



SAPPORO HOLDINGS
Integrated Report

2023

Key Points of This Report

Enhancing Our Business Structure Transformation Capabilities to Complete the Medium-Term Management Plan

The Sapporo Group aims to transform itself into a group of companies that can demonstrate its strengths more than ever before for the sustainable enhancement of corporate value and the realization of our management philosophy in the future.

To achieve this transformation, Medium-Term Management Plan 2023-26 calls for fundamental structural reforms and a focus on growth businesses, and we are diligently implementing the plan intending to achieve the management targets without fail.

In this integrated report, we take a closer look at the following in order to convey to stakeholders the viability and certainty of this transformation.

① Value Provided by the Sapporo Group

The value we provide is to contribute to nature, society, and mental wellness, i.e., the well-being of people and communities, through the unique brand experience of the Sapporo Group, which is created through business activities based on our management philosophy.

② Sapporo Group's Actions for Sustainable Business Growth

We are implementing the three strategies of our Medium-Term Management Plan. In particular, under "business strategy," each business is classified into "structural reforms" and "reinforcement/growth" so that we can fundamentally restructure and reorganize businesses and bolster profitability.

③ Strengthening the Organization to Improve Execution Capabilities

To ensure the execution of the three basic strategies, we are working to strengthen our management foundation; namely, human resources, DX, and R&D. We are also focusing energy on strengthening corporate.

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Editorial Policy

The Sapporo Group is working to enhance corporate value by providing unique brand experiences leveraging its highly unique brands.

Our integrated report for the fiscal year ended December 31, 2023 covers the Group's initiatives to reinforce its management foundation and strengthen governance, with focus given to business strategy, financial strategy, and sustainability under the new medium-term management plan that kicks off in FY2023.

In compiling this report, our cross-functional project team with other departments engaged in information collection and content creation.

Going forward, we will continue to utilize the integrated report as an engagement tool for all stakeholders, including shareholders and investors, while striving to improve our corporate value.

July 2024

Information Framework

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

Main Financial Media	Main Non-financial Media
<p>Investor Relations Website https://www.sapporoholdings.jp/en/ir/</p> <p>Securities Report (Japanese only) https://www.sapporoholdings.jp/ir/library/securities_report/</p> <p>Fact Book https://www.sapporoholdings.jp/en/ir/library/factbook/items/2024_06_factbook_en.pdf</p> <p>Financial Results Presentation Materials https://www.sapporoholdings.jp/en/ir/library/description/</p>	<p>Sustainability Website https://www.sapporoholdings.jp/en/sustainability/</p> <p>Sustainability Book (Japanese only) https://www.sapporoholdings.jp/sustainability/sustainability_book/</p> <p>Corporate Governance Report https://www.sapporoholdings.jp/en/sustainability/governance/policy/pdf/corporate_governance_report_2024.pdf</p> <p>ESG Data https://www.sapporoholdings.jp/en/sustainability/esg/</p>

Integrated Report
2023

Period Covered

This report covers the fiscal year ended December 2023 (Jan. 1, 2023–Dec. 31, 2023). However, it may refer to events before or after this period as necessary.

Organizations Covered

Sapporo Holdings Limited and Group companies

Referenced Guidelines

- IFRS Foundation, International Integrated Reporting 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 2018



Supported Initiatives

- UN Global Compact
- The SDGs (Sustainable Development Goals)
- The TCFD (The FSB's Task Force on Climate-related Financial Disclosures)
- The Task Force on Nature-related Financial Disclosures (TNFD)



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.

Part 1

Sapporo Group's Value Creation

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Management Philosophy

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

We have created unique brand experiences in terms of time and space using our assets of highly unique brands and connections with customers and communities.

We will remain closely in tune with the true essence of "enriching" as it changes with the times, and contribute to enriching nature, society and people for tomorrow and beyond.

Value Provided by the Sapporo Group

Contributing to the well-being of people and communities in the time and space provided by all of our businesses

Process of Value Creation

Constantly contributing to the well-being of people and communities with our portfolio of highly unique brands

The Sapporo Group provides truly unique brand experiences through close collaboration between its Alcoholic Beverages, Food & Soft Drinks and Real Estate business segments centered around a portfolio of highly unique brands that have withstood the test of time.

This enables us to contribute to the well-being of people and communities, which in turn will lead to the realization of our management philosophy.

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



History of Value Creation

Connecting brand stories while deepening relationships rooted in local communities

Since it was founded in Sapporo, Hokkaido back in 1876, the Sapporo Group has built a portfolio of highly unique brands together with customers and local communities. Going forward, we will continue connecting brand stories while deepening our relationships with local communities.

1876

Sapporo

Sapporo is the birthplace of the Sapporo Group and the birthplace of beer in Japan where beer was first brewed on Japanese soil by Japanese hands.

1876
Opened the Kaitakushi Brewery in Sapporo, Hokkaido

1877
Launched Sapporo Lager Beer



From the collection of MARUZEN-YUSHODO Co., Ltd.

1900

1956
Sapporo Beer made a comeback in Hokkaido

1964
Changed company name to Sapporo Beer Limited

1977
Released Sapporo Bin-Nama (would later become Sapporo Draft Beer Black Label)

1985
Released Sapporo Classic exclusively in Hokkaido

1987
Opened the Sapporo Beer Museum

1993
Completed construction of Sapporo Factory commercial complex on the former site of Sapporo Brewery

2000

2024
Opened Hotel Sosei Sapporo MGallery

Ebisu

The name "Ebisu" as the place name originated from the fact that a brewery of Yebisu Beer was located there. The Sapporo Group is deeply connected with Ebisu and Sapporo through this long history.

1889
Completed Yebisu Beer Brewery

1890
Launched Yebisu Beer



1901
Opened a dedicated railway cargo station for Yebisu Beer called Ebisu Railway Station

1928
Ebisu adopted as the place name

1971
Re-released Yebisu Beer, marking an official comeback

1988
Ebisu Brewery closed

1994
Completed construction of Yebisu Garden Place on the former site of Yebisu Brewery



2010
Opened the Museum of Yebisu Beer

2022
Remodeled commercial wing of Yebisu Garden Place

2024
Opened Yebisu Brewery Tokyo

Ginza

Ginza is where Nippon Beer Jozo Co., Ltd., the predecessor of Sapporo Beer, was established and site of Japan's first beer hall. Ginza has been closely associated with Sapporo Beer for more than 120 years.

1887
Established Nippon Beer Jozo Co., Ltd. in Ginza, Tokyo

1899
Opened Yebisu Beer Hall, Japan's first beer hall in Ginza, Tokyo

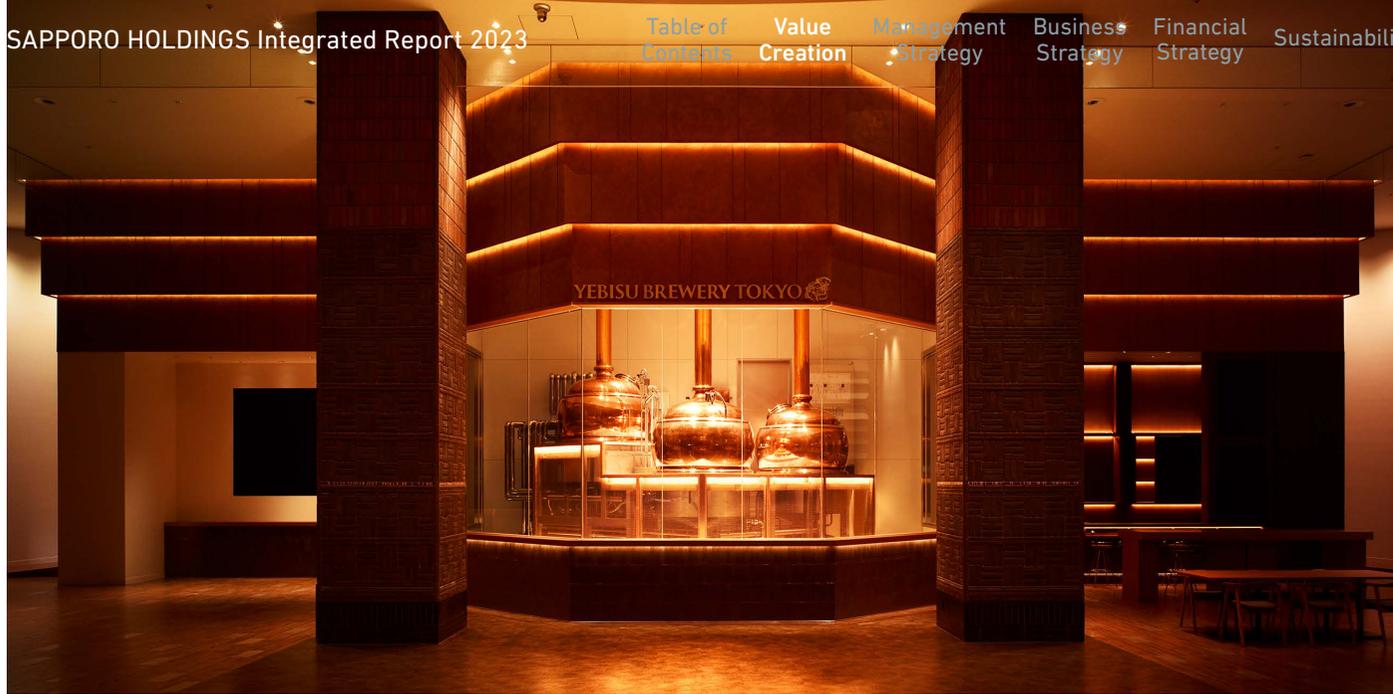
1934
Opened Beer Hall Lion Ginza 7-chome, now the oldest existing beer hall in Japan



2016
Completed construction of Ginza Place

2019
Opened Sapporo Draft Beer Black Label THE BAR

2022
Ginza Lion Building registered as a tangible cultural property



Yebisu Brewery Tokyo

Yebisu Brewery Tokyo represents a hub for new ways of experiencing the Yebisu brand that opened in April 2024. It functions as a museum to familiarize visitors with the roots of Yebisu, a brewery, and a taproom to enjoy beer, allowing visitors to experience the personality and story of the Yebisu brand in real time through all five senses.

Sapporo's Unique Brand Experiences Born from Connections with Communities

We have a deep relationship with the communities in which we were founded and our brands are strongly connected to those communities. We leverage these assets to provide a unique brand experience quintessential to the Sapporo Group.



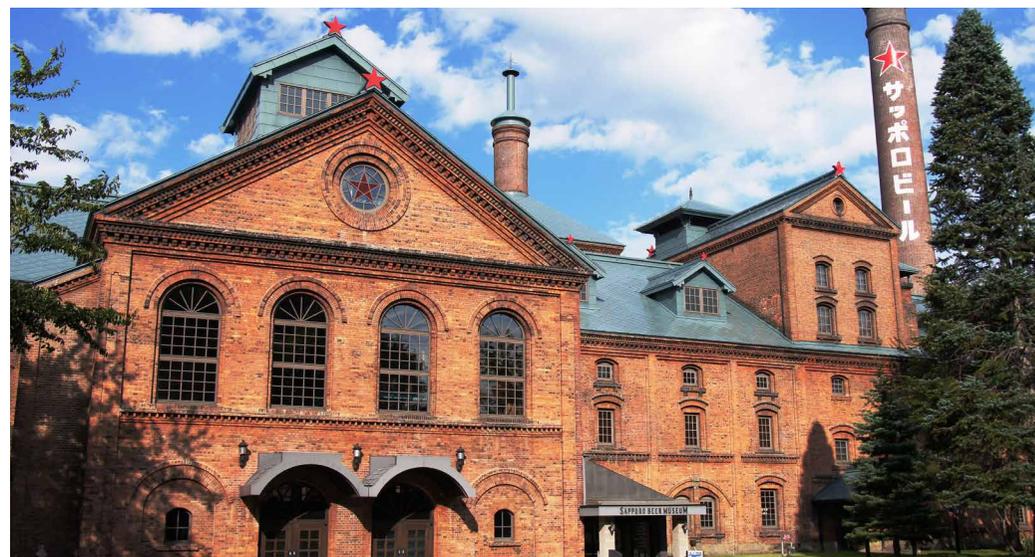
Yebisu Beer Holiday

Yebisu Beer Holiday is an annual event held at Yebisu Garden Place, where visitors can enjoy a variety of draft Yebisu beers and a food menu curated by chefs working in the Ebisu area. The event provides an attractive new experience that is unique to the Yebisu brand, which is deeply connected to the community of Ebisu. [▶ P. 41](#)



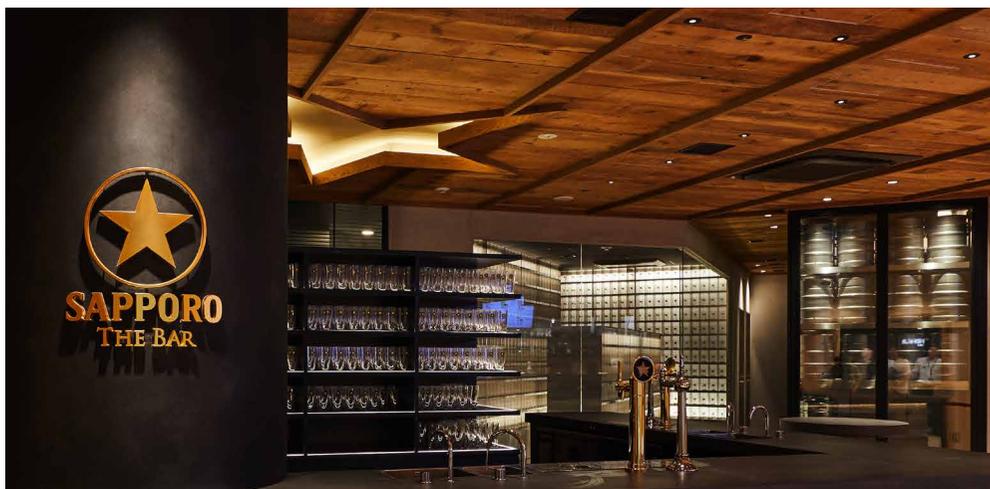
Beer Hall Lion

Beer Hall Lion Ginza 7-chome is the oldest existing beer hall in Japan. The interior is almost exactly as it was when it was first built, and it is well known as a building that conveys the history of Ginza. Ginza Lion's beer is served using the traditional "one pour" method, offering a unique experience of enjoying beer steeped in history and tradition.



Sapporo Beer Museum

Sapporo Beer Museum opened in 1987 as the first museum in Japan dedicated to beer. The red brick building was originally used as a malt factory by Sapporo Beer Brewery, the predecessor of Sapporo Breweries, and is designated as a Hokkaido Heritage Site from the Meiji era. Visitors can enjoy rare, reissued beer that can only be consumed here while experiencing the history of Hokkaido and beer.



Sapporo Draft Beer Black Label THE BAR

Sapporo Draft Beer Black Label THE BAR is thoroughly committed to the quality of its "perfect draft" offerings. We pay careful attention during brewing, distribution, and sales, and offer three types of Black Label, each poured in different ways. Visitors can enjoy their tasting the "perfect draft" in a chic Ginza-like space that embodies the world view of the Black Label.

Part 2

Medium- to Long-Term Management Strategy

- 10 Message from the President
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YEBISU BREWERY TOKYO



Message from the President

Raising the Group's
longer-term value with
the Alcoholic Beverages
business as the driver

Masaki Oga

President and Representative Director

Review of year one of the medium-term management plan

The structural reform and reinforcement and growth strategies generated substantial growth in core operating profit

The Group Medium-term Management Plan 2023-2026 advances a business strategy centered on structural reform (→ P.22) and reinforcement and growth (→ P.25). In fiscal 2023, we carried out steady structural reform and focused on establishing a foundation for future growth.

The structural reforms included reorganizing the Sendai Plant and improving promotional spending efficiency in the Domestic Alcoholic Beverages business, and eliminating unprofitable stores in the Restaurants business. We also progressed with our business portfolio reorganization by resolving to close Anchor Brewing in the United States and reforming our balance sheet by reducing cross-shareholdings and selling assets. We also laid the foundation for future growth by fortifying our domestic beer and ready-to-drink (RTD) lineup and building the Alcoholic Beverages business in the United States and the Beverages business in Malaysia.

The structural reform and the reinforcement and growth started generating tangible results with growth in both revenue and core operating profit in fiscal 2023 that enabled us to attain the targets we set at the start of the fiscal year, including raising core operating profit by 67.9% to ¥15.6 billion and ROE from 3.3% to 5.0%.

Message from the President

Fiscal 2023 results and fiscal 2024 forecast

(Billions of yen)

	FY2022	FY2023	YoY changes	FY2024 (forecast)	YoY changes
Revenue	478.4	518.6	+8.4%	523.5	+0.9%
Core operating profit	9.3	15.6	+67.9%	19.0	+21.5%
Operating profit	10.1	11.8	+17.0%	17.6	+48.9%
Profit attributable to owners of parent	5.4	8.7	+60.1%	10.0	+14.6%

Main results of structural reforms

<p>Cost-related structural reforms</p> <p>1.7 billion yen (P/L basis)</p> <p>Reorganization of Sendai Plant Streamlining promotional expenses (Domestic Alcoholic Beverages)</p>	<p>Improvements in store profitability Reduce unprofitable restaurants</p> <p>2.4 billion yen (P/L basis)</p> <p>Closures of unprofitable restaurants completed 30% reduction compared to pre-COVID-19 levels (Restaurants)</p>	<p>Cost-related structural reforms</p> <p>1.3 billion yen (P/L basis)</p> <p>Waste reduction due to SKU reduction Decrease in vending machine costs (Domestic Food & Soft Drinks)</p>	<p>Reshuffling of business portfolio</p> <p>1.1 billion yen (P/L basis)</p> <p>Resolution to dissolve Anchor Brewing/ Liquidation of subsidiary of Pokka Sapporo (Business portfolio)</p>	<p>Balance sheet reforms (Asset-light initiatives)</p> <p>(15.5) billion yen (B/S basis)</p> <p>Reduce cross-shareholdings Sales of assets held (Asset reduction)</p>
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Initiatives for future growth

<p>Increase beer sales</p> <p>+9% (volume basis)</p> <p>Beer growth focused on Black Label (Domestic Alcoholic Beverages)</p>	<p>Increase RTD sales</p> <p>+16% (volume basis)</p> <p>Record-high sales achieved through growth of key brands (Domestic Alcoholic Beverages)</p>	<p>Sapporo Premium Beer growth</p> <p>+8% (volume basis)</p> <p>U.S.-centered growth Record-high sales volume in the U.S. (Overseas Alcoholic Beverages)</p>	<p>Creation of synergies in the U.S.</p> <p>\$4M (amount basis)</p> <p>Steady progress made with function integration Start of SPB manufacturing in the U.S. in December 2023 (Overseas Alcoholic Beverages)</p>	<p>Sales increase in Malaysia</p> <p>+7% (SGD basis)</p> <p>Growth in Malaysia, our focus region (Singapore +6%) (Overseas Beverages)</p>
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The fiscal 2023 performance is a very good start for the medium-term plan, although we must remember that this is only the plan's first year. Fiscal 2024 is expected to bring ongoing high raw material prices due to the weakness of the yen while distribution costs are also expected to rise, not least because of Japan's "2024 Problem" of a shortage of truck drivers in the logistics industry. During the year, we intend to focus on completing the structural reform, particularly for the Food & Soft Drinks business, and accelerating growth of our overseas Alcoholic Beverages business by putting the production of Sapporo Premium Beer (SPB) on track in the United States.

Formulating the Medium- to Long-Term Management Policies

Our future vision for the Group beyond the current plan

As we pieced together the medium-term plan, we also discussed management strategies for the longer term. We also considered questions from shareholders and investors about our growth strategy and targets beyond the current plan, such as the question, "What is the target after reaching 8% ROE in fiscal 2026?"

