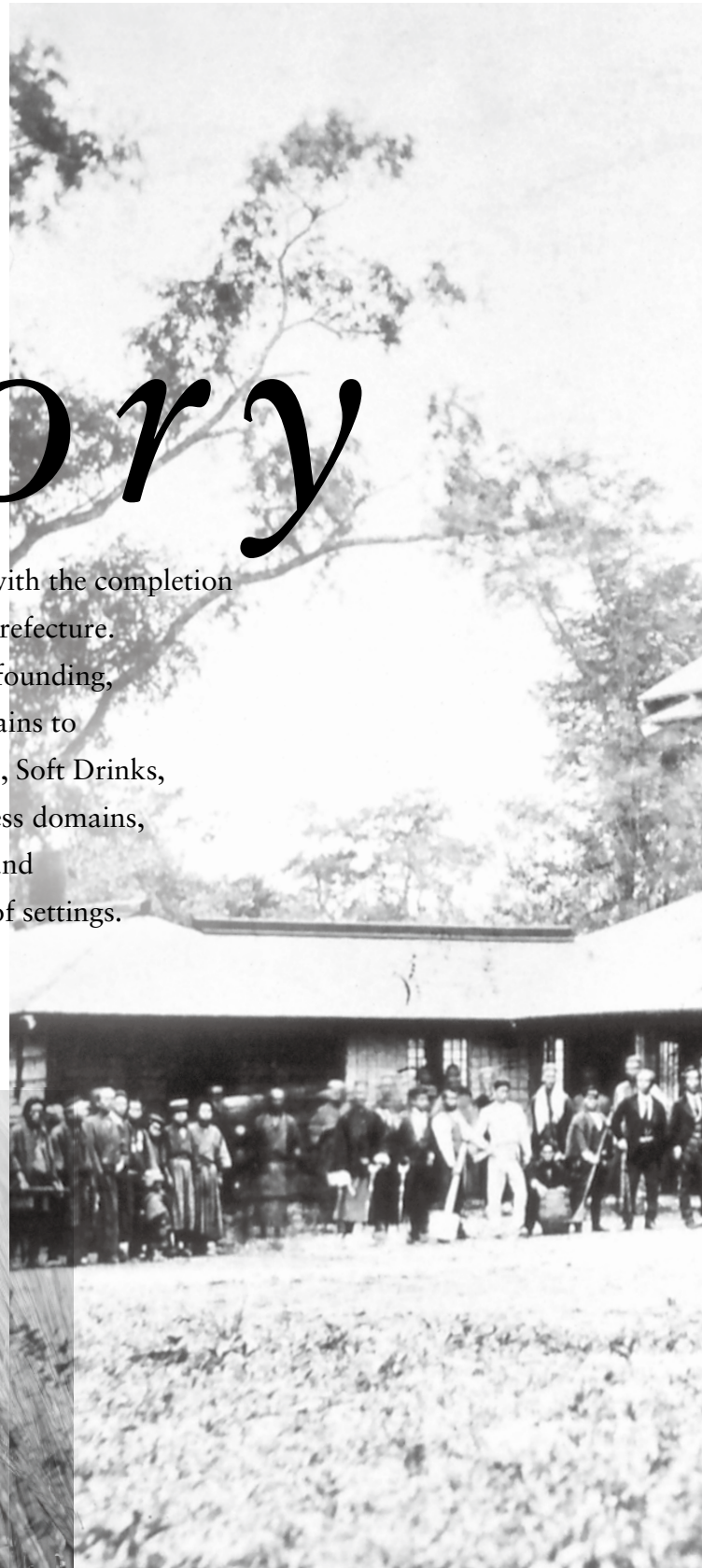


★ Inheriting Aspirations for the Future Alongside Our Stakeholders

SAPPORO BRAND STORY 01

History

In 1876, the Sapporo Group marked its founding with the completion of the *Kaitakushi* Brewery in Sapporo, Hokkaido Prefecture. Throughout the over 140 years of history since its founding, the Sapporo Group has expanded its business domains to include not only Alcoholic Beverages but also Food, Soft Drinks, Restaurants, and Real Estate. Through these business domains, we have contributed to the evolution of enriching and rewarding lifestyles for our customers in a variety of settings.





★ Inheriting Aspirations for the Future Alongside Our Stakeholders

SAPPORO BRAND STORY 02

Dialogues

The history of the Sapporo Group is one made of dialogues accumulated over time with its customers and other stakeholders. We have been deeply involved in people's lives, developing products and services to please our customers while providing a new eating and drinking scene that delivers joy and excitement.





SAPPORO BRAND STORY 03

Innovation

The Sapporo Group has acquired insight and understanding from dialogues with its customers and implemented them toward innovation and the pursuit of quality. Those aspirations have crystallized as our many brand assets, which we want to share with our stakeholders.



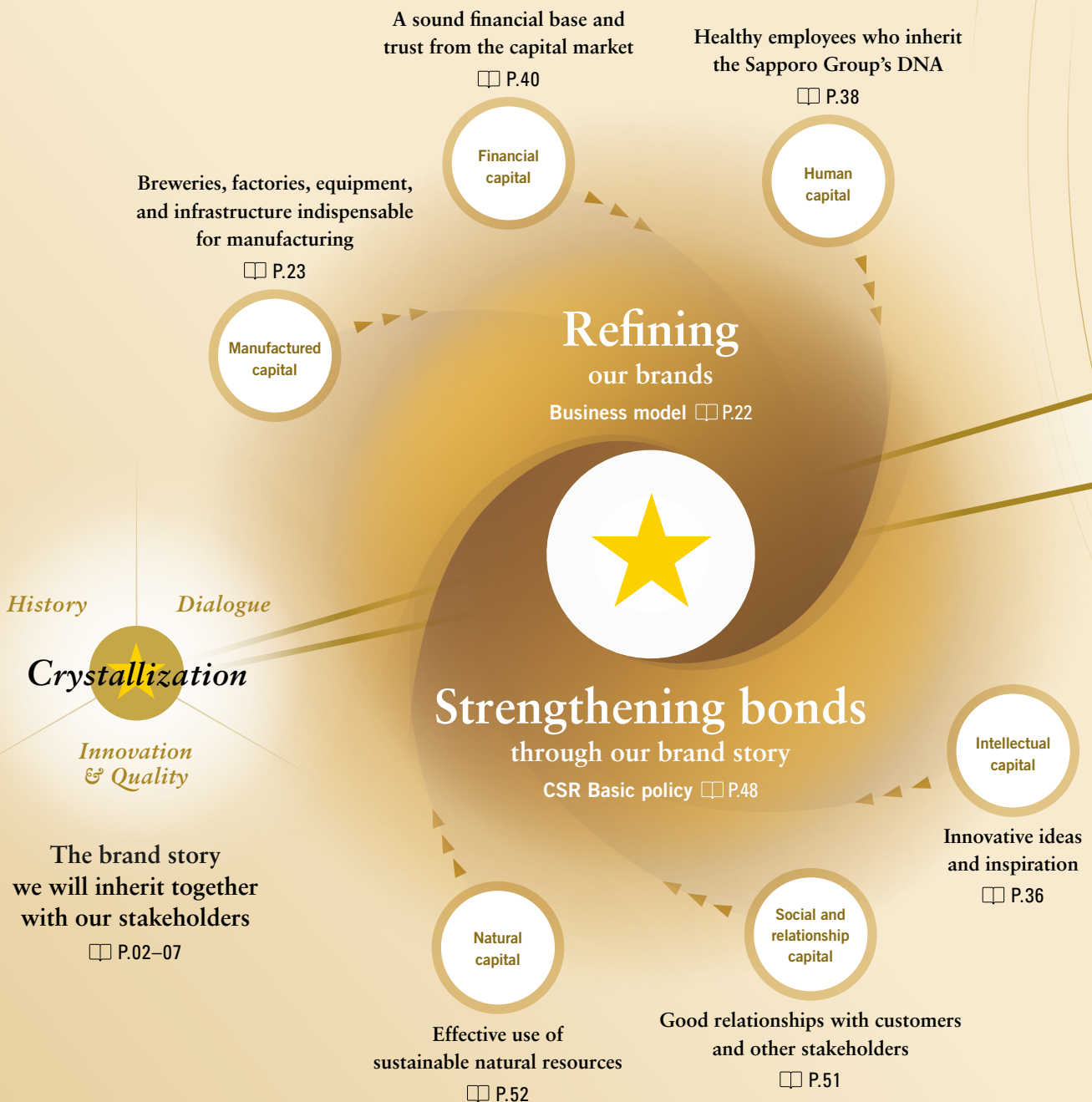
& Quality



The Sapporo Group's Value Creation Story

Our value creation story aims to realize our Management Philosophy—"As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles." This value creation story is drawn from a brand story based on over 140 years of history that we want to share with our stakeholders.

While boldly pushing forward with a two-pronged approach that focuses on a business model for refining our brands, which have crystallized through our pursuit of innovation and quality, and our CSR activities, which strengthen bonds through our brand story, we will work to attain our 2026 Group Vision and create corporate value unique to the Company.



**The Sapporo Group
Long-Term
Management Vision
“SPEED150”**

□ P.34



Alcoholic
Beverages



Food



Soft
Drinks

**2026
Group Vision**

The Sapporo Group will be a company with highly unique brands in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks” around the world.

Management Philosophy



**As an intrinsic part of
people’s lives,
Sapporo will contribute to
the evolution of creative,
enriching and
rewarding lifestyles.**

Value Created by the Sapporo Group

- ▶ Deliver new products and services by pursuing innovation and quality
- ▶ Pioneer new markets by refining tangible and intangible brand assets
- ▶ Contribute to revitalizing communication among customers by providing products and services
- ▶ Provide “fun,” “joy,” and “vitality for tomorrow” to all stakeholders through business expansion

The Sapporo Group's Value Creation Story

2017 Highlights

Business Operations



1

- ▶ Launched *Yebisu Hana Miyabi* white beer, *Yebisu's* first beer using top-fermented yeast **1**
- ▶ Launched *Plus Nyusankin Tonyu Inryo*, a soy milk drink using the Group's unique strain of the plant-based lactic acid bacteria, *SBL88* **2**
- ▶ Renovated the Beer Hall Lion Ginza 7-chome



3

- ▶ Celebrated 40 years of *Sapporo Draft Beer Black Label* **3**
- ▶ Launched *Lemon no Genki*, a lemon-based drink with a functional food label **4**
- ▶ PT. POKKA DIMA INTERNATIONAL commenced operations at new factory in Indonesia



4

- ▶ Completed construction of N3E4 Project, *TDY Sapporo Collaboration*, redeveloping the area neighboring the Sapporo Factory

- ▶ Celebrated 60 years in the lemon business

2017

January

February

March

April

May

June

Management

- ▶ Established Food Technology Laboratories for Value Creation at the Group's R&D Headquarters

- ▶ Certified as an Excellent Enterprise of Health and Productivity Management (White 500)



- ▶ Won Best Poster Award for research on the aroma of *Sorachi Ace*, a hop variety developed in Japan, at the 36th European Brewery Convention, the third consecutive year of Sapporo Breweries receiving the top prize



- ▶ Celebrated 40 years of operation of POKKA CORPORATION (SINGAPORE) PTE. LTD.



- ▶ Opened consortium-type (for multiple companies) on-site nursery / day care at Yebisu Garden Place



November 2016

- ▶ Announced the Sapporo Group Long-Term Management Vision "SPEED150" and First Medium-Term Management Plan 2020

5



▶ Introduced AI technology at Company-owned Azuminoikeda Vineyard



▶ Held grand opening of *DINING & SKY* "TOP of YEBISU" on 38th and 39th floors of Yebisu Garden Place Tower



- ▶ Began selling *Yebisu Beer* in Korea
- ▶ Held the Yebisu Beer Festival
- ▶ Began joint logistics between the four major beer companies in the eastern area of Hokkaido

▶ Introduced limited run of *Sapporo Draft Beer Black Label "Black"* 5

▶ Won Food Action Nippon MIP Award for our unsweetened tea series



▶ Opened Anchor Public Taps in San Francisco under ANCHOR BREWING COMPANY, LLC.



▶ Welcomed over 4 million visitors to GINZA PLACE

July

August

September

October

November

December

- ▶ Formulated the Sapporo Group Health Creation Declaration
- ▶ Acquired all interests in ANCHOR BREWING COMPANY, LLC.



- ▶ Developed 4 Key Promises for CSR materiality
- ▶ Selected as a member of the SNAM Sustainability Index, used for SNAM sustainable fund management



- ▶ Began Sapporo Breweries Work Style Improvement 2020
- ▶ Sapporo Breweries obtained *Platinum Kurumin* certification from the Ministry of Health, Labour and Welfare



To Our Stakeholders

We will display the distinct value of our existence while helping provide creative, enriching, and rewarding lifestyles to Japan and the world beyond.

Since our founding in 1876, we have put our Management Philosophy as the cornerstone of our actions as we have helped provide creative, enriching and rewarding lifestyles not only to Japan, but to the world. Over our long history, we have engaged our customers and steadily cultivated relationships with them through dialogue. The Group's unique brands represent the assets that have crystallized through this engagement and dialogue. While further refining our brands through the pursuit of innovation and quality, we are working to create distinct corporate value by sharing our aspirations with our stakeholders and strengthening bonds through our brand story.

Our Long-Term Management Vision "SPEED150" outlines our goals for 2026, 150 years after our founding. This vision positions the "Alcoholic Beverages," "Food," and "Soft Drinks" fields as our core business areas. Under this vision, we will aim for solid growth through transformation of our Group management platform in response to changes in the business environment and by steadily carrying out our global growth strategy.

This integrated report will showcase how the Sapporo Group has strengthened and cultivated its brands, not only by reciting its history or explaining how its businesses came about, but also by demonstrating its distinct value as a group with highly unique brands and by expressing its direction and intentions toward the future—a future where the Group plays an indispensable part for society. We hope that our stakeholders will read this report and evaluate our efforts from all angles.

It is our constant wish for our integrated report to spark dialogues with our stakeholders. We ask for your continued support and understanding as we push ahead with business activities aimed at achieving our goals.

June 2018





Tsutomu Kamijo
Chairman and Representative Director

Masaki Oga
President and Representative Director

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Editorial Policy

The Sapporo Group considers its dialogues with shareholders, investors, and all other stakeholders to be of the utmost importance. In that vein, and with the goal of deepening overall understanding of the Group's economic and social value through the reporting of our management strategy, business activities, and CSR activities, we have started publishing an integrated report as of fiscal 2017.

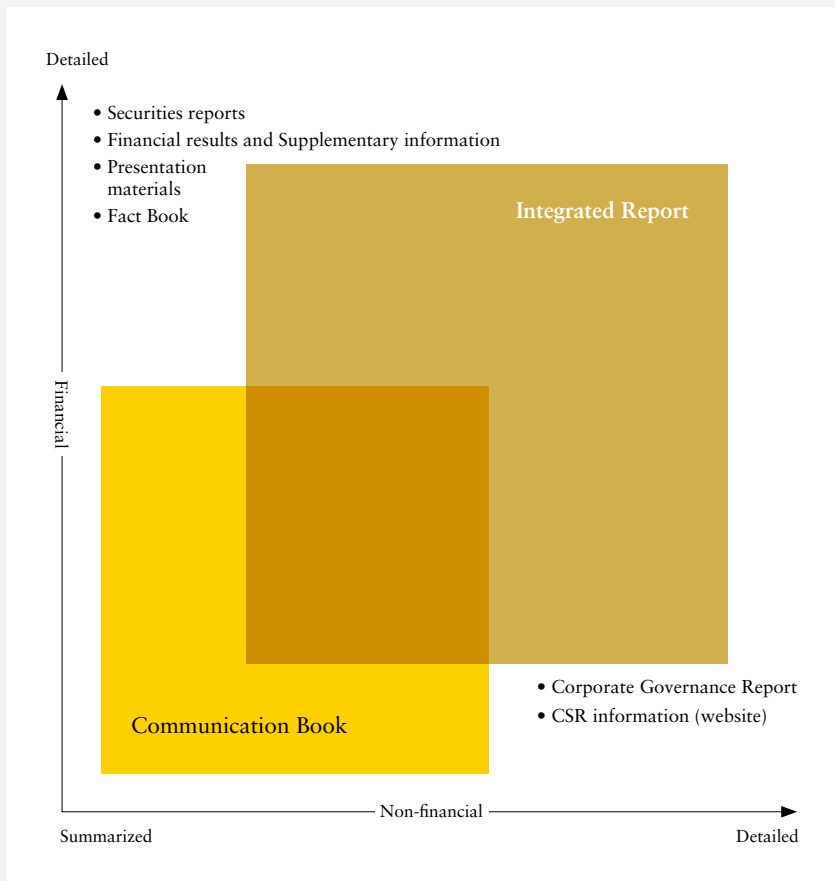
In addition, we have decided to publish a "Communication Book" as a digest version of the integrated report that will elaborate on the report's contents.

In doing so, we hope that all stakeholders, including shareholders and other investors, will understand the Sapporo Group's vision toward sustainable growth.

June 2018

Information Framework

For more information regarding financial and non-financial matters, please visit the Company website.



Forward-Looking Statements

Statements in this integrated report with respect to the Company's forecasts, performance or otherwise, are based on the Company's judgments in light of the latest information available as of the publication of this report and contain potential risks and contingencies. For that reason, please be aware that due to various changing factors, actual results may vary from the forecasts published in this report.

Period Covered

This report covers the fiscal year ended December 2017 (Jan. 1, 2017–Dec. 31, 2017). However, it may refer to events before or after this period as necessary.

Organizations Covered

Sapporo Holdings, Ltd. and Group companies

Referenced Guidelines

- International Integrated Reporting Council (IIRC), *The International <IR> Framework*
- Ministry of Economy, Trade and Industry, *Guidance for Collaborative Value Creation*



- GRI (Global Reporting Initiative) *Sustainability Reporting Standards* (International guidelines on corporate sustainability reporting)
- International Organization for Standardization *ISO 26000* (Guidance on social responsibility)
- Ministry of the Environment *Environmental Reporting Guidelines 2012*

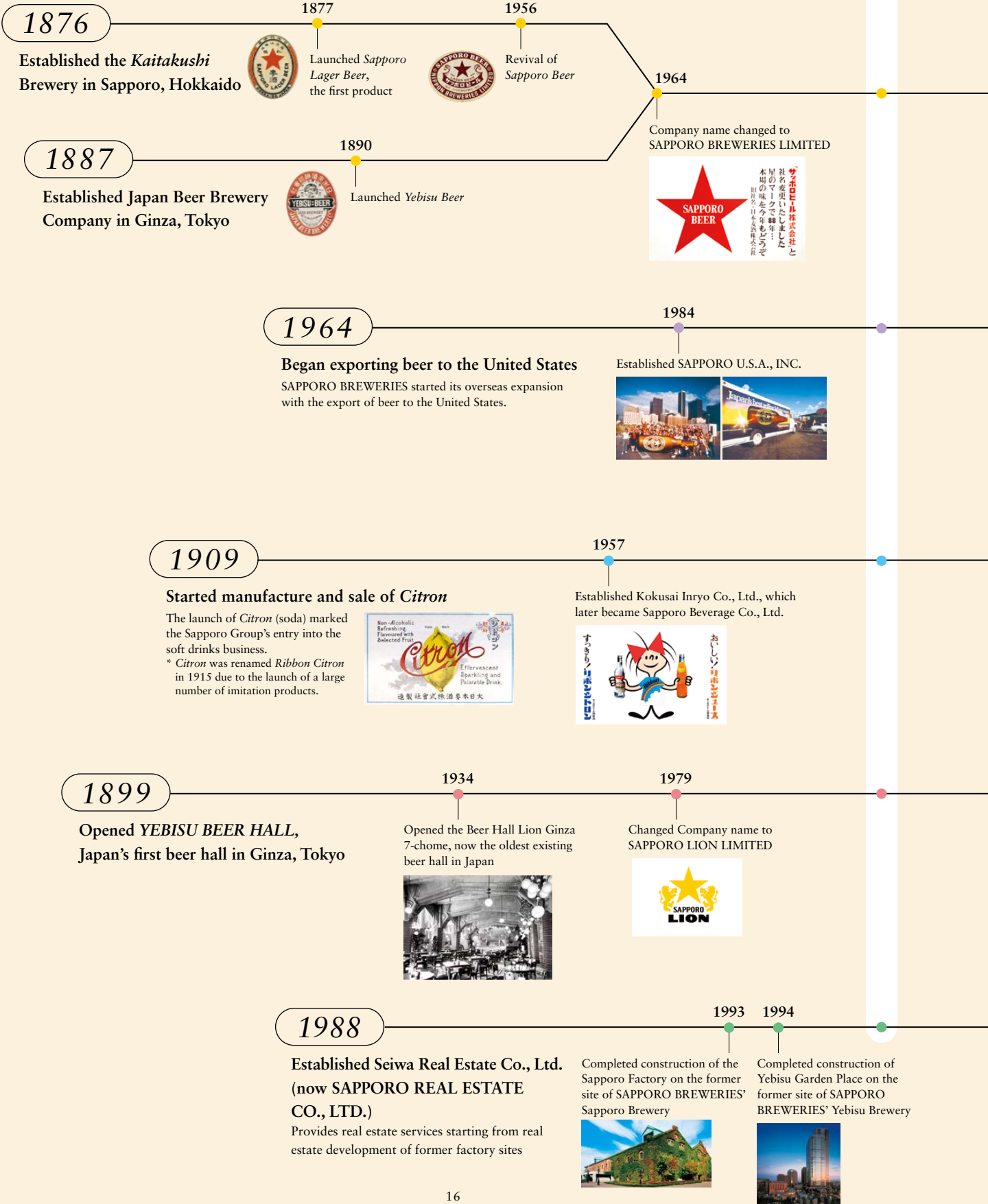
Supported Initiatives

- UN Global Compact



Sapporo Holdings has signed the United Nations Global Compact.

Our History



2003

Started operation under a holding company framework with SAPPORO HOLDINGS LIMITED as a pure holding company

2016 | New Business

2016: Acquired 51% of the shares of SHINSYU-ICHI MISO CO., LTD., which manufactures and sells miso, instant miso soup, and freeze-dried products, making it a consolidated subsidiary



2006
Entered the *shochu* business



2012
Opened the Grande Polaire Katsunuma Winery, eyeing the growing market for fine wines



2017
40th anniversary of the launch of Sapporo Draft Beer Black Label



Japanese Alcoholic Beverages

2006
Made SLEEMAN BREWERIES LTD. into a consolidated subsidiary and focused on strengthening the SLEEMAN brand



2010
Made SAPPORO VIETNAM LIMITED into a consolidated subsidiary and expanded business in Southeast Asia

2012
Entered the U.S. soft drinks business and acquired 51% of the shares of SILVER SPRINGS CITRUS, INC., making it a consolidated subsidiary



International

2011
Made POKKA CORPORATION a wholly owned subsidiary

2013
Integrated business with POKKA CORPORATION and started operations as POKKA SAPPORO FOOD & BEVERAGE LTD.

2015
Entered the soy milk and chilled products business



Food & Soft Drinks

2009
Opened the first YEBISU BAR jointly developed with SAPPORO BREWERIES in the Ginza Corridor district



2013
Opened the first GINZA LION BEER HALL in Singapore, using the strength of the beer hall format for overseas development



2016
Made primarily Sapporo-based restaurant operator MARUSHINKAWAMURA INC. into a consolidated subsidiary



Restaurants

2006
Completed construction of Strata Ginza



2014
Completed construction of Ebisu First Square



2016
Completed construction of GINZA PLACE



Real Estate

Our Businesses

Fiscal year ended December 2017

Japanese Alcoholic Beverages

Since 1876, we have been committed to using only the finest raw materials to always pursue new possibilities and to create the high-quality products that embody our drive toward providing joy and enrichment to our customers. Based on our Company slogan, “Bringing more cheer to your ‘Cheers!’,” we have developed a broad range of businesses that are centered on beer products and which also include wine and spirits, and continue to propose new products and services in line with our unique value.



International

We promote a growth strategy focused on North America and Southeast Asia and adapted to the characteristics of each specific area. We are currently working to expand our business in North America by leveraging the strengths of our *SAPPORO PREMIUM* brand, the No. 1 selling Asian beer in the U.S., our *SLEEMAN* brand in Canada, and our *ANCHOR* brand, acquired in 2017. In Southeast Asia, Vietnam has seen remarkable growth, and we are continuing to raise the value of the *Sapporo* brand with our flagship brand, *SAPPORO PREMIUM Beer*.



Food & Soft Drinks

Domestically, our business centers on the production and sale of items including lemon-based products, soups, soft drinks, and soy-based products in addition to the operation of café chains. Overseas, we continue to take on challenges ranging from the expansion of *POKKA* brand drinks from our base in Singapore to the rest of the world, to the promotion of a business model centered on local production in Southeast Asia. With novel ideas, sparks of inspiration, and overflowing passion, we will continue to create products one after another and provide a sense of “deliciousness” in each one.



Restaurants

We have a rich history that extends over a century. The *YEBISU BEER HALL* was established as the first of its kind in Japan. Our subsequently established beer halls, such as the *GINZA LION* and *YEBISU BAR*, and our and other restaurants, run with a Japanese style of service spread the idea of *omotenashi* through offering our customers a safe, secure, and delicious dining experience in comfortable surroundings.



Real Estate

The Sapporo Group has a business for managing, operating, and developing real estate centered in Ebisu, Sapporo, and Ginza, three locations where the Group has deep roots. Through urban development projects in these areas such as Yebisu Garden Place, Sapporo Factory, and *GINZA PLACE*, we hope to create and cultivate both “luxurious time” and “luxurious space.”



Net Sales **¥281.3 billion** EBITDA **¥19.9 billion**

- ▶ **Main Brands:** Beer and beer-type beverages: *Sapporo Draft Beer Black Label, Yebisu Beer, Mugi to Hop, Goku Zero*
Wine: *Grande Polaire, Penfolds* Champagne: *Taittinger*
Spirits: *Bacardi, Dewar's*

Net Sales **¥67.1 billion** EBITDA **¥3.1 billion**

- ▶ **Main Brands:** *SAPPORO PREMIUM, SLEEMAN, ANCHOR*
- ▶ **Main Sales Areas:** United States, Canada, Vietnam, South Korea, Australia, Singapore

Net Sales **¥137.8 billion** EBITDA **¥8.3 billion**

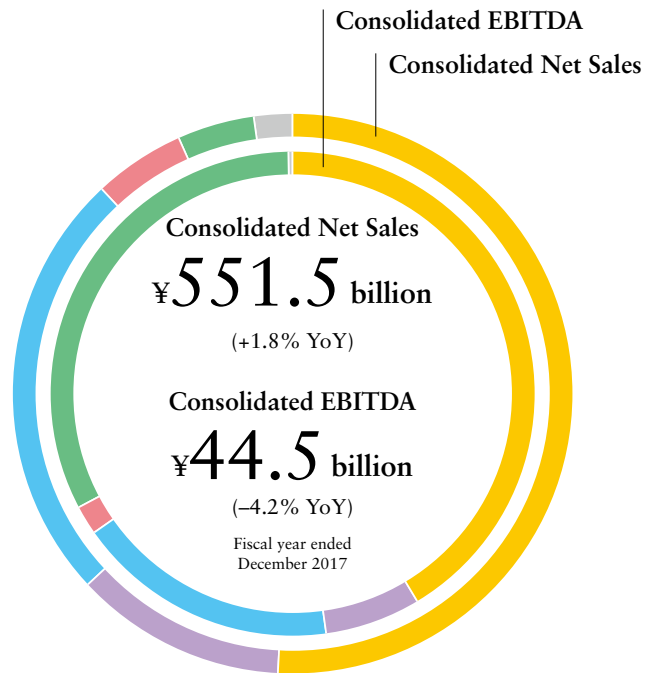
- ▶ **Main Brands:** Soft drinks: *Kireto Lemon, Aromax, Gabunomi*
Soups: *Jikkuri Kotokoto* Lemon-based products: *POKKA Lemon 100*
Soy milk: *SOYAFARM* Cafe chain: *Café de Crié*
Ice cream: *BLUE SEAL*

Net Sales **¥29.1 billion** EBITDA **¥0.9 billion**

- ▶ **Main Brands:** *GINZA LION BEER HALL, YEBISU BAR*
Number of Outlets: 195 in Japan, 13 overseas (As of December 31, 2017)

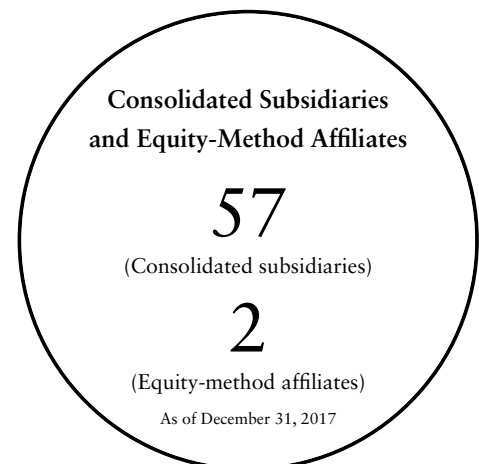
Net Sales **¥24.1 billion** EBITDA **¥15.6 billion**

- ▶ **Main Facilities:** Yebisu Garden Place, Sapporo Factory, GINZA PLACE
- ▶ **Main Areas:** Ebisu, Sapporo, Ginza



- Japanese Alcoholic Beverages
- Food & Soft Drinks
- Real Estate
- International
- Restaurants
- Other

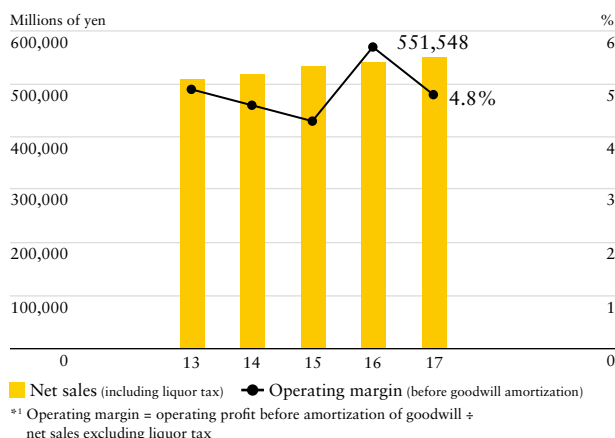
* Starting from the fiscal year ending December 31, 2018, the export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. The figures for fiscal 2017 have been retroactively adjusted to reflect this transfer.