We set up a Group Strategy Review Committee in the fall of 2023 to address the expectations of our stakeholders. After about five months of discussions by the committee, in February 2024 we announced the Medium- to Long-Term Management Policies for Increasing Group-wide Corporate Value (→ P. 16).

To gain a multifaceted and objective view, the committee, which includes internal members and several external experts, met twice a month to interview Group members and business partners, investors, and other external stakeholders about our strengths and weaknesses.

The committee and Board of Directors were in constant communication with the committee reporting to the Board every month, and the Board returned its review prior to the next committee meeting.

Message from the President

Focusing Group management growth resources on the Alcoholic Beverages business

After announcing the medium-term management plan, we engaged in dialogue with the capital markets and reconfirmed that the main issues we needed to overcome to enhance our corporate value in the long term were a “low capital return rate” and “weakness in our commitment to business performance.” We defined our future vision to be a “corporate entity channeling all of its Group strength into growing the Alcoholic Beverages business to enhance our corporate value” and accordingly embarked on a long-term management strategy to address these inherent issues, to use the Group strength of beer products with solid quality and brand power and strength in product development and production technology, and to pursue our future growth potential.

We have been seeking to generate collective sustainable growth for the Alcoholic Beverages, Food & Soft Drinks, and Real Estate businesses, which was effective for diversifying the various risks, but also led to dispersion of management resources and competition within the Group. In addition, the market environment for each business has changed significantly since 1994 when we opened the Yebisu Garden Place and established our current business structure. We expect the environment to continue changing at an even faster pace as customer needs and lifestyles evolve and we move toward a digitalized society and economy.

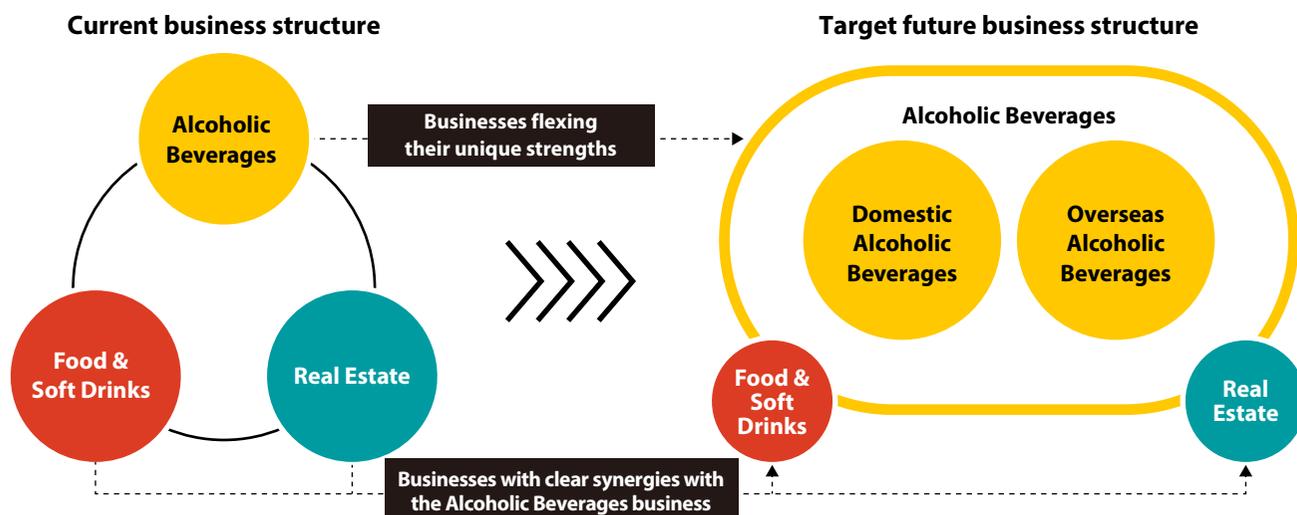
Our current business structure has served us well for 30 years, but it was not designed for the current business environment and is no longer adequate for achieving our sustainable growth and corporate value objectives. For that reason, we have adopted a business structure for parallel

operation of the three core businesses while concentrating management resources in the Alcoholic Beverages business where we can best leverage our competitive advantage. This new structure will enable us to enhance the Group’s corporate value and improve capital profitability into the long term.

Our long-term management strategy for realizing these objectives is to further refine our core strength of alcoholic beverage market creation to accelerate the business’s expansion and growth. We are fully aware that the Japan market offers only limited growth potential on its own, we are fortifying the Sapporo brand and advancing M&A with the aim of substantially expanding our business overseas. The cash we will need for investing in that growth will be generated by introducing external capital into our real estate holdings, stepping up divestment of strategic shareholdings, and selling low-performing assets. As we actively transition to an asset-light business model, we will continue seeking to maximize synergies through direct involvement in the Alcoholic Beverages business by focusing our unrivalled strength in “customer contact points,” notably with the Ebisu Garden Place and Sapporo Beer Museum. We also will thoroughly review and radically restructure the Group’s organizational structure and management to improve our ability to implement change with the express aim of reversing the “weakness in our commitment to business performance.”

We also plan to closely examine the time schedule and other aspects of specific initiatives in the Medium- to Long-Term Management Policies.

Sapporo Group vision for the future (→ P.16)



Message from the President

Strengthening the management platform

All-out effort to fortify the source of our value creation—our human resources

Strengthening our management platform further is vital to the successful execution of the medium-term management plan and the Medium- to Long-Term Management Policies. Of all the elements that make up our management platform, the fundamental source of all of our value creation is our human resources, and strengthening them must be our highest priority (→ P. 53).



One of the keys to this is ensuring we have a diverse workforce and promote diversity and inclusion. Globalizing our human resources will be extremely important for expanding our Alcoholic Beverages business overseas. To facilitate this business growth, we will focus on securing and training a global workforce of men and women of all nationalities with language capabilities and international business knowledge and skills. We will also construct a worldwide personnel, evaluation, and compensation system to ensure human resources that join the Group through overseas M&A and local recruitment can contribute their full potential.

Promoting the active participation of women will be essential. In accordance with the sustainability material issues identified in 2022, we have set a Group target to increase the percentage of female directors and managers to 12% by 2026*1. As of June 2024, we have already achieved the ratio target for female directors, but the percentage of female managers remained at a relatively low 6.7%*2. We understand that deepening the talent pool must be the first step to raising the number of female managers. We are dedicated to achieving the 2026 target and are stepping up efforts to secure, train, and promote the active participation of women in our workforce.

*1 Major domestic companies (Sapporo Holdings, Sapporo Beer, Pokka Sapporo Food & Beverage, Sapporo Real Estate Development, Sapporo Lion)

*2 FY2023 results

Developing 200 core DX personnel and advancing the Group DX strategy

In our rapidly digitalizing society, digital transformation is pivotal to maximizing the power of our organization and human resources. We adopted the Sapporo Group DX Policy (→ P. 56) in fiscal 2022 and created the DX & IT Management Division in fiscal 2023. We selected 200 talented individuals

from each Group company to advance the Group's digital transformation by serving as leaders for improving DX literacy throughout the Group and accelerating implementation of the DX strategy.

In addition, we launched the DX Innovation Lab in May 2023 to promote open innovation inside and outside the Company and to support the success of the human resources we develop. Two years have passed since the initiative was put into full effect, and we have seen several projects that have led to positive reform of business processes and work styles. We will continue promoting Group activities that lead to tangible results improving our business productivity, increasing our customer contact points, and creating new businesses.

As a company rooted in nature, environmental harmony is foremost

We are seeking to establish sustainability by advancing initiatives following nine priority issues we identified a total of nine priority issues covering the themes of "Harmony with the environment," "Co-prosperity with society" and "Success of human resources." (→ P. 40)

Beer is made from natural ingredients including barley, hops, and water. We have been manufacturing products using the bounty of nature since the Company's very beginning. The Sapporo Group is committed to "Harmony with the environment" and is actively working to achieve carbon neutrality, which is an issue that affects the whole global environment. We formulated our Sapporo Group Environmental Vision 2050 in fiscal 2019. In 2023, we updated the vision to include a target of achieving net zero greenhouse gas emissions by 2050. Several initiatives are underway to achieve our objectives, including Group-wide efforts to incorporate renewable energy and reduce energy consumption.

Message from the President

Last year's update included setting clear greenhouse gas emission targets versus fiscal 2022 to reductions of 42% cut in Scope 1 and 2 emissions, 25% in Scope 3 emissions, and 31% in forest, land, and agriculture (FLAG)*³ Scope 1 and 3 emissions (→P. 43). The international Science Based Targets Initiative (SBTi) has certified our reduction targets as being consistent with the level to set out in the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels. We are the first company in Japan to obtain certification for FLAG greenhouse emissions targets.

We are also taking steps to conserve water resources by setting targets for reducing water consumption and strengthening our water risk management. The international non-profit organization Carbon Disclosure Project (CDP) recognized our transparency and performance by selecting us for the highest ranking on the 2023 Water Security A List.

The Sapporo Group is doing its part to realize a sustainable society and will continue earning the trust of society.

*³ Forest, land, and agriculture (FLAG) emissions refer to greenhouse gases of non-energy sector origin.

Strengthening corporate governance

Increased independent outside directors and strengthened management monitoring

We strengthened the monitoring function of the Board of Directors in fiscal 2024 by increasing the number of outside directors by one, raising the number to seven of the 11 members. We had established an outside director majority in fiscal 2023, and this further increase in the ratio of outside directors will enable more objective and in-depth discussions covering a wide range of perspectives. The new member appointments also provide the Board with a well-balanced

composition in terms of skill matrix. Former outside directors have primarily been previous corporate presidents, but two of the three newly appointed members are individuals versed in the capital markets (→P. 69).

The Board of Directors will incorporate the outside directors' opinions and recommendations to advance discussion related to achieving the medium-term management plan and fulfilling the Medium- to Long-Term Management Policies. The Board will thoroughly monitor the progress of these initiatives. My objective as the Chairperson of the Board is to further enhance the effectiveness of governance by setting productive meeting agendas and ensuring the meetings progress smoothly.

To our stakeholders

Generating even greater economic and social value as a corporate group

We offer products following our management philosophy: "As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching and rewarding lifestyles." The business environment has been quite severe during the last three decades beginning with the collapse of Japan's economic bubble and including intensifying price competition for beer, the virtual disappearance of restaurant demand during the COVID-19 pandemic, and the soaring cost of raw materials. Nevertheless, the price revisions we have implemented, the amended national liquor tax law, and other developments are now presenting new opportunities for business growth.

With this outlook, the Group formulated the Medium- to Long-Term Management Policies and has placed the Alcoholic Beverages business at the forefront of our business efforts. Concentrating management resources in our business areas



where we have a competitive advantage will enable us to steadily grow our business and improve our profitability and capital efficiency. The increase in economic value will further enhance our social value while establishing sustainable growth as a corporate group that is indispensable to society.

We look forward to the continuing support of our stakeholders.

Overview of the Medium-Term Management Plan

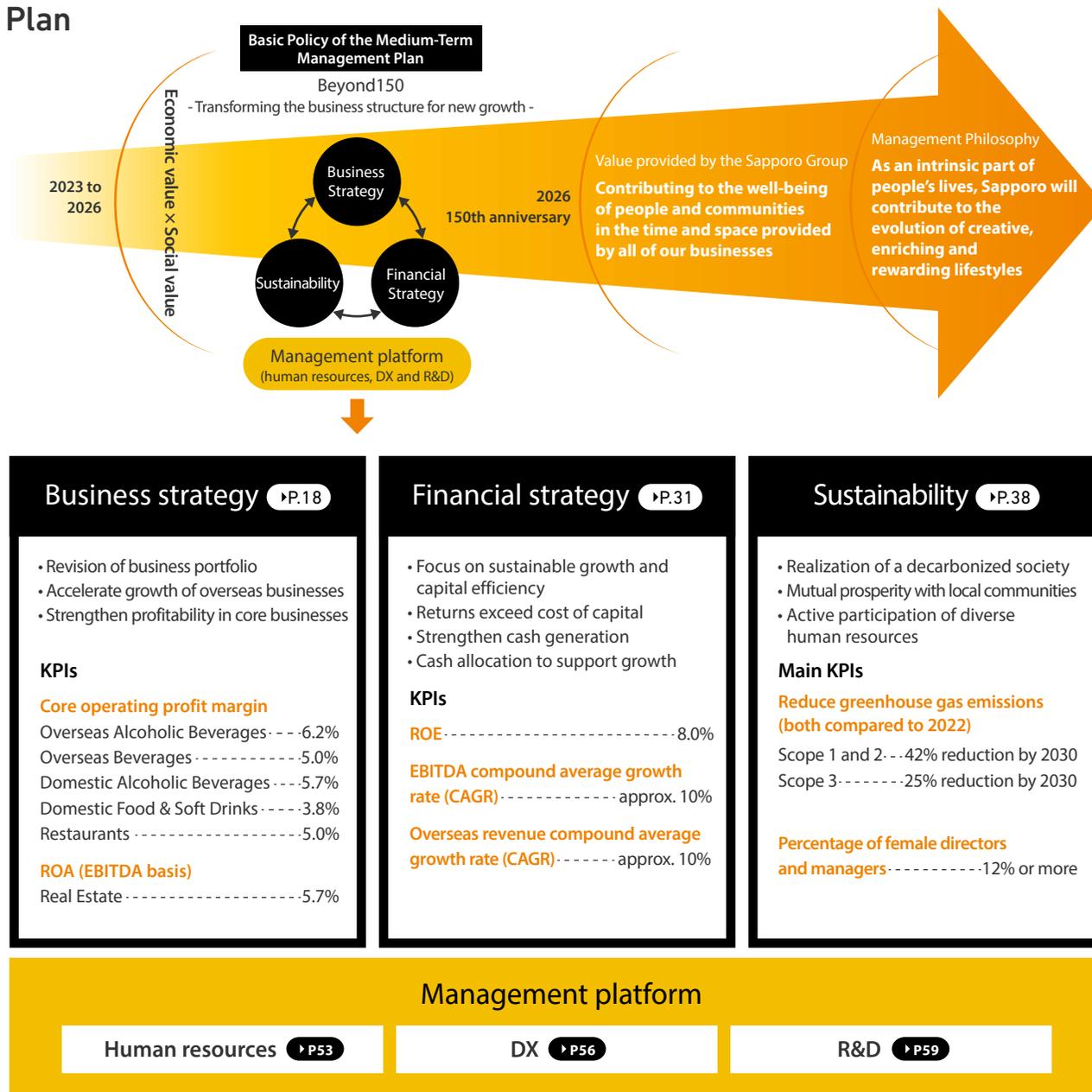
We will accelerate new growth centered on the three strategies of business strategy, financial strategy and sustainability.

Under our Medium-Term Management Plan spanning from 2023 to 2026, and its three strategic pillars of “business strategy,” “financial strategy,” and “sustainability,” we are aiming to transform our business structure and build a foundation for sustainable growth.

In terms of “business strategy,” we have highlighted the positioning and challenges of each business by reorganizing our business portfolio. We will decisively implement reforms before the end of 2024 in businesses that have been positioned for restructuring. In addition, we will improve the cash-generating ability and capital efficiency of each domestic business, and bolster our efforts in each market, with overseas businesses positioned as a growth driver.

In terms of “financial strategy,” we will promote growth by prioritizing investments in overseas business while striking a balance with cash flows from operating activities, securing financial soundness at a level that maintains the current credit rating. As for shareholder returns, we aim to raise our dividend in line with profit growth.

In terms of “sustainability,” among the priority issues that we have completely reviewed in light of changes in social conditions and the business environment, we have positioned the “realization of a decarbonized society,” “mutual prosperity with local communities,” and “active participation of diverse human resources” as our top priorities. We will implement these initiatives while monitoring progress. We will continue to work toward the realization of a sustainable society by creating both social value and economic value in partnership with Sapporo Group employees and stakeholders around the world.



Medium- to Long-Term Management Policies for Increasing Group-wide Corporate Value

Focusing Management Resources on the Alcoholic Beverages Business to Sustainably Enhance Corporate Value

Challenges to be Addressed and Proprietary Strengths

Through the Group Strategy Review Committee (→ p.17) that includes third-party advisors, we conducted an objective review of the challenges and strengths of the Sapporo Group, incorporating the perspectives of internal and external stakeholders and the capital markets. As a result, we confirmed that our challenges can be summarized as “low capital profitability” and “lack of strong commitment to the performance.” On the other hand, with regard to our strengths, we confirmed that we have solid beer quality and brand strength, product development and production technology, and the ability to provide opportunities for customer contact and brand experience created by our Restaurants and Real Estate businesses.

Challenges to be Addressed	
Low capital profitability	
<ul style="list-style-type: none"> • Diversified portfolio led to dispersal of management resources or competition within the Group for resources to fund growth investments 	
Lack of strong commitment to the performance	
<ul style="list-style-type: none"> • Organizational culture 	<ul style="list-style-type: none"> • Diversity of human resources • Lack of results-oriented approach
Strengths	
Solid quality and brand power of beer	
Product development and production technology	
Consumer contact points and brand experience venues	

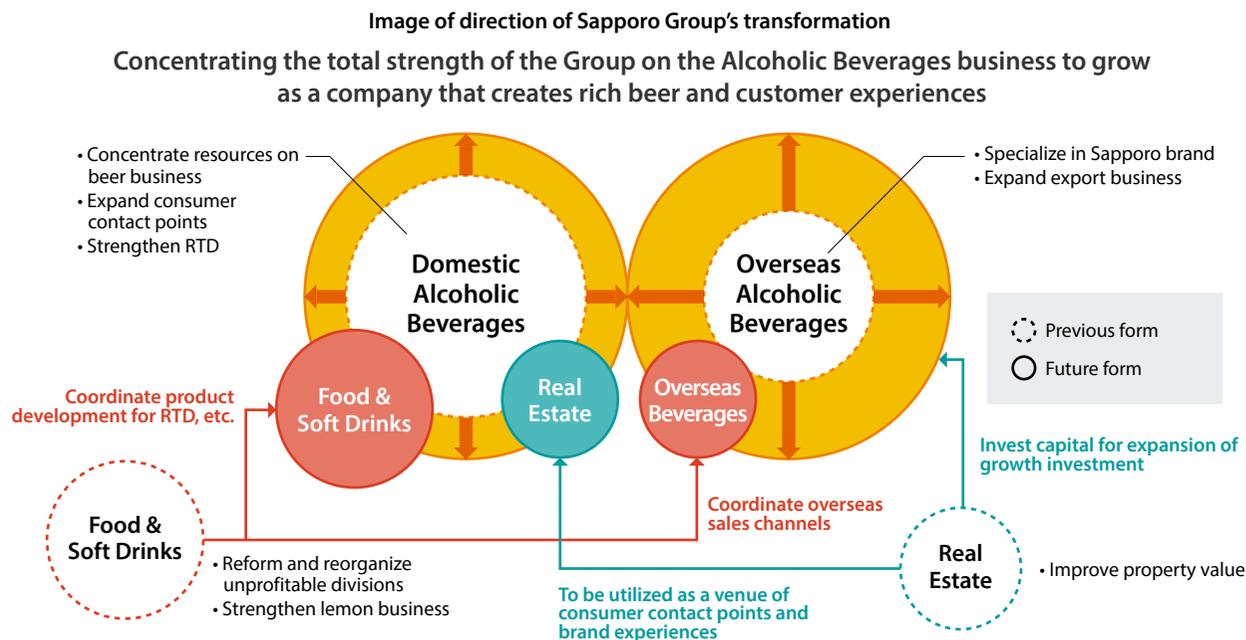
Sapporo Group’s vision for the future

Based on the inherent challenges and opportunities, we have formulated a vision for the future and management policy that the Group aims to achieve in order to enhance corporate value over the medium to long term.