Financial and Non-Financial Highlights

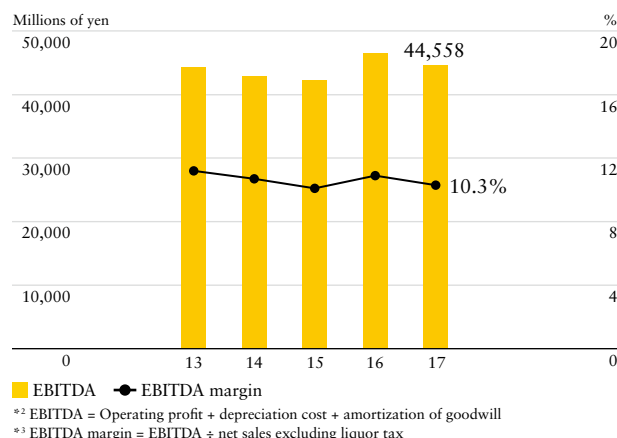
Net Sales (Including Liquor Tax) / Operating Margin (Before Goodwill Amortization)*1

Sales increased during fiscal 2017, as they have done continuously since fiscal 2010. However, operating profit declined due to difficult conditions in the overseas soft drink business, among others. As a result, the operating margin edged down 0.9 of a percentage point year on year, to 4.8%.



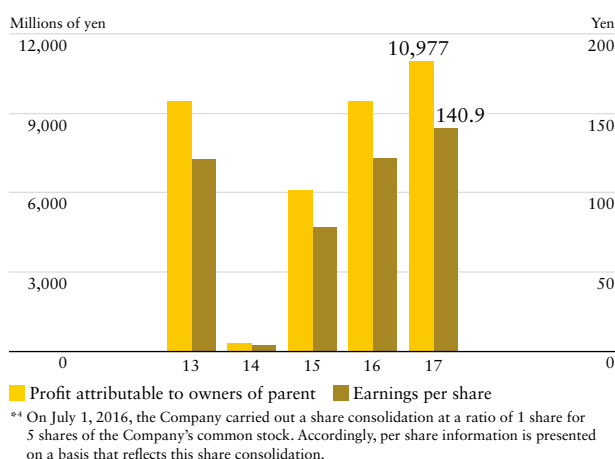
EBITDA*2 / EBITDA Margin*3

EBITDA decreased 4.2% year on year, to ¥44.5 billion. As a result, the EBITDA margin was down 0.7 of a percentage point, to 10.3%.



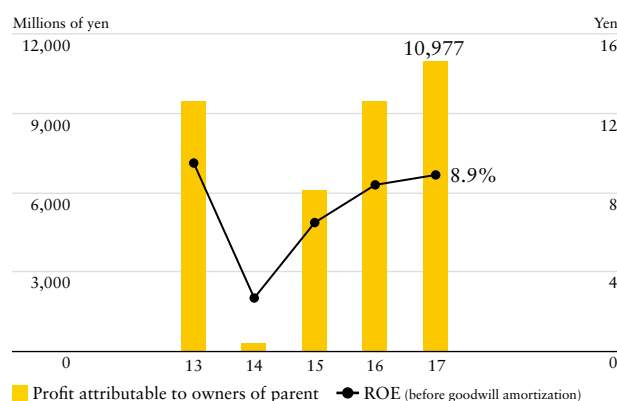
Profit Attributable to Owners of Parent / Earnings per Share*4

Profit attributable to owners of parent rose 15.9% year on year, to ¥10.9 billion, due mainly to a gain on sales of investment securities and a gain on sales of property, plant and equipment.



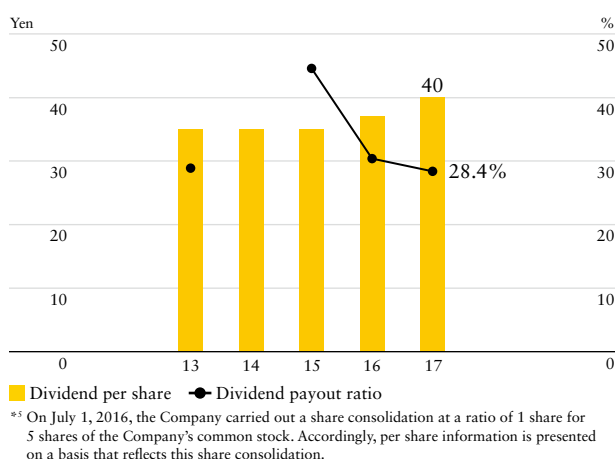
Profit Attributable to Owners of Parent / ROE (Before Goodwill Amortization)

ROE (before amortization of goodwill) edged up 0.5 of a percentage point year on year, to 8.9%, as profit attributable to owners of parent increased for the third year in a row.



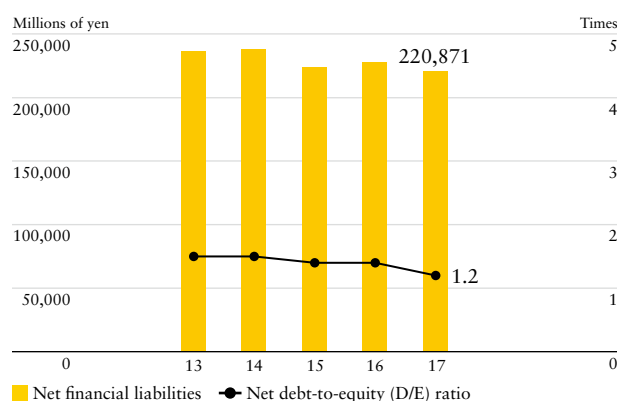
Dividend per Share*5 / Dividend Payout Ratio

In fiscal 2017, EPS increased ¥3, to ¥40 per share, with the dividend payout ratio coming to 28.4%. Under the First Medium-Term Management Plan 2020, the Company has adopted a financial target of reaching a dividend payout ratio of around 30%.



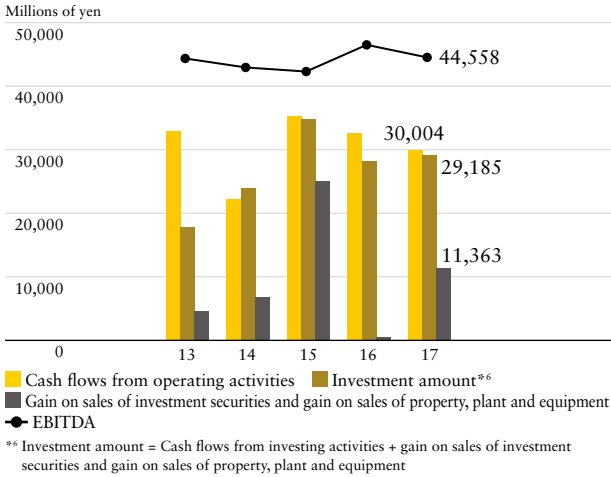
Net Financial Liabilities / Net Debt-to-Equity (D/E) Ratio

Net financial liabilities declined 2.9%, to ¥220.8 billion. Net D/E ratio came to 1.2 times.



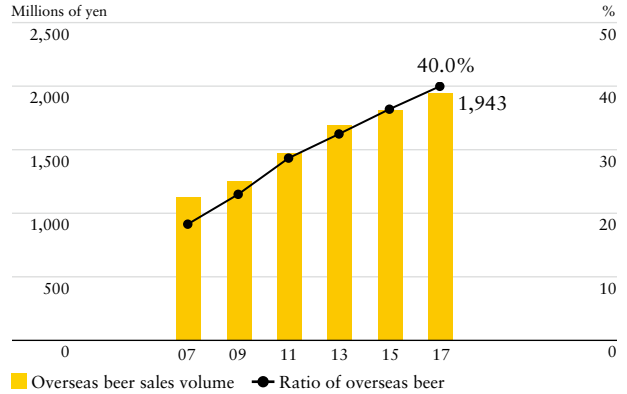
Cash Flows from Operating Activities and Status of Investments

The Company used cash provided by operating activities to actively carry out growth investments.



Trends in Overseas Beer Sales Volume

The ratio of overseas beer sales volume to domestic sales volume in 2017 reached 40.0%, an increase of 2.2 times compared with the 18.3% in 2007.



Awards Related to R&D Alcoholic Beverages, Food, and Soft Drinks

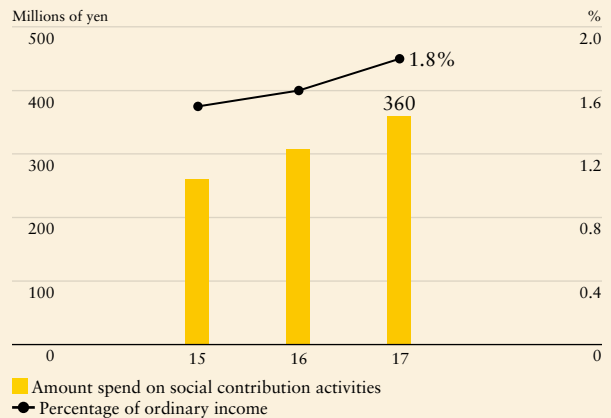
In fiscal 2017, the Company received a total of six awards related to its R&D activities, including the Best Poster Award at the 36 th European Brewery Convention, which it received for the third year in a row.



See [page 79](#) for details.

Results of Social Contribution Activities Society

In fiscal 2017, the Sapporo Group spent ¥360 million on social contribution activities, which accounts for 1.8% of the Group's ordinary income.



Recycling Ratio Environment

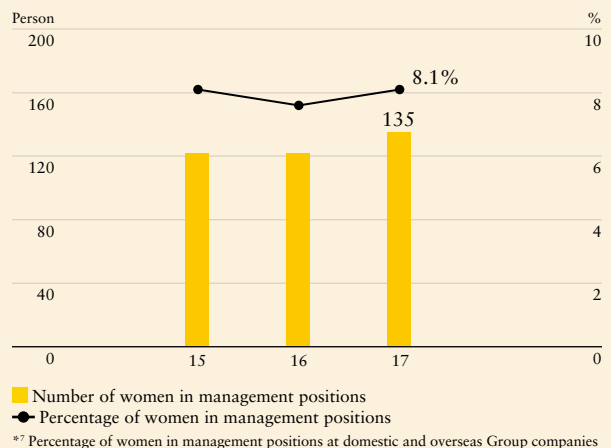
Since 1998, Sapporo Breweries has achieved a 100% recycling ratio of byproducts and waste that accompany product development at its beer, soft drink, and food product factories. Since 2006, POKKA SAPPORO Food & Beverage has achieved the same accomplishment.



20 consecutive years for SAPPORO BREWERIES
12 consecutive years for POKKA SAPPORO
Food & Beverage

Percentage of Women in Management Positions*⁷ Human Resources

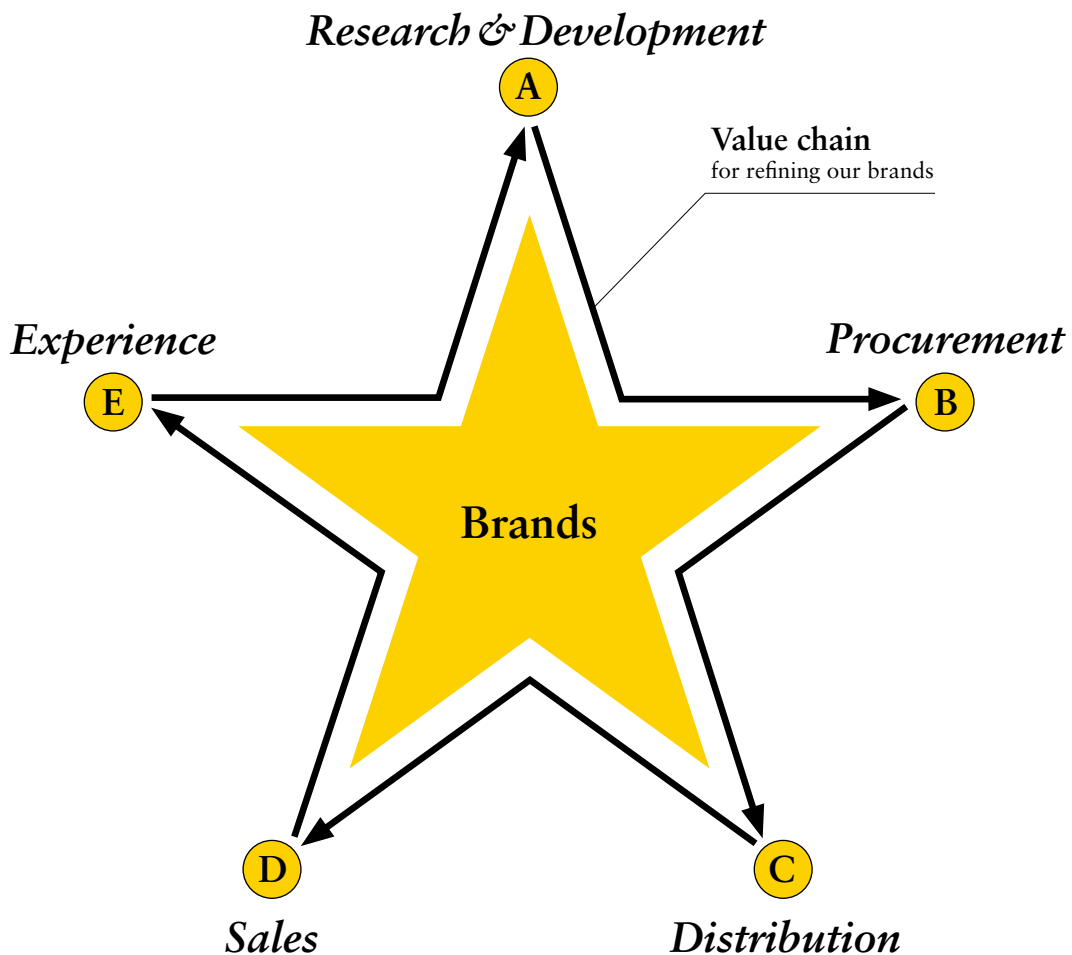
For its approach to valuing and utilizing diversity of all kinds, the Sapporo Group will work to establish an environment where it is commonplace for women to continue their profession while playing an active role with a high level of engagement. In fiscal 2017, the percentage of women in management positions was 8.1%.



The Sapporo Group's Business Model

A Business Model for Refining Our Brands

Our unique brands represent the crystallization of our history and dialogues as well as our pursuit of innovation and quality. While cultivating and strengthening these brands by further refining them through our unique value chain, we will work to sustainably improve corporate value.



Corporate Governance □ P.58

We position the strengthening and enhancement of corporate governance as one of our priority management issues in order to maximize the sustainability of our business model.

Risk Management □ P.42

We are working to improve sustainable corporate value by reinforcing the risk management structure of the entire Group and conducting sound corporate management.

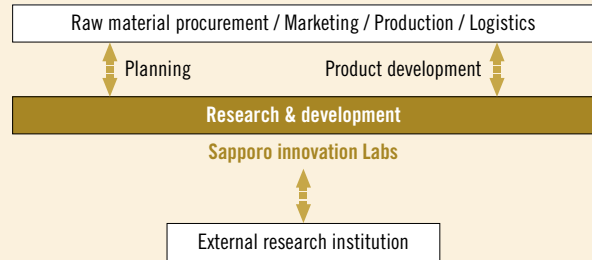
Value Chain for Refining Our Brands

Flow of information (dashed arrow) Flow of goods (solid arrow)



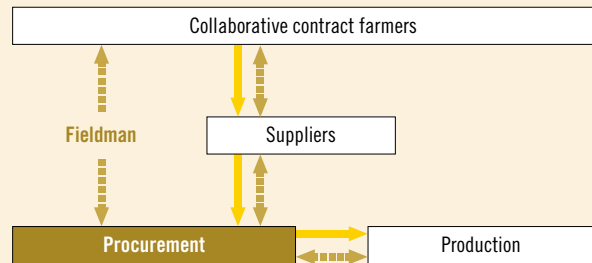
A Research & Development

By way of **our Groupwide R&D structure, "Sapporo innovation Labs,"** we improve the value we currently generate and pursue new value creation while promoting Groupwide collaboration and open innovation.



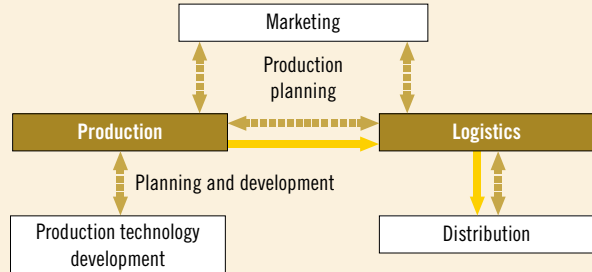
B Procurement

As part of **our unique efforts to pursue quality for our beer, our fieldman communicate directly with collaborative contract farmers.*** We work to procure safe, reliable, and high-quality raw materials for our products.



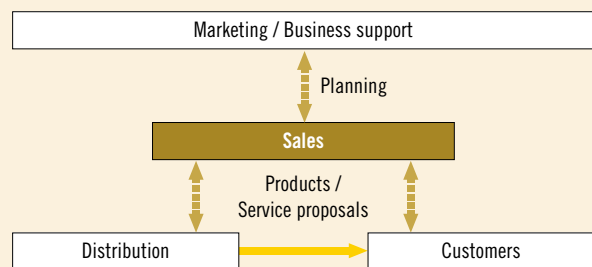
C Distribution

Through the **development of production methods tailored to product characteristics,** we are able to deliver high-quality goods in a stable manner in addition to preparing a waste-free supply system with an appropriate production plan.



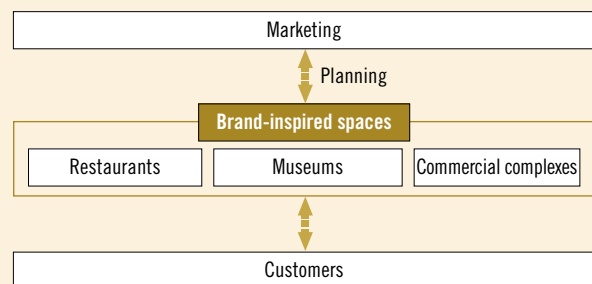
D Sales

We continue to work toward **delivering customers our goods and services via the most optimal points of contact with them,** ranging from supermarkets, convenience stores, and restaurants to specialty stores, Internet sales, and vending machines.



E Spaces to Experience Our Brand

We **provide brand-inspired spaces** through the operation of our much-beloved restaurants, commercial complexes, and other facilities, and in doing so grow our brand alongside the customer.



* Refers to a system whereby we carefully select the production area for barley and hops, the two main raw materials for beer, and work closely with growers from cultivation to processing. See page 52 for details.

★ Special Feature 1

Delivering Value Unique to the Sapporo Group by Refining Our Brands

The Sapporo Group is promoting initiatives to refine its brands utilizing its unique value chain. By expanding its points of contact with customers and deepening the trust-based relationships it has with them, the Group has acquired the support of a strong fan base and has fostered a love for its brands. In doing so, the Group has been working to create unique corporate value.

This section introduces examples of how the Group is working to refine three of its distinctive brands: *Sapporo*, *Yebisu*, and *POKKA Lemon*.

DNA

Topic

01 SAPPORO

The *Sapporo* brand has inherited rich traditions starting from the establishment of *Kaitakushi* Brewery in 1876. By pursuing innovation and quality throughout the entire value chain, the Group is continuing to increase the number of fans of *Sapporo Draft Beer Black Label*.



Over 40 Years of Sapporo Draft Beer Black Label —Pursuing Deliciousness with the Aim of Creating the Perfect Draft Beer

Sapporo Draft Beer Black Label was created in 1977 with an aspiration for letting people enjoy truly delicious draft beer in the comfort of their own homes, and this desire remains unchanged to this day. With *Sapporo Draft Beer Black Label*, we have continued to be passionate about offering the deliciousness of draft beer. In raw material procurement, production methods, and all our efforts for the brand, we have pursued the creation of the perfect draft beer that is loved by adults. The perfect balance between barley and hops gives *Sapporo Draft Beer Black Label* a bold and refreshing taste than can be enjoyed from the first sip to the last.

In addition, the brand makes use of our original fresh-tasting, long-lasting malt, which we developed from barley free of components that deteriorate beer flavor, helping maintain a fresh taste and aroma and realize long-lasting foam. These are just a few examples of our never-ending efforts to achieve the ideal level of deliciousness.

Going forward, we will continue to refine *Sapporo Draft Beer Black Label* so that an even greater number of adults can experience the deliciousness of the perfect draft beer.





Offering High-Quality Worldviews That Embody the Perfect Draft Beer Loved by Adults

We have continued to engage in activities to consistently communicate the appeal of *Sapporo Draft Beer Black Label* under the theme of “a draft beer loved by adults.”

In our television advertisements, not only do we highlight the deliciousness of draft beer, which is one of the brand’s unique strengths, we also promote *Sapporo Draft Beer Black Label*’s value as a beer enjoyed by adults with unique value system. In these ways, we are using the *Sapporo Draft Beer Black Label* to offer unique worldviews.

Providing Distinctive Drinking Experiences through the Expansion of Brand Contact Points

The Perfect Black Label Beer, a draft beer only available at stores, offers a delicious taste realized through our aim to perfect the *Sapporo Draft Beer Black Label*. As such, we are expanding efforts aimed at having people experience the appeal of this beer’s unique taste.

To this end, we hold “THE PERFECT DAYS,” “THE PERFECT BAR,” and “THE PERFECT BEER GARDEN” events that allow adults to experience *The Perfect Black Label Beer* at bars and beer gardens in major cities throughout Japan. At these events, with a firm commitment to offering draft beer of the highest quality, we provide an environment, atmosphere, and service lineup that are ideal for drinking *The Perfect Black Label Beer*. In 2018, we will continue to increase the number of opportunities for people to enjoy the worldview and delicious taste offered by *The Perfect Black Label Beer*, including new plans to promote “THE PERFECT STAR WAGON,” a food car that will provide the beer in a variety of settings.



Communicating the History, Ideas, and Story of Sapporo Beer in the Area of Our Founding

The Sapporo Beer Museum is one of Japan’s only beer museums. The museum helps communicate the history of Japanese beer that was created through the passionate efforts of Japanese brewers. It also conveys the dedication and commitment to beer that Sapporo Breweries inherited. The Sapporo Beer Museum is a facility located inside Sapporo Garden Park, together with the Sapporo Beer Garden. The museum’s redbrick interior is reminiscent of architecture during the Meiji period. In addition, the museum has received the official “Hokkaido Heritage” designation.



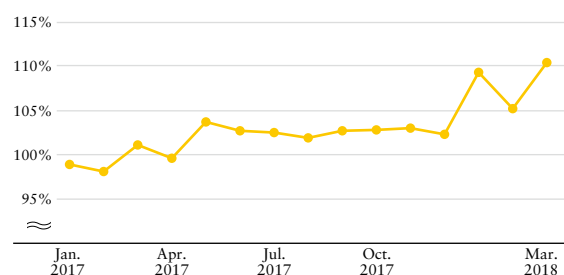
Sapporo Beer Museum

In April 2016, we carried out a comprehensive renovation of the Sapporo Beer Museum, transforming it into a location that better communicates the passion of Sapporo Breweries to an even greater number of visitors.

Sales Volume of the *Sapporo Draft Beer Black Label* Brand

(On a cumulative basis compared with the same month of the previous fiscal year)

Over its 40-year history, *Sapporo Draft Beer Black Label* has continued to realize sales growth as one of the Sapporo Group’s representative brands.



★ Special Feature 1

Topic

02 YEBISU

Pride



The *Yebisu* brand, which has embodied the district of Ebisu as a hub of culture and lifestyle for over 100 years, continues its evolution into the future as a beer that is loved by customers.

Proposing New Value with *Yebisu Beer*

Yebisu Beer illustrates its theme of “More joy today with *Yebisu*,” promoting value proposals that drive food culture further by epitomizing both Japanese culture and the spirit of innovation. At the same time, *Yebisu* maintains its value as a premium Japanese beer with a rich history. Through *Yebisu*, we work to enhance the drinking experience by complementing the best seasonal foods and occasional special events as well as by bringing a little more joy to any special day, including not only New Year’s, Mother’s Day, and Father’s Day but also any other special occasion. In March 2017, we introduced our first white beer under the *Yebisu* brand, *Yebisu Hana Miyabi*. To achieve a flavor befitting the *Yebisu* name, we selected a top-fermented yeast from over 1000 strains to create a fruity taste with authentic richness (“KOKU”) that enjoys the support of a new customer base.

Furthermore, The *Yebisu Beer Museum*, located in the birthplace of *Yebisu Beer*, is regularly bustling with local and international visitors. With an “All-things-*Yebisu*” concept, the museum is a space where its many visitors can experience the *Yebisu* brand and understand the *Yebisu* worldview through sight, touch, and taste. We hope to bring visitors back again and inspire them to spread the good word about *Yebisu*.

Enjoying a “Luxurious Time” and “Luxurious Space” at *Yebisu Garden Place*

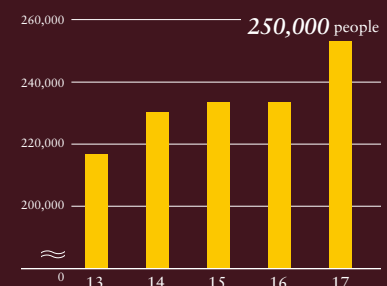
Yebisu Garden Place celebrated its 20th anniversary in 2014, born as a pioneer integrated urban area in 1994, in tandem with the relocation of *Yebisu Brewery*. We have also unveiled a new brand message, “Ebisu, a city on the grow.” To become such a “city,” we aim to increase brand strength and user-friendliness and are promoting various measures to increase value. In 2017, we opened a consortium-style (serving multiple companies) in-house childcare center and renovated the food and drinks floor. In addition, Sapporo Real Estate established an urban development department at its main office in order to promote urban development in the Ebisu area—with which we have a deep relationship—that forms connections within the area and contributes to people’s lives.



Yebisu Garden Place

Number of Visitors to The *Yebisu Beer Museum*

Since the grand reopening of The *Yebisu Beer Museum* in 2010, an aggregate total of 1.8 million visitors have experienced the worldview of the *Yebisu* brand.



Inspiration

Topic

03

POKKA LEMON



POKKA Lemon was first launched in 1957 as a lemon product used in cocktails at standing bars. Since then, supported by the rise in popularity of Western cuisine, *POKKA Lemon* has received customer approval as a lemon product that can be used easily at home. Over the years, we have pursued product development for *POKKA Lemon* that caters to the changing times, including promoting a variety of uses for lemons and increasing variation in product containers and volume. In these ways, *POKKA Lemon* has continued to grow over the course of 60 years as one of our long-selling products.