We will concentrate management resources, which are currently dispersed among diversified businesses, into “businesses with competitive advantages” and “businesses in which synergies with those competitive businesses can be

created.” We will refine its market-creation capabilities in alcoholic beverages, which has been the Company’s DNA since its foundation, then grow to a global scale, growing into a company that can create rich beer and consumer experiences.

In accordance with the above vision, we will promote human capital investment, which is a source of value creation, and also implement reforms of organizational structure, including the introduction of clear indicators, personnel systems, and group-governance system revision.



Management Policy

Business operation policy

Expand and grow the beer business by refining our market-creation capabilities for alcoholic beverages, which has been the Company's DNA since its foundation

Domestic Beer

- Concentrate management resources on core products (Black Label and Yebisu)
- Expand direct customer contact points

Overseas Beer

- Invest management resources in the Sapporo brand
- Promote M&A that contributes to growth
- Establish an organization with specialized expertise

New Domains

- Strengthen collaboration with other businesses within the Group to create markets in the RTD and non-alcoholic beverage areas
- Co-create with external partners

Organizational operation policy

Working to restructure organizations and management approaches to enhance our ability to implement transformation

Organizational reinforcement

- Consider a group organizational structure, such as a holding company, and a governance structure as a business group with the Alcoholic Beverages business at its core

Enhancement of human resources

- Review of management human resource requirements
- Supplement by recruiting external human resources
- Re-establish an internal human resources development system

Improvement of capital efficiency

- Thoroughly implement business and financial management policies based on capital costs

Financial Policy

Aiming to achieve ROE of 10% or higher, considering improvement in capital efficiency to be a key challenge

- Adopt ROIC as an internal indicator and thoroughly conduct strict criteria of business continuity based on business-specific WACC
- Thoroughly conduct business monitoring using a ROIC tree
- Enhance financial stability by utilizing capital from outside sources
- Accelerate the reduction of cross-shareholdings and increase the flexibility of growth investments for the Alcoholic Beverages business

Launched Group Strategy Committee to Review Medium- to Long-Term Management Policy

After the announcement of the Medium-Term Management Plan 2023-26, the Sapporo Group received various opinions from the capital markets through its investor relations and stakeholder relations activities. Based on these opinions, in September 2023, we established the Group Strategy Committee, composed of outside experts, to discuss management policies for medium- to long-term corporate value enhancement beyond the current Medium-Term Management Plan, adding multifaceted and objective perspectives, including third-party advisors.

Positioning of the Group Strategy Committee and Members



(1) Takehiko Ogi
 Position (at the time): Professor, Graduate School of Kyushu University and Outside Director of Yamaguchi Financial Group, Inc.
 Career experience: Ministry of International Trade and Industry (MITI); Representative Director and Managing Director, Culture Convenience Club Co., Ltd.; President, Kanebo Cosmetics, Inc. (Industrial Revitalization Corporation of Japan); President and Representative Director, Maruzen Co., Ltd. (currently, Maruzen CHI Holdings Co., Ltd.)

(2) Ryotaro Fujii
 Position (at the time): Senior Advisor, Permira Advisers LLP
 Career experience: Ministry of Finance; Goldman Sachs Japan Co., Ltd.; Director of KKR Japan Co., Ltd.

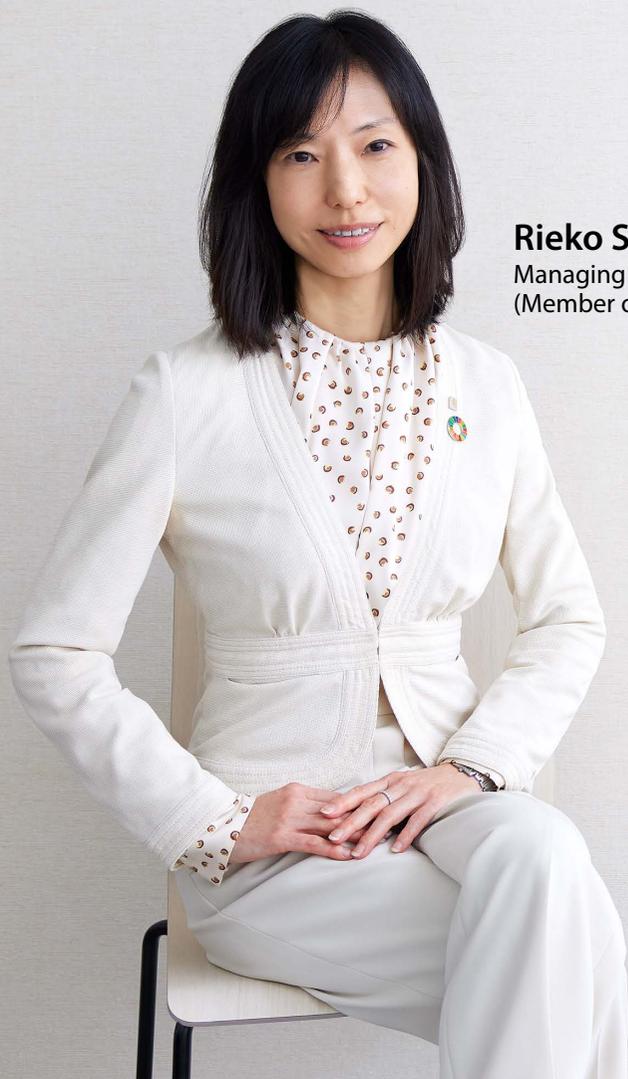
Part 3

Business Strategy

19	Message from Managing Director (Corporate Planning)	25	Progress and Outlook of “Reinforcement/Growth”
21	Progress of Action Plan and KPIs	26	Overseas Alcoholic Beverages
22	Progress and Outlook of “Structural Reforms”	27	Overseas Beverages
23	Restaurants	28	Domestic Alcoholic Beverages (Beer)
24	Domestic Food & Soft Drinks	29	Domestic Alcoholic Beverages (RTD)
		30	Real Estate Business Strategy

Message from Managing Director (Corporate Planning)

Structural reform to lay the foundation for future growth



Rieko Shofu
Managing Director
(Member of the Board)

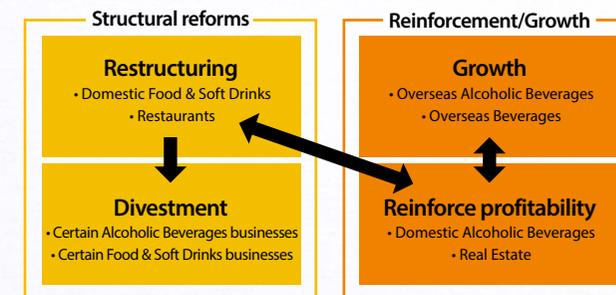
Steadily restructuring our business under the medium-term management plan

The medium-term management plan calls for transforming the Group’s business structure by reconstructing the business portfolio aimed at new growth. The business segments have been classified into four categories of growth, profitability enhancement, restructuring, and divestment based on the six perspectives of market environment, proprietary strengths, sustainability, profitability, synergies, and resource allocation.

We steadily advanced each initiative in fiscal 2023, and the Board of Directors closely monitored their progress and results. The Board reviewed the progress the businesses were making toward their KPIs and businesses that were performing as expected were carefully examined, including analyzing past performance, to determine what was impeding their progress. Our approach looks beyond the immediate results to accurately identify both the past and present issues that led to the outcome so future measures will be more effective.

The initiatives generated tangible results in fiscal 2023 particularly in the categories of restructuring and divestment.

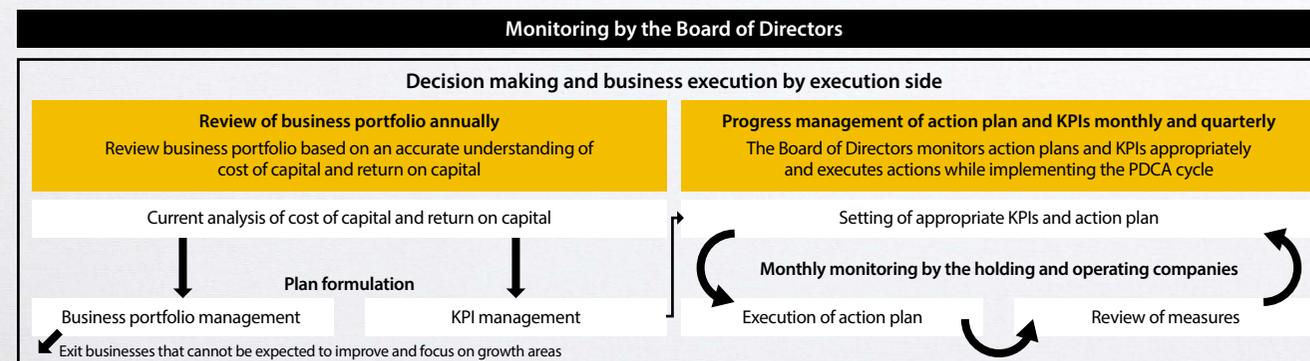
Segment positioning in the revised business portfolio (Medium-Term Management Plan 2023 to 2026)



Main Achievements in Fiscal 2023

- Restructuring**
 - Restaurant business rises to major profitability
 - ⇒ Continuing to strengthen profitability in 2024 onwards
- Divestment**
 - Anchor Brewing dissolved
 - Plant-based yogurt business transferred

Monitoring business portfolio progress



Message from Managing Director (Corporate Planning)

Structural reforms progressing as planned

The Restaurants business was positioned for restructuring but was massively impacted by the COVID-19 pandemic, which caused a temporary disappearance of demand. In 2021 and 2022, we responded with painful structural reform that included closing unprofitable sites and changing business formats. After the pandemic, the lean and muscular structure that we created allowed the business to regain profitability in all four quarters of fiscal 2023 as customers returned and demand from inbound tourists increased. With the improved results, we moved the Restaurants business from the restructuring to the profitability enhancement category and are launching measures to continue boosting its profits.

We are also reforming the business structure of the Domestic Food & Soft Drinks business by planning to transfer the plant-based yogurt business in fiscal 2024 and by reviewing fixed costs and sales promotion spending. The reform is starting to produce results although, at this point, we still need to improve the business's core business profit margin and operating profit margin.

In addition to transferring the plant-based yogurt business, the segment reform also included dissolving the Anchor Brewing craft beer company in the United States. We decided to take this step due to the sharp drop in sales owing to the pandemic, the expectation that profitability is not likely to recover even in the long term, and the difficulty creating synergies with the Sapporo brand.

Laying a foundation for medium- and long-term growth

The Overseas Alcoholic Beverages business is our primary growth category business outside Japan. Sapporo brand sales volume has been steadily growing overseas, notably in the United States, where profitability has been undermined in recent years by the logistics costs from our reliance on importing products from Vietnam and Canada. We addressed this problem in 2022 by acquiring the U.S. company Stone Brewing, which maintains a local manufacturing and sales base. We expect this acquisition to both improve profitability and accelerate our growth in the market.

The addition of Stone Brewing significantly strengthens our sales structure in the U.S. as it has roughly three times the number of sales outlets of our local subsidiary, Sapporo USA. Our sales channels in the U.S. are expanding, and many retail chain stores are starting to stock Sapporo brand products. Stone Brewery began producing Sapporo Premium Beer in December 2023 and is scheduled to reach full production capacity in 2024. Building this "value chain of local production for local consumption" will allow us to continue growing the Sapporo brand in the U.S.

The Domestic Alcoholic Beverages business, which is categorized for profitability enhancement, continues to perform well with our Black Label and Sapporo Lager beer products driving 9% year-on-year growth in sales volume in fiscal 2023. The branding strategy has been especially successful for Black Label canned products, which has attracted strong demand from younger generations that has helped boost sales volume by 70%

over the past 10 years. The growth in Yebisu Beer sales has slowed somewhat recently as consumers have become more budget-minded. Our rebranding efforts are aimed at generating new growth by creating stronger ties with customers, such as through Yebisu Brewery Tokyo, which opened in April 2024. Amongst our sales, beer account for 73% of our beer-related products and, although already higher than the industry average, we are aiming to boost profitability even further by raising the percentage further to 80%. Our ready-to-drink (RTD) products continue to sell well, and we are taking various steps to improve profitability. One step is to increase the ratio of in-house production, which we did in October 2023 by launching an RTD production line at the Sendai Plant.

In the Real Estate business, we are continuing to pursue value maximization for properties, such as Yebisu Garden Place and Sapporo Garden Park, where we can leverage synergies with the Alcoholic Beverages business. We decided to scale back our equity investments, value-added securitization and other investments in asset turnover businesses, owing to anticipated changes in interest rate conditions, rising property acquisition prices, and sharply rising construction costs.

The Medium- to Long-Term Management Policies announced in February 2024 declared our objective to be a "corporate entity channeling all of its Group strength into growing the Alcoholic Beverages business to enhance our corporate value." To fulfill our objective, we are aiming to complete the structural reform of the Group during fiscal 2024 and establish a structure for sustainable growth into the future.

Progress for Action Plan and KPIs

	Business segment	Action plan/KPIs	FY2026 (targets)	FY2023 (plan)	FY2023 (results)	FY2023 initiatives
Growth domain	Overseas Alcoholic Beverages	Stone Brewing acquisition synergy/Sapporo brand growth Sapporo brand sales volume	10 million cases	7.47 million cases	7.16 million cases	Sales volume in the United States exceeded total demand and reached a record high, thanks to redoubled efforts to grow the business with local consumer goods chain store operators.
		Cost synergies*1	\$23 million	\$4 million	\$4 million	Steady progress was made with the integration of back-office functions and in other areas. Additionally, we started partial manufacturing of SAPPORO PREMIUM BEER at Stone Brewing in December 2023.
	Overseas Beverages	Sales growth Overseas sales value*2*3 (vs. 2022)	+30%	+3%	+2.8%	Although demand weakened in the focus area of Malaysia, sales grew as a result of our efforts to strengthen our sales system.
Reinforce profitability domain	Domestic Alcoholic Beverages	Reinforcement of beer business / Improving profitability of beer-type beverages Reinforcement of beer business: beer composition ratio	79%	71%	73%	Sales grew as a result of efforts to bolster major brands, particularly Black Label, and beer expanded its share of the product mix.
		Improving profitability: selling price excluding alcohol tax (vs. 2022)	+11%	+9%	+9%	Improvements in the product mix and price revisions led to an improvement in the unit sales price excluding alcohol tax.
		RTD business growth and production streamlining, etc. RTD business growth: RTD (can) sales value (vs. 2022)	+74%	+23%	+19%	Through focused investment in core brands and new product proposals that create new markets, we significantly outperformed the market and achieved record high sales.
	Production streamlining: in-house production rate	88%	64%	63%	The Sendai Plant RTD production line started operation on October 11, 2023, completing the reorganization of RTD production bases.	
	Real Estate	Increase value of Yebisu Garden Place Rate of increase in average rent (vs. 2022)	+2.5%	+0.4%	+0.5%	We promoted community development by enhancing the value of owned properties to maintain and increase rent prices.
Restructuring domain	Domestic Food & Soft Drinks	Cost structure reforms (profit improvement vs. 2022)	¥2.0 billion	¥1.0 billion	¥1.3 billion	Core operating profit improved following the reduction of SKU*4 in low-profit businesses and reduction of unprofitable vending machine columns.
Others	Entire Sapporo Group	Fundamental restructuring of business portfolio (effectively improve core operating profit)	—	¥0.5 billion (vs. 2022)	¥1.1 billion (vs. 2022)	In the Overseas Alcoholic Beverages, a resolution was passed to dissolve Anchor Brewing and in the Food & Soft Drinks, the business portfolio was reorganized through the transfer of the plant-based yogurt business and other actions.

*1 Forex assumption: \$1 equals ¥130

*2 Local currency basis (Singapore dollars)

*3 Excludes OEMs *4 SKU: Stock Keeping Unit. The smallest unit for managing inventories.

Progress and Outlook of “Structural Reforms”

Improving core operating profit by further advancing previous structural reforms

Based on the business portfolio restructuring in the Medium-Term Management Plan, we are moving ahead with structural reforms of businesses that are positioned as “restructuring” or “divestment.”

In the Restaurants, which is positioned as “restructuring,” we worked on profit structure reforms, including restructuring unprofitable restaurants, and also made progress with enhancements to customer experience value and

productivity using digital technology. In the Domestic Food & Soft Drinks, we pushed ahead with cost structure reforms, including reducing SKUs in low-profit businesses and streamlining of sales promotion expenses.

As for “divestment,” we steadily divested from low-profit businesses that had been an issue for some time, such as the liquidation of Anchor Brewing in the U.S. and the transfer of the plant-based yogurt business. As a result of these efforts, we have increased profits by approximately 5.8 billion yen up to fiscal 2023.

In fiscal 2024, in addition to rising inflation resulting from

the ongoing surge in raw material prices, logistics costs are expected to soar due to the “2024 logistics problem” in Japan. We intend to improve profitability through structural reforms, including a fundamental review of unprofitable businesses, while appropriately responding to changes in the business environment. We will achieve sustainable growth by shifting resources to the Overseas Alcoholic Beverages and other businesses positioned for “reinforcement and growth” from fiscal 2025 onward, after structural reforms are completed by the end of fiscal 2024.

2022

2023

2024

Restaurants

Closure/restructuring of unprofitable restaurants

In response to the slump in demand at restaurants during the COVID-19 pandemic, we closed about 30% of unprofitable restaurants and strengthened our business structure to return to profitability.

Domestic Food & Soft Drinks

Reorganization of Shinsyu-ichi Miso Co., Ltd.'s business location

In February 2022, we restructured the business sites of Shinsyu-ichi Miso in order to concentrate management resources on the miso and instant miso soup businesses.

Restructuring of vending machine operator subsidiary

We liquidated Public Vending Service company, a subsidiary that runs vending machines whose performance deteriorated due to the COVID-19 pandemic.

Cost structure reforms

We steadily lowered costs by reducing SKUs in low-profit businesses and streamlining sales promotion expenses.

Entire Sapporo Group

Transfer of cafe business

In April 2022, we transferred our shares in Pokka Create Co., Ltd., which operates cafe business to C-United Co., Ltd.

Breakup of Anchor Brewing, a subsidiary in the U.S.

The resolution to dissolve Anchor Brewing Company, LLC was made due to the continued downturn in business performance caused by the COVID-19 pandemic and the lack of prospects for increasing profitability in the future.

Increased profits by approx. 5.8 billion yen up to 2023

Transfer of the plant-based yogurt business

In October 2024, we plan to transfer our plant-based yogurt business to Yakult Honsha Co., Ltd. with whom we have a business partnership agreement.

Structural Reform | Restaurants

Focusing on building a resilient business structure to improve profit margin.

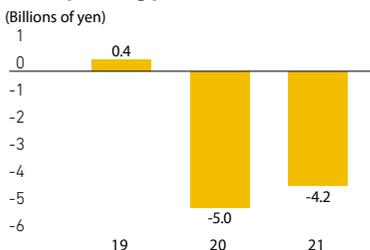
Background

Aiming to quickly restore profitability amid an uncertain business environment

The COVID-19 pandemic led to significant restrictions on operations at our restaurants, causing losses of 5 billion yen in fiscal 2020 and 4.2 billion yen in fiscal 2021. In addition, the restrictions on operations and the significant decline in sales due to reduced demand highlighted the issue of a high break-even point ratio across the restaurant industry.

We needed to quickly implement structural reforms to return to profitability as soon as possible and strengthen our earnings power, while responding to rising costs such as purchase prices, personnel costs, and energy prices.

Core operating profit (FY2019–FY2021)



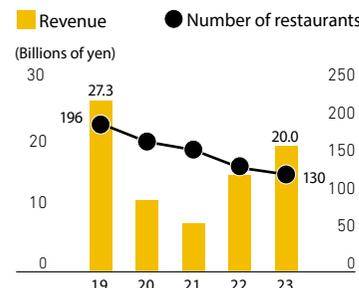
Initiative (1)

Implementing structural reforms including closure of unprofitable restaurants and lowering of fixed cost

Since fiscal 2020, we have been closing unprofitable restaurants, reducing our restaurant portfolio by about one-third so far. At the same time, we have reduced fixed costs and lowered the break-even point, transforming the business into a fit structure that can generate profits even with less than 70% of pre-COVID-19 sales.

In fiscal 2023, same-restaurant sales exceeded the level before the pandemic, thanks to a recovery in customer traffic, combined with the effect of price revisions. In particular, the increase in customer traffic, including inbound tourists in urban areas and seniors during daytime hours, contributed to sales. Going forward, we will continue to carefully monitor restaurant performance and promote appropriate management.

Trends in Revenue and Number of Restaurants



Initiative (2)

Harnessing digital technology to enhance customer experience value and raise productivity

The Restaurants serves as the Sapporo Group's point of contact with customers, providing comfort, peace of mind as well as the enjoyment of eating and drinking. Aiming to further enhance customer experience value, we are promoting value propositions utilizing purchasing data of members of the club LION and YEBISU BAR apps, as well as improving the quality of our restaurant operations based on hospitality.

We are also working to raise productivity and enhance customer convenience with digital technology, including the introduction of a table-top ordering system and an AI-powered telephone answering system.



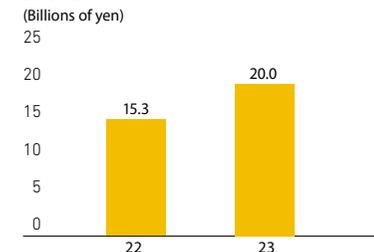
Results of initiatives

Returned the business to profitability following structural reforms

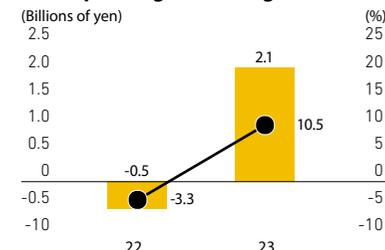
In fiscal 2023, the Restaurants business returned to the black, recording core operating profit of 2.1 billion yen on net sales of 20 billion yen.

Going forward, we will continue to focus on branding our Domestic Alcoholic Beverages while maintaining a core operating profit margin of around 8%.

Revenue



Core Operating Profit / Core Operating Profit Margin



Structural Reform | Domestic Food & Soft Drinks

Transitioning the business structure to shift resources to the lemon business.

Background Breaking away from a low-profit structure

The Domestic Food & Soft Drinks has suffered from inherently low profitability. In order to improve profitability, we will swiftly implement drastic cost structure reforms and restructuring of the business portfolio. It will also be important to implement price revisions as appropriate while keeping a close eye on soaring raw material, energy, and other costs and the state of Japan's economy. We will then focus our resources on the lemon business, where demand is expanding in response to the growing needs for "healthy" food in the marketplace, in order to break away from a low-profit structure.

Initiative (1) Executing drastic structural reforms

To improve profitability, we took steps to reduce costs in the supply chain. We significantly reduced SKUs*1 in low-profit businesses, cut waste disposal expenses by 40% from the previous year, and worked to improve the efficiency of sales promotion expenses. In the vending machine business, we dissolved subsidiary PVS*2 to curtail vending machine expenses. Other vending machine subsidiaries are also working to improve profitability by reducing unprofitable columns. Additionally, we have been concentrating management resources by restructuring the business' production bases, including the closure of its beverage plant in Okinawa, where aging facilities had become an issue.

Cost structure reforms
+1.3 billion yen
(2023)

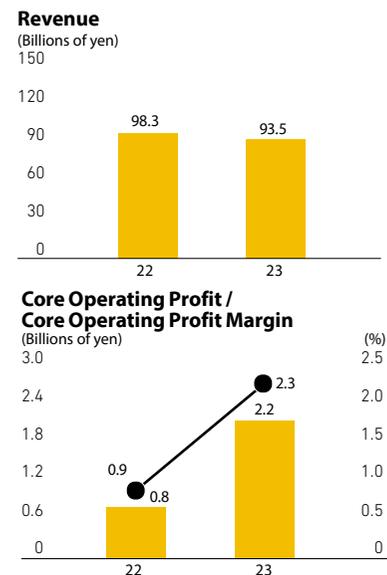
Initiative (2) Revision of business portfolio

Based on our business portfolio restructuring policy of selling or withdrawing from unprofitable and non-core businesses, we sold our cafe business, dissolved a vending machine operator subsidiary, and closed our miso business plant in fiscal 2022. In addition, in accordance with the restructuring of Group companies, Pokka Machine Co., Ltd. was transferred to Shibaura Machine Co., Ltd. in March 2024, and POKKA SAPPORO OFFICE SUPPORT Ltd. to UNIMAT LIFE CORPORATION in April 2024. Furthermore, in October 2024, the plant-based yogurt business (including the asset transfer of Gunma Plant No. 2) is scheduled to be transferred to Yakult Honsha Co., Ltd.

Fundamental restructuring of business portfolio
+1.5 billion yen
(2022 to 2023)

Results of Initiatives Steady progress of structural reform has improved core operating profit

In fiscal 2023, net sales totaled 93.5 billion yen and core operating profit 2.2 billion yen. Although sales decreased due to structural reforms, the core operating profit margin improved. In fiscal 2024, we will continue to transform our cost structure and portfolio to put our structural reforms on track, while at the same time working to grow our lemon business.



*1 Stock Keeping Unit. The smallest unit for managing inventories.
*2 Public Vending Service company

Progress and Outlook of “Reinforcement/Growth”

Accelerating growth of overseas businesses and enhancement of core business profitability

In the area of “Reinforcement and Growth,” we are steadily implementing initiatives to further grow our Overseas and Domestic Alcoholic Beverages.

In Overseas Alcoholic Beverages, positioned as a “growth” business, we began manufacturing Sapporo Premium Beer at Stone Brewing’s plant in the United States, aiming to leverage it as a growth driver following our acquisition in fiscal 2022. In

addition to aggressive brand investment, we will aim to further grow the Sapporo brand by creating synergies with Stone Brewing in terms of sales, too.

In Overseas Beverages also positioned as a “growth” business, growth exceeded that of the previous year as a result of our efforts to strengthen the sales system in Malaysia, our focus area, as the recovery in demand following the pandemic has run its course. Looking ahead, we will continue to enhance our brand visibility through marketing investments and strengthen our sales system to establish a

foundation for growth.

In Domestic Alcoholic Beverages, which is positioned as “reinforce profitability,” beer sales grew steadily as a result of enhanced marketing efforts centered on major brands. We will continue to improve earnings power by increasing the beer composition ratio in our product mix. Additionally, RTD sales reached a record high thanks to the growth of core brands. We will continue to aim for further growth in fiscal 2024 and beyond by strengthening core brands and proposing new products.



Reinforcement/Growth

Overseas Alcoholic Beverages

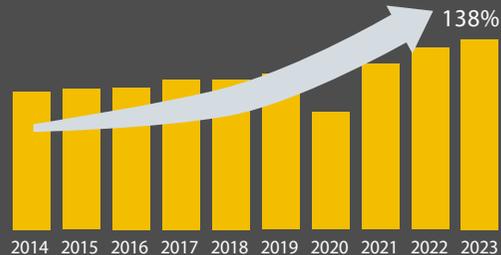
Sapporo Premium Beer continues to see strong sales in North America

The beer market in North America contracted slightly by 3.4% year-on-year against the backdrop of the growth of RTD and non-alcoholic beverages. In addition, growing health consciousness, including among the younger generation, is also having an impact, and the overall trend toward moderation in alcohol consumption is progressing. Meanwhile, imported beer, which accounts for about 20% of the beer market, continues to grow.

Against this backdrop, the Group's sales in North America increased significantly, especially in the off-trade chains segment, thanks to the development of a sales strategy focused on Sapporo Premium Beer ("SPB"). Sales volume of SPB in the United States increased 8% year-on-year, reaching a record high, and we maintained our top ranking in Asian beer sales for the 38th consecutive year.



Sales Volume Trends of Sapporo USA (vs. 2014)



TOPICS 1

Promoting integration of manufacturing and sales functions to generate synergies with Stone Brewing

We are working to (1) integrate manufacturing functions and (2) integrate sales functions to generate synergies with Stone Brewing.

In (1) integration of manufacturing functions, we have been working toward the production of SPB at Stone Brewing's two breweries located on the east and west coasts respectively, with production at the east brewery starting in December 2023. There were differences in manufacturing processes and other aspects of beer production between Sapporo Breweries and Stone Brewing, and the technical teams of both companies worked closely together to resolve and integrate them one by one.

In fiscal 2024, all SPB manufacturing for the United States will be transferred to Stone Brewing's two breweries, with plans to significantly reduce logistics costs from Canada and Vietnam to United States, resulting in cost synergies of approximately \$11 million. In addition, the SCM teams of Sleeman, a Group

company in North America, and Stone Brewing are working together to realize purchasing synergies in North America through the sharing of materials and raw materials.

Regarding (2) integration of sales functions, the sales organizations of SAPPORO USA and Stone Brewing were integrated in January 2023, and sales of both Sapporo and Stone Brewing brands began. After the integration, the sales strategy will focus on chains, leveraging Stone Brewing's strength in organized retail. SPB was adopted by 1,600 Walmart* stores in the United States, resulting in a significant increase in the number of stores carrying the product.

We will continue to invest aggressively in marketing to strengthen the brand and aim for further brand growth, especially in the off-trade chain segment.

*The world's largest supermarket chain headquartered in the United States.



Reinforcement/Growth

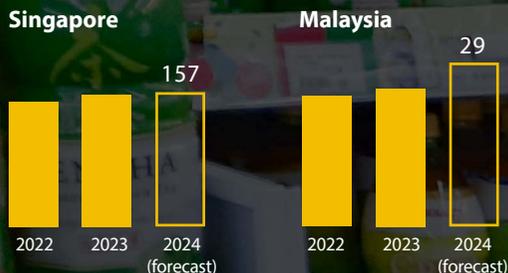
Overseas Beverages

Leveraging our strong regional presence mainly in Singapore

The POKKA brand has a strong position in the tea beverage category in Singapore with over 50% market share. We see the Malaysian market and export business to the rest of the world as pillars for further growth.

In fiscal 2023, revenue in Singapore increased from the previous fiscal year, remaining strong, especially in the off-trade channel, and the effect of price revisions also contributed. In Malaysia, our focus area, total demand was sluggish as the recovery in demand after the COVID-19 pandemic slowed, but revenue increased from the previous fiscal year as we strengthened our sales system, resulting in a growth rate that exceeded that of Singapore.

Sales of Overseas Beverages (millions of SGD)



TOPICS 2

Expanding sales in Malaysia and other countries with room for growth

In recent years, consumers in Singapore have become increasingly health-conscious due to stricter regulations on high-sugar sweetened beverages and other factors. To meet such market demand, POKKA is expanding its product lineup to include unsweetened tea, carbonated water, and other products that cater to health-conscious consumers. At the same time, POKKA is optimizing its distribution and sales network. In the first half of fiscal 2024, POKKA established the POKKA Logistic Hub, which consolidates distribution and office functions in

Singapore. This capital investment was made as part of our efforts to lay the foundation for further growth, with the aim of improving operational efficiency and addressing future inflation risks.

In the Malaysian market, a market with our greatest focus, we will accelerate sales expansion and earnings power enhancement by continuing to enhance POKKA brand recognition through stronger marketing and bolstering our sales system by expanding our distribution network.



Reinforcement/Growth

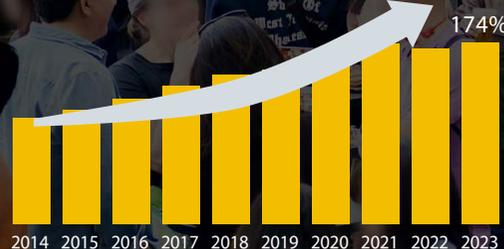
Domestic Alcoholic Beverages (Beer)

Growing demand for beer driven by Liquor Tax Act revision

In the alcoholic beverages market, despite negative factors such as a decrease in the number of drinkers due to Japan’s shrinking population and the curbing of drinking due to rising health consciousness, the revision of Japan’s Liquor Tax Act has led to a marked trend back to beer, and Sapporo Breweries’ beer sales volume grew 9% over the previous fiscal year.

While the share of beer in the overall alcoholic beverages market is about 50%, beer accounts for about 70% of Sapporo Breweries’ product portfolio. In a situation where demand for beer is growing, one of Sapporo Breweries’ advantages is that it has a high ratio of beer and owns a variety of beer brands with individuality and brand stories that are supported by its customers.

Shipments of Black Label (Canned) (vs. 2014)



TOPICS 3

Expanding the brand contact points of Black Label to further increase our presence

Black Label aspires to be a draft beer brand that taps into more sophisticated drinkers, having built a unique world view as a brand respecting people who seek out the finer things in life.

In addition, through the development of communication symbolized by the “Otona Elevator” advertising campaign, we have been promoting brand understanding and strengthening efforts to expand customer contact points, such as holding brand experience events and music festivals. This has earned the brand steady support from a wide range of consumers. The Black Label brand is on a steady growth trajectory, with the number of purchasers having increased

around 1.9 times over the past decade.

In fiscal 2024, we will step up our investment in sales promotion to further increase brand visibility. At the same time, we will promote the creation of die-hard fans by holding “THE PERFECT Black Label EXPERIENCE 2024,” a real-life experience event in 11 cities across Japan to enjoy the new, improved quality of Black Label under the theme of “a place to experience and realize the great taste of draft beer.”

By further extending brand contacts in terms of both quality and quantity, we aim to further enhance our presence in the beer market.



Reinforcement/Growth

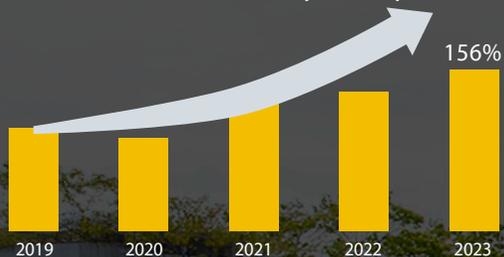
Domestic Alcoholic Beverages (RTD)

RTD market expected to grow over the medium to long term

The RTD market has doubled in size over the past decade, driven by factors such as the diversification of customer needs. Further acceleration of growth is expected as the revision of the Liquor Tax Act has increased the heightened price advantage of RTDs.

In this context, Sapporo Breweries' RTD business has been pursuing its own unique value, giving rise to core brands Koime no Lemon Sour and Otoko Ume Sour. In fiscal 2023, we introduced a series of new products, including Sapporo Nippon Shin Lemon Sour, under the theme of "new standard in mealtime drinking," and achieved record high sales, up 19% from the previous year on a value basis.

Sales Volume Trends of RTD (vs. 2019)



TOPICS 4

Installed new RTD manufacturing facilities at the Sendai Plant to boost our own production capacity

Conventionally, Sapporo Breweries has supplied RTD products using its own manufacturing facilities at its Shizuoka Brewery as well as outside manufacturing functions. In light of the recent growth trend in the RTD business, Sapporo Breweries invested approximately ¥4 billion to build new RTD manufacturing facilities at its Sendai Plant, with the aim of increasing in-house production capacity suitable for aggressive business growth and enhancing flexibility to address supply and demand. The Sendai Plant's alcoholic beverage production was limited to beer until the end of 2022, but it is now operating as an RTD production plant. This restructuring will approximately double in-house production capacity for RTDs. The ratio of in-house production was 63% as of 2023, but we aim to achieve 88% of in-house production by 2026, and we will strengthen our profitability by increasing the ratio of in-house production.

The new production line at the Sendai Plant is also capable of manufacturing pureed and mixed juice products, enabling us to develop more distinctive and diverse RTD products. In the future, we will continue to strengthen our manufacturing system and operate N-Wing Star, an AI-powered system for RTD product development, to provide new value to customers, aiming to establish a highly unique brand portfolio with rich individuality for the diverse RTD market.



Real Estate Business Strategy

Focusing on promoting community development and increasing the value of portfolio properties

The strength of the Sapporo Group's Real Estate business is found in its ties with local communities, particularly in Ebisu, Sapporo, and Ginza, with which the Group is strongly associated, as well as in its co-creative relationships with local governments and partners in community development.

Under the Medium-Term Management Plan, we are working on a number of initiatives to increase the value of our portfolio properties in the Ebisu and Sapporo areas and to strengthen competitiveness by promoting community development.

In fiscal 2024, in the Ebisu area, we will implement measures to emphasize to visitors and office workers the appeal of Yebisu Garden Place, which is celebrating its 30th anniversary since its grand opening. In the Sapporo area, we plan to open a new facility in the Sosei East Area, which is garnering attention as a popular destination in Sapporo. We will continue to promote initiatives to realize our Medium-Term Management Plan, aiming to enhance the value of the Sapporo Group and increase the overall value of our assets over the long term.

In addition, we have revised our policy to curtail equity investments and investments in other asset turnover businesses, which we had planned to strengthen at the start of the Medium-Term Management Plan. This is due to interest rate trends and changes in the real estate market, and to limit spending to more selective investments.

TOPICS 5

Revamping the brand concept ahead of Yebisu Garden Place's 30th anniversary

Yebisu Garden Place has revamped its brand concept to "Work, Play, and Be inspired" ahead of its 30th anniversary in October 2024. The goal is to create a facility where "work" and "play" intersects to generate new discovery and "inspiration." Yebisu Garden Place will continuously hold events throughout the year symbolic of the anniversary and embody the brand concept, such as the 30th anniversary beer brewing experience in collaboration with Yebisu Brewery Tokyo, which opened in April 2024.



TOPICS 6

Initiatives to revitalize the Sapporo area

In the Sosei East Area, which is garnering attention as a popular destination in Sapporo, we undertook a sweeping renovation of Hotel Clubby Sapporo, which opened at the same time as Sapporo Factory. In January 2024, we opened Hotel Sosei Sapporo MGallery based on the design concept of the pioneering spirit and land story of the area.

In August 2024, we will open an office and commercial facility called Sosei Cross at the site of the former Sapporo Factory No. 4 parking lot in the same area. Together with the hotel, this new facility will revitalize the Sosei East Area.



Part 4

Financial Strategy

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36 Financial Highlights

Message from Managing Director (Corporate Finance)

Further accelerating initiatives to unlock greater growth and escape from a low profit situation



Yoshitada Matsude

Managing Director
(Member of the Board)

Review of Fiscal 2023

Achieved the financial targets in the first fiscal year of the Medium-Term Management Plan after making steady progress with reinforcement of beer business and structure reforms

Under the Medium-Term Management Plan that kicked off in fiscal 2023, the Group has promoted a financial strategy focused on sustainable growth and capital efficiency, and has emphasized strengthening its ability to generate cash flows

and improve its balance sheet.

Fiscal 2023 got off to a good start as the first year of the Medium-Term Management Plan, with steady progress in reinforcement of beer business and structure reforms, resulting in increased revenue, core operating profit, and dividends. We also achieved our annual financial targets, including raising ROE to 5%. Furthermore, balance sheet reforms, including business portfolio reforms, reshuffling of real estate holdings, and a review of asset holdings, including a reduction in cross-shareholdings, are progressing smoothly.