Proposing Comprehensive Lemon-Based Eating Habits in Celebration of the 60-Year Anniversary of the Lemon Business

2017 marked the 60th year since the launch of *POKKA Lemon*. Over this time, the product has continued to be a major part of the eating habits of people. In addition to promoting *POKKA Lemon* in a supporting role on the dinner table as a dressing for food, we have introduced a wide variety of recipes using the product that take full advantage of the delicious taste of lemons, thereby proposing lemon-based eating habits to people. Furthermore, we have communicated information on the health benefits offered by lemons themselves and how they can contribute to the healthy eating habits of people. For children, who are the next generation, we have hosted lectures and nutritional seminars where children can learn about the various health benefits of lemons through experiments and various hands-on activities. In doing so, we have created opportunities for children to become more familiar with lemons.

In addition, in Nagoya and Ebisu, we open the lemon antenna shop *Lemon Healthy Stand* for a limited period during the summer where people can experience the deliciousness of lemons in comfort. At this shop, we offer an extensive menu of healthy food and drinks that let people fully enjoy lemons.



Lemon Healthy Stand

Thoroughly Researching Lemons as a Pioneer in the Lemon Business

POKKA SAPPORO Food & Beverage has spent many years engaged in research on lemons, analyzing the various health benefits of lemons and communicating relevant information on them. During 2017, in the lemon-producing area of Osakikamijima Town, Hiroshima Prefecture, we conducted a fact-finding survey on the health benefits received from consuming lemons on a daily basis. In addition, we carried out a cultivation test utilizing information and communication technologies in an effort to support domestic lemon production. Through these means, we are promoting a broad range of research with the aim of becoming lemon professionals.

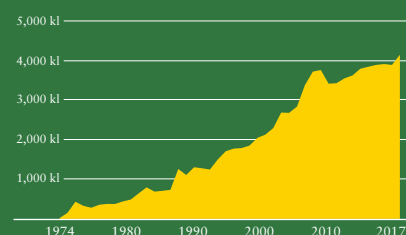
Offering Another Lemon Brand: *Kireto Lemon*

In 2001, we launched *Kireto Lemon*, a drink that allows customers to easily enjoy the health benefits of lemons. This product is the result of our years of research on lemon-based materials and of our constant pursuit of deliciousness. Positioning *Kireto Lemon* as a core brand alongside *POKKA Lemon*, the brand is currently helping drive growth in the lemon business of POKKA SAPPORO.



Sales Volume of *POKKA Lemon*

By creating lemon-related value in the food market, we have been working to expand the market since the launch of *POKKA Lemon*.



Note: From 1974 to 2011, totals are calculated using the period from April to March of the following year. From 2012 to 2017, totals are calculated using the period from January to December of the same year.

Message from the President



Masaki Oga
President and Representative Director

We aim to realize solid growth as a company with highly unique brands. To this end, we will develop appealing products and services on a global basis in the business fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks” as we boldly aim to realize growth by expanding the points of contact with our customers.

Delivering Unique Value by Refining Our Brands

Our brands represent the crystallization of the aspirations we would like to share with our stakeholders— aspirations fostered through the dialogues and trust-based relationships we have established with them over many years. Guided by these aspirations, we are pushing forward with a two-pronged approach that revolves around a business model for refining our brands and CSR activities that strengthen bonds with our stakeholders through our brand story while working to create distinctive corporate value. Refining our brands means constantly moving ahead with new ideas without entering into a repetitive cycle. By continuously working to refine our brands, we will create value unique to the Sapporo Group.

There are three major aspects behind the unique value the Sapporo Group offers. The first aspect is our relentless efforts to enhance the value of deliciousness as a food manufacturer that designates “Alcoholic Beverages,” “Food,” and “Soft Drinks” as its core business areas. In the case of *Sapporo Draft Beer Black Label*, we remain committed to finding ways to offer customers a beer that maintains the consistent quality and delicious taste of draft beer fresh from the tap. Going forward, we will identify ways to further enhance the taste of *Sapporo Draft Beer Black Label*, taking into account a variety of viewpoints, including improvements to the production process, the bolstering of raw material procurement and distribution, and the creation of various settings and scenes in which customers can enjoy the product. The second aspect is identifying, envisioning, and materializing the kind of value that brings joy to our customers—specifically, convenience, simplicity, and sensibility—and delivering that value to them through our products and services. To this end, we will actively provide value that caters specially to each customer. The third aspect is the absolutely essential value of providing safe and secure products of high quality as a food manufacturer. For example, we are promoting a Collaborative Contract Farming System to ensure that our raw materials are safe, secure, and of high quality. We are also enhancing the traceability of the raw materials we use. Furthermore, we are implementing production management that uses highly sophisticated analysis

technologies developed in our research and development departments and are closely studying the flavor components of our end products. These kinds of efforts reflect our commitment to quality at every stage of product development, from procuring raw materials up until the product reaches our customers, and we will further enhance the quality of our products going forward.

Supported by these three major aspects behind the unique value we deliver, we will continue to refine our highly distinctive brands while focusing on ensuring originality, which involves creating products and services that other companies cannot imitate; relevancy, which means catering to the tastes and needs of the modern-day consumer; and continuity, which entails building trust by continuing to push forward with new ideas.

Sharing Aspirations with Our Stakeholders by Strengthening Bonds through Our Brand Story

Since its founding, the Sapporo Group has remained committed to manufacturing. At the same time, the Group has conducted its business operations with a constant awareness of the connections and relationships it has with various regions, including Sapporo, Ebisu, Ginza, and Nagoya, which are also major contact points with customers. Specifically, we have proactively contributed to urban development in areas such as Sapporo and Ebisu, which has helped us cultivate and strengthen a broad range of distinctive brands. We are extremely proud of such efforts, the likes of which are not commonly pursued by other companies. Furthermore, at the heart of these efforts are the aspirations we wish to share with our stakeholders by strengthening bonds through our original brand story.

To turn our aspirations into a reality, we have adopted the enhancement of corporate communication as a theme of the Sapporo Group Long-Term Management Vision “SPEED150.” We have also identified our CSR priority issues and organized them by field to help determine the 4 Promises of “Contributing to Creative, Enriching and Rewarding Lifestyles Through Alcoholic Beverages, Food, and Soft drinks,” “Promoting Coexistence with Society,” “Promoting Environmental Conservation,” and “Cultivating Highly Unique Employees.” We are providing products and

Message from the President

services and conducting business activities that relate closely to the Sustainable Development Goals (SDGs), which were adopted at a UN Summit in 2015.

Referencing the SDGs, we have determined medium- to long-term targets aimed at resolving our CSR priority issues. By pursuing these efforts while working to enhance our corporate governance, which provides the foundation for all our businesses, we will contribute to the realization of the SDGs and will develop brands and earn trust that will provide the source for growth going forward.

In particular, from the perspective of environmental conservation, we use all-natural materials throughout the beer production process and when we put the finishing touches on our products. Additionally, we recycle all of the product containers we use, such as bottles, cans, and barrels. We also conduct advanced initiatives geared toward the environment, including the use of sophisticated water processing technologies. Going forward, we will continue to contribute to the resolution of environmental issues from perspectives unique to the Company and take steps to communicate these issues to the world.

Moreover, while we understand the importance of continuing an aggressive approach with our growth strategies, we also recognize the need to remain defensive in some aspects. As such, we will constantly consider not only business risks but also natural disasters and other risks that will inevitably inflict damage upon us and begin systematically managing and responding to such risks.

Through these initiatives, we will strengthen bonds through our brand story well into the future.



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By pursuing efforts under the 4 Promises, we will develop brands and earn trust that will become the source of our business growth going forward.

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Aiming for the Best Way to Realize Growth for the Sapporo Group and an Ideal Approach to Growth Strategies

Under the First Medium-Term Management Plan 2020, we aim to transition to a new growth stage based on the theme of “Transform with Unprecedented Speed.” In addition to realizing continuous growth in our existing businesses, we are undertaking initiatives to accelerate our expansion in the “Food” field, capitalize on growth opportunities geared toward business globalization, and strengthen our earnings structure. Also, we are taking steps to establish an R&D structure that will drive our growth as a food manufacturer. Furthermore, by making a bold shift to allocating human resources to growth fields, we are accelerating the pace of efforts to strengthen the Group’s management foundation in response to the changes occurring in the business environment. Going forward, we will generate cash flows by strengthening our fundamental functions, realizing continuous growth in our existing businesses, and producing results in the investment business. Meanwhile, we will pick up the pace for growth by carrying out proactive investments totaling ¥130.0 billion in our core business areas of “Alcoholic Beverages,” “Food,” and “Soft Drinks” over the four-year period from 2017 through 2020.

► Recognizing and Responding to the Business Environment

Consumption trends in Japan are by no means favorable, and we find ourselves in a fairly challenging business environment. With that said, there is no question that many of the domains in which we are

involved are growing, including alcoholic beverages such as ready-to-drink (RTD) beverages and wine. Amid the changes occurring in consumer tastes and needs and in the market overall, we will move forward with comprehensive initiatives in the core business areas of “Alcoholic Beverages,” “Food,” and “Soft Drinks” while putting in place a structure that will allow these businesses and our other businesses, including our overseas and real estate businesses, to mutually complement each other. These initiatives will help us realize steady growth as we ascertain areas on which the Company should focus its efforts, keeping in mind the significance of building on our existing brands.

▶ Accelerating Expansion in the “Food” Field

Over the past 10 years, we have taken great steps to expand our business domains, including making an entrance into the food business through the acquisition of POKKA CORPORATION. To further expand in the “Food” field going forward, we will promote efforts centered on developing a strong connection and relationship between the food business and our existing businesses and technologies as well as on aligning the food business with our Management Philosophy. As part of our expansion efforts, we acquired SHINSYU-ICHI MISO CO., LTD. (formerly MIYASAKA JOZO CO., LTD.), a company involved in the manufacture and sale of miso and instant miso soup, in 2016. As the main ingredient in miso is soybeans, Shinsyu-Ichi Miso has a high level of affinity with the soy milk and yogurt businesses of the Group company POKKA SAPPORO Food & Beverage from the perspective of raw materials. Additionally, with its miso soup products, Shinsyu-Ichi Miso is also highly familiar with the soup business of POKKA SAPPORO Food & Beverage. As such, we will work to generate synergies with Shinsyu-Ichi Miso as we continue to expand in the “Food” field going forward.

Meanwhile, in growing our “Food” fields, we will not only work to expand the range of products we offer, we will also make rigorous efforts to deepen and enhance each individual field, including overseas expansion. We are a food manufacturer with beer as our mother business. As such, we have been involved in various other alcoholic beverage businesses that derive from our beer business. Furthermore, we have



“ We will establish even higher and more meaningful targets, including aiming to enter the top-10 ranking for imported beers in America, and steadily take steps to accomplish these targets. ”

expanded into peripheral domains such as soft drinks, soups, and lemon-based products. In all of our existing businesses, we see the potential for growth if we are able to expand overseas and will therefore work to develop food businesses overseas as well.

▶ Expanding Our Overseas Businesses as a Growth Driver

As we pursue efforts to expand in the “Food” field, we are also actively promoting the development of businesses overseas, centered on North America and Southeast Asia. In doing so, we have been steadily establishing a presence as a global food manufacturer. In particular, our overseas beer business has experienced remarkable growth, with the ratio of overseas

Message from the President

beer sales volume to domestic beer sales volume increasing 2.2 times from 18.3% in 2007 to 40.0% today. With that said, we believe there is a great deal of growth potential upon which we have yet to capitalize in our overseas businesses, and we intend to continue to grow these businesses as a major growth driver.

Specifically, we will enhance the presence of the Sapporo brand primarily in North America and Southeast Asia while also working to heighten awareness of the brand. In addition to Sleeman Breweries, which continues to perform strongly, our North American businesses include Sapporo U.S.A. and Anchor Brewing Company, and we are greatly looking forward to seeing just how far we can leverage these companies to expand our presence in the region.



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The strong push for encouraging diversity around the world is a trend that we can turn into a growth opportunity, and we are therefore pursuing wholehearted efforts to promote diversity on a Groupwide basis.

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Sapporo has already become the top-selling Japanese beer and the top-selling Asian beer in North America. However, given the sheer size of the North American beer market, we cannot be completely satisfied with these results. As such, we will establish even higher and more meaningful targets, including aiming to enter the top-10 ranking for imported beers in America, and steadily attempt to accomplish these targets.

Meanwhile, an urgent task for us is to promptly return to profitability after recording a deficit in the Vietnam business and other businesses. To this end, we will rigorously enhance the function of our business in the region with the aim of rapidly realizing investment returns.

Also, as collaboration with other companies that possess prominent brands is one way to effectively reduce the amount of time it will take us to realize business expansion, we accordingly keep this option on the table. For potential M&A projects, we carry out comprehensive examinations from a brand-based viewpoint as well as from the perspectives of the regions in which we operate. From a regional perspective, while our focus is on North America and Southeast Asia, the main factor in deciding an M&A is whether or not it can generate mutual synergies with our existing businesses and Group companies. With respect to brands, a major factor is considering how a particular brand will be received and supported by our customers. We also give thorough consideration to the conditions in each country and region and to the negative aspects of pursuing M&A. These steps reflect how we make investment decisions based on a comprehensive list of factors.

Turning Global Movements and Trends into Growth Opportunities for the Company

As our fundamental approach, we aim to be a company that is constantly aware of the changes and trends that are occurring around the world. From a diversity standpoint, while previously most of our employees were men, the percentage of women is dramatically increasing today, particularly among new and young employees. Although the current percentage of women in management positions is still not quite sufficient, we believe that opportunities will

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Not only will we refine our brands by turning to our products and services for inspiration, we will also promote Groupwide efforts to refine our brands from the perspective of people to truly enhance the value that our brands offer.

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significantly increase for women to play an active role going forward. The strong push for encouraging diversity around the world is a trend that we can turn into a growth opportunity, and we are therefore pursuing wholehearted efforts to promote diversity on a Groupwide basis. These efforts are exemplified in the composition of the Company's Board of Directors, as in 2016 we took the lead over other companies in the industry and appointed a woman as an internal director. In 2018, we appointed a non-Japanese person as an outside director, thereby further deepening our efforts toward diversity from a global perspective. In the years ahead, we will continue to accelerate initiatives aimed at encouraging diversity and promoting globalization.

In a manner similar to how we are turning global trends into growth opportunities, we are constantly aware of social movements in regard to corporate governance, working to enhance and bolster our corporate governance as a listed company in accordance with each principle of the Corporate Governance Code. As we pursue such efforts, we place high expectations on our outside directors, as they offer original perspectives and possess expertise in fields that differ from those in which we are involved. We believe the straightforward opinions, suggestions, and advice that the outside directors offer us are extremely valuable. While closely observing our management processes and the evolution of our management itself, the outside directors have emphasized to us the importance and necessity of further deepening the relationships we have with our customers based on our long-cultivated brands. Looking ahead, we will leverage the

perspectives of the outside directors in a highly constructive manner as we work to improve the effectiveness of the Board of Directors.

Becoming a Highly Unique Corporate Group with Highly Unique Employees

We aim to be a company with highly unique brands, which entails both leveraging the special characteristics of each Group company and allowing all Group employees to fully draw upon their own uniqueness. Doing so will ultimately enable us to realize the kind of brands we seek to create. Not only will we refine our brands by turning to our products and services for inspiration, we will also promote Groupwide efforts to refine our brands from the perspective of people to truly enhance the value that our brands offer.

To this end, we will make sure that our employees have the proper mind-set for achieving success within a fiercely competitive business environment and will work to play the role that Sapporo needs to fulfill as a listed company, including in terms of compliance. As a starting point for ensuring that our employees are enjoying their work, we will work to have them develop an affection for our products and services. Additionally, we will establish a workplace environment that lets employees make full use of their individuality and skills. In doing so, we will provide organizational support that enables our employees to work proactively toward achieving their individual goals. As president of the Company, I will clearly identify the hurdles we must overcome to achieve our vision. At the same time, I will take steps to ensure that the necessity of overcoming such hurdles is fully recognized Groupwide by communicating that necessity in a manner that all Group employees can easily understand.

June 2018



Masaki Oga
President and Representative Director

The Sapporo Group Long-Term Management Vision “SPEED150”

2026 Group Vision

The Sapporo Group will be a company with highly unique brands in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks” around the world.

Action Guidelines

1. Make customers lifestyle around world more fulfill by creating new value through the pursuit of innovation and quality.
2. Strive to provide products and services and to nurture brands that foster communication among customers.
3. Practice efficient management in tandem with addressing changes in the environment.

Three Major Strategic Themes

1 Establish Robust Profitability in the Japanese Alcoholic Beverages and Soft Drinks Businesses

In the Japanese Alcoholic Beverages business, the Group will strengthen brands in the beer business and nurture the wine business. In the Soft Drinks business, the Group will strategically shift to a profitable structure and expand overseas business. Through these measures, robust profitability will be established to drive the growth of the entire Group.

2 Accelerate Growth in the “Food” Field

We will broadly increase the presence of the Sapporo Group in the “Food” field by strengthening existing businesses and entering new businesses through the provision of deliciousness, enjoyment, and fulfillment to all dining settings.

3 Promote Global Business Expansion

We will increase the Group’s presence globally by strengthening the global management platform as the Group’s growth driver and promoting the expansion of existing businesses and such new business development initiatives as M&A activities.

Management Platform

R&D Pursue innovative food value creation □□ P.36

HR Develop “Go Beyond Boundaries” personnel □□ P.38

Finance Enhance cash generation capabilities □□ P.40

Strengthening Corporate Communication

For the various corporate activities we pursue based on our Management Philosophy, we will work to enhance the Group’s presence among our stakeholders by strengthening our ability to communicate information to them.

Long-Term Vision Road Map

First Medium-Term Management Plan

(2017–2020)

Fundamental Policy
Transform with
Unprecedented Speed



Second Medium-Term Management Plan

(2021–2023)

Proactively invest and
produce results



Third Medium-Term Management Plan

(2024–2026)

Tackle the challenge of
creating new opportunities



We are taking on management reforms with speed, promoting existing business growth, and pursuing new growth opportunities.

Hiroyuki Nose

Director (Member of the Board), Director of Strategic Planning Department

First Medium-Term Management Plan 2020

Strategies for Business Activities

While executing strategic investments in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks,” the Group will achieve continuous growth in existing businesses and produce results in the investment business as early as possible. The Group will enhance its cash flow generation capabilities, and allocate cash to investments in new growth opportunities.

▶ Continuous Growth in Existing Businesses

The Group will enhance brand strength and achieve continuous growth by focusing on issues in the competitive areas identified by each business segment.

▶ Produce Results in the Investment Business

The Group will pave the way for a transition to an expansive growth stage as early as possible by working to enhance the profitability of the investment business, where results are still forthcoming.

▶ Capture Growth Opportunities

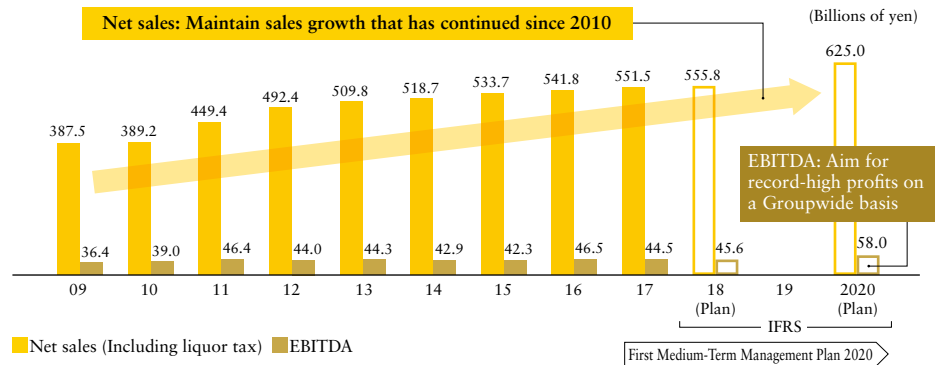
- ① **Accelerate Growth in the “Food” Field:** The Group will nurture a high-value-added food business by identifying target fields based on consumer needs, in addition to taking new approaches to value creation from both the materials and processing fronts.
- ② **Promote Global Business Expansion:** The Group will explore new growth opportunities in conjunction with executing strategies based on the characteristics of each area, centered on North America and Southeast Asia, and strengthening the business platform for boosting profitability.

Group Management

The Sapporo Group will execute Group management by taking the lead in strengthening its platform functions through the strategic shift of resources, business structure reforms, and the promotion of segment management, which will spur the Group’s growth.

- ① By 2018, the Group will put in place an organizational structure optimal for the “Food” field, which will drive growth and expand global business growth, along with optimal Group Head Office functions for supporting that structure.
- ② The Group will accelerate initiatives to promote growth within R&D, personnel and human resources, and finance.

Quantitative Targets



Financial Indicators

To be achieved during the four years from 2017 to 2020

Cash flows from operating activities:

¥ **180.0** billion

Generate cash flows by achieving continuous growth in existing businesses and producing results

Interest-bearing liabilities

Target a debt-to-equity (D/E) ratio of around 1.0 times

Cash flows from investing activities:

¥ **130.0** billion

Proactively allocate cash to the fields of “Alcoholic Beverage,” “Food,” and “Soft Drinks”

Shareholder returns

Target a dividend payout ratio of 30%

R&D Strategy

Our R&D will accelerate new food value creation to achieve further growth of the Sapporo Group.

Ikuya Yoshida

Director (Member of the Board),
Director of Group Research and Development Division



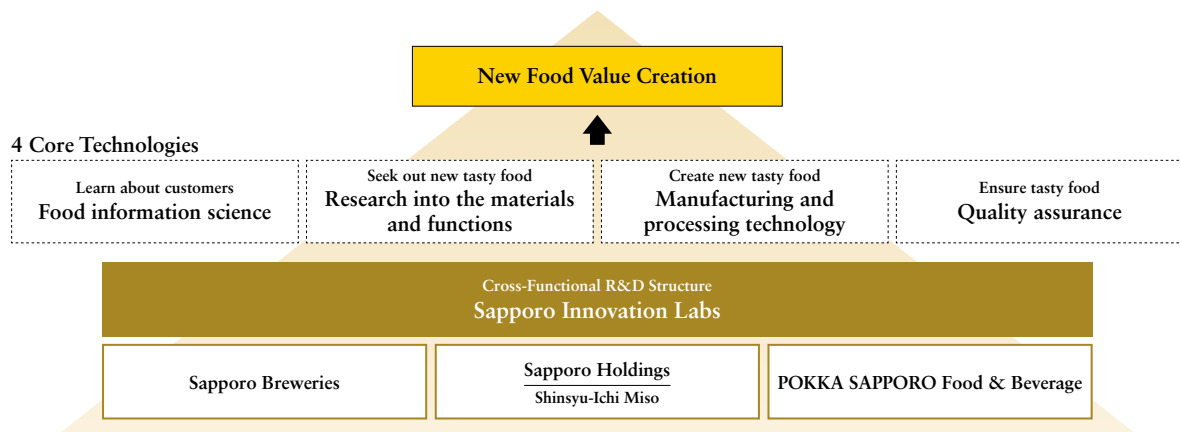
The Sapporo Group's R&D Vision

We will deliver happiness and satisfaction to our customers through the continued creation and production of food.

Cross-Functional R&D Structure “Sapporo Innovation Labs”

The Sapporo Group established a cross-functional R&D structure, “Sapporo Innovation Labs,” with the goal of creating technology synergies. We are advancing R&D efforts that will lead to further growth as global food company group under this structure. We will enhance our R&D competitiveness with a focus on promoting collaboration in the Group and accelerating open innovation as we expand our business fields and activities, in order to expand our market presence in the world.

As part of our efforts to facilitate new value creation, we have organized the Sapporo Group’s strengths into “4 Core Technologies” and positioned them as a source of R&D competitiveness. Through research centered on food materials that are focal points for the Group, we will be able to explore the intrinsic value of those materials and create new value for our customers.



4 Core Technologies That Lead to Food Value Creation

Our 4 Core Technologies, which represent the strengths of the Sapporo Group, accelerate new food value creation.

1 Learn about customers Food information science

We create new value by thoroughly communication with our customers to determine what they consider delicious and how they choose goods and services.



2 Seek out new tasty food Research into the materials and functions

We seek out the intrinsic value in our food materials that lead to the production of tasty food, such as barley and hops, as well as other materials including lemons, soybeans, and lactic acid bacteria.



3 Create new tasty food Manufacturing and processing technology

All products offered by the Sapporo Group are subject to manufacturing and processing technology to deliver products of the best quality to customers.



4 Ensure tasty food Quality assurance

We leverage advanced analysis technologies at each stage of the production process, from raw materials to the final product, thereby supporting the Sapporo Group's quality assurance system for ensuring food that is tasty, reliable, and safe.



Turning Results from Our Materials Research into Customer Value

We promote unique R&D efforts toward such materials as barley, hops, lemons, soybeans, and lactic acid bacteria. We seek out the intrinsic value in our food materials, which leads to new value creation for our customers.



Creating Value by Developing Beer Ingredients

Sapporo Draft Beer Black Label makes use of a Sapporo Breweries-developed barley that lacks the activity of LOX-1, an enzyme known to catalyze oxidation of linoleic acid. This “fresh-tasting and long-lasting barley” enables beer with long-lasting freshness and keeps the beer foam stable. In addition, *Sorachi Ace*, our original hop developed in 1983 for its varietal aroma, has fascinated craft beer fans around the world in recent years.

We are leveraging the results of our many years of research on barley and hops to improve the quality of our beer and imbue it with distinctive characteristics. Furthermore, our research has been highly praised worldwide and has received several academic awards.

Value of Materials to Our Customers

Lemon is an ingredient overflowing with unique value, and features a refreshing aroma and characteristic sourness as well as containing several health functional ingredients such as polyphenols. The Sapporo Group has concluded a number of collaborative partnerships with Hiroshima Prefecture, the largest lemon cultivation region in Japan, including joint production promotion and research and development activities.

Moreover, further research into soybeans, which are important ingredients in miso and soy milk, and our barley-derived lactic acid bacteria SBL88 will accelerate new value creation to achieve further growth.

Human Resource Strategy

We advance human resource management on a Groupwide basis by developing “Go Beyond Boundaries” personnel who can provide new value and create a deep feeling. In doing so, we will continue to lead the Group toward sustainable growth.

Mayumi Fukuhara

Director (Member of the Board), Director of Human Resource Department



Group Human Resource Management Vision

The Sapporo Group’s most valuable asset is its human resources. Every individual represents the corporate brand itself. The individuality and execution capabilities of the Group’s human resources make the brand successful. With that in mind, the Sapporo Group aims to be a company that creates human resources who are glad to be part of a team and tackle challenges and venture out into unfamiliar fields to acquire new skills by way of a healthy mind and body and a bright, energetic, and forward-facing spirit.

Group Human Resource Management

Appoint and Promote the Success of Human Resources across the Boundaries of Gender, Age, Nationality, and Company

To realize its Management Philosophy, “As an intrinsic part of people’s lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles,” the Sapporo Group has established “Go Beyond Boundaries” as the basic idea underlying its human resource strategy. To “Go Beyond Boundaries” is to advance beyond the unconscious walls we create ourselves, the barriers of organizations, and the boundaries of business and country. In order to “Go Beyond Boundaries” and realize our Management Philosophy, we believe it is essential that the Group recognizes the differences that exist between each individual within the boundary and that we make this understanding one of our strengths as an organization. To that end, we will enhance human resources by promoting diversity and through a wide array of ideas and ways of thinking. In doing so, we will establish an

environment where each individual can realize their maximum potential. To promote recruitment that contributes to growth and to eliminate seniority aspects, we will work to appoint and promote the success of human resources across the boundaries of gender, age, nationality, and company.

Give Top Priority to Shifting Human Resources to the “Food” and Global Fields

To promote “Go Beyond Boundaries” among Group employees, we are working to strengthen human resources in growth areas.

By enhancing human resources in strategic departments such as new business incubation and M&A, strengthening food departments with the Group’s R&D personnel, fostering a global mind, and cultivating globally successful human resources through systematic and continuous training, we will give top priority to shifting human resources to the “Food” and global fields, both of which are growth areas within the Group.

Establish a Group Human Resource Management Platform

Each Group company develops employment policies with careful consideration to the characteristics and environment of each respective business and forms a portfolio of human resources who will contribute to growth of the business through education and training. Meanwhile, from the

perspective of actively promoting human resources on a Groupwide basis, we are working to visualize the duties and human resource structures of each operating company, while simultaneously positioning the best possible human resources in the best possible place and vice versa. On that platform, we will make optimal revisions to personnel systems and measures while ascertaining their effectiveness, thus enhancing human resources on a Groupwide basis.

Nurture Human Resources Who Are Ambitious and Healthy Both in Body and Mind

Introduce Measures That Help Promote the Health of Human Resources

In December 2017, Sapporo Breweries initiated a new system of measures and reforms aimed at improving productivity, physical and mental health, and promoting a fulfilling lifestyle. By effectively implementing this system, dubbed Work Style Improvement 2020, and by promoting measures toward greater pleasure and satisfaction for work, we can better embody our corporate philosophy of providing a “rich and rewarding lifestyle for our customers” through our products and services. Furthermore, we are working to promote work-style reforms as part of our efforts in creating environments that are adapted to each specific workplace for greater production and ease of working. This extends to all of our companies, including POKKA SAPPORO Food & Beverage, Sapporo Lion, Sapporo International, and Sapporo Real Estate.

To this end, we have implemented the Sapporo Group Health Creation Declaration in support of physical and mental health for human resources. Against this backdrop, Sapporo Holdings was among several businesses to be certified as an Excellent Enterprise of Health and Productivity Management (White 500).



Work Style Improvement 2020 System Revisions and Additions

Revised Telecommuting System	We have relaxed the conditions for telecommuting. Employees can apply for telecommuting on a same-day basis and are free to work at locations other than their homes, including at hotels when on business trips or traveling by Shinkansen, so long as they are able to focus on their work.
Introduced super flextime system	We have introduced a flextime system without any designated core working times. Flextime may be taken between the hours of 5 a.m. and 10 p.m. This system also applies to employees making use of systems for reduced working hours.
Introduced hourly paid holiday system	Employees can receive up to 40 hours (five days) of paid leave per year, usable in one-hour increments.

Sapporo Group Health Creation Declaration

1. People are the bearers of a business

You can take on challenges in a new field and cross the finishing line with a cheerful and positive attitude only because you are healthy both physically and mentally. The business grows because its employees are healthy and this in turn leads to the Company's growth.

2. The Sapporo Group's business and health are directly related

The core business areas of “Alcoholic Beverages,” “Food,” and “Soft Drinks” contribute to customers' physical and mental health and happiness. We believe that employees, who produce and offer the products, being physically and mentally healthy is proof that our products and services can offer happiness to our customers.

3. Being an attractive place of work leads to sustainability as a company

Employees spend lots of time at the workplace. A workplace that works proactively to enhance and maintain employees' health will be attractive to existing and future employees, and this leads to sustainability as a company.

We hereby make the Health Creation Declaration based on the conviction that the physical and mental health of the Group's human resources leads to creation of happiness for our employees, their families, and the Company.

Create Opportunities to Tackle Challenges

Since 2011, the Sapporo Group has conducted an annual training program, “Global Resource Development Program for Coming Generation,” to nurture human resources so that they can play an active role globally. In addition to training in Japan, we are developing a program to conduct on-the-job training in Singapore and Vietnam from 2015 with the aim of raising cross-cultural response skills and English communication ability. We select members who wish to participate in this program on their own initiative.

Among these participants, we select those who are ready to do full-fledged work overseas or conduct business related to overseas work. In addition, we actively create opportunities for employees to challenge themselves in such ways as establishing a personnel recruitment system across business companies.

Financial Strategy: Message from the Director of Corporate Finance



By enhancing our asset efficiency and cash generation capabilities and carrying out proactive investments in the fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks,” we will realize sustainable profit growth and shareholder returns.

Shinichi Soya

Director (Member of the Board),
Director of Corporate Finance and
Business Management Department

Generating Cash, Allocating Resources, and Strengthening the Financial Base

To increase our shareholder value over the medium to long term, there is a need for us to carry out proactive investments in growth fields. To this end, it is essential that we establish a robust financial base that allows for such investments.

Under the Sapporo Group Long-Term Management Vision “SPEED150,” we have designed a road map that splits the 10-year period from 2016 to 2026 into three terms. For the First Medium-Term Management Plan 2020, we are working to establish a robust financial base that will enable us to respond to changes in the business environment and capitalize on investment opportunities. In doing so, we will proceed with preparations for reaching the next growth stage. In 2017, we generated ¥8.2 billion through the sale of cross-shareholdings in an effort to enhance our asset efficiency. Over the four-year period from 2017 through 2020, we will provide our customers with even higher levels of value through our products and services, thereby generating ¥180.0 billion in cash flows from operating activities. Of this amount of generated cash, we intend to allocate ¥130.0 billion to active investments in the growth fields of “Alcoholic Beverages,” “Food,” and “Soft Drinks,” which represent our core business areas. The remaining amount will be used to reinforce the stability of our financial base through the reduction of interest-bearing debt with the aim of reaching a debt-to-equity ratio of around 1.0 times. At the same time, we will meet the expectations of our shareholders

and other investors by steadily carrying out shareholder returns in line with profit growth, keeping our sights set on maintaining a dividend payout ratio of around 30%.

Also, we examine investment decisions from a broad range of perspectives, including how an investment aligns with our Management Philosophy and vision as well as the business environment, the conditions at our competitors, and the potential for growth and sustainability. We also give comprehensive consideration to the various kinds of risks that could occur in the future before making our final decision. After executing an investment, we take steps to bolster our monitoring functions with an awareness of capital cost. Going forward, we will transition to a management structure that enables us to realize prompt returns on our investments.

Enhancing Awareness of Management Risks, Developing Response Measures, and Placing Importance on Financial Human Resources

We have assembled a portfolio of numerous businesses with differing business cycles and terms and are making diligent efforts to reduce management risks and curtail volatility. Furthermore, as a food manufacturer that positions “Alcoholic Beverages,” “Food,” and “Soft Drinks” as its core business areas, we are promoting business expansion not only in Japan but also overseas. We therefore maintain a sharp focus on risks related to raw material procurement and fluctuations in foreign currency translations while establishing methods to hedge these risks appropriately. In terms of procuring

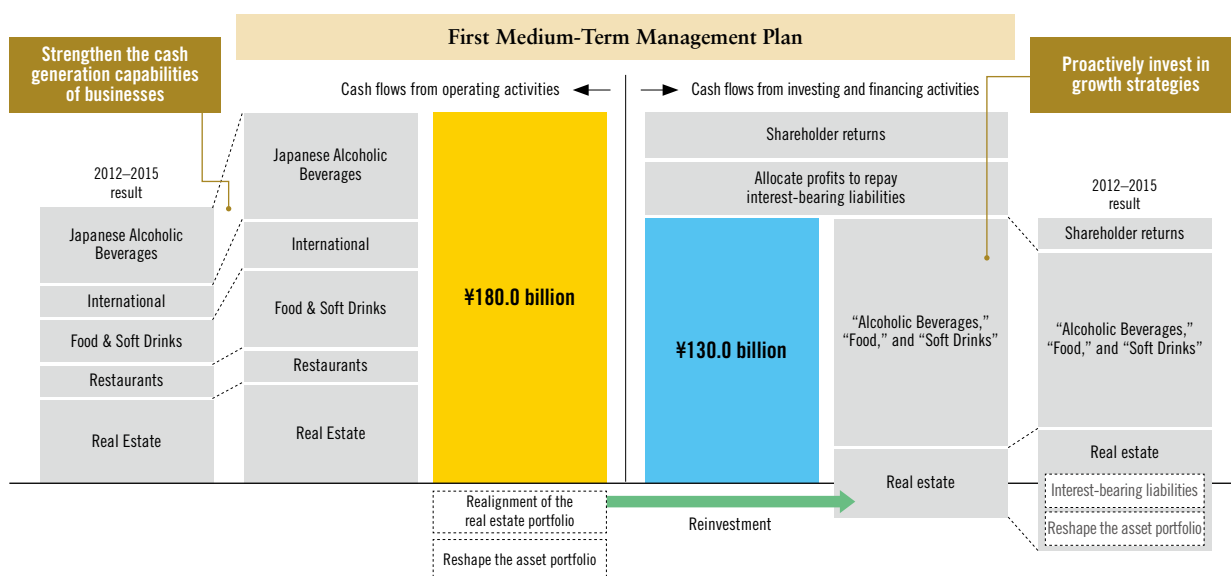
funds, we are working to lengthen and solidify procurement terms, diversify procurement methods, and standardize repayment schedules while taking into account such future risks as a rise in interest rates. As for taxes, we are developing measures to respond to the potential risk of tax system revisions in the countries where we operate. We are also promoting tax planning through the effective use of deferred tax assets and other means.

In this manner, we are steadily creating measures to respond to foreseeable management risks. With that said, I feel that in recent years human resource-related risks have started to impact more significantly on financial performance. Accordingly, I believe that there will be a greater need going forward for investments to secure outstanding human resources and for efforts to improve the productivity of each employee. I also believe that the relationship between employee satisfaction and the added value and cash flows we generate as a company will become even more important. Furthermore, as the Company's financial divisions play a major role in improving corporate value, the human resources within these divisions need to have comprehensive strengths, such as an abundance of experience and a high level of skills and ethics. In the past, we emphasized enhancing the expertise of our employees in the financial divisions. However, we are now placing more importance on actively rotating personnel within these divisions on a Groupwide basis. Going forward, by having these employees experience working in different companies and offices and acquire skills related to finance, accounting, tax management, and globalization, we will develop financial human resources who have a high level of both expertise and flexibility.

Promoting Stakeholder Dialogues

It is essential for our human resources in the financial divisions to be able to envision how the events that occur on the front lines of the Company's business operations will eventually impact our financial statements. To this end, we place importance on adopting an "analog" approach, even in the digital era, that puts particular emphasis on face-to-face communication. We adopt the same kind of approach when dealing with our shareholders and other investors as well as with financial institutions, promoting engagement that focuses on identifying common ground with these parties while keeping in mind the points that interest them most. Starting in fiscal 2018, we will voluntarily transition from the Japanese generally accepted accounting principles (JGAAP) to International Financial Reporting Standards (IFRS). As we are diversifying our businesses and moving forward with globalization, this transition will help us reach appropriate management decisions by establishing uniform accounting standards across the Group. In addition, this transition will stimulate dialogues with our stakeholders by allowing them to better compare our financial information with that of our competitors.

To improve corporate value going forward, it is crucial that we receive the blunt but fair opinions of our shareholders and other investors and engage in meaningful dialogues with them. As the director of corporate finance, I will make sure that the Company puts forth the utmost effort to realize increases in corporate value so that we can meet the expectations of our shareholders and other investors. I therefore ask for your continued support and understanding as we work to do so.



Risk Management

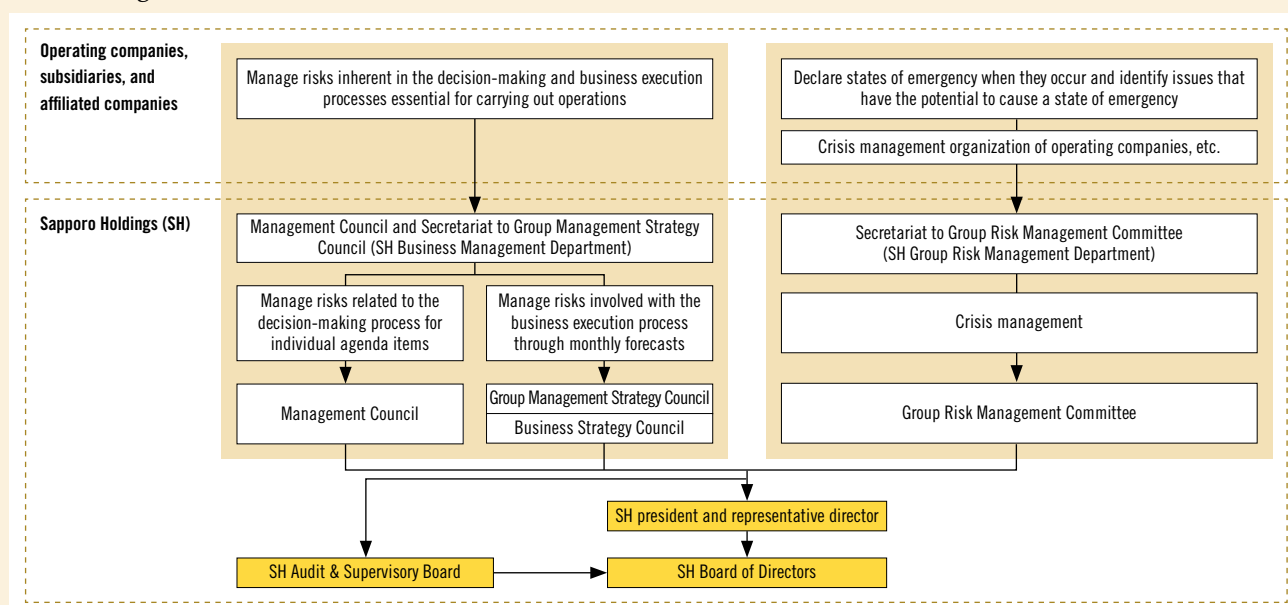
Basic Policy on Risk Management

The Sapporo Group has established a structure for managing risks inherent in the decision-making and business execution processes that are essential for carrying out its operations. The Group has also set up a crisis management structure for times of emergency. The Group will draw on these structures to put into motion a PDCA cycle.

Sapporo Holdings is working to conduct sound corporate management and improve corporate value in a sustainable manner by strengthening Groupwide risk and crisis management structures. In addition, the Company recognizes the possibility of new risks occurring as it promotes strategies aimed at realizing the Sapporo Group Long-Term Management Vision “SPEED150.” Accordingly, the Company and its subsidiaries are carrying out appropriate risk and crisis management. In particular, the Company is focusing on the following three tasks.

- Preventing the loss of life and maintaining safety
- Pursuing quality • Thoroughly implementing compliance

Risk Management Structure



Major Business-Related Risks

Risk	Details
Risks related to business environment	Laws, regulations, and tax systems The strengthening of legal regulations, such as the Liquor Tax Law, or the introduction of new regulations could restrict business operations. Consequently, the Group could incur new expenses. Litigation could be brought against the Group in terms of issues pertaining to the Product Liability Act, intellectual property laws, tax laws, or other regulations. The Group's overseas business activities are subject to a variety of factors that could have a negative impact on operating results.
	Fluctuations in foreign currency translations and market interest rates In the event that market interest rates rise or the Group's credit rating is lowered due to a comparatively high ratio of financial liabilities to total assets, the Group could become weighed down by financial burden and face adverse conditions for procuring funds. The cost of sales could increase due to a rise in the price of raw materials and supplies.
	Climate change, natural disasters, and infectious diseases The Group could sustain damage as a result of a large-scale natural disaster or a secondary disaster. This, in turn, could disrupt the supply of products. The Group's overseas business activities are subject to a variety of factors that could adversely affect operating results.
Risks related to business execution	Changes in economic conditions and population movements The selling price of the Group's core products could decline due to changes in the shipment of such products and deflation trends. The value of assets held by the Group could decrease. The Group's overseas business activities are subject to a variety of factors that could have a negative impact on operating results.
	Business portfolio As the Group is highly dependent on its domestic businesses, a decline in sales in the domestic market could have adverse effects on operating results.
	Product safety A quality issue that jeopardizes the safety of Group products, products produced through manufacturing agreements, or stocked merchandise could give rise to product recalls, defective shipments, the suspension of operations, or other negative scenarios.
	Information security The Group could face claims for damages and suffer a loss of credibility in the event of a leak of personal or other information. This could cause expenses to increase and have a negative impact on operating results.
	Business and capital alliances The deterioration of the business operations of an alliance partner or investee could have a negative impact on operating results.
	Capital investments Schedule delays, investment budget overruns, and other factors could adversely affect operating results.

Please see the Company's website for more information on business and other risks. <http://www.sapporoholdings.jp/english/ir/management/risk.html>

Business Strategy

Japanese Alcoholic Beverages

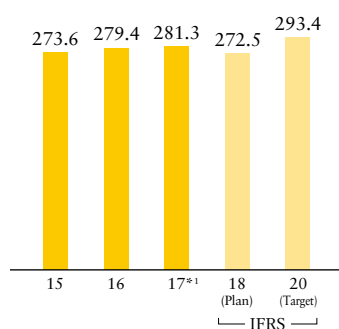
Seeking No.1 by accumulating one-of-a-kind products

Consolidated Subsidiaries

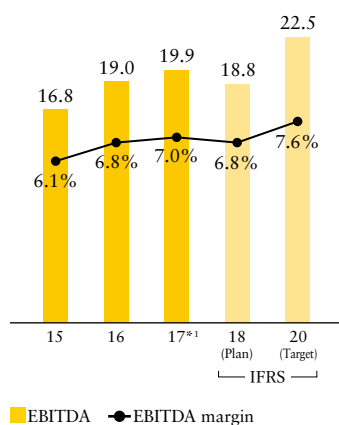
SAPPORO BREWERIES LIMITED
 YEBISU WINEMART CO., LTD.
 TANOSHIMARU SHUZO CO., LTD.
 STARNET CO., LTD.
 SHINSEIEN CO., LTD.



Revenue (Billions of yen)



EBITDA (Billions of yen) / EBITDA Margin (%)



Market Environment

- ▶ Total demand declining against the backdrop of a declining birth rate and an aging population as well as an overall population decrease
- ▶ Consumers becoming thriftier, with preferences and consumption behavior diversifying
- ▶ Movement toward changing the definition of beer under the Liquor Tax Act from 2020 through 2026

Strengths

- ▶ Highly competitive brands such as *Sapporo Draft Beer Black Label* and *Yebisu Beer*
- ▶ One-of-a-kind raw material procurement realized through the cultivation of barley and hops under the Collaborative Contract Farming System (CCFS)
- ▶ Product development capabilities and production systems that meet customer needs
- ▶ Development of diversified alcoholic beverage products such as wine, *shochu*, and spirits through strategic partnerships with global brands

Growth Strategy

- ▶ Strengthen beer brands based on revisions to the Liquor Tax Act starting in 2020
- ▶ Establish the wine business as a growth pillar second to beer
- ▶ Take on challenges in the growing ready-to-drink (RTD) beverage market
- ▶ Pursue new initiatives aimed toward growth, such as expansion in the EC market and promotion of beer export businesses

Efforts under “SPEED150”

In the Japanese Alcoholic Beverages segment, we are working to reinforce profitability by enhancing our brand strength in the beer business and establishing the wine business as a second pillar next to beer. In doing so, we aim to leverage this segment to drive overall Group growth.

For the beer business in 2018, we have adopted the policy of “continuation of strengthening the beer business” and are promoting a consistent marketing strategy by concentrating resources into core beer brands. In doing so, we will realize genuine growth. In the wine business, we are taking steps to develop and strengthen our foundation for both fine wines and everyday wines.*2 Through these means, we aim to be No. 1 in customer value. In addition, for spirits, we are promoting “brand visualization” through the expansion of contact points with customers. In these ways, we will propose and promote various ways for our customers to enjoy alcoholic beverages going forward.

In addition, we will create one-of-a-kind products and services that can respond to the diversifying needs of our customers, thereby paving the way for realizing sustainable growth.

*1 Starting from the fiscal year ending December 31, 2018, the export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. The figures for fiscal 2017 have been retroactively adjusted to reflect this transfer.

*2 Fine wines: Mid- to high-priced wines (over ¥1,500 per bottle); Everyday wines: Low-priced wines (less than ¥1,500 per bottle)

Business Strategy

International

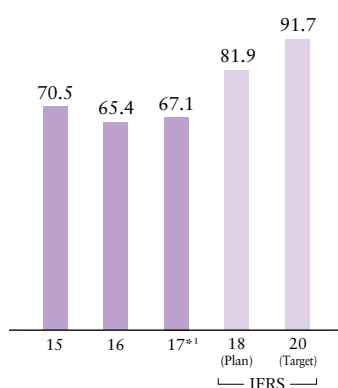
Making the Sapporo Brand Shine throughout the World

Consolidated Subsidiaries

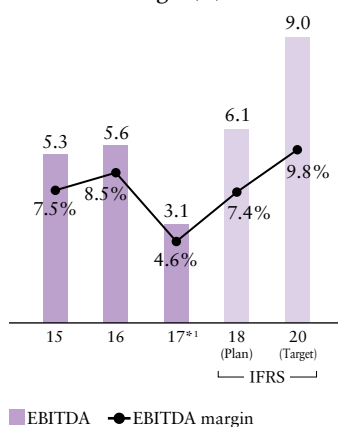
SAPPORO INTERNATIONAL INC.
 SAPPORO U.S.A., INC.
 SAPPORO NORTH AMERICA INC.
 ANCHOR BREWING COMPANY, LLC
 SAPPORO CANADA INC.
 SLEEMAN BREWERIES LTD.
 SAPPORO ASIA PRIVATE LIMITED
 SAPPORO VIETNAM LIMITED
 COUNTRY PURE FOODS, INC.
 13 other companies



Revenue (Billions of yen)



EBITDA (Billions of yen) / EBITDA Margin (%)



Market Environment

- ▶ Economic instability brought about by political and religious issues, various changes including revisions to tax systems in the United States
- ▶ Population increases and economic growth in emerging Asian nations, emergence of a new middle class
- ▶ Global corporate restructuring, progression of M&A by Japanese corporations

Strengths

- ▶ Strong presence and growth potential of Sleeman Breweries Ltd. (third largest share in the Canadian beer market, 11 consecutive years of sales growth)
- ▶ No. 1 share for Asian beer in the U.S. market (No. 1 Asian beer for 31 consecutive years)

Growth Strategies

- ▶ Grow North American businesses by generating synergies between Sleeman Breweries, Sapporo U.S.A., Inc., and Anchor Brewing Company, LLC
- ▶ Establish a business foundation and leverage resources by drawing on the strengths of the two North American soft drink companies
- ▶ Strengthen the value of the *Sapporo* brand in Vietnam and improve profits in the region by revising sales methods and enhancing operational efficiency

Efforts under "SPEED150"

Positioning the International segment as a driver for Groupwide growth, we have been working to strengthen our global business foundation, grow our existing businesses, and develop new businesses, which includes the promotion of M&A. Through these means, we have been growing the presence of the Group on a global scale.

Going forward, in the premium beer market in North America, we will actively implement sales activities through Canada-based Sleeman Breweries and Sapporo U.S.A. In addition, we will use the momentum we gained from the acquisition of Anchor Brewing Company to accelerate growth in the region. In the North American soft drinks market, we will move forward with the management integration of Country Pure Foods, Inc., and Silver Springs Citrus, Inc., and work to generate synergies between these two companies post integration. In Southeast Asia, with the aim of improving the value of the *Sapporo* brand in Vietnam, we are taking steps to revise sales methods and improve profitability.

*1 Starting from the fiscal year ending December 31, 2018, the export business of Sapporo International Inc. has been transferred to Sapporo Breweries Ltd. The figures for fiscal 2017 have been retroactively adjusted to reflect this transfer.

Food & Soft Drinks

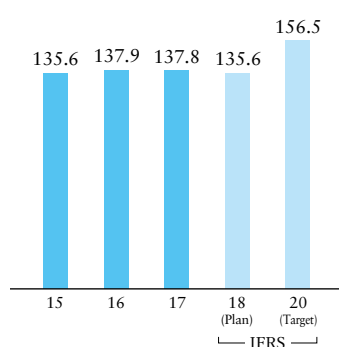
Creating Delicious New Products That Enrich and Brighten People's Lives

Consolidated Subsidiaries

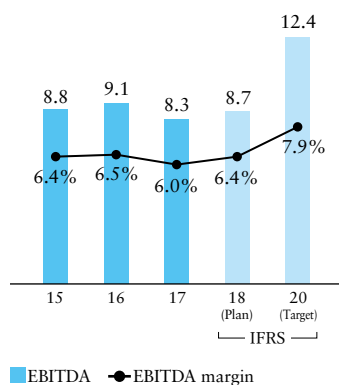
- POKKA SAPPORO FOOD & BEVERAGE LTD.
- POKKA SAPPORO HOKKAIDO LTD.
- OKINAWA POKKA CORPORATION CO., LTD.
- POKKA CREATE CO., LTD.
- FOREMOST BLUE SEAL, LTD.
- PS BEVERAGE LTD.
- POKKA CORPORATION (SINGAPORE) PTE. LTD.
- POKKA INTERNATIONAL PTE. LTD.
- 9 other companies



Revenue (Billions of yen)



EBITDA (Billions of yen) / EBITDA Margin (%)



Market Environment

- ▶ Diversifying tastes and consumption habits of consumers
- ▶ Heightened need for health and convenience in terms of food
- ▶ Revisions to tax systems and regulations in Japan and overseas

Strengths

- ▶ Know-how on both food and soft drink businesses
- ▶ Development capabilities for lemon-based and soup products, high market share
- ▶ High market share for green tea drinks in Singapore

Growth Strategies

- ▶ Strengthen lemon procurement capabilities and communicate the value of lemons through functional research
- ▶ Implement capital expenditures, such as increasing soup production capacity, in accordance with market needs
- ▶ Display a strong presence in the sugarless tea and fruit juice categories, which make use of domestic ingredients
- ▶ Promote business expansion centered on soy milk yogurt
- ▶ Develop stable overseas soft drink businesses through strategic cultivation

Efforts under "SPEED150"

By providing deliciousness, joy, and luxury in the Food & Soft Drinks segment, we will strengthen our existing businesses and expand new businesses. In doing so, we will enhance the presence of the Sapporo Group in the fields of "Food" and "Soft Drinks."

In Japan, we will concentrate investments in fields where we can display our competitiveness as we work to create new and unique food value. We will also promote business expansion for lemons, a Company strength, and move forward with functional research on lemons and efforts to communicate their value. For soup, we will expand the range of product development and work to increase production capacity. In terms of soft drinks, we will steadily improve sales while promoting such products as soft drinks that use select domestic ingredients. Additionally, we will set our sights on the potential of soybeans and plant-based milk products, thereby working to establish new business pillars.

Overseas, with Singapore service as a foundation, we will expand POKKA brand soft drinks in a manner that caters to the market needs in each country. In doing so, we will enhance our overseas presence.

Business Strategy

Restaurants

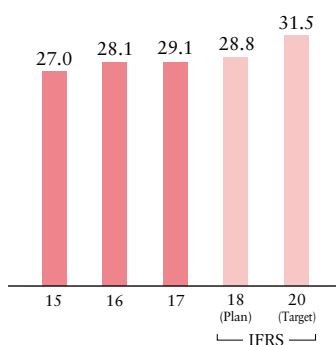
Enhancing the Joy of Living for Our Customers through Our Restaurants

Consolidated Subsidiaries

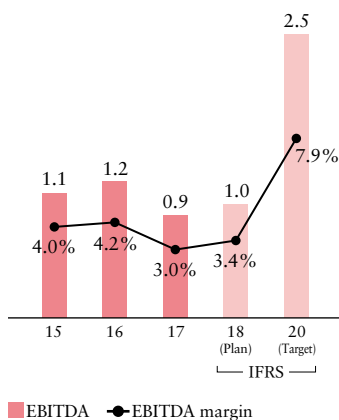
SAPPORO LION LIMITED
 NEW SANKO INC.
 MARUSHINKAWAMURA, INC.
 GINRIN SUISAN INC.
 SAPPORO LION (SINGAPORE) PTE. LTD.



Revenue (Billions of yen)



EBITDA (Billions of yen) / EBITDA Margin (%)



Market Environment

- ▶ Polarization of price strategies, expanding needs for specialized outlets
- ▶ Increase in labor costs, difficulty in acquiring personnel
- ▶ Rising cost of vegetables and other ingredients

Strengths

- ▶ Rich history of Japan's oldest beer hall and highly competitive brands
- ▶ Store development know-how that caters to the discerning eye and diverse needs of consumers

Growth Strategies

- ▶ Further improve the sales quality and profitability of locations operated by Sapporo Lion, Marushinkawamura, and New Sanko
- ▶ Contribute to the utilization and reinforcement of Group brands such as *Yebisu Beer* and *Grande Polaire*

Efforts under "SPEED150"

In the Restaurants segment, we will contribute to the strengthening of Group brands by providing establishments where people can experience the products and value of the Group. Guided by our aim of delivering 100% satisfaction to customers, we are making efforts to improve the sales quality of our products, services, store environments, and other core elements of the restaurant business as well as to provide products that are safe and offer peace of mind.

In terms of opening new stores, we will work to expand the area served by our core outlets *GINZA LION* and *YEBISU BAR*. At the same time, we will focus our efforts on developing new outlets. Furthermore, to maintain and increase profitability well into the future, we are actively remodeling and changing the format of existing stores.

Overseas, as part of our efforts to spread the beer hall culture, we will revamp the *GINZA LION* brand in Singapore while taking steps to reform our cost structure.