Basic Policy on Financial Strategy

Promoting financial strategy focused on sustainable growth and capital efficiency to enhance corporate value

- Aim to achieve the financial targets of the Medium-Term Management Plan (ROE of 8% or more, overseas revenue and EBITDA growth of 10%/year in fiscal 2026)
- Promote both investment in growth and shareholder returns based on the cash allocation policy

Achieving sustainable growth

Improve profitability of each business

- Achieve business growth: actively grow business in areas of strength
- Cost structure reforms: establish more resilient business structure that can adapt to changes in the business environment

Growth investment

- Investment in overseas businesses with growth potential
- Investment in domestic business to reinforce the revenue base

Reducing the cost of capital

Strengthening of ESG

- Mitigate long-term risks by promoting sustainability management and strengthening governance

Improved SR and IR

- Eliminate asymmetries of information by expanding disclosures

Increasing capital efficiency

Thoroughly monitor businesses using ROIC as an indicator

- Use ROE for companies and ROIC for business segments

Review of business portfolio

- Fundamentally review businesses positioned as restructuring or reorganization

Balance sheet reforms

- Review of owned assets: improve or divest unutilized assets and optimize inventories
- Reduce cross-shareholdings

Shareholder returns

- Increase dividend in line with profit growth

Message from Managing Director (Corporate Finance)

Thus, we recognize that our fiscal 2023 financial results are not a temporary improvement in performance due to the recovery after the COVID-19 pandemic, but rather an increase in revenue and core operating profit resulting from improvement in our ability to generate cash flow and profitability. Of course, we have not yet reached the level that will satisfy our shareholders and investors, but we intend to further accelerate our efforts to achieve the final goal of our Medium-Term Management Plan.

Extensively Monitor Each Business using ROIC as an Indicator

In managing our business portfolio, we focus on monitoring each business using ROIC (return on invested capital) as a key indicator in order to improve capital efficiency from a medium-term and stable perspective. In other words, the Board

of Directors regularly confirms not only whether each business is profitable or loss-making, but also whether ROIC will exceed WACC in the medium to long term.

Under this monitoring system, one of the business portfolio reforms decided in fiscal 2023 was the liquidation of Anchor Brewing. On the other hand, the Restaurants business, which had been undergoing in-depth structural reforms during the pandemic, achieved profitability in all quarters of fiscal 2023 and significantly improved its core operating profit margin, and thus changed its positioning in the business portfolio from “restructuring” to “strengthen profitability.”

In addition, we use the ROIC tree as a driver to control and improve capital efficiency. By adopting the ROIC tree, we are working to improve indicators by incorporating the indicators broken down from ROIC into KPIs of each division, setting action plans based on these indicators in each business and autonomously implementing the PDCA cycle.

Progress of Cash Allocation

Ensuring Financial Flexibility in Preparation for Growth Investment Opportunities by Reviewing Investment Policy and Speeding Up Asset Reductions

In the Medium-Term Management Plan, we initially set cash flows from operating activities at 150 billion yen and cash flows from investing activities at 130 billion yen, and we planned to respond flexibly to opportunities to invest in growth, such as M&A, by utilizing debt capacity to the extent that we can maintain our current credit rating.

However, we have revised our cash allocation in consideration of the subsequent curtailment of investment in the real estate business and our policy of redoubling balance sheet management. We revised our cash flows from investing activities to 80 billion yen and decided to use the remaining 50 billion yen to reduce interest-bearing debt financing. The objective is to generate investment capacity for further growth in the Alcoholic Beverages business.

We hope to secure financial safety and flexibility by

Progress on Financial Targets

	Results for fiscal 2022	Plan at start of fiscal 2023	Results for fiscal 2023	Plan for fiscal 2024	Targets for fiscal 2026
ROE	3.3%	3.3%	5.0%	5.5%	8.0%
Core operating profit*1	¥9.3 billion	¥13.5 billion	¥15.6 billion	¥19.0 billion	¥25.0 billion
EBITDA (CAGR)	—	16%	20.6%	16.7%	Around 10%
EBITDA*1	¥29.9 billion	¥34.7 billion	¥36.0 billion	¥40.7 billion	¥50.0 billion
Overseas revenue (CAGR)	—	9%	17.0%	10.3%	Around 10%
Overseas revenue*1	¥102.2 billion	¥111.8 billion	¥119.6 billion	¥124.4 billion	¥140.0 billion

*1 A standard used to measure achievement of financial targets

Progress toward Core Operating Margin Target

	Results for fiscal 2022	Results for fiscal 2023	Plan for fiscal 2024	Targets for fiscal 2026
Domestic Alcoholic Beverages	3.5%	5.3%	5.7%	5.7%
Overseas Alcoholic Beverages	-0.4%	-0.3%	1.1%	6.2%
Restaurants	-3.3%	10.5%	8.8%	5.0%*3
Domestic Food & Soft Drinks	0.9%	2.3%	2.4%	3.8%
Overseas Beverages	3.6%	-2.2%	4.6%	5.0%
Real Estate*2	4.9%	4.7%	4.7%	5.7%

*2 ROA on an EBITDA basis

*3 Aim to maintain profit level of 2024

Message from Managing Director (Corporate Finance)

reducing interest-bearing debt financing by 50 billion yen, and at the same time, secure investment capacity of about 100 billion yen combined with debt capacity by accelerating asset reductions and other measures.

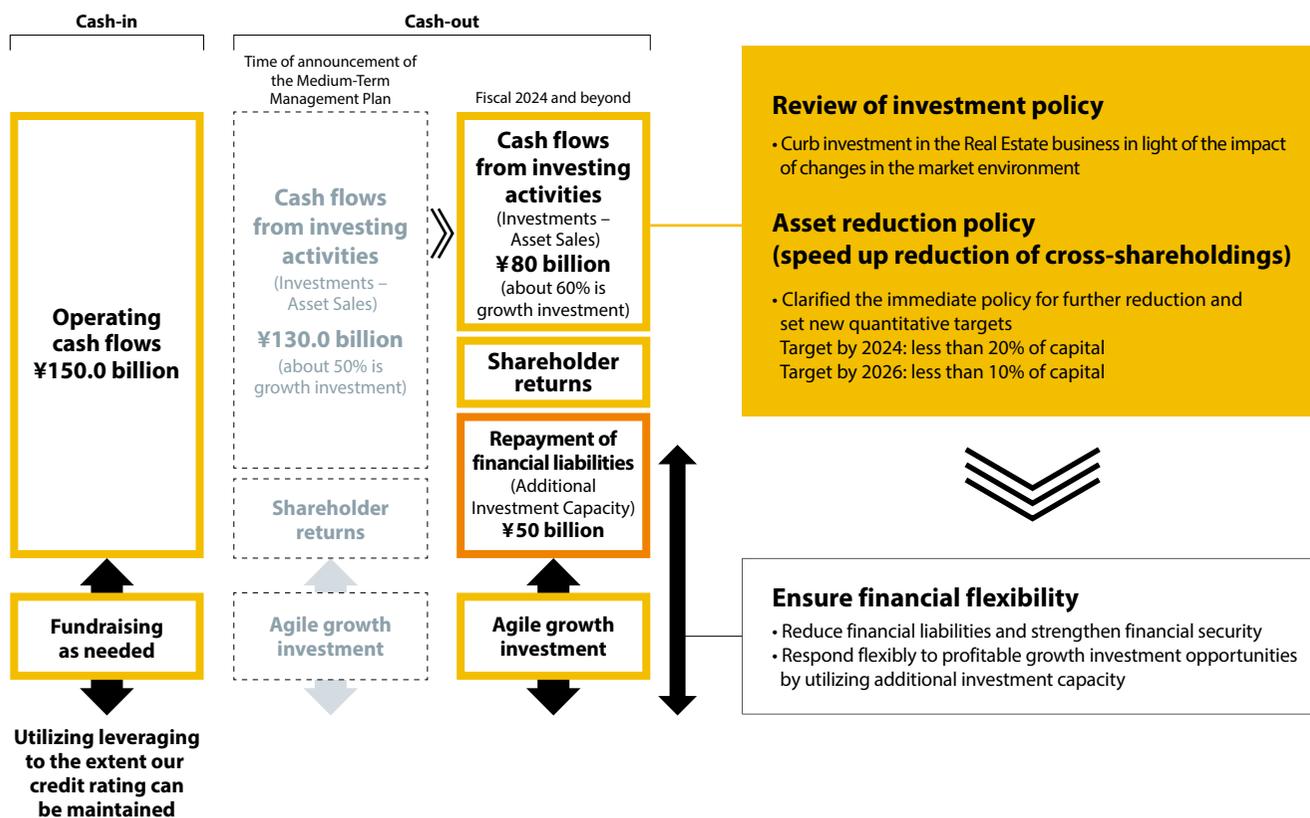
As an additional concrete measure, we have set a new quantitative target to sell more than 10 billion yen of cross-shareholdings by the end of fiscal 2024, reducing it to less than 20% of equity, and to less than 10% by the end of

fiscal 2026. In addition to this, we plan to ensure financial flexibility for future agile investments in growth by selling assets associated with structure reforms, such as the liquidation of Anchor Brewing, reducing inventories in each business, selling underutilized real estate, and curbing investment in real estate turnover-type businesses.

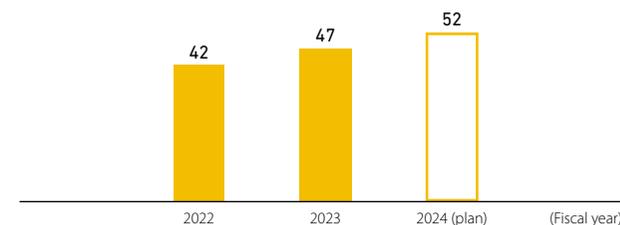
Our policy for returning profits to shareholders and investors is to maintain stable dividends at the lower limit of the

current dividend, while aiming to increase the dividend in line with profit growth. In fiscal 2023, we have increased the annual dividend by 5 yen to 47 yen per share in light of profit growth. In fiscal 2024, we intend to increase the annual dividend for the second consecutive year to 52 yen per share. We will continue to strive to maintain and improve the level of dividends while further strengthening our earnings power and achieving profit growth under our Medium-Term Management Plan.

Cash Allocation during the Four-Year Period



Dividend per Share (Yen)



Promoting Management Conscious of the Cost of Capital and Share Price

Meeting the expectations of capital markets by achieving ROE of 8%

Although ROE, an indicator of return on invested capital, steadily improved from 3.3% in fiscal 2022 to 5% in fiscal 2023, it has not yet reached a level that exceeds the cost of shareholders' equity. We will continue to promote management that is conscious of the cost of capital and share price, and will make every effort to achieve the ROE target of 8% in the final year of the Medium-Term Management Plan.

To this end, we will first work to strengthen profitability, which is also our most important task. In the Alcoholic Beverages business, we will focus on strengthening beer business and RTD in Japan, reinforcing the Sapporo brand in the U.S., and creating synergies with Stone Brewing, while steadily enhancing profitability by advancing structural

Message from Managing Director (Corporate Finance)

reforms in the Food & Soft Drinks business. We will also focus on bolstering our balance sheet management. We will continue to improve capital efficiency by accelerating the review of assets, including the reduction of cross-shareholdings and underutilized assets.

Regarding financial leverage, we had expected a D/E ratio of about 1.4 times when we formulated our Medium-Term Management Plan, but in light of the subsequent interest rate environment and the need to secure sufficient investment capacity, we hope to maintain financial stability by keeping the D/E ratio below 1 times.

Through these efforts, we will strive to achieve ROE of 8%, and in the long term, we aim to reach ROE of 10% or more, becoming an even more attractive company to shareholders and investors.

Reducing the Cost of Capital by Improving Our Ability to Achieve Plans and Strengthening ESG along with IR/SR Activities

We recognize that our current cost of shareholders' equity is approximately 6%. We intend to increase the equity spread by increasing ROE while at the same time reducing the cost of shareholders' equity.

In order to lower the cost of shareholders' equity, we must raise the expectations and confidence of our shareholders and investors in the future of the company through mitigation of business risks and engagement with the capital markets. Further strengthening of ESG is important to reduce business risks. We will promote sustainability

management based on the nine material issues (materiality) we identified in 2022 to reduce medium- and long-term risks.

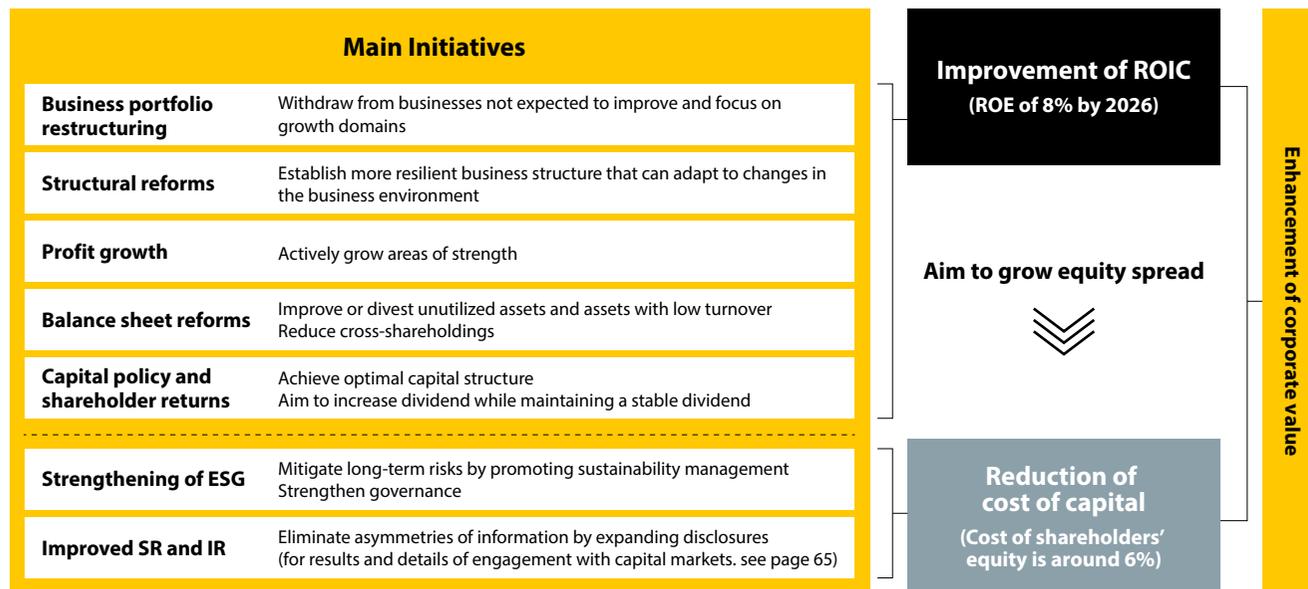
Meanwhile, with regard to engagement with the capital markets, we will enhance IR/SR activities more than ever. In addition to disclosing appropriate information in a timely manner, we will actively create opportunities for two-way dialogue that goes beyond the provision of one-way information, thereby eliminating information asymmetries and further building a relationship of trust with investors.

Most importantly, we will strengthen our commitment to business performance. We take seriously the fact that we have repeatedly failed to meet the Medium-Term Management Plan's targets and live up to everyone's expectations. Going forward, we will strengthen the profitability of our operations and thoroughly monitor progress to increase the certainty of achieving the plan.

Overcoming this "lack of strong commitment to performance" is a key issue in our Medium-Term Management Plan, along with overcoming "low capital profitability." The Medium- to Long-Term Management Policy announced in February 2024 sets out our future vision beyond the current Medium-Term Management Plan and our management policy for medium- to long-term value enhancement, taking into account these inherent challenges and our strengths.

In addition to steadily implementing the measures in the Medium-Term Management Plan and achieving the targets set out for 2026, the final year, we will achieve sustainable growth and improve capital efficiency by concentrating management resources in "businesses with competitive advantages" and "businesses in which synergies with Alcoholic Beverages business can be created" to further enhance corporate value. I ask for the continued support and understanding of our stakeholders and investors going forward.

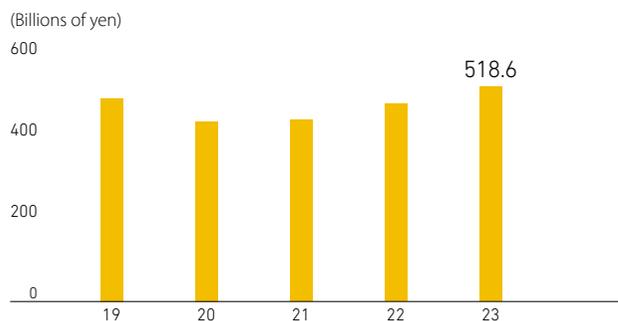
Initiatives for Increasing ROIC and Reducing the Cost of Capital



Financial Highlights *Figures are prepared based on IFRS.

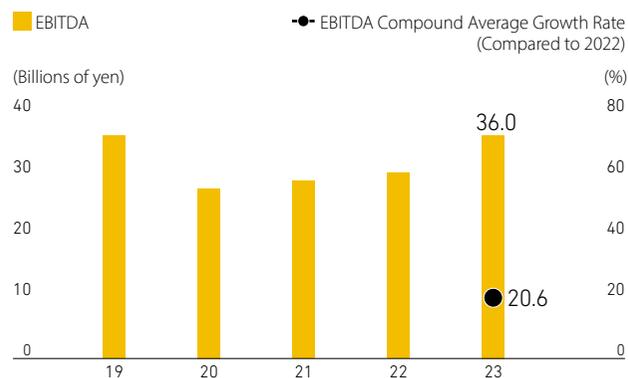
Profitability

Revenue (Including Liquor Tax)



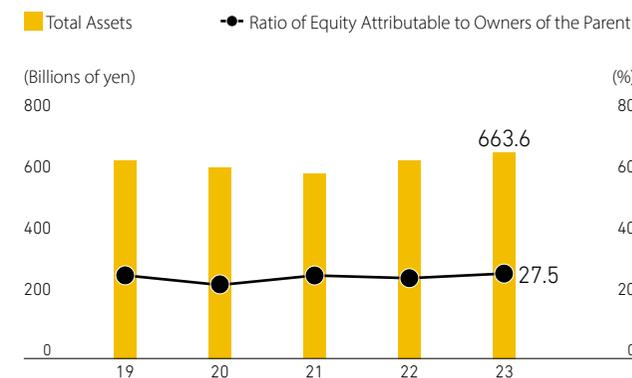
Growth

EBITDA / EBITDA Compound Average Growth Rate

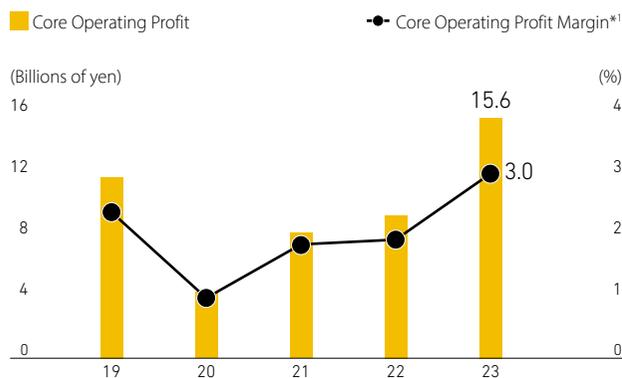


Safety

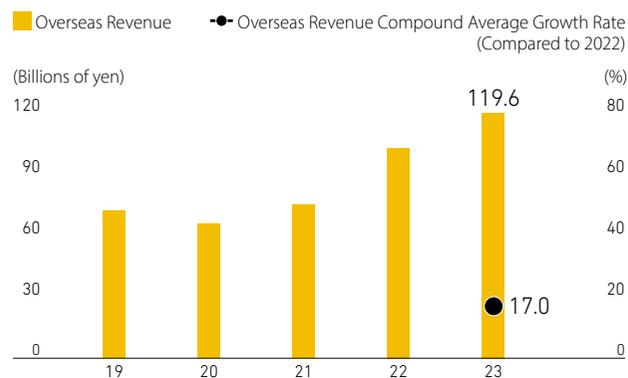
Total Assets / Ratio of Equity Attributable to Owners of the Parent



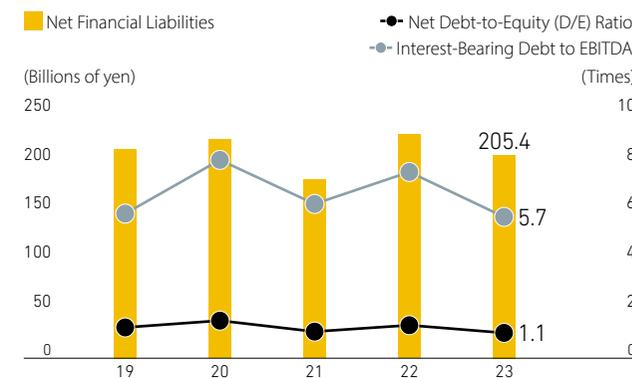
Core Operating Profit / Core Operating Profit Margin*1



Overseas Revenue / Compound Average Growth Rate



Net Financial Liabilities*2 / Net Debt-to-Equity (D/E) Ratio / Interest-Bearing Debt to EBITDA*3



*1 Core operating profit margin is calculated as core operating profit ÷ revenue (including liquor tax).

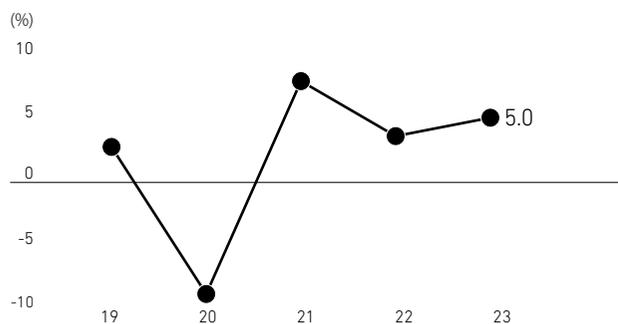
*2 Including commercial paper but excluding the balance of lease obligations.

*3 Net Financial Liabilities (excluding lease liabilities) / Equity attributable to owners of parent

Financial Highlights *Figures are prepared based on IFRS.

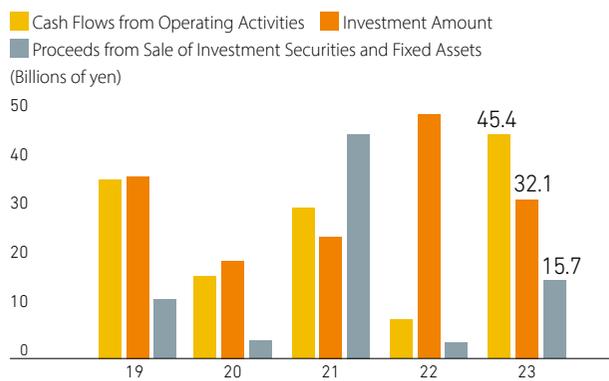
Capital efficiency

ROE



Cash flows from operating activities and investments

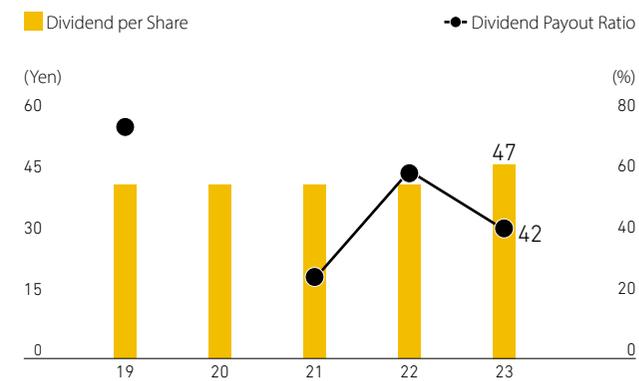
Cash Flows from Operating Activities / Investment Amount*4 / Proceeds from Sale of Investment Securities and Fixed Assets



*4 Investment amount is calculated as cash flows from investing activities + proceeds from sale of investment securities and proceeds from sale of investment property.

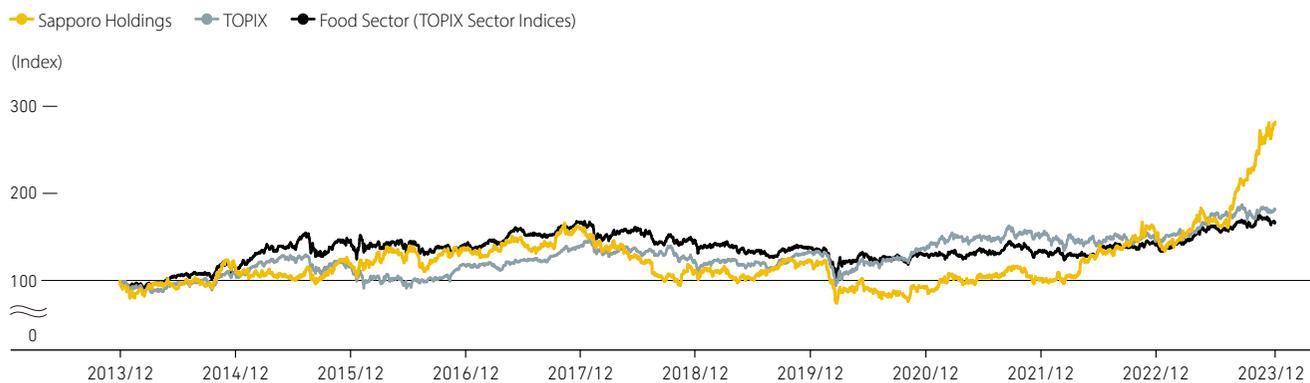
Shareholder returns

Dividend per Share



Share price performance

Trend in Share Price*5



*5 Stock price index assuming the closing price on December 31, 2013 as 100.

Total Shareholder Return (TSR)*6

	Trailing 1 year	Trailing 3 years	Trailing 5 years	Trailing 10 years
Sapporo Holdings	191%	319%	281%	300%
TOPIX incl. dividends	128%	141%	179%	228%

*6 Return on investment if dividends are reinvested. Indicates the rate of return for the holding period retroactive to the closing price on December 31, 2023.

	2013/12		2023/12
Share price	2,210 Yen	→	6,218 Yen
PER	18.2 times	→	55.5 times
PBR	1.1 times	→	2.7 times

Part 5

Sustainability

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- 43 Realization of a Decarbonized Society
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- 49 Creating a Recycling Society / Realization of a Society in Harmony with Nature / Building a Sustainable Supply Chain
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Sustainability Management

Governance

The Sapporo Group established the Group Risk Management Committee and the Group Sustainability Committee, both chaired by the President and Representative Director of Sapporo Holdings, as advisory bodies to the Management Council. The Group Risk Management Committee discusses the occurrence of sustainability-related risks in the Group, how to respond to them, and how to prevent their recurrence on a semiannual basis, and the secretariat of the committee reports to the Board of Directors at least twice a year. The Group Sustainability Committee formulates overall policies to promote sustainability management throughout the Group and reports at least twice a year to the Board of Directors on progress in addressing overall sustainability issues, including issues related to climate change and human assets.

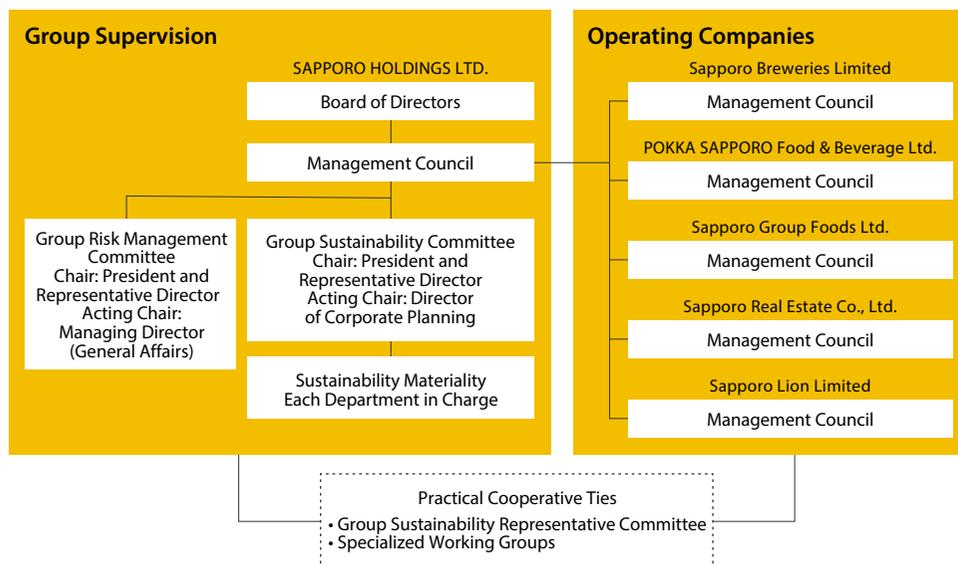
The Board of Directors monitors and supervises efforts to address issues reported by the respective committees and the progress toward reaching the established targets.

In addition, “ESG indicators” and “employee engagement” are incorporated into the performance-linked stock-based compensation for directors, and the degree of contribution to sustainability initiatives is reflected in officer compensation.

Strategy

The Sapporo Group evaluates a broad range of social issues and their relevance to each of its business segments, in terms of the impacts our business operations have on society and the environment along with the social and environmental impacts on our financial condition, from the perspective of risks and opportunities. As a result, we identified nine sustainability material issues, which are centered on “harmony with the environment,” “co-prosperity with society,” and “success of human resources.” Of these, we have positioned “realization of a decarbonized society,” “mutual prosperity with local communities,” and “active participation of diverse human resources” as our most important issues due to their relevance to the Group’s business segments and the magnitude of their impact on risks and opportunities. By promoting specific initiatives to resolve each issue, we aim to realize a sustainable society and at the same time create economic value.

The Sapporo Group’s Sustainability Implementation Structure



Risk Management

The Sapporo Group ensures the longevity of its businesses by gaining a comprehensive understanding of the potential risks to both its businesses and the operating environment and by providing a high-priority response. See the “Risk Management” section for our basic approach to risk management and other information. (→P.77)

Indicators and Targets

For each of the sustainability material issues, we have set targets and are promoting initiatives to achieve them while monitoring the progress of our actions.

For details, please see the following table on our website.
<https://www.sapporoholdings.jp/en/sustainability/policy/systems/>

Sustainability Material Issues (Materiality)

Classification	Most important issues	Material issues		Impact on society and the environment	Impact on business	Main Initiatives in Fiscal 2023
Harmony with the environment	★	Realization of a decarbonized society	Risks			<ul style="list-style-type: none"> ▶ P. 43 Reducing greenhouse gas emissions at Group-owned bases and supply chains ▶ P. 45 Information disclosure following the TCFD recommendations
			Opportunities			
		Creating a recycling society	Risks			
			Opportunities			
		Realization of a society in harmony with nature	Risks			▶ P. 49 Nature-related disclosures following the recommendations of the TNFD
			Opportunities			
Co-prosperity with society	★	Mutual prosperity with local communities	Risks			<ul style="list-style-type: none"> ▶ P. 41 Sustainable urban development that contributes to improving area brand value ▶ P. 42 Co-prosperity between business activities and local communities through lemons
			Opportunities			
		Providing health value	Risks			
			Opportunities			
		Building a sustainable supply chain	Risks			▶ P. 49 Respect for human rights in the supply chain
			Opportunities			
Success of human resources	★	Active participation of diverse human resources	Risks			▶ P. 53 Priority issues in human resources strategy and main measures
Promote responsible drinking			Risks			▶ P. 50 Awareness-raising of responsible drinking
Providing safe products and facilities			Risks			
			Opportunities			

For details, please see the following table on our website.
<https://www.sapporoholdings.jp/en/sustainability/policy/systems/>

Mutual Prosperity with Local Communities

Sustainable urban development that contributes to improving area brand value

Sapporo Real Estate is working to address a number of social issues. For example, the properties it owns are powered by effectively 100% renewable energy. In addition, the Office Tower and Center Plaza Office at Yebisu Garden Place have received the highest rank of “S” in CASBEE Wellness Office certification, which assesses the health and comfort of workers. The company will continue efforts to create and nurture vibrant time and spaces for sustainable development that contributes to the improvement of area brand value.

30th anniversary events for Yebisu Garden Place

We revamped Yebisu Garden Place’s brand concept to “Work, Play, and Be inspired” ahead of its 30th anniversary in October 2024. In 2024, the facility will host a number of events throughout the year that are unique to this anniversary year.



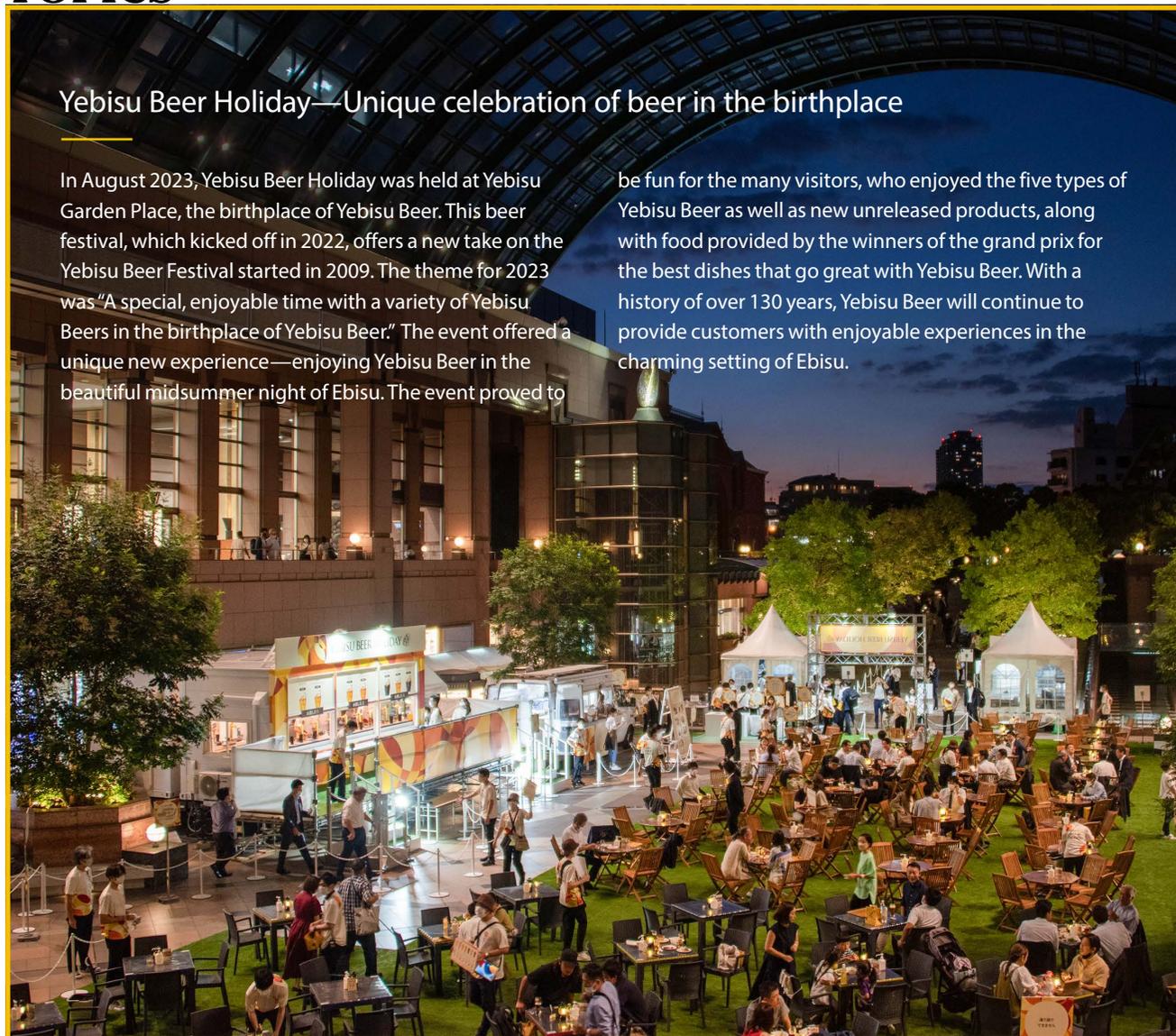
Project team for one of the projects

TOPICS

Yebisu Beer Holiday—Unique celebration of beer in the birthplace

In August 2023, Yebisu Beer Holiday was held at Yebisu Garden Place, the birthplace of Yebisu Beer. This beer festival, which kicked off in 2022, offers a new take on the Yebisu Beer Festival started in 2009. The theme for 2023 was “A special, enjoyable time with a variety of Yebisu Beers in the birthplace of Yebisu Beer.” The event offered a unique new experience—enjoying Yebisu Beer in the beautiful midsummer night of Ebisu. The event proved to

be fun for the many visitors, who enjoyed the five types of Yebisu Beer as well as new unreleased products, along with food provided by the winners of the grand prix for the best dishes that go great with Yebisu Beer. With a history of over 130 years, Yebisu Beer will continue to provide customers with enjoyable experiences in the charming setting of Ebisu.



Mutual Prosperity with Local Communities

Regional revitalization business

Sapporo Breweries engages in various support activities through its Regional Revitalization Business Group, Business Creation & Development Department. This includes branding of regional foods and support for sales channel development, with the aim of “continuously contributing to the resolution of regional issues.” To find solutions to regional development issues in cooperation with local governments, the company holds events to match producers with restaurants through the introduction of food ingredients as part of its support for restaurants, offers assistance for development of new menu ideas, and continues to develop initiatives that contribute to the promotion and development of regional foods.

Support Provided in 2023

Local government	Details
Miyagi Prefecture	Sales channel expansion for sea squirt at mass retailer in northern Kanto
Miyagi Prefecture	Sea squirt fair at Okinawan restaurant
Fukushima Prefecture	Sales channel expansion for agricultural and marine produce at restaurants
Fukushima Prefecture	Face-to-face business meetings and seminars at HAPPO-EN
Ibaraki Prefecture	Sales channel expansion for agricultural produce
Gifu Prefecture	Sales channel expansion for Hida beef and ayu sweetfish
Kochi Prefecture	Sales channel expansion for marine produce
Fukuoka Prefecture	Held fair for leading chefs in the Tokyo metropolitan area
Fukuoka Prefecture	Held fair for leading chefs in the Kansai region

Future initiatives

We will continue to create new value by utilizing the resources of the Sapporo Group to engage in joint projects with local governments. We will also engage in careful communication with local communities and governments, and take on the challenge of creating new business plans to solve local issues.

Co-prosperity between business activities and local communities through lemons

POKKA SAPPORO Food & Beverage is committed to “promotion of domestic lemon production” as one of the material issues for sustainable growth of the lemon business.

In April 2019, the company began cultivating lemons in Osakikamijima Town, Hiroshima Prefecture, with the aim of confronting issues facing local communities by revitalizing domestic lemon production. The company currently has two lemon farms of its own and one lemon farm under contract, which together have approximately 330 lemon trees. In addition, the company is actively promoting efforts for the development of lemon production areas, such as supporting activities to advance domestic lemon production by making donations through the shareholder special benefits program of Sapporo Holdings.

The company is developing nutrition education activities in various parts of Japan focusing on the health value of lemons, thereby contributing to customers’ healthy and energetic lives while achieving mutual prosperity with local communities.