Real Estate

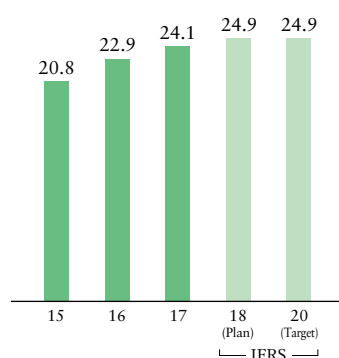
Offering a “Luxurious Time” in a “Luxurious Space” for Cities and for Society as a Whole

Consolidated Subsidiaries

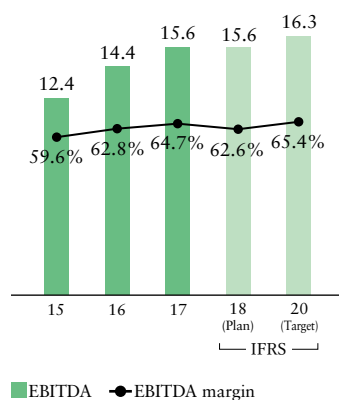
SAPPORO REAL ESTATE CO., LTD.
 YGP REAL ESTATE CO., LTD.
 TOKYO ENERGY SERVICE CO., LTD.
 YOKOHAMA KEIWA BUILDING CO., LTD.



Revenue (Billions of yen)



EBITDA (Billions of yen) / EBITDA Margin (%)



Market Environment

- ▶ Improvement in occupancy rates at office buildings in the Tokyo metropolitan area, gradual increase in rent levels
- ▶ Steady market conditions in the Ebisu, Sapporo, and Ginza districts
- ▶ Difficult market conditions expected in the future due to a rapid increase in supply in the Tokyo metropolitan area

Strengths

- ▶ Superior properties and strong relationships with local communities primarily in the Ebisu, Sapporo, and Ginza districts, grounded on the history of the Sapporo Group

Growth Strategies

- ▶ Maintain high occupancy rates by increasing property value and flexibly revise rent levels in accordance with market conditions
- ▶ Build and deepen long-term relationships with local communities through collaborative urban development

Efforts under “SPEED150”

In the Real Estate segment, we will reinforce our earnings base by increasing the property value and enhancing the efficiency of our owned properties centered on the Ebisu, Sapporo, and Ginza districts. At the same time, we will contribute to improving Group brands by promoting urban development in areas where the Group has a long history.

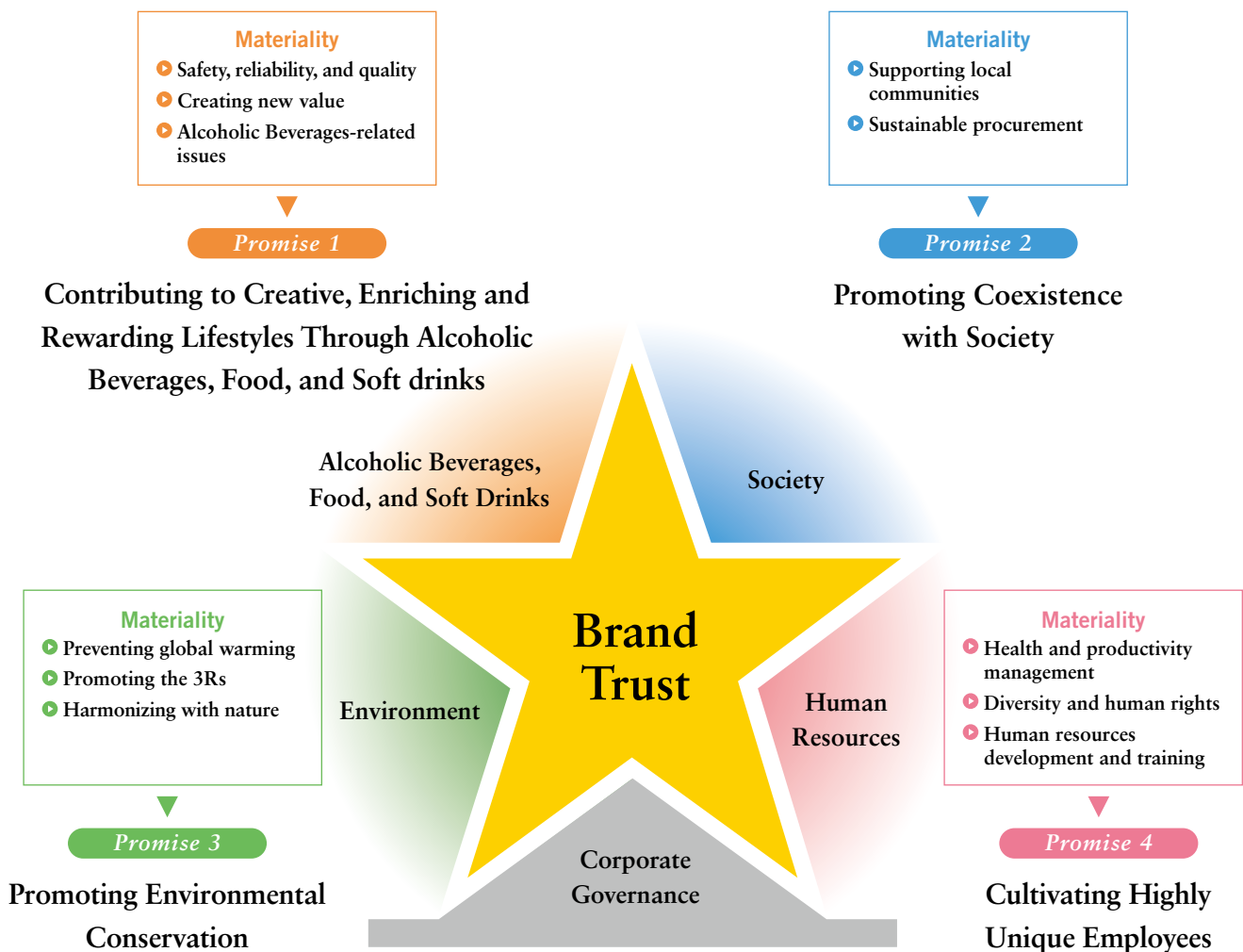
At Yebisu Garden Place, a key Group property, we will work to enhance value in order to create new added value for the property and improve brand value. For GINZA PLACE, we will further enhance our ability to communicate information centered on the property’s concept of being a “base for information dissemination and exchange,” thereby improving brand value. Additionally, we will contribute to revitalizing and attracting customers to the area surrounding the property. Also, we are proceeding with the renovation of the Sapporo Factory commercial complex as part of Sapporo City’s urban development program focused on the nearby area on the east side of the Sosei River.

Basic CSR Policy

Our 4 Key Promises for Strengthening Bonds through Our Brand Story

The Sapporo Group will inherit a brand story grounded in its over 140-year history as a collection of aspiration it wishes to share with its stakeholders. In addition, through its CSR activities, the Group aims to connect this brand story to the future.

In line with our 4 Key Promises, which summarize our CSR initiatives, we will forge ahead with our CSR endeavors in a bold and swift manner.

















The Sapporo Group's Basic CSR Policy

We are determined to remain a group that is trusted by society by conducting business in a way that keeps our customers happy.

Since the Sapporo Group's founding in 1876, we have existed in harmony with society and have been sustained by the happiness of our customers as we forged our path to the present. From here on, the Sapporo Group will aim to grow as a company and contribute to sustainable social development by remaining an honest group that makes customers happy, based on its Management Philosophy: "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles."

Our 4 Key Promises and CSR Materiality Action Plan

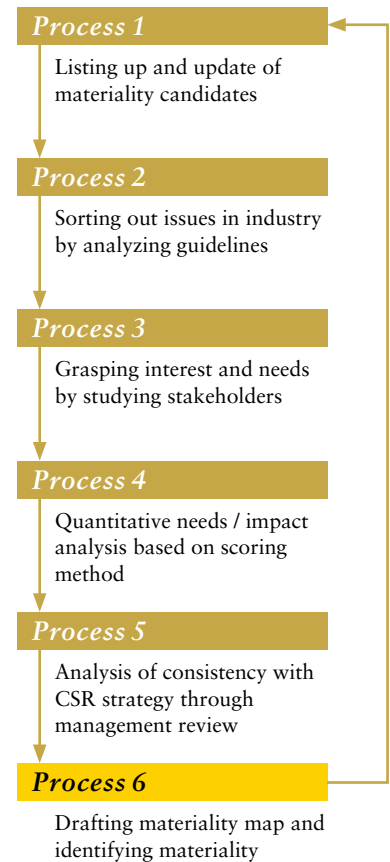
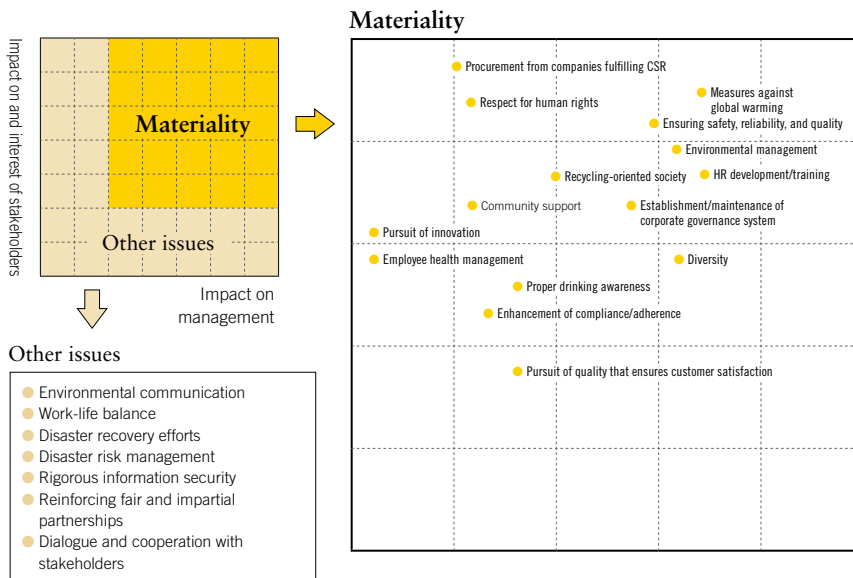
Our Promise	Our Priority	Medium- to Long-Term Goals (KPI)	Related SDG Goals
<p>Promise 1</p> <p>Contributing to Creative, Enriching and Rewarding Lifestyles Through Alcoholic Beverages, Food, and Soft drinks</p> <p>We will offer the joy of living and richer lives to our customers by creating new value through “Alcoholic Beverages,” “Food,” and “Soft Drinks.”</p>	Safety, reliability, and quality	By 2020, we intend to have a full set of quality assurance systems in place for each product category to ensure quality and safety so that anyone, from local residents to inbound visitors, can enjoy the “Alcoholic Beverages,” “Food,” and “Soft Drinks” produced by the Group. We will extend this commitment to include our exports and businesses overseas to facilitate further growth of the Group’s reputation as a trusted global brand.	
	Creating new value	By 2020, we will combine our food processing technologies with our research on the health benefits and taste of five key ingredients (barley, hops, lemons, soybeans, and lactic acid bacteria) to create and propose new value in the areas of “Alcoholic Beverages,” “Food,” and “Soft Drinks” based on the changing demands of the market and consumers. We will continue to spur innovation in both new and existing fields and strive to expand our distinctive value domestically and abroad.	
	Alcoholic Beverages-related issues	<ul style="list-style-type: none"> By 2020, we plan to establish a concrete education program for proper drinking awareness with a focus on how to enjoy alcohol in a healthy manner. We will offer opportunities for customers to raise their awareness of Japan’s rich beer culture through contact points such as museums and open factory visits. 	
<p>Promise 2</p> <p>Promoting Coexistence with Society</p> <p>We will contribute to the development of the community and solve issues as part of the local society, and create a better future along with everyone in society</p>	Supporting local communities	<ul style="list-style-type: none"> By 2020, we will establish a system to support local communities around all of our business sites. We will promote activities in the area of our founding, areas with Company offices, and disaster-affected areas to encourage the consumption of local goods, transmit information, and support the next generation. In addition, we will continue to strengthen our partnerships with local communities through urban development projects and the promotion of businesses centered on the enjoyment of food. 	 
	Sustainable procurement	By 2030, we will aim to have at least 90% of our major suppliers in support of CSR procurement.	
<p>Promise 3</p> <p>Promoting Environmental Conservation</p> <p>In order to pass on nature’s bounty to the future, we will strive to prevent global warming, promote 3Rs, and achieve symbiosis with nature at every phase.</p>	Preventing global warming	By 2030, we will reduce CO ₂ emissions per unit 12% from levels detected in 2013.	 
	Promoting the 3Rs	<ul style="list-style-type: none"> We will continue to promote the 3Rs in all aspects of business, from raw material procurement to disposal and recycling. We will establish quantitative targets for water use in 2018 and strive for efficient usage.* By 2020, we will recycle 100% of waste at all of our domestic breweries and factories. 	 
	Harmonizing with nature	We will plan and implement measures every year for preserving biodiversity that leverage the specific attributes of each business.	
<p>Promise 4</p> <p>Cultivating Highly Unique Employees</p> <p>We respect all sorts of diversity of employees and bolster the development of an environment that allows each employee to demonstrate his or her individual ability to the maximum extent.</p>	Health and productivity management	<ul style="list-style-type: none"> We will improve efforts to promote employee health throughout the Group (via deployment of area nurses, declaration of employee health measures, etc.). We will develop food education programs for infants in collaboration with in-house childcare centers. 	
	Diversity and human rights	<ul style="list-style-type: none"> By 2020, we will double the number of women in management positions relative to 2014. We will achieve each target as set forth in the “General Employers Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.” 	
	Human resource development and training	We will continue to provide active support for diversity and inclusion through education aimed at supporting women, people with disabilities, those providing care, and members of the LGBT community.	

* In May 2018, we formulated the target of reducing the amount of water used at the factories of Sapporo Breweries and POKKA SAPPORO Food & Beverage by 6% compared with 2013 amounts (target covers factories included in the business scope as of 2013).

Basic CSR Policy

Identifying and Updating Materiality

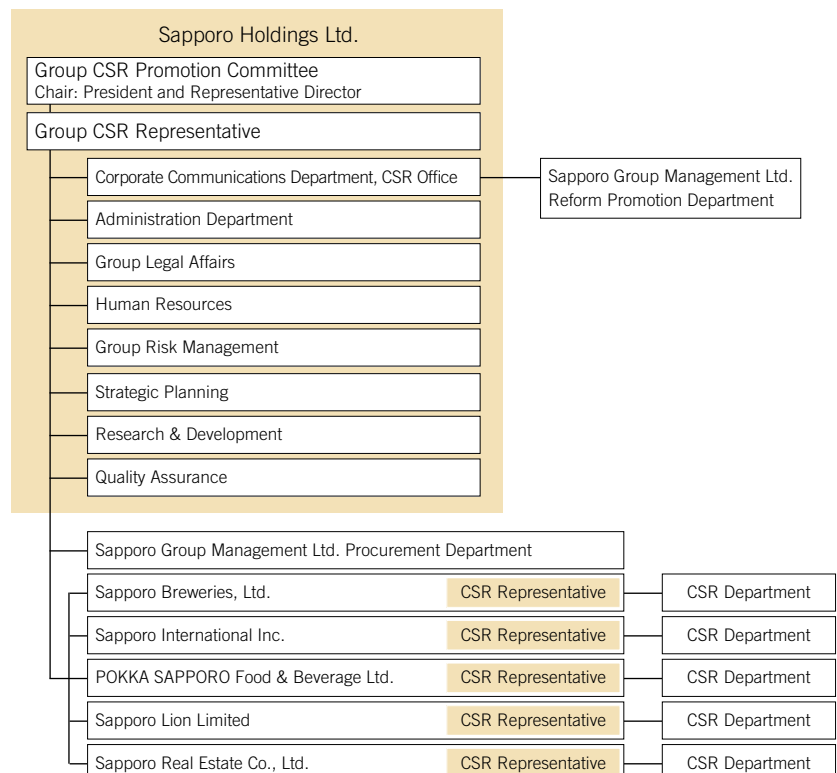
The Sapporo Group identifies and maps CSR priority issues on a materiality matrix, with significance to stakeholders on one axis and significance to management on the other. From there, potential top materiality are analyzed from various perspectives such as guidelines, and the viewpoints of both stakeholders and managers. Based on that analysis, the materiality are identified and updated.



CSR Implementation Structure

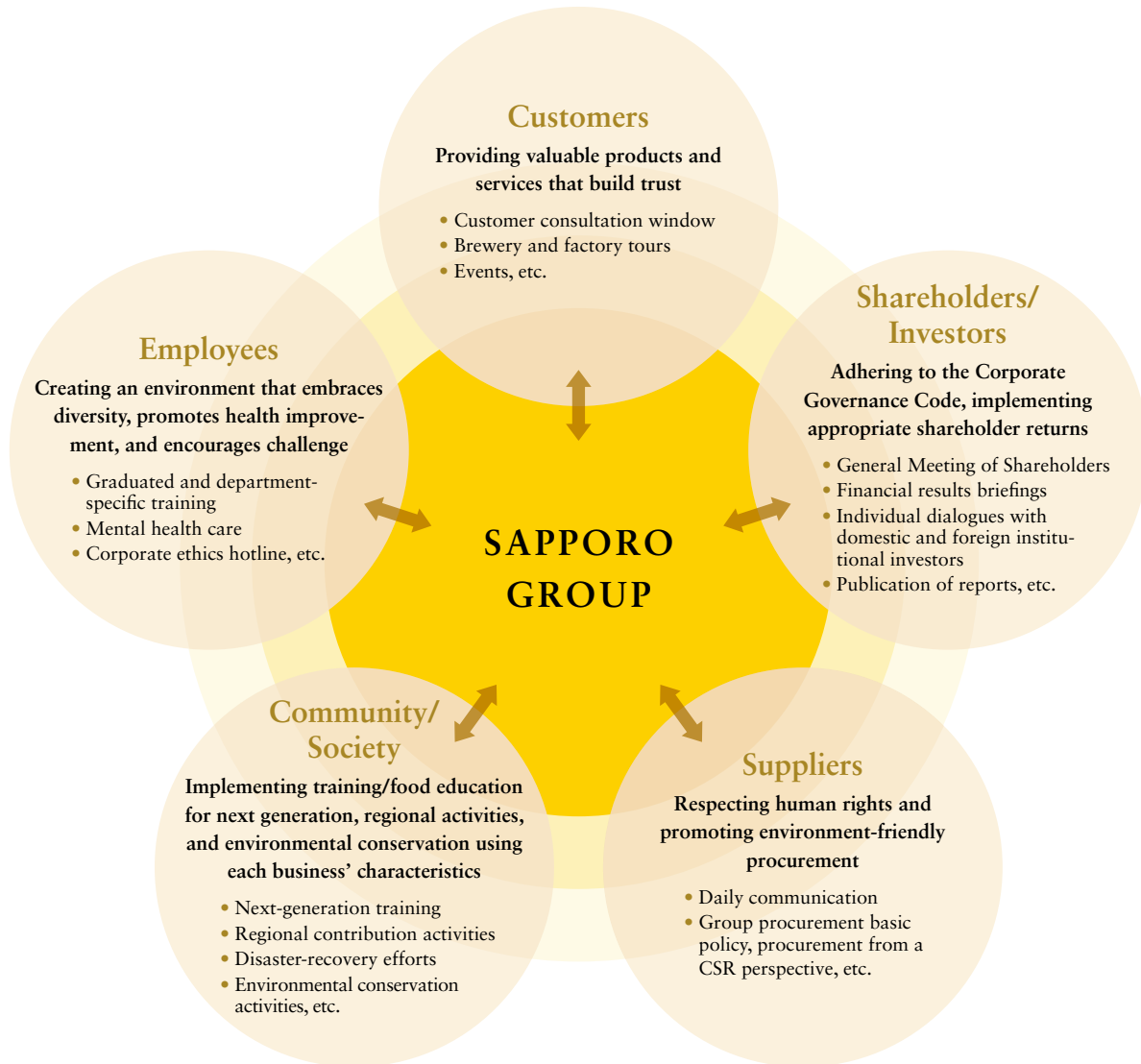
Sapporo Holdings formulates the overall policy for implementing the Sapporo Group's CSR management and has established a Group CSR Promotion Committee. This committee is chaired by the President and representative director of the Company, who is responsible for coordination and adjustment within the Group.

The CSR Office within Sapporo Holdings' Corporate Communications Department develops and implements various measures to promote CSR activities in each Group company, holds monthly meetings with CSR personnel, and shares information and progress via its CSR Office.



Stakeholder Engagement

As a business practice done in earnest and in accordance with its basic CSR policy, the Sapporo Group works toward proactive and appropriate disclosure of information and mutual communication in order to deepen trust between the Group and its stakeholders.



Specific Examples of Activities

Customers

At POKKA SAPPORO, we implemented “Lemon University,” a food education program designed to teach the next generation about the power of lemons in an enjoyable manner.

In collaboration with distributors in each area, company employees designated as “Lemon Meisters” (having received internal qualification via examination) work as instructors. We also propose ways for adults to incorporate the health benefits of lemons in their diets to promote healthy and active lives.



“Lemon University” food education program

Suppliers

Sapporo Breweries and POKKA SAPPORO hold an annual policy briefing with their main suppliers in Japan in order to share efforts related to procurement. We ask suppliers to implement and submit self-checks on their CSR efforts. At the same time, we encourage any inquiries as to whether we are performing activities in line with the Group procurement basic policy. In doing so, we are working to build a two-way relationship with our suppliers.



Supplier policy briefing sessions

Initiatives Based on Our 4 Key Promises

Promise 1

Contributing to Creative, Enriching and Rewarding Lifestyles Through Alcoholic Beverages, Food, and Soft drinks

Safety and Reliability Initiative—the Collaborative Contract Farming System

As a food manufacturer, the Sapporo Group makes every effort to provide safe, reliable, and high-quality products and services. As part of those efforts, we have employed the Collaborative Contract Farming System (CCFS), Sapporo Breweries' proprietary raw material procurement system. This system, of which there is no other in the world, is supported by the following three pillars.

- ▶ Specifying growing areas and the growers
- ▶ Specifying growing methods
- ▶ Ensuring communication between growers and Sapporo Breweries

Internal experts on malt and hops called “Fieldman” make direct visits to CCFS production areas in about 10 countries around the world to engage in ongoing communication with growers. Not only does this enable the stable procurement of raw materials for great-tasting beer, it also ensures that the “where,” “who,” and “how” questions of procurement have clear answers. In this way, Sapporo Breweries is working together with the suppliers and growers to create safe, reliable, and delicious raw materials for its products.



Alcoholic beverage-related issues

The Sapporo Group believes that, as a corporate entity engaged in the distribution of alcoholic beverages, it bears a responsibility to communicate proper drinking practices and a proper understanding about the characteristics of alcohol.

Policy related to proper drinking practices

- ▶ In light of the nature of alcohol, we must consider social impact when engaging in the manufacture, sale, and advertisement of alcohol.
- ▶ We must support moderation in alcohol drinking consistent with a healthy and joyful lifestyle while moving forward with measures to prevent alcohol abuse, such as underage drinking, driving while intoxicated, and drinking by pregnant and nursing mothers.

Promise 2

Promoting Coexistence with Society

Establish CSR Procurement Guidelines for Suppliers

To contribute to the realization of a sustainable society, the Sapporo Group believes it necessary to preserve the understanding and cooperation of the suppliers who share its raw materials while also ensuring CSR throughout the entire supply chain.

Up until now, our procurement activities were carried out in accordance with our Sapporo Group basic procurement policy; however, in March 2018 we established a new set of Sapporo Group CSR procurement guidelines for suppliers linked to the basic policy. We are working to promote two-way communication with our suppliers and engage in collaborative CSR in six main subjects: safety and quality, compliance with laws, human rights and labor, environmental conservation, coexistence with society, and alcohol beverage-related issues. By maintaining this relationship, we aim to realize a sound and rich society.



Initiatives toward supporting local communities

Since the founding of the Sapporo Group, we have contributed to the social communities rooted in the countries and regions where we have expanded our businesses to show our appreciation for their support. Just as before, all of our employees will take a proactive approach in enhancing understanding of a region's strengths, sports, cultures, and traditions and will work toward collaboration in business solutions and regional development as members of those communities. In doing so, we hope to create a better future.

In Nagoya City, the POKKA Lemon Fire Department Band, the orchestral group for the Nagoya City Fire Department, has put on over 200 performances a year since April 2016. With POKKA SAPPORO Food & Beverage receiving naming rights from the city of Nagoya, it became the first company in the country to gain naming rights over organizations in local towns.

In the same vein, 2017 marked the 60th anniversary of POKKA Lemon, originated in Nagoya, and its cooperation in creating community awareness with local municipalities.



Promise 3

Promoting Environmental Conservation

Recipient of the *Agriculture, Forestry and Fisheries Minister's Award* at the 27th Grand Prize for the Global Environment Awards

Sapporo Holdings was a recipient of the *Agriculture, Forestry and Fisheries Minister's Award* at the 27th Grand Prize for the Global Environment Awards*¹ based on the evaluation of efforts toward bioethanol production from cassava pulp.*² These developments are a result of the Sapporo Group's work to create biomass energy technology using brewing technology cultivated over the course of many years of producing alcoholic beverages domestically and overseas. Our goal is to disseminate biofuel production technology to ASEAN countries where cassava cultivation is prevalent, and contribute to solving energy and environmental problems.



*¹ Award system established in 1992 by Fujinsankei Communications Group with special cooperation of World Wildlife Foundation (WWF) Japan, awarded to industries that work to balance production and development and environmental conservation.

*² Refers to the byproducts of tapioca production from cassava roots.

Part of Ministry of the Environment's *Joint Crediting Mechanism Model Project*

In August 2017, as part of the Ministry of the Environment's *Financing Programme for JCM Model Projects*,*³ Sapporo International's efforts in the introduction of energy-saving equipment in its breweries were approved for subsidy.

This project, in accordance with the expansion of the Sapporo Vietnam Long An Brewery, will introduce high-efficiency, energy-saving equipment—an air compressor, cold water chiller, and once-through boiler—to reduce electricity and LPG consumption and is expected to reduce CO₂ emissions by approximately 111 tons per year.



*³ The Ministry of the Environment aids with capital investment expenses to support projects for companies that introduce superior low-carbon technologies in developing countries to reduce greenhouse gas emissions on a global scale.

Promise 4

Cultivating Highly Unique Employees

Toward further advancement of diversity

In the spirit of promoting a diverse environment, in November 2017 the Sapporo Group held Groupwide training sessions in order to educate management and to spread awareness of LGBT issues. In addition, as part of an effort to create an environment where human resources with a variety of ideas and ways of thinking can continue to work safely, we changed the definition of spouses in our employment regulations.*⁴ As of January 2018, same-sex and common-law partners will be seen as equivalent to spouses in terms of receiving benefits and welfare.

Moving forward, we will continue to put our utmost effort toward creating an environment that heightens awareness of these respective differences.

*⁴ Relevant companies: Sapporo Holdings, Sapporo Breweries



Support for balancing work and child care

At Sapporo Breweries, we are working for continuous system expansion and promotion of use centered on our "Next-Generation Development Project," consisting of representatives of both the Company and labor unions.

Based on our efforts up to the present as a top-level company that offers its support in raising children, we were recognized with a *Platinum Kurumin* mark in 2017 by the Ministry of Health, Labour and Welfare. Presently, in order to make work and family more compatible, we promote the use of systems such as flextime and telecommuting. Sapporo Breweries continues to support and implement measures to ensure that its human resources maintain sound mental and physical health.



Platinum Kurumin mark in recognition of company support for raising children.

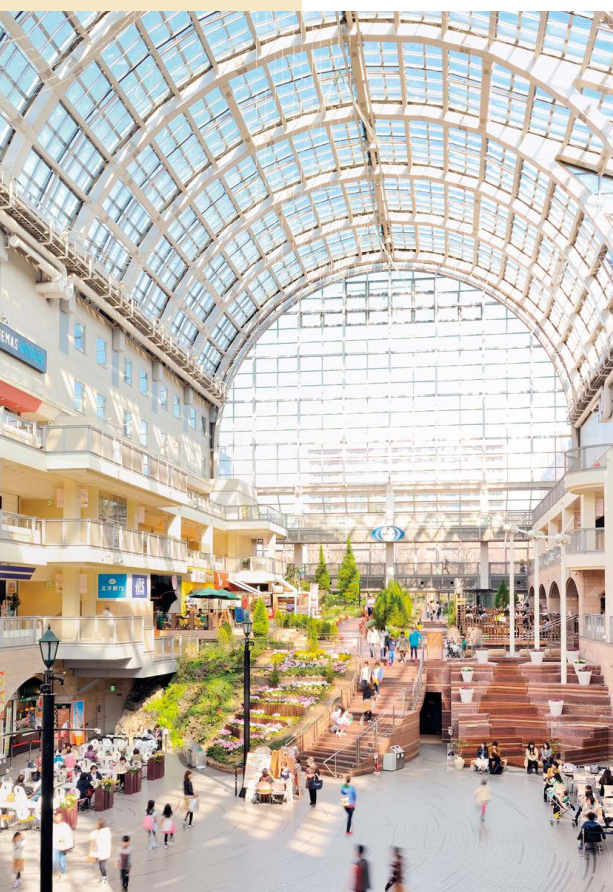
★ *Special Feature 2*

Inheriting Aspirations by Strengthening Bonds through Our Brand Story

Since its establishment, the Sapporo Group has been passionate about manufacturing, remaining committed to using the finest raw materials and pursuing a wide variety of activities to attain the highest levels of quality. At the same time, we have valued the points of contact and connections we have made with local communities, society, and the earth. Through our various business activities, we have delivered happiness, deliciousness, creativity, and enrichment to our customers, thereby earning their trust. We will continue to be a corporate group that contributes to the development of local communities and society as a whole.