Concept of “community co-creation” with Osakikamijima Town, Hiroshima Prefecture



Realization of a Decarbonized Society

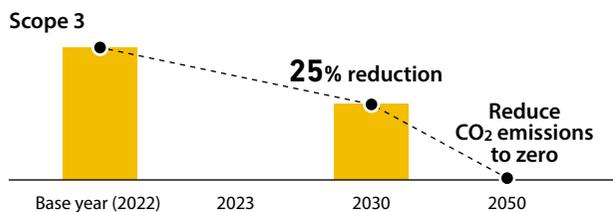
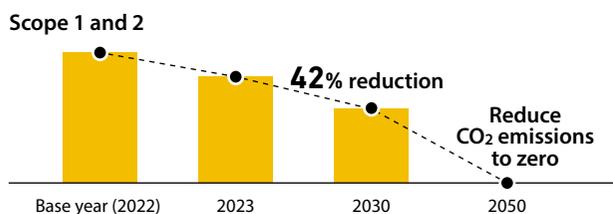
Reducing greenhouse gas emissions at Group-owned bases and supply chains

The Sapporo Group has set the “realization of a decarbonized society” as one of its most important issues. To achieve our greenhouse gas emission reduction targets, we have set the goals for 2030 of “42% reduction in Scope 1 and 2 compared to 2022,” “25% reduction in Scope 3 compared to 2022,” and “31% reduction in FLAG* Scope 1 and 3 compared to 2022.” We obtained SBT certification for these targets and were also the first company in Japan to obtain this certification for targets including FLAG.

*FLAG: Forest, Land and Agriculture; refers to agriculture, forestry, and other land use-related sectors; FLAG-related emissions are non-energy greenhouse gases in these sectors.

Greenhouse Gas Emissions Reduction Targets

■ Amount of greenhouse gases ● Reduction rate



FLAG Scope 1 and 3: 31% reduction compared to 2022

TOPICS 1

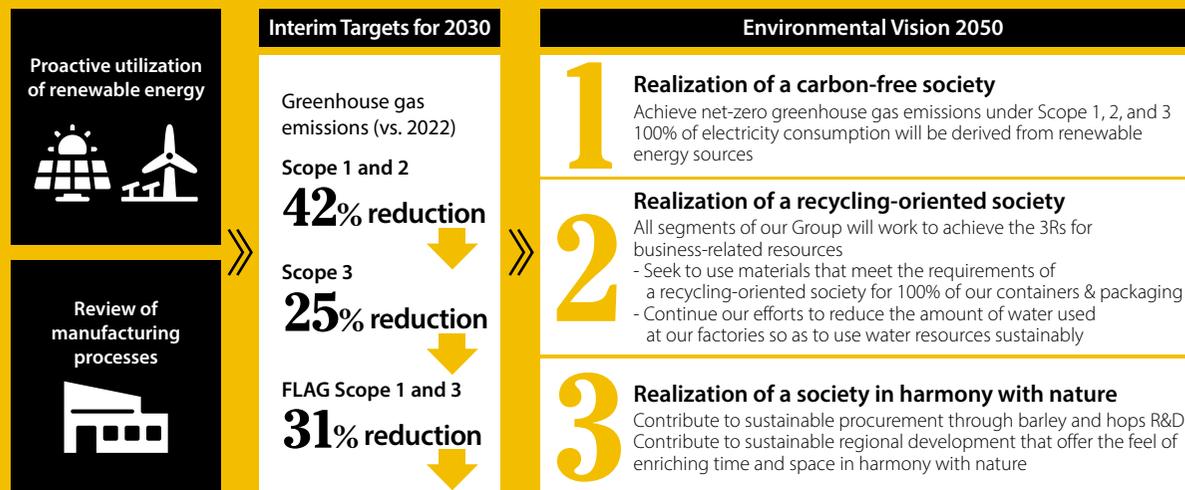
Revision of Sapporo Group Environmental Vision 2050

In 2019, Sapporo Holdings formulated the Sapporo Group Environmental Vision 2050. Since then, we have been strengthening actions under the themes of “decarbonized society,” “recycling society,” and “society in harmony with nature.”

In July, 2023, we revised a part of this vision and set “achieve net-zero greenhouse gas emissions under Scope

1, 2, and 3” and “100% of electricity consumption will be derived from renewable energy sources” as our new targets for 2050. In order to achieve these targets, we have also set interim targets for 2030, which the entire Group will work to achieve through active use of renewable energy and review of manufacturing processes.

Initiatives Aimed at Achieving Environmental Vision 2050



Realization of a Decarbonized Society

TOPICS 2

Decarbonizing the electricity of portfolio properties and establishing a roadmap for renewable energy

Sapporo Real Estate has decided to convert all electricity procured by the company for all of its portfolio properties to renewable energy from April 2023 onward, with the aim of addressing global environmental issues and increasing the value of these properties. It has also established an interim decarbonization roadmap. From April 2023 to March 2024, the company expects to reduce CO₂ emissions by approximately 25,000 tons, including those of tenants. Furthermore, by 2025, the company aims to become carbon neutral not only in terms of electricity consumption, but also in terms of city gas and heat energy. In 2040, the company will also create energy for its own electricity use and promote a shift to renewable energy*1 sources with greater scalability.

Sapporo Real Estate's Renewable Energy Roadmap

2022	100% of electricity consumption of Yebisu Garden Place transitioned to renewable energy sources ²⁰²³
2023	Transitioned all portfolio properties to electricity generated from effectively renewable energy (100% of the electricity it procures), achieving decarbonization of electricity
2024	Optimization of methods for transitioning to electricity generated from renewable energy (consideration of RE100 compliance, etc.)
2025	Decarbonization of energy other than for electricity, such as fuel and heat energy, for portfolio properties, to decarbonize the entire company
2040	Creation of energy for the electricity the company uses

TOPICS 3

Reduced CO₂ emissions by around 44 tons per year by promoting modal shift

Sapporo Breweries has switched part of its truck transport of beer products manufactured at the Sapporo Breweries Chiba Brewery to rail transport to the Sendai Distribution Center, using railroad containers provided by Japan Freight Railway Company. This has enabled the company to reduce the number of long-distance truck shipments, which is expected to lower CO₂ emissions by approximately 44 tons per year.

In addition, the automatic packing machinery installed in the warehouse of NIPPON TRANSPORTATION WAREHOUSE Co., Ltd.'s Sumidagawa Branch First Sales Office automates packing operations to prevent cargo from falling over during transportation, thereby reducing the workload during shipment and the waiting time of drivers.



TOPICS 4

Installation of solar power generation systems at manufacturing sites

Sapporo Breweries has installed solar power generation systems using the PPA model*2 at its Okayama Winery, Hokkaido Brewery, Gunma Brewery, and Frontier Laboratories of Value Creation.

In addition, the Nagoya Plant of POKKA SAPPORO Food & Beverage started PPA model solar power generation in November 2023. The Gunma Plant has also been striving to conserve and create energy by installing solar panels on the roof and installing LED lighting since 2014.



*1 Has the effect of encouraging an increase in new renewable energy facilities and is expected to contribute to the spread of renewable energy in society.

*2 A model in which a power producer installs a photovoltaic power generation system on a business's premises at the power producer's expense and supplies the generated electricity to the business.

Information Disclosure Following the TCFD Recommendations

Sapporo Holdings agrees with the recommendations put forth by the Task Force on Climate-related Financial Disclosures, which encourage companies to evaluate and manage risks and opportunities associated with climate change and to disclose related information, and is therefore actively promoting such information disclosure.

We recognize climate change as a highly important issue requiring a global effort. Therefore, we conduct scenario analyses to derive multiple hypothetical business

environments as a means of resolving issues, both in terms of mitigation and adaptation. This process identifies risks and opportunities, and the results thereof are reflected in our strategies and initiatives.



Item	Details
Governance	We established the Group Sustainability Committee, chaired by the President of Sapporo Holdings, as an advisory body to the Management Council to aid the environmental management initiatives of each operating company and to promote and control the environmental conservation activities. Along with this, operating companies have been developing environmental conservation frameworks that align with their business characteristics.
Strategy	We aim for business structural reforms targeting decarbonization and comprehensive energy conservation measures. We are also working to prevent global warming by utilizing renewable energy. In response to climate change, we seek to become a resilient corporate group that contributes to a sustainable society by helping to resolve these issues in terms of both mitigation and adaptation.
Risk Management	We recognize risks that crop yields could decrease due to abnormal weather, regulations could be tightened, and quality could decline due to pests and diseases. We will address the decreasing trend of yields in each area by looking at the differences in each area and securing a diverse range of suppliers. In addition, we intend to utilize the Collaborative Contract Farming System and promote the development and practical application of new cultivars to address stronger restrictions on chemical fertilizers and yield reduction and deterioration in quality from crop diseases.
Indicators and Targets	For mitigation measures, which aim to control greenhouse gas emissions, we have set medium- to long-term targets for reducing greenhouse gas emissions. We have set targets for other climate change-related items, listed under "Sustainability Materiality," and are promoting efforts to reach these targets throughout the Group.

Indicators and Targets

Mitigation measures

	2030	2050
Scope 1 and 2	Reduce greenhouse gas emissions from our sites by 42% compared to the 2022 levels	Aim to achieve net zero greenhouse gas emissions in Scope 1, 2, and 3 - Use 100% renewable energy sources for electricity consumption
Scope 3*	Reduce greenhouse gas emissions (Scope 3) throughout the value chain by 25% from the 2022 levels	
FLAG scopes 1 and 3*	Reduce greenhouse gas emissions in FLAG scopes 1 and 3 by 31% from the 2022 levels	—

*Expand our emission reduction activities in all domestic cooperative cultivation areas

Adaptation measures

	By 2030	By 2035	By 2050
Apply for registration of new breeds (barley, hops)	Commercialize new breeds (barley, hops)	Develop new environmentally adaptable breeds and commercialize them in Japan and abroad	

Information Disclosure Following the TCFD Recommendations

Scenario analyses

We have conducted scenario analyses within our core beer business, targeting procurement areas for raw materials used in beer, with the expectation that climate change will affect these areas. Based on scenario analysis data from the Food and Agricultural Organization of the United Nations (FAO) and other sources, and with adjustments made to account for abnormal weather and other factors, we anticipate three scenarios in which yield amounts could change by 2050, each with differing climate change, socioeconomic, and production related factors.

Financial impact analysis

In 2023, based on the results of the above scenario analysis, we conducted a financial impact analysis on the following items expected to have a significant impact on the procurement cost of raw materials. This analysis is based on the total procurement in the fiscal year 2022, calculating only the price increase due to climate change-related impacts.

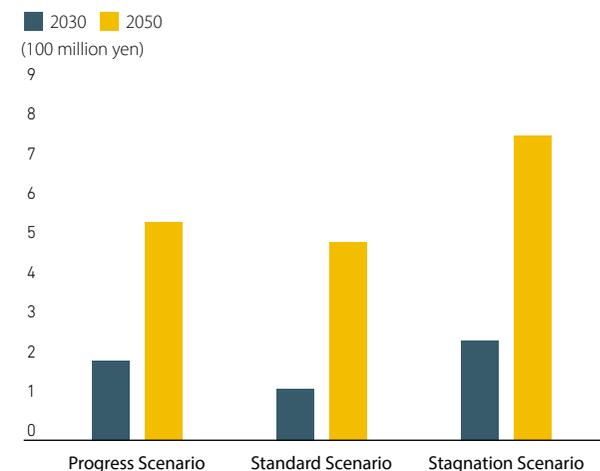
- Expansion of Organic Cultivation Due to Strengthened Environmental Regulations
- Rising Procurement Costs Due to Soaring Energy Prices
- Increase in Raw Material Prices Due to Decreased Yields of Ingredients (Barley, Hops, Corn)

+: Positive impact on yields -: Negative impact on yields

	Temperature increase	Extreme weather (typhoons, floods, droughts, etc.)	Agriculture-related trends	Other social trends
Sustainability Progress scenario	1.5°C	Increases to some degree (-)	Tighter regulations on the use of chemical fertilizers, etc. (-)	Population growth, improved living standards, increased demand for food, and some increase in food prices
Sustainability Standard scenario	BAU	Increased frequency and damage (-)	Increase in variety improvement and capital investment (+)	Population growth, higher living standards, increased demand for food, higher food prices
Sustainability Stagnation scenario	4°C	Severe increase (-)	Increase in crop diseases and damage to agriculture (-)	Higher food prices, more difficult access to food for the poor

The scenario with the most significant financial impact in each case was the Stagnation Scenario. In the Stagnation Scenario, the impact of "Rising Procurement Costs Due to Soaring Energy Prices" was the most substantial, resulting in an impact of 250 million yen in 2030 and 770 million yen in 2050, together with the impact of "Increase in Raw Material Prices Due to Decreased Yields of Ingredients." The next scenario with significant impact was the Progress Scenario, where the effect of "Expansion of Organic Cultivation Due to Strengthened Environmental Regulations" resulted in an impact of 200 million yen in 2030 and 550 million yen in 2050. In the Standard Scenario, the impact of "Increase in Raw Material Prices Due to Decreased Yields of Ingredients" and "Expansion of Organic Cultivation Due to Strengthened Environmental Regulations" led to an impact of 130 million yen in 2030 and 500 million yen in 2050.

By Scenario: Increase in Raw Material Prices Due to Climate Change (Compared to 2022)

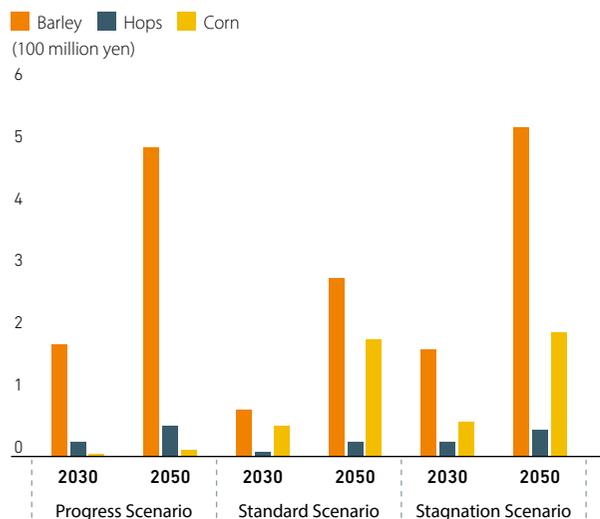


Information Disclosure Following the TCFD Recommendations

Financial impact results by item

When looking at each item separately, barley (including malt), which has the highest procurement amount, became the item which could see the highest price increase in each scenario. In the Progress Scenario, the impact on each item is linked to the size of the procurement amount, but in the Standard and Stagnation Scenarios, corn, with the smallest procurement amount, became the second highest after barley in terms of price increase. This is because both the Standard and Stagnation Scenarios anticipate a significant decrease in corn yield, which is expected to have a substantial impact.

Financial Impact Results by Item (Compared to 2022)



Risks of financial impacts caused by climate change

According to the results of the scenario analysis, there are areas where yields would decrease in each scenario. Including these impacts, we examined the risks and opportunities facing the Sapporo Group, assuming that the three scenarios become reality. In terms of risks, we recognize that crop yields could decrease due to abnormal weather, regulations could be tightened, and quality could decline due to pests and diseases. On the other hand, in terms of opportunities, we recognize the stabilization of quality through improved varieties, the development of new varieties, and the enhancement of competitiveness through product development, etc. We believe that by strengthening mitigation and adaptation measures, the impact of risks will be reduced and the potential for capturing opportunities will be greater.

Although the trend of declining yields will occur in each region, we will respond to regional differences by securing diversified sources of procurement. In addition, we will respond to tighter regulations on agricultural chemicals, yield reduction and quality deterioration caused by diseases through “Collaborative Contract Farming System” activities and the development and commercialization of new varieties. These are measures that will be effective in all scenarios.

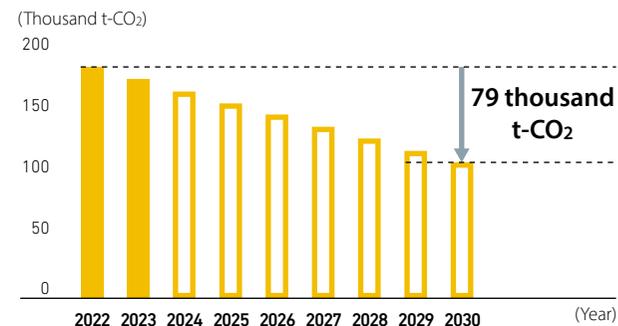
Transition plan

The Sapporo Group is working to reduce its greenhouse gas emissions using its targets that have been certified by Science Based Targets Initiative (SBTi). The SBT 1.5°C standard defines the level of reduction each year toward the target year, and we aim to achieve a reduction throughout the Group that does not fall below this level.

To achieve this reduction plan, we will invest approximately 2.1 billion yen in decarbonization over the eight-year period from 2022 to 2030.

At production sites, we will implement energy-saving activities such as upgrading to high-efficiency equipment and streamlining processes in line with measures to address aging facilities, as well as a shift to renewable energy, mainly for electricity. For the framework of investment decisions for decarbonization, Internal Carbon Pricing (ICP) has been introduced at major operating companies, and the estimated investment amount of 6,000 yen/t-CO₂ has been adopted for the current investment.

Mitigation Measures: Plan to 2030 (Scope 1, 2)



Information Disclosure Following the TCFD Recommendations

Risks and Opportunities, Direction of Responses and Measures

Item	Risk and opportunity	Impact period			Financial impact	Direction of response and measures
		Short-term	Medium-term	Long-term		
Risks	Transition risks					
	Increased energy costs at business sites due to the introduction of carbon pricing		○	○	Imposition of carbon tax NZE Scenario (Progress Scenario): 3.13 billion yen in 2030, 6.06 billion yen in 2050	Promotion of decarbonization efforts (achievement of targets for 2030 and 2050)
	Decrease in agricultural yields due to tighter environmental regulations on pesticides (including chemical fertilizers) Increase in agricultural production energy costs due to factors such as carbon pricing		○	○	Increased procurement costs for raw agricultural products Progress Scenario: 200 million yen in 2030, 550 million yen in 2050 Standard Scenario: 130 million yen in 2030, 500 million yen in 2050 Stagnation Scenario: 250 million yen in 2030, 770 million yen in 2050 *Calculation based on the 2022 actual performance standard for beer raw agricultural products	Understanding pesticide regulation information and pesticide usage conditions Gathering information on integrated pest management, including biological control and physical removal methods in place of chemical pesticides, and understanding of producer trends
	Physical risks					
	Deterioration of raw agricultural product quality and yield Reduction due to global warming and abnormal weather events		○	○		Ensuring diverse procurement sources Development and promotion of barley and hop varieties with low risk of quality deterioration due to abnormal weather and high yield Development and diffusion of new barley and hop varieties with excellent disease resistance Establishment of a pest control system for the introduction of integrated pest management in cooperation with suppliers
Water scarcity and flooding at business sites due to abnormal weather events (heatwaves, droughts, wind and water damage from typhoons and concentrated heavy rainfall, etc.)	○	○	○	Assuming losses and restoration costs due to production suspensions	Safety of water supply at existing sites and risk assessment for drought and extreme weather	
Stagnation in procurement of raw materials due to epidemics of new infectious diseases		○	○	Assuming losses due to production suspensions	Collection and understanding of information on global trends and regulations in food import and export Strengthen foundations for stabilizing domestic production	
Opportunities	Reduced energy costs (carbon tax) at business sites through reduction of greenhouse gas emissions		○	○	NZE Scenario (Progress Scenario): 1.32 billion yen in 2030, 6.06 billion yen in 2050	Promotion of decarbonization efforts (achievement of targets for 2030 and 2050)
	Stable procurement of raw materials through the development of climate-resistant varieties		○	○	Reduced impact on procurement costs due to broad adoption of new varieties in the industry	Development and commercialization of barley and hop varieties adapted to avoid or reduce the effects of climate change such as drought and heavy rainfall (Some new barley varieties currently under development for commercialization in 2035 have characteristics of energy-saving effects during malting process.)
	Strengthening competitiveness through the development of raw agricultural products and product development		○	○	Products using newly developed varieties of barley and hops Market scale after 2030: up to 54.7 billion yen	
	Efficiency improvement in agriculture through the utilization of ICT, robots, etc. Stabilization of quality through breeding		○	○	Assuming impact on raw agricultural product prices	Utilization of new technologies in agriculture through collaboration with domestic and international partners

Creating a Recycling Society

Conservation of water resources

CDP's Water Security A List

In fiscal 2023, Sapporo Holdings was selected for the Water Security A List of CDP, an international non-profit organization, for its leadership in transparency and performance in the area of water security, the highest rating possible. CDP operates a global system for the disclosure of environmental information by corporations and local authorities in response to requests from institutional investors and others around the world who are concerned about climate change and other environmental issues. CDP also works to encourage companies to reduce greenhouse gas emissions and conserve water resources and forests. In 2023, more than 24,000 organizations worldwide, including over 23,000 companies and more than 1,100 municipalities, responded to CDP's questionnaire, and we received the highest rating.