Going forward, we will deepen our points of contact, connections, and relationships with local communities as we work to strengthen bonds with our stakeholders through our brand story well into the future.

01 SAPPORO



The city of Sapporo is where the predecessor of Sapporo Breweries, *Kaitakushi* Brewery, was founded. This makes Sapporo the place in which the Sapporo Group was born as well as where genuine beer was first made by Japanese brewers. As such, it would be no exaggeration to refer to it as the birthplace of Japanese beer. As a reflection of that status, the city's Sapporo Factory represents the origin of beer breweries in Japan. In addition to tours where participants can learn about the history of the *Kaitakushi* Brewery era, the Sapporo Factory is home to various shops, restaurants, cafés, and much more, making it a spacious facility that functions as a place of relaxation and refreshment for members of the local community.

In 1972, Sapporo became a sister city of Munich, a German city famous for the global beer event Oktoberfest. In doing so, Sapporo concluded a one-of-a-kind sister city agreement for Japan. Since then, the city has deepened its friendship with Munich through various events in which the Sapporo Group has participated.

In 2012, to celebrate the 40th anniversary of the sister city relationship, the City of Beer Sapporo Project was started. In 2011, the Autumn Beer Festival commenced at the Sapporo Factory. At the events, people can come together to enjoy delicious beer and food. Inheriting *Kaitakushi* Brewery's passion for manufacturing, we will continue to further improve the value of the Sapporo brand while cherishing the connections we have formed with the local community.



Kaitakushi Brewery



Sapporo Factory

02 YEBISU

In 1889, construction of the Yebisu Brewery was completed in Mitamura Village, Ebara County (now the Mita district of Meguro Ward, Tokyo). In 1901, the Ebisu Railway Station was established for the purpose of shipping beer. This station would later become a passenger station (now JR Ebisu Station), which led to the surrounding area being renamed as Ebisu. This is an extremely rare case in which the name of a district originated from the brand name of a product.

In 1994, Yebisu Garden Place was established on the site of the Yebisu Brewery following the brewery's relocation. The name Yebisu Garden Place derives from the unique style of urban development that was formed through the integration of the GARDEN-CITY and MARKET-PLACE retail and entertainment areas. Yebisu Garden Place is made up of 60% open space and has an abundance of greenery. Such features create an urban setting where people can enjoy a rewarding experience in a spacious area. At this location, we will continue to hold such events as the Yebisu Beer Festival, which aims to further enrich Japanese beer culture, and the Yebisu Culture Festival, which contributes to the revitalization of local culture. In doing so, we are working together with the local community to encourage the development of the Ebisu area.



Yebisu Garden Place



Yebisu Brewery



Beer Hall Lion Ginza 7-chome

03 GINZA

The Sapporo Group has a deep connection with Ginza, one of Japan's most well-known commercial districts. The connection started in 1887 with the establishment of the Japan Beer Brewery Company, a predecessor of Sapporo Breweries, in what is currently Ginza 2-chome. The connection deepened in 1899 when Japan's first beer hall, the YEBISU BEER HALL, opened in what is now Ginza 8-chome.

In 1934, we opened Beer Hall Lion Ginza 7-chome. Currently the oldest existing beer hall in Japan, it is loved by our customers to this day. By giving thorough attention to quality assurance and traditional pouring techniques, this beer hall consistently offers draft beer that is of the highest quality.

In 2016, we opened the commercial complex GINZA PLACE, which was developed under a concept of being a "base for information dissemination and exchange." In the ever-growing district of Ginza, we aim to establish GINZA PLACE as a landmark that shapes the future of the district by realizing the further revitalization of the surrounding area and creating a lively atmosphere.



YEBISU BEER HALL



GINZA PLACE

Forming Connections with Nagoya and Hiroshima through Lemons

POKKA CORPORATION, the predecessor of POKKA SAPPORO Food & Beverage Ltd., was founded in 1957 in Nagoya City, Aichi Prefecture, as a production and sales company of lemon products used in cocktails. In the over 60 years since its establishment, POKKA SAPPORO Food & Beverage has not only worked to develop various lemon products but has also pursued lemon-related research and promoted activities to spread knowledge about the fruit.

Recently, POKKA SAPPORO Food & Beverage has formed collaborative partnerships and alliances with Hiroshima Prefecture itself and Kure City, Osakikamijima Town, and agricultural cooperatives therein, to promote efforts to increase demand for Setouchi Hiroshima Lemons and enhance their brand value.



A lemon-producing area in Osakikamijima Town, Hiroshima Prefecture

Message from the Chairman



We will continue efforts to enhance and strengthen a corporate governance system that leverages stakeholder feedback as we work to boost our corporate value and improve our appeal.

Tsutomu Kamijo
Chairman and Representative Director

Emphasizing Dialogues Based on Various Opinions and Ways of Thinking

Since I was appointed as a director of Sapporo Holdings in 2007, I have engaged in countless dialogues with our shareholders and other investors as well as with members of companies possessing voting rights. These experiences have taught me that there is no one absolute answer for solving an issue. I am currently involved in a variety of outside activities as the chairman and representative director, and I have witnessed many instances where the common ways of thinking within Sapporo itself are not understood by outside parties. I therefore place emphasis on engaging in dialogues that do not simply assert the good aspects and strengths of the Company but which focus on clarifying the Company's reasons for selecting its management policies and structure, based on an understanding of the diverse range of opinions and approaches that exist outside the Company. To this end, in addition to maintaining an ability to clearly summarize the Company's approach so that I can hold discussions at any time and location, I place value on the issues brought up by our stakeholders

without fear of how that may change the course of the conversation.

Considering the Ideal Approach for a Board of Directors That Utilizes Diverse, Outside Opinions

Under the Sapporo Group's Long-Term Management Vision "SPEED150," which sets its sights on 2026, the year marking the 150th anniversary of the Group's founding, we are working to realize steady profit growth and establish a robust financial foundation. At the same time, we are taking steps to ensure management transparency and fairness through the enhancement of our corporate governance. In doing so, we are striving to realize sustainable growth and improve corporate value.

When it comes to the management of the Board of Directors, I am aware that my most significant role as its chairman is to draw on the abundance of knowledge and experience that the outside directors possess. Taking into consideration the opinions offered to us by our stakeholders, I communicate a wide range of outside viewpoints and approaches to the inside

directors while also making a point to draw out the candid opinions and viewpoints of the outside directors. To ensure that the outside directors can make sufficient use of their experience and capabilities, we encourage them to visit our factories and research labs and provide them with regular opportunities to meet with Group executive officers and the presidents of the operating companies. In these ways, we work to offer information to the outside directors in an appropriate fashion.

In the process of formulating the Long-Term Management Vision and the First Medium-Term Management Plan, we created opportunities aside from Board meetings to explain to the outside directors the content of the numerous internal discussions we had, which allowed us to receive constructive feedback from them. A particularly impressive takeaway from this feedback was how highly our unique brands were evaluated by the outside directors, higher, in fact, than many of the evaluations conducted internally. As a B-to-C corporate group, we pursue our business activities while forming deep connections with the daily lives of our customers, and the high evaluation we received from the outside directors allowed us to once again recognize the significant level of impact we have on society. In addition, we have fostered an understanding among the outside directors regarding the environmental and regional contribution efforts we are promoting, and they have indicated to us the importance of confidently communicating these efforts to our stakeholders and provided us with support to sufficiently do so. We have reflected the opinions and approaches of the outside directors in our 4 Promises, which organize our CSR priority issues. Going forward, we will steadily work to fulfill these promises while taking into account various social issues, starting with those laid out in the Sustainable Development Goals (SDGs).

Boosting the Corporate Value and Appeal of the Sapporo Group

I feel that discussions on the corporate governance of listed corporations have evolved over the years. In response to the Corporate Governance Code, we intend to implement specific initiatives based on the themes of the code that are drawing the highest level of interest. One particular theme of which we are

constantly aware is considering a management structure and design that can gain the understanding of outside parties. Accordingly, at the Ordinary General Meeting of Shareholders held at the end of March 2018, a resolution was passed to revise the Articles of Incorporation and abolish the Senior Advisor System to ensure that the former presidents of the Company do not affect the Company's current management.

Another important theme is promoting diversity on the Board of Directors. With the aims of encouraging interaction between Group personnel and promoting the active role of women, we took the lead over other companies in the industry and selected a woman to serve as an internal member of the Board of Directors in 2016. We also welcomed Mackenzie Clugston, a Canadian national, as an outside director following the innovative and leading-edge examples of general trading companies. Mr. Clugston has experience serving as a diplomat in North America and Southeast Asia, regions that are deeply connected to our businesses, and also has a vibrant background with close connections to Japan, including a strong command of the Japanese language. We believe that he will provide us with valuable insight that will help us achieve our Long-Term Management Vision.

Going forward, while taking steps to further invigorate discussions with the outside directors and outside Audit & Supervisory Board members, we will promote improvements in terms of our organizational and management structure and various other aspects, including the approach for our overseas business activities, which represent a significant growth driver. As we work to receive comprehensive and positive evaluations from our stakeholders, we will maintain an awareness of the duties we need to fulfill as a listed company. We will also promote efforts to boost our corporate value and appeal as a company with highly unique brands.

June 2018



Tsutomu Kamijo
Chairman and Representative Director

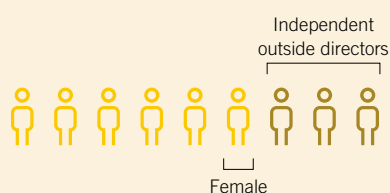
Corporate Governance

Governance Digest

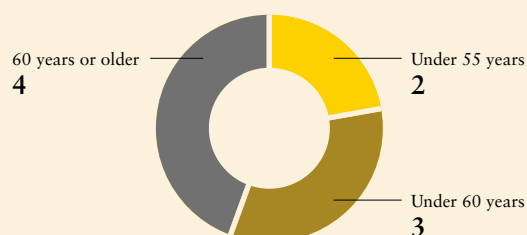
Format While Sapporo Holdings is a Company with Company Auditors, we voluntarily established a Nominating Committee and a Compensation Committee in November 1998 and have been making efforts to enhance the transparency of our management relating to the nomination and remuneration of directors, and to preserve a sound management structure. Furthermore, in December 2015, we set up the Outside Director Committee in an effort to strengthen the exchange of information and sharing of knowledge with the independent outside directors regarding such matters as Groupwide management strategies and corporate governance issues.

Board of Directors

Constituent members



By age

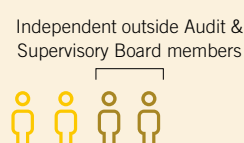


Reasons for appointment of directors

Tsutomu Kamijo	Mr. 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.
Masaki Oga	Mr. Oga has served as a director of the Company and president and representative director of an operating company, 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 person to promote Group management and strengthen the corporate governance of the Company.
Hiroyuki Nose	Mr. Nose has wide experience in sales and marketing departments of operating companies and has been in charge of the brand planning department. He therefore has the experience, 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.
Shinichi Soya	Mr. Soya has had wide experience in the accounting and finance departments of operating companies and has been in charge of corporate planning and international departments. He therefore has the experience, 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.
Mayumi Fukuhara	Ms. Fukuhara has been in charge of the human resource departments of operating companies. She therefore has the experience, track record, and insight for overall human resource strategy. The Company has determined that she will be the right person to promote the diversity and strengthen human resource development of the Sapporo Group.
Ikuya Yoshida	Mr. 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 and 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.
Shigehiko Hattori	Mr. 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 Company's Board of Directors 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.
Shizuka Uzawa	Mr. Uzawa has a wealth of experience, a rich track record, and great insight as the president of a holding company as well as extensive insight in the treasury and corporate management fields. Mr. Uzawa offers pertinent opinions and advice to the Company's Board of Directors 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.
Mackenzie Clugston	Mr. Clugston has extensive insight in the fields of diplomacy and trade in North America and Southeast Asia where the Company is pursuing business development. Based on that wealth of experience, rich track record, and great insight, Mr. Clugston can offer pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with global expansion.

Audit & Supervisory Board

Constituent members




Basic Governance Approach

The Sapporo Group has enacted the Basic Policy on Corporate Governance for the purpose of specifying its thinking and operational policy regarding corporate governance with the goal of attaining sustained growth and enhanced corporate value over the medium to long term, and in light of the purport and spirit of the Corporate Governance Code set forth in the Listing Rules of the Tokyo Stock Exchange.

As part of the policy, the Group's basic philosophy is to regard strengthening and enhancing corporate governance as one of its top management priorities. The Group is working to clarify supervisory, business execution, and auditing functions throughout the Group under the holding company framework. The Group is also working to strengthen management supervisory functions to increase management transparency and achieve management goals.

For details on the Company's basic approach to corporate governance, management direction, and other policies, please refer to the Basic Policy on Corporate Governance.

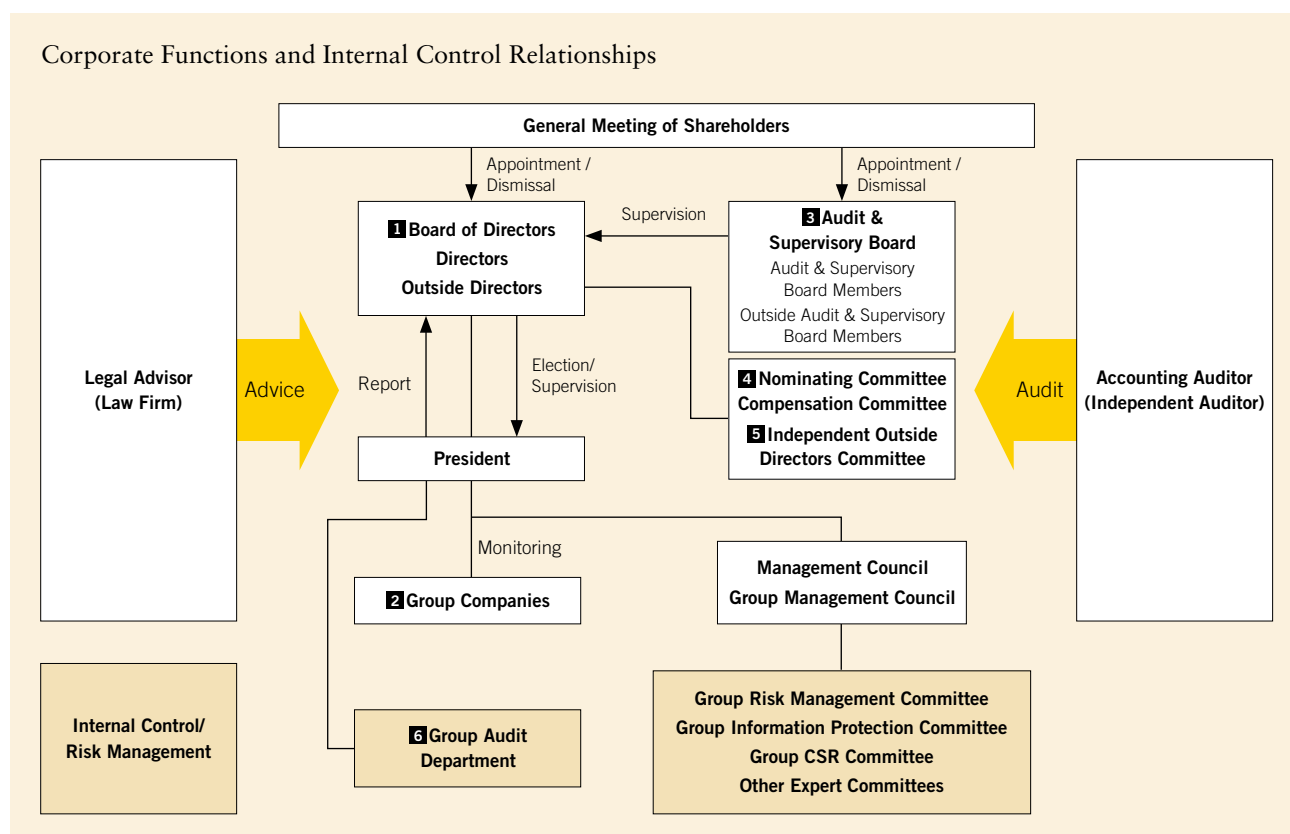
 http://www.sapporoholdings.jp/english/ir/management/pdf/basic_governance_approach.pdf

1 Board of Directors

The Board of Directors performs a supervisory role and makes decisions on statutory matters and important matters related to business execution stipulated by the Board's regulations. The Board of Directors also elects and supervises the business execution of the representative director, president, directors, Group operating officers, and other key personnel.

About Independent Outside Directors

Three of the nine members of the Company's Board of Directors are independent outside directors. All three have submitted notification to the Tokyo Stock Exchange and the Sapporo Securities Exchange of their independent director status as stipulated by the exchange regulations. The independent outside directors are expected to objectively advise and supervise the management team from a neutral standpoint, based on their high perception. The independent outside directors offer advice and suggestions from their independent and objective standpoints and are expected to fulfill a role raising corporate value.



Corporate Governance

2 Group Operating Officers

The president controls business execution across the entire Group based on the resolutions of the Board of Directors. The Group operating officers, under the direct authority of the president, control business execution in the main business segments.

3 Audit & Supervisory Board

Sapporo Holdings Ltd. uses the Audit & Supervisory Board Member system, in which Audit & Supervisory Board members, who are completely independent from the Board of Directors, audit the job performance of directors from an independent standpoint.


About Independent Outside Audit & Supervisory Board Members

Sapporo Holdings has four Audit & Supervisory Board members, two of whom are independent outside Audit & Supervisory Board members. Both independent outside Audit & Supervisory Board members have submitted notification to the Tokyo Stock Exchange and the Sapporo Securities Exchange of their independent auditor status as stipulated by the exchange regulations. The independent outside Audit & Supervisory Board members audit the duties executed by the directors from an objective and neutral standpoint, and offer input where fitting to preserve the propriety and appropriateness of decisions by the directors. Similarly, the independent outside Audit & Supervisory Board members are expected to provide input where needed during discussion on proposals and fulfill a role to secure sound management.

Standards and Policies Regarding Independence of Outside Directors and Outside Audit & Supervisory Board Members

Sapporo Holdings' Nominating Committee recommends personnel as candidates for outside director provided that they meet the standards for independence set out by financial instrument exchanges that have applied them, and that they have a strong background, track record, and insight into corporate management or certain specialist fields that will enable them to offer accurate proposals and advice on the Company's management issues. Moreover, outside Audit & Supervisory Board member candidates are required to meet the standards for independence set out by financial instrument exchanges that have applied them.

For details on the Company's standards for the independence of outside officers, please refer to the separate document Basic Policy on Corporate Governance.

 http://www.sapporoholdings.jp/english/ir/management/pdf/basic_governance_approach.pdf

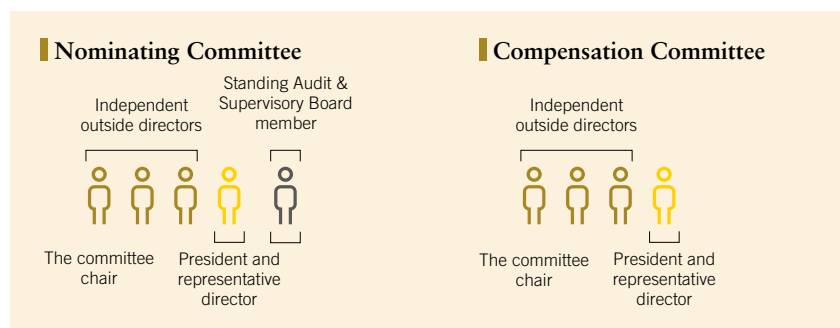
All of the Company's outside directors and outside Audit & Supervisory Board members satisfy the applicable standards of independence specified by the financial instruments exchanges and are therefore registered as independent officers with the Tokyo Stock Exchange and the Sapporo Securities Exchange.

Name	Important concurrent occupations or positions at other organizations	Policy on independence
Directors		
Shigehiko Hattori	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 Auditor on Supervisory Board of Nikkei Inc.	Mr. Hattori was engaged in business execution at Shimadzu Corporation until June 2015. Although 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. 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.
Shizuka Uzawa	External Executive Director of Japan Finance Corporation Outside Director of Nichirei Corporation	Mr. Uzawa was engaged in business execution at Nisshinbo Holdings Inc. until June 2016. No transactions have or are being made between 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. 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.
Mackenzie Clugston	Outside Director of KAMEDA SEIKA CO., LTD. Professor under special tenure program of Kwansai Gakuin University Outside Director of Idemitsu Kosan Co., Ltd.	Mr. Clugston satisfies "Standards for Independence of Outside Officers" established by the Company. Since September 2016, the Company's management has been receiving advice from Mr. Clugston as a consultant of the Company. The remuneration paid to Mr. Clugston was compensation for his advice to the Company's management based on his experience and insight, and such remuneration in the business term ended December 31, 2017 was ¥5 million or less; thus the arrangement does not affect Mr. Clugston's independence.

Name	Important concurrent occupations or positions at other organizations	Policy on independence
Audit & Supervisory Board Members		
Junya Sato	Lawyer at the Law Offices of Ishizawa, Ko & Sato Outside Director of Nikki Co., Ltd. Outside Director of Mitsui Mining & Smelting Co. Ltd. Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings, Co., Ltd.	Although Mr. Sato has no experience directly managing a company aside from being an outside director or an outside corporate auditor, he has a wealth of practical experience as an attorney, particularly regarding corporate law. The Company has determined that Mr. Sato will be able to monitor the performance of duties by directors of the Company from an objective and fair perspective, and he has been appointed as an outside Audit & Supervisory Board member. Mr. Sato is currently a lawyer at the law offices of Ishizawa, Ko & Sato. No transactions have or are being made between said firm and the Company or its subsidiaries. Accordingly, the Company has determined Mr. Sato is unlikely to have a conflict of interest with shareholders. The Company designated Mr. Sato 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.
Kazuo Sugie		As the president of a business corporation, Mr. 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 as an outside Audit & Supervisory Board member, Mr. Sugie will monitor the performance of duties by directors of the Company and contribute greatly in strengthening the Company's Audit & Supervisory Board Member system, and he has been appointed as an outside Audit & Supervisory Board member. Mr. Sugie was involved in business execution at DIC Corporation until March 2015. Although there have been transactions of said company's products between 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 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.

4 Nominating and Compensation Committees

Although Sapporo Holdings is a Company with Company Auditors, it has also established a Nominating Committee and a Compensation Committee with the goals of increasing transparency with respect to the nomination and remuneration of directors and preserving a sound management structure. The three outside directors and the president and representative director generally comprise the four members of both committees, while the committee chair of each committee is selected from the outside directors. However, regarding the Nominating Committee, when it recommends Audit & Supervisory Board member candidates, a standing Audit & Supervisory Board member joins the committee, thereby increasing its members to five. Furthermore, when choosing president and representative director candidates from among Group operating officers, the committee chair will stand in place of the incumbent president and representative director on the committee.



5 Outside Director Committee

In December 2015, the Company established the Outside Director Committee. This committee works to share information with the Company's independent outside officers pertaining to Groupwide management strategies, corporate governance policies, and other matters, thereby fostering and strengthening a mutual understanding.

Corporate Governance

Assessment of the Effectiveness of the Board of Directors

Every year, the Company conducts an analysis and assessment of the effectiveness of the Board of Directors based on the self-evaluations of each director. The Company also discloses an overview of the results of the analysis and assessment.

(1) Initiatives in Response to the Results of Board of Directors' Effectiveness Assessment for Fiscal 2016

In response to the issues identified based on the results of the Board of Directors' effectiveness assessment for fiscal 2016, the Company endeavored to create ample opportunities for not only the provision of the information necessary for decision-making processes, including reports starting from the project evaluation stage, but also prior explanations and off-site meetings other than Board of Directors' meetings, as needed. These efforts were undertaken with the aim of ensuring constructive discussions based on medium- to long-term policies and the direction of management strategies. The Company also implemented officer training sessions and, through factory tours and other means, created opportunities for outside officers to develop an understanding of the Sapporo Group's corporate profile, industrial information, and various other important matters.

(2) Results of Board of Directors' Effectiveness Assessment for Fiscal 2017

With respect to the Board of Directors' effectiveness assessment for fiscal 2017, in continuation of similar practices in fiscal 2016, all directors underwent an anonymous survey.

In consideration of the results of this survey, the Board of Directors held a discussion at a Board meeting in December 2017 with the aim of ascertaining the current state of affairs and recognizing current issues.

By means of an evaluative comparison with the results of the fiscal 2016 assessment and other similar activities, it was confirmed that there is room for further improvement in regard to the content and the volume of Board of Directors' meeting materials. It was also verified that, in order to fulfill the First Medium-Term Management Plan 2020, there is a need for all directors to draw on their knowledge and experience to bring about more vigorous discussions.

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

Compensation for Directors and Audit & Supervisory Board Members

Compensation for directors is decided within remuneration limits set by the General Meeting of Shareholders. Compensation consists of a base salary for each director, determined by the duties performed, and that may, based on predetermined criteria, be adjusted in line with job performance in the previous fiscal year. Compensation for Audit & Supervisory Board members is also decided within remuneration limits set by the General Meeting of Shareholders, and consists of a base salary for each Audit & Supervisory Board member calculated in accordance with standards decided by the Audit & Supervisory Board.

The compensation amounts in 2017 were as follows.

Classification	Payment recipient	Payment amount (Millions of yen)
Directors (including outside directors)	11 (3)	241 (25)
Audit & Supervisory Board members (including outside Audit & Supervisory Board members)	4 (2)	46 (17)
Total (including outside officers)	15 (5)	287 (42)

^{*1} The Company had nine directors and four Audit & Supervisory members as of December 31, 2017.

^{*2} At the 93rd Ordinary General Meeting of Shareholders held on March 30, 2017, it was determined that director remuneration amounts should not exceed ¥500 million (however, this amount does not include salaries in instances where employees serve concurrently as directors). At the 83rd Ordinary General Meeting of Shareholders held on March 29, 2007, it was determined that Audit & Supervisory Board member remuneration amounts should not exceed ¥84 million.

^{*3} The performance-linked, stock-based compensation of ¥34 million was calculated based on the book value.

^{*4} The Company abolished and suspended reserves for its retirement benefit system for directors and Audit & Supervisory Board members at the close of the 80th Annual Meeting of Shareholders held on March 30, 2004.

In addition to the abovementioned payment amounts, Sapporo Holdings has introduced a performance-linked, stock-based compensation system (Board Benefit Trust, or BBT) for directors (excluding outside directors), and contributed ¥445 million (over three business years) in accordance with the officer stock benefit rules stipulated by the system. The system is separate from the abovementioned directors compensation, in accordance with a resolution of the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016. The system applies to Group operating officers of the Company, including directors (excluding outside directors), and some of the directors of the Company's subsidiaries, with the total number as of December 31, 2017 being 28 persons.

6 Internal Audits

Under instructions from the president, Sapporo Holdings has established a Group Audit Department as an internal auditing organization independent of the executive chain of command. The Group Audit Department performs internal audits across the entire Group, including operating companies and their subsidiaries. The Group Audit Department and the Audit & Supervisory Board members meet regularly to exchange views on the results of the internal audits, the status of internal control, and other related matters. The internal audit report of the Group Audit Department is read by the Audit & Supervisory Board members as part of the information that they share.

Upgrading the Internal Control System

To ensure thorough implementation of the basic policies decided by the Board of Directors and carry out ongoing development and strengthening of systems across the entire Group, the Board of Directors takes responsibility for appointing directors with specific responsibilities and promoting specific measures. Moreover, the Guidelines on the Construction of Internal Control Systems at Sapporo Group have been enacted to set out specific matters in relation to internal control systems at the Group, and these guidelines are used to confirm the level of progress being made in individual measures and to promote collaboration.

Risk Management

Sapporo Holdings manages risks relating to itself and its subsidiaries and prepares crisis management measures. To achieve a more robust risk management structure for the entire Group, the Company has formulated basic policies and management systems for Group risk management, as well as crisis management regulations. Specifically, Sapporo Holdings and its subsidiaries upgrade and develop systems for managing risks associated with important decisions made during business execution or risks inherent to it, and systems for managing crisis situations that may arise. These efforts are governed by the basic policies for the development of internal control systems.

Compliance

The Group has set out the Sapporo Group Code of Business Conduct to provide a solid set of ethical guidelines for the conduct of all executives and employees. The Group CSR Committee has created a Groupwide compliance system and established a Whistle-Blower's Hotline and Helpline to help with prevention and early detection of misconduct. In addition, the Group Audit Department, which is an internal auditing body that is independent of the executive chain of command, audits the general business operations of Sapporo Holdings and its subsidiaries to ensure compliance with laws and regulations, the Company's Articles of Incorporation, and internal rules.

Board of Directors, Audit & Supervisory Board Members, and Group Operating Officers

As of March 29, 2018

Tsutomu Kamijo
Chairman and
Representative Director

(January 6, 1954)



- Apr. 1976 Joined the Company
- Mar. 2001 Director (Member of the Board), Director of Sales Planning Department, of Sapporo Beverage Co., Ltd.
- Mar. 2007 Director (Member of the Board), Director of Corporate Planning Department of the Company
- Mar. 2009 Managing Director (Member of the Board) of the Company
- Mar. 2011 President of Sapporo Beverage Co., Ltd.
President of the Company and CEO of the Group
- Jan. 2017 Chairman and Representative Director (up to the present)

Masaki Oga
President and
Representative Director

(December 2, 1958)



- Apr. 1982 Joined the Company
- Oct. 2006 Director, Tokyo Headquarters Office, Tokyo Metropolitan Area Sales and Marketing Division of Sapporo Breweries Limited
- Mar. 2009 Operating Officer, Director of Hokkaido Sales & Marketing Division of Sapporo Breweries Limited
- Mar. 2010 Director (Member of the Board) and Managing Officer, Director of Marketing Department of Sapporo Breweries Limited
- Mar. 2013 President and Representative Director of Sapporo Breweries Limited
Director (Member of the Board) and Group Operating Officer of the Company
- Mar. 2015 Group Operating Officer of the Company
- Jan. 2017 President and Group Operating Officer of the Company
- Mar. 2017 President and Representative Director of the Company (up to the present)

Hiroyuki Nose
Director

(February 3, 1963)



- Apr. 1986 Joined the Company
- Mar. 2011 Director of Shochu Planning Department, of Sapporo Breweries Limited
- Mar. 2013 Director of Brand Planning Department of Sapporo Breweries Limited
- Mar. 2015 Director (Member of the Board), Director of Business Planning Department, of the Company (up to the present)
- Mar. 2018 Director, Sapporo International Inc. (up to the present)

Shinichi Soya
Director

(September 20, 1963)



- Apr. 1986 Joined the Company
- Oct. 2006 Director of Strategic Planning Department, Hokkaido Headquarters, of Sapporo Breweries Limited
- Nov. 2009 Director (Member of the Board) of POKKA CORPORATION (currently POKKA SAPPORO Food & Beverage Ltd.)
- Mar. 2015 Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food & Beverage Ltd.
- Mar. 2016 Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company (up to the present)
- Mar. 2018 Director, Sapporo International Inc. (up to the present)
Director, Sapporo Real Estate Co., Ltd. (up to the present)

Mayumi Fukuhara
Director

(April 2, 1964)



- Apr. 1988 Joined the Company
- Mar. 2013 Director of Human Resources and General Affairs Department of Sapporo Breweries Limited
- Mar. 2014 Director of Human Resources Department of Sapporo Breweries Limited
- Mar. 2016 Director (Member of the Board), Director of Human Resources Department of the Company (up to the present)

Ikuya Yoshida
Director

(December 21, 1961)



- Apr. 1985 Joined the Company
- Sept. 2010 Director of Kyushu Hita Brewery of Sapporo Breweries Limited.
President and Representative Director of Tanoshimaru Shuzo Co., Ltd.
- Mar. 2013 Operating Officer and Director of Chiba Brewery of Sapporo Breweries Limited
- Mar. 2015 Senior Operating Officer and Director of Chiba Brewery of Sapporo Breweries Limited
- Mar. 2017 Director (Member of the Board), Director of Group Research and Development Division of the Company (up to the present)

Shigehiko Hattori
Outside Director
(Independent Officer)

(August 21, 1941)



- Apr. 1964 Joined Shimadzu Corporation
- June 1993 Director (Member of the Board) of Shimadzu Corporation (seconded to the United States of America)
- June 2003 President and Representative Director of Shimadzu Corporation
- June 2009 Chairman and Representative Director of Shimadzu Corporation
- Mar. 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)

Shizuka Uzawa
Outside Director
(Independent Officer)

(January 30, 1946)



- Apr. 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 2009 President and Representative Director of Nisshinbo Holdings Inc.
- June 2013 Chairman and Representative Director of Nisshinbo Holdings Inc.
- Mar. 2015 Outside Director (Member of the Board) of the Company (up to the present)
- June 2016 Advisor of Nisshinbo Holdings Inc.

Mackenzie Clugston
Outside Director
(Independent Officer)

(June 19, 1950)



- June 1982 Joined Ministry of Foreign Affairs, Trade and Development Canada
- Aug. 2000 Consul General of Canada in Osaka
- Aug. 2003 Minister, Embassy of Canada in Japan
- Aug. 2009 Ambassador of Canada to the Republic of Indonesia, to the Democratic Republic of Timor-Leste and to the Association of Southeast Asian Nations (ASEAN)
- Nov. 2012 Ambassador Extraordinary and Plenipotentiary of Canada to Japan
- Sept. 2016 Consultant of the Company
- Mar. 2018 Outside Director (Member of the Board) of the Company (up to the present)

Audit & Supervisory Board Members

Shouji Osaki

Standing Audit &
Supervisory Board Member

(August 17, 1955)



- Apr. 1979 Joined the Company
- Mar. 2010 Managing Officer and Director of Tokai Hokuriku District Headquarters, of Sapporo Breweries Limited
- Mar. 2013 Standing Audit & Supervisory Board Member of POKKA SAPPORO Food & Beverage Ltd.
- Mar. 2015 Standing Audit & Supervisory Board Member of the Company (up to the present)

Tetsuo Seki

Audit &
Supervisory Board Member

(July 29, 1938)



- Apr. 1963 Joined Yawata Iron & Steel Co., Ltd. (currently NIPPON STEEL & SUMITOMO METAL CORPORATION)
- June 1993 Director (Member of the Board) of Nippon Steel Corporation (currently NIPPON STEEL & SUMITOMO METAL CORPORATION)
- Mar. 2007 Outside Director (Member of the Board) of the Company (until September 2008)
- Oct. 2007 Chairperson of the Japan Audit & Supervisory Board Members Association
- Oct. 2008 President and Representative Director of The Shoko Chukin Bank, Ltd.
- June 2015 Honorary Advisor of The Shoko Chukin Bank, Ltd. (up to the present)
- Mar. 2016 Audit & Supervisory Board Member of the Company (up to the present)

Junya Sato

Outside Audit &
Supervisory Board Member
(Independent Officer)

(May 4, 1953)



- Apr. 1982 Registered as a lawyer (Daiichi Tokyo Bar Association) Joined the Law Offices of Furness, Sato & Ishizawa (currently the Law Offices of Ishizawa, Ko & Sato) (up to the present)
- Oct. 1990 Registered as a lawyer in the state of New York
- Apr. 2011 Vice Chairman of Daiichi Tokyo Bar Association
- Mar. 2012 Outside Audit & Supervisory Board Member of the Company (up to the present)

Kazuo Sugie

Outside Audit &
Supervisory Board Member
(Independent Officer)

(October 5, 1945)



- Aug. 1970 Joined Dainippon Ink and Chemicals, Inc. (currently DIC Corporation)
- June 2001 Director of Dainippon Ink and Chemicals, Inc.
- Apr. 2009 Representative Director, President and CEO of DIC Corporation
- Apr. 2012 Chairman of the Board of DIC Corporation
- Mar. 2013 Outside Audit & Supervisory Board Member of the Company (up to the present)
- Mar. 2015 Senior Advisor of DIC Corporation

Group Operating Officers

Hideya Takashima

Executive Group Operating Officer
President and Representative Director,
Sapporo Breweries Limited

Yoshihiro Iwata

Executive Group Operating Officer
President and Representative Director,
POKKA SAPPORO Food & Beverage Ltd.

Yuichiro Miyake

Executive Group Operating Officer
President and Representative Director,
Sapporo Lion Limited

Toshiyuki Ikoma

Executive Group Operating Officer
President and Representative Director,
Sapporo Real Estate Co., Ltd.

Toshio Mizokami

Executive Group Operating Officer
President and Representative Director,
Sapporo Group Management Ltd.

Hirofumi Kishi

Group Operating Officer
President, Sapporo North America Inc.

Eleven-Year Summary of Financial and Non-Financial Data

For the Year:	2007	2008	2009	2010
Net sales				
Including liquor tax	449,011	414,558	387,534	389,244
Excluding liquor tax	309,794	284,411	264,604	269,874
Operating profit before goodwill amortization	13,232	15,552	13,922	16,575
Operating profit	12,362	14,685	12,895	15,403
EBITDA	37,759	37,157	36,469	39,080
Profit attributable to owners of parent	5,508	7,640	4,535	10,772
Capital expenditures (cash basis)	19,883	27,342	21,909	19,801
Depreciation	24,526	21,604	22,546	22,504
Goodwill amortization	869	867	1,027	1,172
Cash flows from operating activities	30,690	22,291	12,454	27,431
Free cash flow	17,195	39,147	(19,773)	24,837
At Year-End:				
Total assets	561,858	527,286	506,874	494,798
Net assets	125,189	116,862	118,590	126,645
Net financial liabilities	205,952	166,758	190,406	167,944
Other Indicators:				
Overseas sales ratio (excluding liquor tax)	9.0%	8.8%	8.5%	9.4%
Operating profit to net sales				
Excluding liquor tax; before goodwill amortization	4.3%	5.5%	5.3%	6.1%
Excluding liquor tax	4.0%	5.2%	4.9%	5.7%
Net debt-to-equity ratio (times)	1.6	1.4	1.6	1.3
Equity ratio	22.3%	22.1%	23.4%	25.3%
ROE (before goodwill amortization)	5.3%	7.0%	4.7%	9.8%
ROE	4.6%	6.3%	3.9%	8.9%
Interest coverage ratio* ¹ (times)	7.2	6.0	3.5	7.6
Number of employees* ² (people)	4,075	3,858	3,895	3,983
Groupwide ratio of women in management positions* ^{2,3}	—	—	—	—
Groupwide CO ₂ emissions* ⁴ (kt)	—	—	—	—
Domestic groupwide water use* ⁵ (1,000 m ³)	—	—	—	—

*¹ Interest coverage ratio calculated as operating cash flow divided by interest payment.

*² As of December 31st of each period.

*³ Percentage of women in management positions at domestic and overseas Group companies.

*⁴ In Japan, uses figures as per periodic report submitted in accordance with Act on Rationalizing Energy Use. Applicable to Sapporo Breweries, POKKA SAPPORO Food & Beverage, Pokka Create, Sapporo Lion, and Sapporo Real Estate. Applicable to production facilities of overseas Group companies (2013–2014: 4 companies, 2015–2016: 6 companies). Amounts totaled from April to March of the following year.

*⁵ Applicable to Sapporo Breweries, POKKA SAPPORO Food & Beverage production facilities, Sapporo Lion, and Sapporo Real Estate. Amounts totaled from April to March of the following year.

						Millions of yen
2011	2012	2013	2014	2015	2016	2017
449,452	492,490	509,834	518,740	533,748	541,847	551,548
336,837	379,792	395,377	401,813	418,319	424,059	433,260
21,994	18,294	19,329	18,493	18,103	24,188	20,987
18,883	14,414	15,344	14,728	13,950	20,267	17,032
46,476	44,099	44,388	42,974	42,327	46,529	44,558
3,164	5,393	9,451	340	6,108	9,469	10,977
13,422	53,870	13,768	19,133	20,339	21,809	15,253
24,482	25,805	25,058	24,481	24,224	22,341	23,571
3,110	3,879	3,985	3,764	4,153	3,920	3,954
22,313	29,618	32,861	22,284	35,265	32,570	30,004
(28,578)	(29,867)	19,593	5,055	25,510	4,984	12,182
550,784	597,636	616,752	625,439	620,388	626,351	630,630
124,775	134,946	155,366	160,004	163,822	166,380	177,662
209,963	247,891	236,275	237,775	224,310	227,553	220,871
11.0%	14.1%	18.3%	19.2%	22.6%	20.5%	21.2%
6.5%	4.8%	4.9%	4.6%	4.3%	5.7%	4.8%
5.6%	3.8%	3.9%	3.7%	3.3%	4.8%	3.9%
1.7	1.8	1.5	1.5	1.4	1.4	1.2
22.4%	22.1%	24.6%	25.0%	25.5%	25.7%	27.5%
5.1%	7.3%	9.5%	2.7%	6.5%	8.4%	8.9%
2.5%	4.2%	6.7%	0.2%	3.9%	5.9%	6.6%
6.2	8.4	11.9	8.9	14.8	14.9	15.3
6,649	7,264	7,434	7,014	7,484	7,858	7,902
—	—	—	—	8.1%	7.6%	8.1%
—	—	259.1	239.3	263.7	263.1	—
—	—	6,861	6,492	6,498	6,500	—

Management's Discussion and Analysis

Business Overview

During the fiscal year under review, the Japanese economy showed signs of a gradual recovery due to a rebound in exports and an improved employment environment. On the other hand, the future outlook of the economy remained uncertain as geopolitical risks and unfavorable weather placed downward pressure on investments and personal consumption.

Conditions in the industries in which the Group conducts operations were as follows.

In the Japanese alcoholic beverages industry, demand declined due to higher store prices following a revision to Japan's liquor tax law, unseasonable summer weather, and the downward pressure of consumer thriftiness on demand at drinking outlets. Overseas, the North American beer market performed at a level lower than that of the previous fiscal year, while the Asian beer market continued to grow. Demand in the domestic soft drinks industry was relatively flat. In the real estate industry, vacancy rates in the office leasing market in the Tokyo metropolitan area improved, while rent levels rose gradually.

Under these circumstances, in the Japanese Alcoholic Beverages segment, we focused our efforts on strengthening core brands under our "Beer Revival Declaration." 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 a sales increase for the third consecutive year for this brand, amid a decline in overall beer demand. In non-beer growth areas, we focused on high-value-added products in the wine and spirits categories, thereby promoting further diversification.

In the International segment, 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. Additionally, in September we acquired Anchor Brewing Company, LLC, in a move to accelerate growth in this region. In the U.S. soft drinks market, while sales increased at Country Pure Foods, Inc., Silver Springs Citrus, Inc., was adversely affected by such factors as changing consumer tastes. In Vietnam, we revised our sales promotion methods and moved forward with efforts to improve profitability.

In the Food & Soft Drinks segment, we endeavored to strengthen marketing and lower costs in Japan as part of our management initiatives. We also concentrated investments on core brands centered on soft drinks, for which we carefully select ingredients, as well as lemon-based and soup products, which are areas where we have a strong competitive edge.

In the Restaurants segment, we continued to open new outlets, focusing on our core 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 throughout the world.

In the Real Estate segment, we continued to enjoy high occupancy rates at our rental properties. In addition, we pursued efforts to improve the dining area of Yebisu Garden Place, our core property, in order to enhance its property value and the appeal of the surrounding area. GINZA PLACE, a commercial complex conceptualized as a "base for information dissemination and exchange," also contributed to improving the overall performance of this segment.

In terms of the scope of consolidation, the Company had 57 consolidated subsidiaries and two equity-method affiliates as of December 31, 2017.

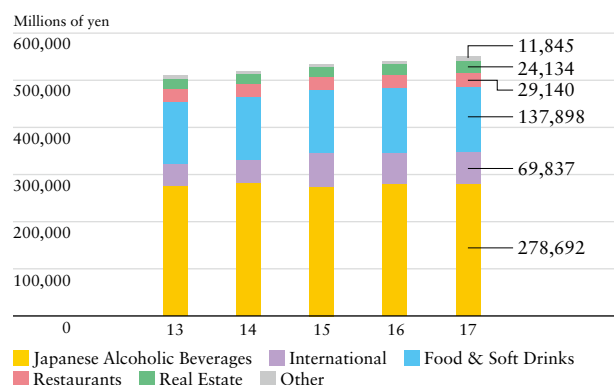
Consolidated Operating Results

Net Sales

Net sales increased ¥9,701 million, or 1.8% year on year, to ¥551,548 million.

In the Japanese Alcoholic Beverages segment, despite the strong performance of beer, which was a result of efforts to enhance our brands, and the diverse lineup of alcoholic beverage products, sales declined as sales volumes in the *happoshu* and new-genre beer categories were lower than those in the previous fiscal year. Meanwhile, in the International segment, sales increased due in part to a rise in the sales volume of the Sapporo brand and contributions from the frozen fruit juice business of Country Pure Foods. In the Food & Soft Drinks segment, a rise in sales volumes of lemon-based and soup products in Japan was offset by a decline in both domestic and export sales in Singapore. As a result, sales remained at around the same level as the previous fiscal year. Sales in the Restaurants segment grew on the back of solid sales at existing outlets in Japan and full-year contributions from two new subsidiaries that were consolidated in June 2016—Marushinkawamura Inc. and Ginrin Suisan Inc. In the Real Estate segment, sales increased thanks in part to full-year contributions from GINZA PLACE, which opened in September 2016.

Net Sales by Segment



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales rose ¥6,152 million, or 1.7%, year on year to ¥358,572 million, due to the impact of the rise in raw material costs in the International segment and the depreciation of the yen. The cost of sales ratio was 65%, the same as in the previous fiscal year, owing to improved cost of sales ratios in the Japanese Alcoholic Beverages segment and the Food & Soft Drinks segment, which helped offset the increase in raw material costs in the International segment.

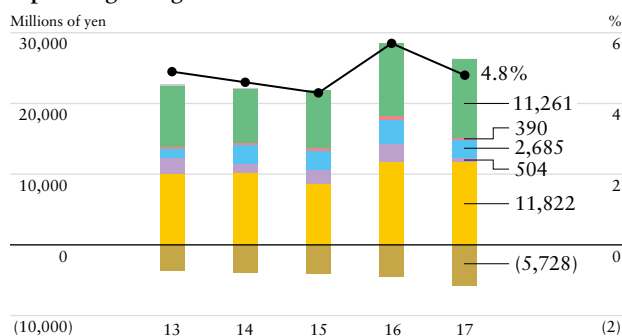
Selling, general and administrative (SG&A) expenses rose ¥6,784 million, or 4.0%, year on year to ¥175,943 million. This increase was attributable mainly to increases in sales promotion expenses and labor costs in the Japanese Alcoholic Beverages segment.

Operating Profit

Operating profit declined ¥3,235 million, or 16.0%, year on year to ¥17,032 million.

Profits in the Japanese Alcoholic Beverages segment were up year on year, despite lower sales, as strong sales growth of beer and multilayered alcoholic beverage products helped enhance our product mix and reduce manufacturing costs. In the International segment, robust sales of alcoholic beverages in North America were offset by lower sales volumes at Silver Springs Citrus and expenses related to the acquisition of Anchor Brewing Company, with profits declining as a result. In the Food & Soft Drinks segment, profits were down due to such factors as lower sales in Singapore. In the Restaurants segment, despite solid sales, profits decreased due to the rising costs of food materials and higher labor costs, among other factors. In the Real Estate segment, profits were up due to an increase in rental income at core properties and full-year contributions from GINZA PLACE.

Operating Profit by Segment (Before Goodwill Amortization) / Operating Margin*



Japanese Alcoholic Beverages International Food & Soft Drinks
Restaurants Real Estate Other Companywide elimination

● Operating margin

* Operating margin calculated as operating profit before goodwill amortization divided by net sales excluding liquor tax.

Other Income (Expenses)

Other income was ¥769 million, compared with other expenses of ¥3,863 million in the previous fiscal year.

With regard to net financial income (expenses), calculated as the sum of interest and dividend income minus interest expenses, the Company recorded net financial expenses of ¥597 million, which was an improvement from the previous fiscal year due to lower interest rates.

The Company recorded gain on sales of investment securities of ¥4,836 million.

On the other hand, the Company recorded foreign exchange losses totaling ¥86 million.

Loss on retirement of non-current assets of ¥1,068 million was recorded. This loss was attributable primarily to the renovation of beer production facilities and rental properties.

Impairment loss totaling ¥3,735 million was recorded, due mainly to a decline in the profitability of beer production facilities in the International segment and the closing of unprofitable outlets in the Restaurants segment.

Income Taxes and Profit Attributable to Owners of Parent

Income taxes applicable to the Company, calculated as the sum of corporation, inhabitants and enterprise taxes, were ¥8,182 million. Income taxes accounted for 46.0% of profit before income taxes. The difference between this percentage and the statutory effective tax rate of 31% mainly reflects the recording of non-deductible depreciation expenses.

As a result, profit attributable to owners of parent increased ¥1,508 million, or 15.9%, year on year to ¥10,977 million.

Financial Position

Assets

Total assets as of December 31, 2017, stood at ¥630,630 million, up ¥4,279 million from a year earlier. This asset growth reflects increases in notes and accounts receivable—trade, land, and investment securities, which offset declines related to amortization of goodwill and long-term loans receivable.

Liabilities

Total liabilities came to ¥452,968 million, down ¥7,003 million from the end of the previous fiscal year, primarily owing to decreases in long-term loans payable and net defined benefit liability, which outweighed increases in short-term loans payable, income taxes payable, and other liability categories.

Net Assets

Net assets totaled ¥177,662 million, an increase of ¥11,282 million from the end of the previous fiscal year. This increase primarily reflects increases in profit attributable to owners of parent and valuation difference on other securities, which offset factors such as an increase in loss attributable to non-controlling interests and the payment of year-end dividends.

Management's Discussion and Analysis

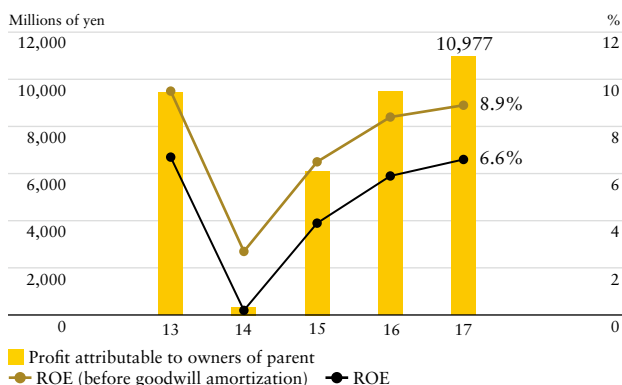
Management Indicators

The current ratio declined 0.7 of a percentage point, from 77.4% to 76.7%. This decrease reflects a rise in current assets of ¥4,669 million and an increase in current liabilities of ¥8,050 million due to factors such as an increase in short-term loans payable.

The equity ratio rose from 25.7% a year earlier to 27.5%. This increase mainly reflects a rise in shareholders' equity due to increases in profit attributable to owners of parent and valuation difference on other securities, which was partially outweighed by such factors as the recording of a loss attributable to non-controlling interests and the payment of year-end dividends.

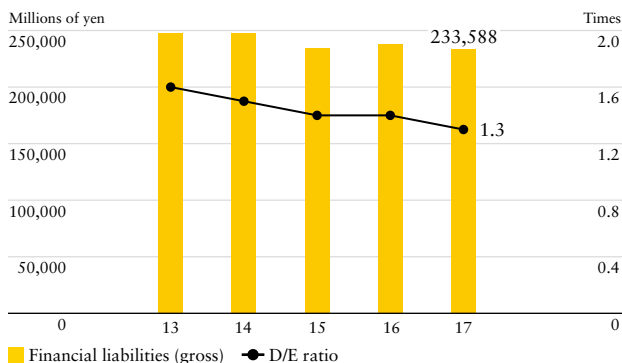
Return on equity (ROE) was up from 5.9% in the previous year to 6.6% due to the year-on-year rise in profit attributable to owners of parent.

Profit Attributable to Owners of Parent / ROE



The debt-to-equity (D/E) ratio, calculated as financial liabilities divided by net assets, was 1.3 times due to a decline in financial liabilities from the previous fiscal year.

Financial Liabilities (Gross) / D/E Ratio



Analysis of Resources for Capital and Liquidity of Funds

1. Cash Flows

Cash and cash equivalents (collectively, "cash") totaled ¥12,536 million as of December 31, 2017, a ¥2,061 million, or 19.7%, increase from December 31, 2016.

The following is an explanation of consolidated cash flows by category and the factors that affected cash flows in each category.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥30,004 million, down ¥2,566 million, or 7.9%, from the previous fiscal year.

Major sources of operating cash flow included ¥23,571 million from depreciation and ¥17,801 million from profit before income taxes. The largest cash outflow was the recording of ¥5,595 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥17,822 million, which was ¥9,764 million, or 35.4%, less than in fiscal 2016.

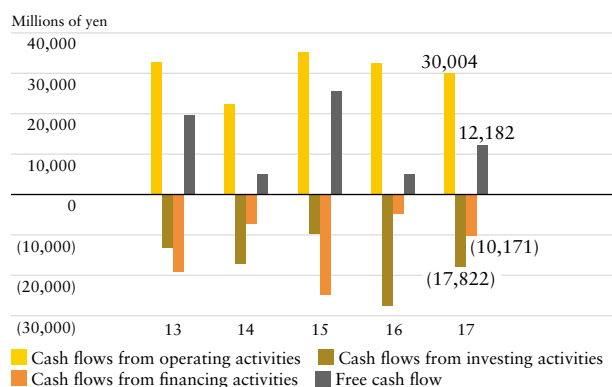
Major investment outflows included ¥13,056 million for purchases of property, plant and equipment and ¥11,622 million for the purchase of subsidiaries' shares resulting in change in scope of consolidation.

Cash Flows from Financing Activities

Net cash used in financing activities came to ¥10,171 million, up ¥5,344 million, or 110.7%, compared with net cash used in the previous fiscal year.

The main inflows from financing activities included ¥12,500 million in proceeds from long-term loans payable and ¥9,960 million in proceeds from the issuance of bonds. These inflows were more than offset by outflows including ¥12,603 million for the repayment of long-term loans payable and ¥10,083 million for the redemption of bonds.

Cash Flows



2. Liquidity of Funds

The Sapporo Group has introduced a cash management system (CMS) that enables Sapporo Holdings to centrally manage fund allocation within the Group in Japan. The concentration at the Company of cash flows generated by individual Group companies helps preserve fund liquidity, while flexible and efficient fund allocation within the Group serves to minimize financial liabilities.

3. Procurement of Funds

The Company strives to secure fund procurement channels and liquidity to ensure that there are sufficient funds to cover present and future operating activities, as well as the repayment of debts and other funding needs. The necessary funds are procured mainly from cash flows from operating activities and loans, primarily from financial institutions.

Outlook for Fiscal 2018

In 2018, the second year of the Sapporo Group Long-Term Management Vision “SPEED150” and the First Medium-Term Management Plan 2020, we will redouble our efforts to provide distinctive products and services worldwide in our three core business areas—“Alcoholic Beverages,” “Food,” and “Soft Drinks”—and expand contact points with customers as we strive to achieve robust growth going forward.

In addition, from fiscal 2018 we have decided to voluntarily apply International Financial Reporting Standards (IFRS) to our consolidated financial statements. Accordingly, business forecasts for fiscal 2018 were determined on an IFRS basis. The voluntary application of IFRS results in certain types of rebates on product sales being excluded from revenue, which in turn results in revenue on an IFRS basis being less than on the Japanese GAAP basis used until now. Operating profit, meanwhile, is positively affected (increased) by the exclusion of amortization of goodwill, a requirement under Japanese GAAP, but negatively affected (decreased) by the reclassification of income statement line items, changes in the method for calculating retirement benefit expenses, and other accounting changes.

Overall Forecasts

(Millions of yen)	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Fiscal 2018 forecast	555,800	18,700	17,700	11,100
Fiscal 2017 result	551,548	17,032	17,801	10,977
Difference (%)	0.8	9.8	(0.6)	1.1

Forecast by Segment

(Millions of yen)	Revenue			Operating profit		
	Fiscal 2017 result	Fiscal 2018 forecast	Difference (%)	Fiscal 2017 result	Fiscal 2018 forecast	Difference (%)
Japanese Alcoholic Beverages	278,692	272,500	(2.2)	11,767	10,500	(10.8)
International	69,837	81,900	17.3	(1,214)	1,400	—
Food & Soft Drinks	137,898	135,600	(1.7)	564	3,600	538.2
Restaurants	29,140	28,800	(1.2)	330	100	(69.8)
Real Estate	24,134	24,900	3.2	11,261	10,500	(6.8)

Consolidated Balance Sheets

December 31, 2015, 2016 and 2017

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Assets				
Current assets				
Cash and deposits	¥ 10,430	¥ 10,589	¥ 12,717	\$ 112,497
Notes and accounts receivable—trade	92,335	96,850	98,604	872,221
Merchandise and finished goods	24,912	24,657	24,681	218,319
Raw materials and supplies	13,722	13,315	13,638	120,638
Deferred tax assets	4,457	3,639	3,900	34,499
Other	10,570	15,213	15,413	136,340
Allowance for doubtful accounts	(64)	(82)	(103)	(912)
Total current assets	156,364	164,183	168,852	1,493,604
Non-current assets				
Property, plant and equipment				
Buildings and structures	383,087	393,022	395,836	3,501,426
Accumulated depreciation	(213,567)	(220,233)	(224,311)	(1,984,177)
Buildings and structures, net	169,519	172,788	171,524	1,517,248
Machinery, equipment and vehicles	227,534	231,559	230,812	2,041,686
Accumulated depreciation	(183,165)	(187,660)	(188,393)	(1,666,457)
Machinery, equipment and vehicles, net	44,368	43,898	42,419	375,228
Land	105,121	111,636	113,041	999,924
Leased assets	15,498	16,970	15,081	133,403
Accumulated depreciation	(7,739)	(7,694)	(7,131)	(63,083)
Leased assets, net	7,758	9,276	7,949	70,320
Construction in progress	6,637	3,694	4,363	38,597
Other	18,487	17,731	17,822	157,648
Accumulated depreciation	(14,850)	(13,529)	(13,358)	(118,160)
Other, net	3,636	4,201	4,464	39,487
Total property, plant and equipment	337,042	345,495	343,763	3,040,807
Intangible assets				
Goodwill	30,235	27,439	26,948	238,373
Other	10,743	10,511	13,575	120,082
Total intangible assets	40,978	37,950	40,523	358,456
Investments and other assets				
Investment securities	61,848	59,296	62,145	549,718
Long-term loans receivable	9,016	4,789	427	3,785
Deferred tax assets	1,009	1,070	1,306	11,556
Other	15,362	14,760	14,827	131,161
Allowance for doubtful accounts	(1,234)	(1,195)	(1,216)	(10,756)
Total investments and other assets	86,002	78,721	77,491	685,465
Total non-current assets	464,023	462,168	461,778	4,084,729
Total assets	¥ 620,388	¥ 626,351	¥ 630,630	\$ 5,578,334

The U.S. dollar amounts represent the Japanese yen exchange rate against the U.S. dollar as of December 31, 2017 (\$1 = ¥113.05).

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Liabilities				
Current liabilities				
Notes and accounts payable—trade	¥ 36,772	¥ 38,503	¥ 36,530	\$ 323,133
Short-term loans payable	65,822	30,337	37,882	335,090
Commercial papers	17,000	33,000	32,000	283,060
Current portion of bonds	10,000	10,083	10,068	89,059
Lease obligations	2,932	3,024	2,690	23,803
Accrued alcohol tax	33,903	34,228	34,408	304,361
Income taxes payable	6,114	1,680	5,202	46,018
Provision for bonuses	2,219	2,980	3,089	27,332
Deposits received	8,824	8,214	7,817	69,148
Other	50,054	50,071	50,484	446,567
Total current liabilities	233,643	212,123	220,173	1,947,575
Non-current liabilities				
Bonds payable	50,000	50,128	50,060	442,818
Long-term loans payable	91,919	114,593	103,578	916,214
Lease obligations	5,353	6,968	5,960	52,721
Deferred tax liabilities	21,216	18,804	21,292	188,345
Net defined benefit liability	7,636	8,995	5,492	48,589
Guarantee deposits received	32,833	33,241	31,086	274,979
Other	13,963	15,115	15,323	135,550
Total non-current liabilities	222,921	247,847	232,794	2,059,218
Total liabilities	456,565	459,971	452,968	4,006,794
Net assets				
Shareholders' equity				
Capital stock	53,886	53,886	53,886	476,662
Capital surplus	45,913	46,089	46,090	407,702
Retained earnings	35,189	41,932	50,022	442,481
Treasury shares	(1,595)	(1,795)	(1,806)	(15,981)
Total shareholders' equity	133,394	140,112	148,193	1,310,865
Accumulated other comprehensive income				
Valuation difference on other securities	23,926	22,517	25,951	229,556
Deferred gains or losses on hedges	(11)	41	(6)	(55)
Foreign currency translation adjustment	(1,255)	(1,943)	(818)	(7,241)
Remeasurements of defined benefit plans	1,874	(41)	148	1,309
Total accumulated other comprehensive income	24,533	20,574	25,274	223,569
Non-controlling interests	5,894	5,693	4,194	37,105
Total net assets	163,822	166,380	177,662	1,571,539
Total liabilities and net assets	¥620,388	¥626,351	¥630,630	\$5,578,334

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Three years ended December 31

Consolidated Statements of Income	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Net sales	¥533,748	¥541,847	¥551,548	\$4,878,803
Cost of sales	352,808	352,420	358,572	3,171,805
Gross profit	180,940	189,426	192,976	1,706,997
Selling, general and administrative expenses	166,990	169,159	175,943	1,556,334
Operating profit	13,950	20,267	17,032	150,663
Other income (expenses):				
Interest income	252	231	164	1,453
Dividend income	1,123	1,111	1,162	10,282
Interest expenses	(2,279)	(2,142)	(1,924)	(17,021)
Share of profit of entities accounted for using equity method	17	15	19	170
Gain on sales of non-current assets	7,453	45	1,977	17,491
Loss on sales of non-current assets	(24)	(26)	(38)	(340)
Loss on retirement of non-current assets	(1,534)	(1,413)	(1,068)	(9,452)
Impairment loss	(5,956)	(1,018)	(3,735)	(33,043)
Gain on sales of investment securities	46	13	4,836	42,778
Gain on valuation of derivatives	468	—	—	—
Loss on valuation of derivatives	—	(252)	(73)	(652)
Foreign exchange losses	(537)	(217)	(86)	(767)
Gain on sales of shares of subsidiaries and associates	72	—	—	—
Subsidy income	322	—	—	—
Loss on valuation of investment securities	(1,758)	(22)	(273)	(2,415)
Compensation expenses	(142)	(376)	(307)	(2,716)
Other, net	217	188	117	1,035
Other income (expenses), net	(2,259)	(3,863)	769	6,803
Profit before income taxes	11,690	16,403	17,801	157,466
Income taxes—current	7,409	6,185	8,243	72,923
Income taxes—deferred	(1,830)	838	(61)	(543)
Total income taxes	5,578	7,023	8,182	72,379
Profit	6,112	9,380	9,619	85,087
Profit (loss) attributable to non-controlling interests	3	(89)	(1,358)	(12,018)
Profit attributable to owners of parent	¥ 6,108	¥ 9,469	¥ 10,977	\$ 97,105

The U.S. dollar amounts represent the Japanese yen exchange rate against the U.S. dollar as of December 31, 2017 (\$1 = ¥113.05).

Consolidated Statements of Comprehensive Income	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Profit	¥ 6,112	¥ 9,380	¥ 9,619	\$ 85,087
Other comprehensive income				
Valuation difference on other securities	3,819	(1,408)	3,416	30,218
Deferred gains or losses on hedges	(17)	52	(60)	(533)
Foreign currency translation adjustment	(3,767)	(896)	1,019	9,016
Remeasurements of defined benefit plans, net of tax	1,434	(1,915)	189	1,675
Total other comprehensive income	1,467	(4,168)	4,564	40,377
Comprehensive income	¥ 7,579	¥ 5,211	¥ 14,183	\$ 125,464
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	¥ 7,506	¥ 5,509	¥ 15,677	\$ 138,681
Comprehensive income attributable to non-controlling interests	73	(298)	(1,494)	(13,216)

The U.S. dollar amounts represent the Japanese yen exchange rate against the U.S. dollar as of December 31, 2017 (\$1 = ¥113.05).

Consolidated Statements of Changes in Net Assets

Three years ended December 31

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Shareholders' equity				
Capital stock:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	53,886	53,886	53,886	476,662
Changes of items during period	—	—	—	—
Balance at end of current period	¥ 53,886	¥ 53,886	¥ 53,886	\$ 476,662
Capital surplus:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	45,912	45,913	46,089	407,691
Disposal of treasury shares	1	175	1	11
Balance at end of current period	¥ 45,913	¥ 46,089	¥ 46,090	\$ 407,702
Retained earnings:				
Cumulative effects of changes in accounting policies	¥ (3,105)	¥ —	¥ —	\$ —
Restated balance of current period	31,808	35,189	41,932	370,919
Profit attributable to owners of parent	6,108	9,469	10,977	97,105
Dividends of surplus	(2,727)	(2,726)	(2,887)	(25,543)
Balance at end of current period	¥ 35,189	¥ 41,932	¥ 50,022	\$ 442,481
Treasury shares:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	(1,544)	(1,595)	(1,795)	(15,883)
Purchase of treasury shares	(54)	(471)	(17)	(151)
Disposal of treasury shares	3	271	6	54
Balance at end of current period	(1,595)	(1,795)	(1,806)	(15,981)
Total shareholders' equity	¥133,394	¥140,112	¥148,193	\$1,310,865
Accumulated other comprehensive income				
Valuation difference on other securities:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	20,112	23,926	22,517	199,184
Net changes of items other than shareholders' equity	3,813	(1,408)	3,433	30,371
Balance at end of current period	¥ 23,926	¥ 22,517	¥ 25,951	\$ 229,556
Deferred gains or losses on hedges:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	(0)	(11)	41	366
Net changes of items other than shareholders' equity	(11)	52	(47)	(421)
Balance at end of current period	¥ (11)	¥ 41	¥ (6)	\$ (55)
Foreign currency translation adjustment:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	2,582	(1,255)	(1,943)	(17,191)
Net changes of items other than shareholders' equity	(3,838)	(687)	1,124	9,950
Balance at end of current period	¥ (1,255)	¥ (1,943)	¥ (818)	\$ (7,241)
Remeasurements of defined benefit plans:				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	440	1,874	(41)	(365)
Net changes of items other than shareholders' equity	1,434	(1,915)	189	1,675
Balance at end of current period	1,874	(41)	148	1,309
Total accumulated other comprehensive income	¥ 24,533	¥ 20,574	¥ 25,274	\$ 223,569
Non-controlling interests				
Cumulative effects of changes in accounting policies	¥ —	¥ —	¥ —	\$ —
Restated balance of current period	3,700	5,894	5,693	50,363
Net changes of items other than shareholders' equity	2,193	(200)	(1,498)	(13,258)
Balance at end of current period	5,894	5,693	4,194	37,105
Total net assets	¥163,822	¥166,380	¥177,662	\$1,571,539

The U.S. dollar amounts represent the Japanese yen exchange rate against the U.S. dollar as of December 31, 2017 (\$1 = ¥113.05).

Consolidated Statements of Cash Flows

Three years ended December 31

	Millions of yen			Thousands of U.S. dollars
	2015	2016	2017	2017
Cash flows from operating activities				
Profit before income taxes	¥ 11,690	¥ 16,403	¥ 17,801	\$ 157,466
Depreciation	24,224	22,341	23,571	208,502
Impairment loss	5,956	1,018	3,735	33,043
Amortization of goodwill	4,153	3,920	3,954	34,980
Increase (decrease) in net defined benefit liability	446	(1,720)	(3,229)	(28,568)
Increase (decrease) in allowance for doubtful accounts	(137)	(53)	34	307
Interest and dividend income	(1,376)	(1,342)	(1,326)	(11,735)
Interest expenses	2,279	2,142	1,924	17,021
Loss (gain) on sales of non-current assets	(7,453)	(45)	(1,977)	(17,491)
Loss (gain) on sales and retirement of non-current assets	1,559	1,440	1,107	9,792
Loss (gain) on sales of investment securities	(46)	(13)	(4,836)	(42,778)
Loss (gain) on valuation of investment securities	1,758	22	273	2,415
Decrease (increase) in notes and accounts receivable—trade	(2,779)	(3,756)	(1,152)	(10,197)
Decrease (increase) in inventories	(1,211)	968	196	1,734
Increase (decrease) in notes and accounts payable—trade	(202)	1,608	(2,336)	(20,670)
Increase (decrease) in accrued consumption taxes	(3,057)	(807)	291	2,576
Increase (decrease) in accrued alcohol tax	457	338	131	1,166
Increase (decrease) in deposits received	(729)	(623)	(401)	(3,553)
Increase (decrease) in guarantee deposits received	496	350	(2,155)	(19,065)
Increase (decrease) in other current liabilities	376	173	316	2,802
Other, net	(447)	1,999	(425)	(3,766)
Subtotal	35,957	44,364	35,495	313,983
Interest and dividend income received	1,380	1,359	1,382	12,232
Interest expenses paid	(2,384)	(2,190)	(1,963)	(17,368)
Income taxes paid	(2,944)	(10,986)	(5,595)	(49,499)
Income taxes refund	3,257	22	685	6,063
Net cash provided by (used in) operating activities	35,265	32,570	30,004	265,411
Cash flows from investing activities				
Purchase of property, plant and equipment	(18,298)	(19,748)	(13,056)	(115,491)
Proceeds from sales of property, plant and equipment	19,563	428	3,085	27,296
Purchase of intangible assets	(2,041)	(2,060)	(2,197)	(19,435)
Purchase of investment securities	(875)	(235)	(1,020)	(9,026)
Proceeds from sales and redemption of investment securities	511	137	8,278	73,226
Purchase of shares of subsidiaries and associates	(3,260)	(154)	(298)	(2,637)
Proceeds from sales of shares of subsidiaries and associates	1,794	—	—	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,989)	(438)	(11,622)	(102,810)
Payments for transfer of business	—	(1,493)	—	—
Increase in long-term loans receivable	(304)	(77)	(68)	(605)
Collection of long-term loans receivable	417	167	4,265	37,735
Other, net	(3,273)	(4,112)	(5,189)	(45,905)
Net cash provided by (used in) investing activities	(9,755)	(27,586)	(17,822)	(157,655)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	(3,366)	(1,248)	(3,076)	(27,210)
Net increase (decrease) in commercial papers	(13,000)	16,000	(1,000)	(8,845)
Proceeds from long-term loans payable	14,319	32,746	12,500	110,570
Repayments of long-term loans payable	(16,625)	(46,594)	(12,603)	(111,481)
Proceeds from issuance of bonds	9,960	9,960	9,960	88,102
Redemption of bonds	(12,000)	(10,016)	(10,083)	(89,192)
Cash dividends paid	(2,730)	(2,730)	(2,893)	(25,590)
Dividends paid to non-controlling interests	(28)	(9)	(19)	(174)
Repayments of finance lease obligations	(3,039)	(2,910)	(2,946)	(26,066)
Purchase of treasury shares	(56)	(471)	(17)	(151)
Proceeds from sales of treasury shares	4	447	7	65
Proceeds from share issuance to non-controlling shareholders	1,760	—	—	—
Net cash provided by (used in) financing activities	(24,802)	(4,827)	(10,171)	(89,974)
Effect of exchange rate change on cash and cash equivalents	(56)	(79)	50	450
Net increase (decrease) in cash and cash equivalents	651	76	2,061	18,232
Cash and cash equivalents at beginning of period	9,748	10,399	10,475	92,663
Cash and cash equivalents at end of period	¥ 10,399	¥ 10,475	¥ 12,536	\$ 110,895

The U.S. dollar amounts represent the Japanese yen exchange rate against the U.S. dollar as of December 31, 2017 (\$1 = ¥113.05).

List of Group Companies

As of December 31, 2017

■ Consolidated subsidiary ● Equity-method affiliate

Japanese Alcoholic Beverages

Company Name	Business Lines
■ SAPPORO BREWERIES LIMITED	Manufacture and sale of beer, wine and other alcoholic beverages
■ YEBISU WINEMART CO., LTD.	Sale of alcoholic beverages, foods, and sundries
■ TANOSHIMARU SHUZO CO., LTD.	Manufacture and sale of <i>shochu</i>
■ STARNET CO., LTD.	In-store merchandising/draft beer quality improvement
■ SHINSEIEN CO., LTD.	Operation of restaurants
● KEIYO UTILITY CO., LTD.	Comprehensive management service for Keiyo combinat

International

■ SAPPORO INTERNATIONAL INC.	Manage international liquor subsidiaries; others
■ SAPPORO NORTH AMERICA INC.	Overseas Alcoholic Beverages subsidiary holding companies
■ SAPPORO U.S.A., INC.	Sale of beer
■ ANCHOR BREWING COMPANY, LLC	Manufacture and sale of beer
■ SAPPORO CANADA INC.	Overseas Alcoholic Beverages subsidiary holding companies
■ SLEEMAN BREWERIES LTD.	Manufacture and sale of beer
■ SAPPORO ASIA PRIVATE LIMITED	Overseas Alcoholic Beverages subsidiary holding companies
■ SAPPORO VIETNAM LIMITED	Manufacture and sale of beer
■ COUNTRY PURE FOODS, INC.	Manufacture and sale of chilled beverages

13 other companies

Food & Soft Drinks

■ POKKA SAPPORO FOOD & BEVERAGE LTD.	Beverage & food businesses, restaurant business, etc.
■ POKKA SAPPORO HOKKAIDO LTD.	Sale and marketing of beverages and foods
■ OKINAWA POKKA CORPORATION CO., LTD.	Sale and marketing of beverages and foods
■ POKKA CREATE CO., LTD.	Operation of café chain
■ FOREMOST BLUE SEAL, LTD.	Manufacture and sale of ice cream; operation of restaurants
■ PS BEVERAGE LTD.	Operation of vending machines; tea dispenser business
■ PUBLIC VENDING SERVICE LTD.	Operation of vending machines
■ OKINAWA SUN POKKA CO., LTD.	Operation of vending machines
■ STAR BEVERAGE SERVICE CO., LTD.	Operation of vending machines
■ IWATA POKKA FOODS CO., LTD.	Manufacture of foods
■ OKINAWA POKKA FOODS CO., LTD.	Manufacture of beverages and foods
■ POKKA CORPORATION (SINGAPORE) PTE. LTD.	Manufacture and sale of beverages
■ POKKA INTERNATIONAL PTE. LTD.	Sale and marketing of beverages
■ POKKA (MALAYSIA) SDN. BHD.	Manufacture and sale of beverages
■ POKKA ACE (M) SDN. BHD.	Manufacture and sale of beverages
■ PT. POKKA DIMA INTERNATIONAL	Manufacture and sale of beverages

1 other company

Restaurants

■ SAPPORO LION LIMITED	Operation of restaurants
■ NEW SANKO INC.	Operation of restaurants
■ MARUSHINKAWAMURA, INC.	Operation of restaurants
■ GINRIN SUISAN, INC.	Sale of fresh fish, operation of restaurants
■ SAPPORO LION (SINGAPORE) PTE. LTD.	Operation of restaurants; manufacture and sale of fresh cakes and patisseries

Real Estate

■ SAPPORO REAL ESTATE CO., LTD.	Leasing and rental of real estate, real estate development, operation of restaurants
■ YGP REAL ESTATE CO., LTD.	Sale of real estate, rental management for real estate
■ TOKYO ENERGY SERVICE CO., LTD.	Utility services
■ YOKOHAMA KEIWA BUILDING CO., LTD.	Real estate rental
● THE CLUB AT YEBISU GARDEN CO., LTD.	Real estate rental

Other Companies

■ SAPPORO GROUP MANAGEMENT LTD.	Acts in a corporate capacity for the Sapporo Group and handles Groupwide operational tasks
■ SAPPORO GROUP LOGISTICS CO., LTD.	Consigned freight forwarding, cargo handling, and warehousing; packaging and distribution processing, etc.
■ SAPPORO LOGISTICS SYSTEMS CO., LTD.	Freight forwarding, cargo handling, and warehousing; distribution processing, etc.
■ SHINSYU-ICHI MISO CO., LTD.	Manufacture and sale of miso, instant miso soup, and freeze-dried products

Consolidated subsidiaries: 57, equity-method affiliates: 2

Corporate Data

As of December 31, 2017

Corporate Information

Company Name	SAPPORO HOLDINGS LIMITED
Business	Holding company
Date of Establishment	September 1, 1949
Head Office	20-1, Ebisu 4-chome, Shibuya-ku, Tokyo 150-8522, Japan
Capital	¥53,886 million
Fiscal Year-End Date	December 31 on an annual basis
Number of Employees	7,902 (Consolidated) 187 (Parent company)

Stock Information

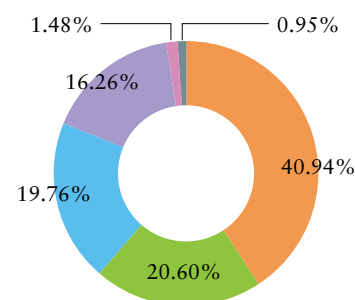
Total Number of Authorized Shares	200,000,000
Total Number of Issued Shares	78,794,298
Number of Shareholders	53,667
Securities Traded	Tokyo Stock Exchange, First Section Sapporo Securities Exchange (Securities Code: 2501)
Shareholder Register Manager	Mizuho Trust & Banking Co., Ltd.

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd.	4,916	6.30
Japan Trustee Services Bank, Ltd.	3,362	4.31
STATE STREET BANK AND TRUST COMPANY 505001	2,546	3.26
Trust & Custody Services Bank, Ltd., as retirement benefit trust assets Mizuho Trust and Banking Co., Ltd.	2,442	3.13
Nippon Life Insurance Company	2,237	2.87
Meiji Yasuda Life Insurance Company	2,236	2.87
The Norinchukin Bank	1,875	2.40
Mizuho Bank, Ltd.	1,806	2.32
Marubeni Corporation	1,649	2.11
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,594	2.04

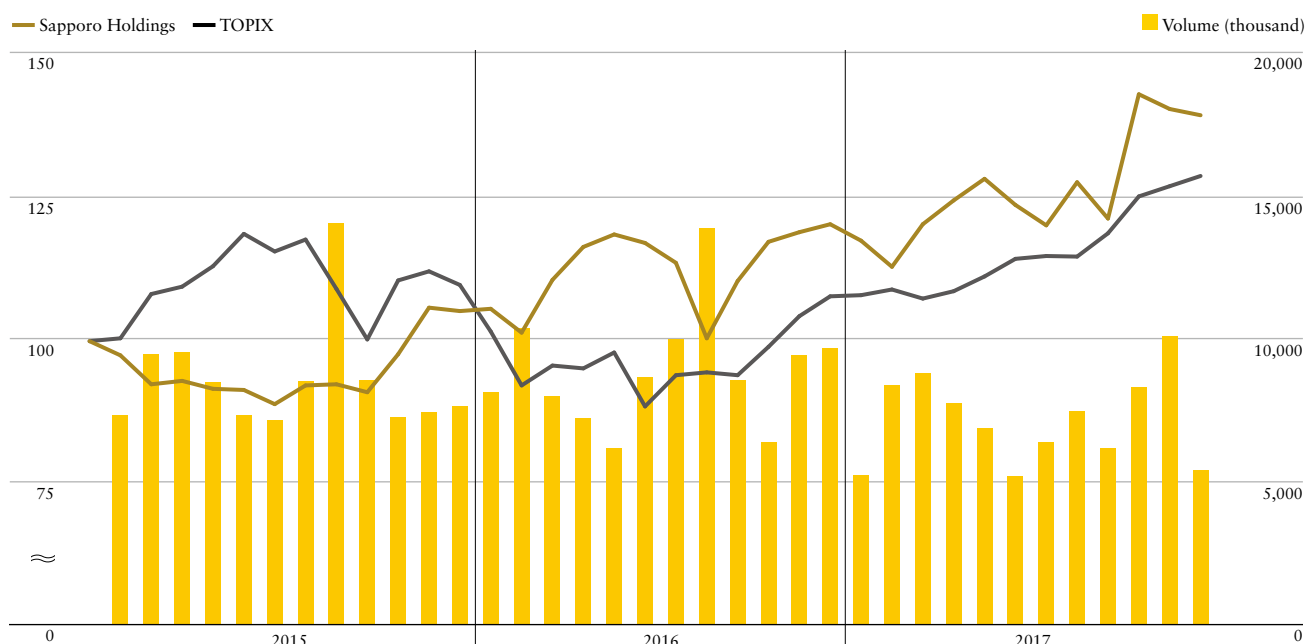
Note: Shareholding ratios are calculated after deduction of treasury stock (752,472).

Breakdown of Shareholders by Investor Type



Japanese financial institutions	32,259 thousand
Foreign institutions and individuals	16,230 thousand
Japanese individuals	15,570 thousand
Japanese corporations	12,815 thousand
Japanese securities firms	1,166 thousand
Treasury stock	752 thousand

Trends in Stock Price and Volume



*1 The stock prices of Sapporo Holdings and TOPIX are indexed with the closing price data of December 2014 set at 100.

*2 Stock prices have been adjusted to reflect the impact of the stock consolidation.

Outside Evaluations

▶ Included in SRI Indices

- FTSE4Good Global Index (FTSE Russell, the United Kingdom)



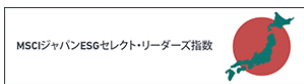
FTSE4Good

- FTSE Blossom Japan Index (FTSE Russell, the United Kingdom)



FTSE Blossom

- MSCI Japan ESG Select Leaders Index (MSCI Inc., the United States)



- SNAM Sustainability Index (Sompo Japan Nipponkoa Asset Management, Japan)



▶ Major Evaluations and Awards for Our R&D Activities

- **Best Poster Award at the 36th European Brewery Convention**
Title: Identification of geranic acid* contributing to the varietal aroma of *Sorachi Ace* and synergy with other hop-derived flavor compounds.

* Geranic acid is an organic compound found in citrus and wine and produces a woody- and lemongrass-like aroma.

- **Industrial Award for Food Immunization from the Japanese Association for Food Immunology**
Reason for receiving award: Verified the allergy prevention properties of hops and the anti-inflammatory properties of *Lactobacillus brevis* SBC8803 through fundamental research and undertook clinical studies to pave the way for the practical application of the effects of these materials.
- **The Brewing Society of Japan Technology Award from the Brewing Society of Japan**
Title: Beer proteome analysis for improvement of foam quality, and its application to malting barley breeding.
- **Topics Award from the Japan Society for Bioscience, Biotechnology, and Agrochemistry**
Identification and characterization of unique flavor compounds contributing to the specific flavor of the Japanese hop *Sorachi Ace*.
- **Human Communication Award from the Institute of Electronics, Information and Communication Engineers**
Title: Interaction among sweetness, sourness, and lemon flavor on sensory evaluation of lemon-flavor beverages.
- **Award of Excellence from the Japan Transporter Research Association**
Title: Xanthohumol, a hop-derived prenylated flavonoid, promotes urate excretion from the intestine.

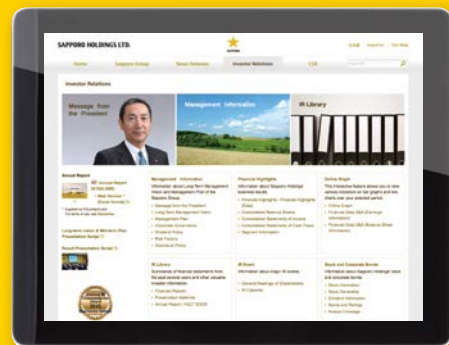


Website Information

For further details (activities by each business, financial and non-financial data, CSR, governance information, etc.), please visit our Company website.

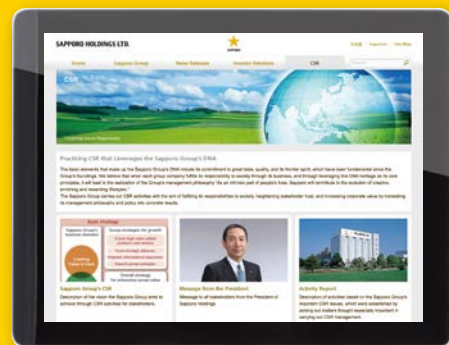
Investor Relations

<http://www.sapporoholdings.jp/english/ir/index.html>



CSR

<http://www.sapporoholdings.jp/english/csr/index.html>





SAPPORO

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