Realization of a Society in Harmony with Nature

Nature-related disclosures following the recommendations of the TNFD

Registered as TNFD Adopter

Sapporo Holdings registered as a TNFD Adopter of the disclosure recommendations published by the Task Force on Nature-related Financial Disclosures (TNFD)*1 in September 2023. We will continue to disclose information based on the TNFD's recommendations while further strengthening our activities for environmental conservation.



*1 TNFD stands for the Taskforce on Nature-related Financial Disclosures, which recommends that companies disclose information on the risks and opportunities posed by natural capital and biodiversity. TNFD Adopters are companies or organizations that have indicated their intention to disclose information in accordance with TNFD recommendations.

Building a Sustainable Supply Chain

Respect for human rights in the supply chain

Based on the Sapporo Group Human Rights Policy formulated in June 2020, and in accordance with the United Nations Guiding Principles on Business and Human Rights, the Sapporo Group is working to identify, prevent, and mitigate negative human rights impacts related to its business operations.

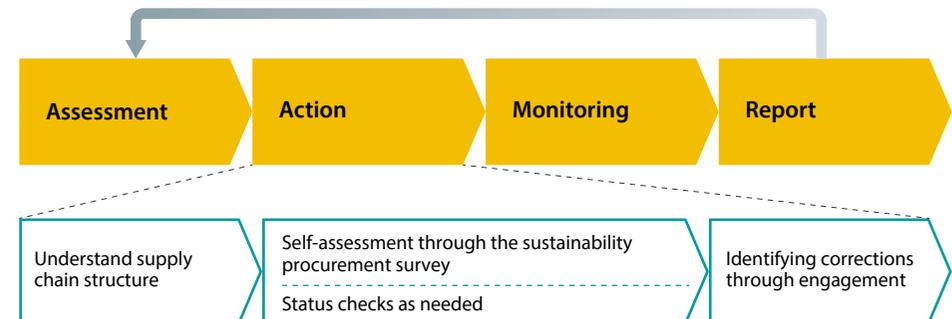
Specifically, we check compliance with respect for human rights and environmental conservation for the key ingredients of malt, hops, lemons, and plums, as well as other key ingredients*2 that are deemed to pose a high risk to human rights. We share our Procurement Basic Policy and Sustainable Procurement Guidelines with our suppliers and evaluate their compliance status through the sustainability procurement survey.

The Sapporo Group is also a member of the Supplier Ethical Data Exchange (Sedex), an online platform aimed at managing and improving working conditions in supply chains. We are promoting initiatives that take advantage of mechanisms to collaborate with other companies, such as participating in the Buyer Member Sedex Working Team for the Japanese Food & Beverage Industry, which is comprised of 10 companies in the food and beverage industry.

Going forward, we will continue to build a sustainable supply chain while collaborating closely with our suppliers.

*2 Priority raw materials: Palm oil, tea leaves, coffee beans, soybeans, cocoa beans, liquid sugar, crude alcohol.

Human Rights Due Diligence Process



Promote Responsible Drinking

Awareness-raising of responsible drinking

While proper drinking of alcoholic beverages contributes to a healthy and happy life and enrichment, improper drinking is also a social issue that causes harm to physical and mental health. As a corporate group engaged in the alcoholic beverages, the Sapporo Group believes that it has a social responsibility to correctly understand the nature of alcoholic beverages, sincerely address alcohol-related problems, and work to resolve them. We endorse the “Global Strategy to Reduce Harmful Use of Alcohol” adopted by the World Health Organization (2010).

The Sapporo Group is committed to solving alcohol-related problems as part of its social responsibility as a corporate group engaged in alcoholic beverages, and is working to raise awareness of proper drinking and prevent inappropriate drinking.

Promote Responsible Drinking

In 2021, the Sapporo Group has adopted “Promote Responsible Drinking” as its global slogan to combat alcohol-related problems. Based on the “Sapporo Group policy related to proper drinking,” which is to “raise awareness of proper drinking” and “prevent improper drinking,” each and every employee plays a role in promoting the initiatives outlined in the Sapporo Group Action Guidelines.

The Sapporo Group Policy Related to Proper Drinking

As a corporate group engaged in alcoholic beverages, the Sapporo Group will strive to solve alcohol-related problems as part of its social responsibility, and will work to raise awareness of proper drinking and prevent improper drinking.

- **Raising awareness of proper drinking**

We raise awareness of moderate drinking appropriate for a healthy and happy life.

- **Prevention of improper drinking**

We will prevent improper drinking, including underage drinking*1, drinking by pregnant and nursing women, heavy drinking, and drinking before driving.

*1 In Japan, this refers to drinking before the age of 20.

Proper drinking awareness seminars for universities and companies

Sapporo Breweries has been conducting “Proper Drinking Awareness Seminars” at universities and companies chiefly in the Tokyo metropolitan area since 2015, with the aim of educating students and employees for proper knowledge of alcohol consumption and for healthy enjoyment of alcoholic beverages. The seminar features basic information for proper drinking, such as definitions of alcohol and mechanisms of intoxication, and mannerisms that will come in handy at social gatherings. It also includes awareness education on “prevention of drinking under the age of 20” for underage students.



Warning labels on products, etc.

Alcohol containers also display cautionary messages promoting prevention of drinking under the age of 20 and of drinking by pregnant and nursing women and “alcohol identification marks*2” to prevent confusion with soft drinks. Additionally, lids on cans of alcoholic beverages feature braille displays of “Alcohol.” Since January 2022, the brand website has been displaying the “pure alcohol content*3” per container on canned alcoholic and low-alcohol beverages to make it easier for customers to understand the amount of alcohol consumed.

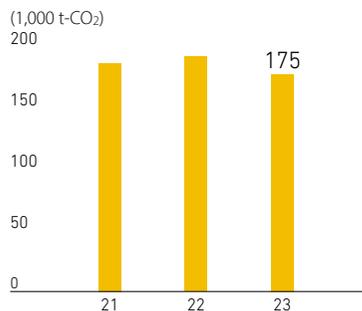
*2 Displayed on all cans of alcoholic beverages with less than 10 percent alcohol by volume and on containers other than cans of 300 ml or less.

*3 By the end of 2023, approximately 94% of the targeted products had been labeled accordingly.

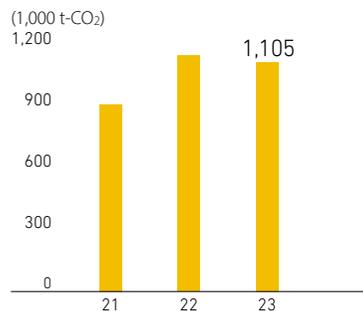
Non-financial Highlights

Harmony with the environment

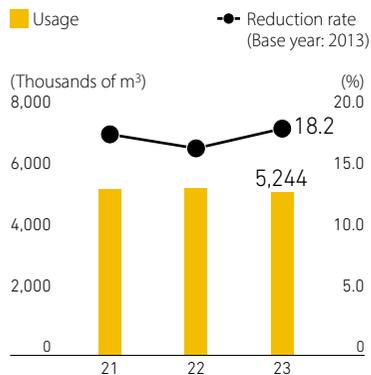
Greenhouse Gas Emission (Scope 1 and 2)



Greenhouse Gas Emission (Scope 3)



Trends in Water Consumption / Reduction Rate



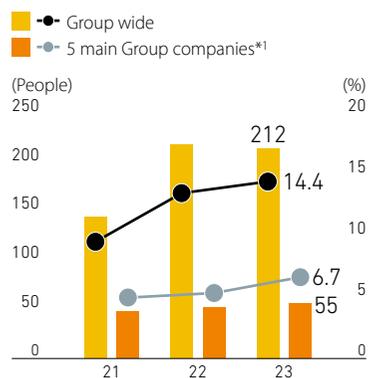
Recycled Material Usage Rate for Domestically Produced Wine PET Bottles

50.9%

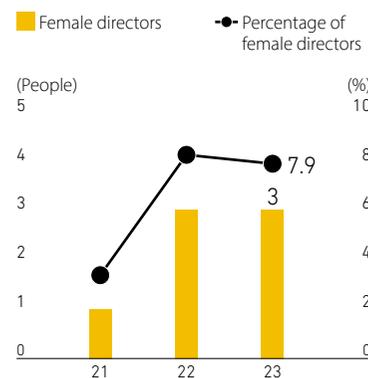
We switched to materials made of recycled PET resin starting with products made in March 2021. The labels of products made with recycled PET resin contain a unique symbol denoting the use of recycled PET resin. This label is used for 100% of 720-ml products and for 30% of large format containers*3.

Active participation of human resources

Number and Percentage of Women in Management Positions (including subsidiaries outside of Japan)



Number and Percentage of Female Directors*2



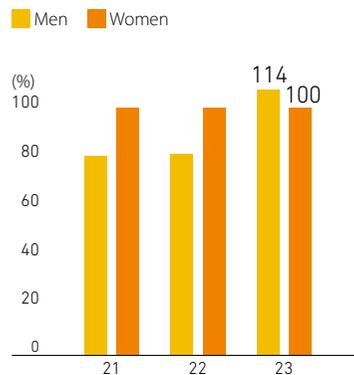
Promote coexistence with society

Number of Regional Revitalization Business Implemented

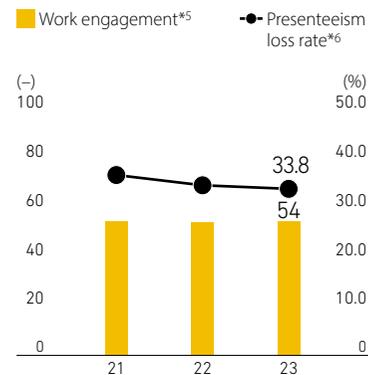
9

Targets for material issue
 • Satisfaction level of governments, suppliers and buyers in business matching: 75% or higher
 Supplier satisfaction: 89%
 Buyer satisfaction: 84%

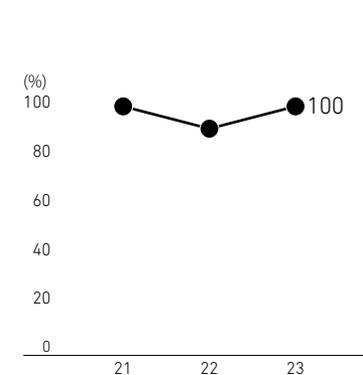
Proportion of Employees Taking Childcare Leave*4 (Sapporo Breweries only)



Work Engagement and Presenteeism Loss Rate



Compliance Rate with the Sustainable Procurement Guidelines of Major Suppliers



*1 Data covers the Group's main companies in Japan (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion).

*2 Data covers the percentage of female directors at the Group's main companies in Japan (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion).

*3 1.5 L and 1.8 L

*4 (Calculation formula for the proportion of male employees taking childcare leave) Number of employees who took childcare leave, etc. in 2023 (Jan. 1 to Dec. 31) / Number of employees whose spouses gave birth within fiscal 2023 (actual results for 2023)

Persons who took childcare leave: 57 persons

Persons who submitted birth notification: 50 persons

*5 Work engagement represents the deviation value. Data covers 12 companies in Japan (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, Sapporo Lion, Sapporo Field Marketing, Sapporo Group Logistics, Sapporo Distribution System, Shinsei-en, Iwata Pokka Foods, Hokkaido Sapporo Lion, and Hanei).

*6 Data covers the Group's main companies in Japan (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion).

Part 6

Management Platform

53 Human Resources Strategy

56 DX Strategy

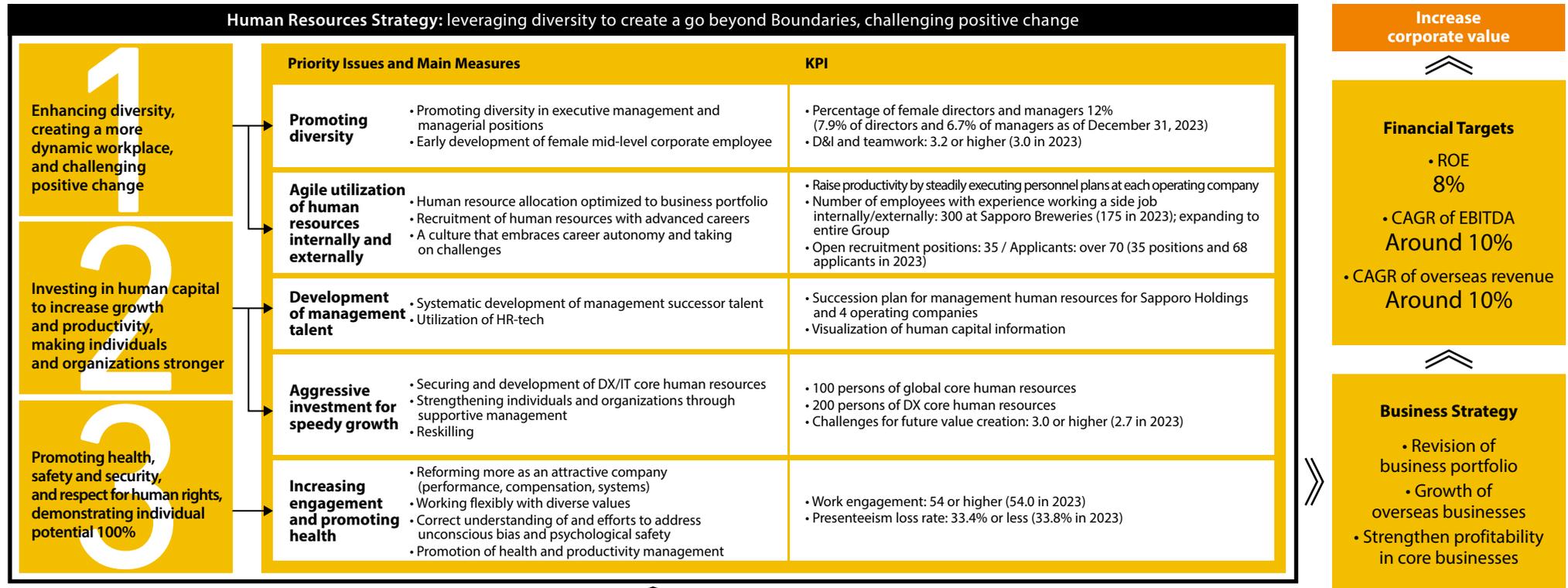
59 R&D Strategy

Human Resources Strategy

Overview of Strategy

The Sapporo Group has established a new human resources strategy, recognizing that “human resources” are the source of all value creation for realizing “Beyond 150 - Transforming the business structure for new growth -;” the basic policy of the Medium-Term Management Plan 2023-26. Under our human resources strategy, we aim to implement the basic policy of “leveraging diversity to create a go beyond Boundaries, challenging positive change,” in line with the drastically changing business environment, while building on our strengths since our founding, with our roots as Hokkaido’s development commissioner. We are working to develop human resources and improve the workplace environment by setting priority issues, main measures, and KPIs based on three specific strategies.

Priority Issues in Human Resources Strategy and Main Measures



Strengths Since Our Founding

The Sapporo Group’s strength has been our dedication to nurturing people and things given our roots as Hokkaido’s development commissioner. Another is highly engaged employees who take pride in the fact that their services “contribute to people’s creative, enriching and rewarding lifestyles.” These are the sources of the Sapporo brand’s continued success over the past 150 years.

Human Resources Strategy

Strategy 1: Speed up diversity and mobility to take on the challenge of change

Promoting diversity

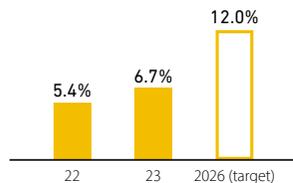
Women's active participation in the workplace

The Sapporo Group, which seeks to transform its business structure and grow in new areas, understands that promoting diversity and inclusion is a top priority. As part of this, we have made women's empowerment and their active participation in the workplace a priority. As a quantitative target, we intend to reach a ratio of 12% female board members and managers by 2026, and we are working to achieve this target.

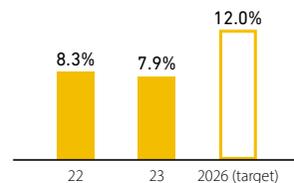
In fiscal 2023, in order to develop female mid-level employees at an early stage, we held dialogue meetings with top management and seminars, and established a system in which frontline leaders are actively involved in development plans as those responsible for employee training and development.

Once this system is in place, we will ensure that we reach our 2026 target and strengthen our pipeline. By 2030, we have set a target of 30% female board members at Sapporo Holdings, and aim to further evolve into a company that takes on the challenge of change by taking advantage of our diversity.

Percentage of Women in Management Positions



Percentage of Female Directors



Note: 5 main Group companies (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion)

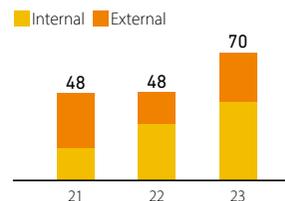
Agile utilization of human resources internally and externally
All employees aim to "carve out their own careers" and are working to foster a culture that embraces career autonomy and taking on challenges.

Greater career opportunities and places to thrive professionally
More than three decades ago, the Sapporo Group launched an open recruitment system for talent to expand opportunities for career realization. As of 2023, 175 employees have used the side job system for internal and external jobs first introduced in 2020, and from 2024, we will start permitting mutual side jobs with external companies. We aim to achieve the 2026 KPI of 300 employees who have used the side-job system for internal and external jobs.

Trend in Open Recruitment Positions and Applicants



Trend in Employees with Internal/ External Side Jobs



Note: 5 main Group companies (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion)

Individualized opportunities carefully consider career paths

The Sapporo Group has fostered an awareness of career ownership among each employee through personnel interviews for those who wish to transfer and employees who have been with the company for less than three years, as well as career support provided by in-house career counselors. In 2023, we conducted new career interviews for approximately 9% of employees aged 50 and over, with the aim of encouraging them to think about their own careers and take a step toward the era of the 100-year life.

Strategy 2: Human capital investment equates to stronger employees and organizations

Proactive investment in human resources for speedy growth

Development of management talent/global core human resources

In order to achieve the goals of "growth in overseas businesses" and "strengthen profitability in core businesses" in the Medium-Term Management Plan, the Sapporo Group is promoting the recruitment and development of human resources based on the three areas of management, global, and DX and IT, ensuring that investments are swift and focused. In 2023, we completed a mechanism for the systematic development of management human resources. In addition, with the aim of securing 100 global core human resources by 2026, we are working to formulate a strategic development and assignment plan for human resources, develop new training for mid-level employees, and strengthen global communication and business skills.

Sapporo Group Succession Plan

Ensure objectivity and transparency Mechanisms that can be explained	Optimal talent selection for enhancing corporate value	Appropriate development of candidates
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Positioning the development of management human resources as an important management issue, we are creating a system for the purpose of discovering and systematically developing candidates for board members and successors to key posts. Established a system for implementing the PDCA cycle with these as a set; (1) Overall concept, (2) Selection process, and (3) Human resource development committees and development plans

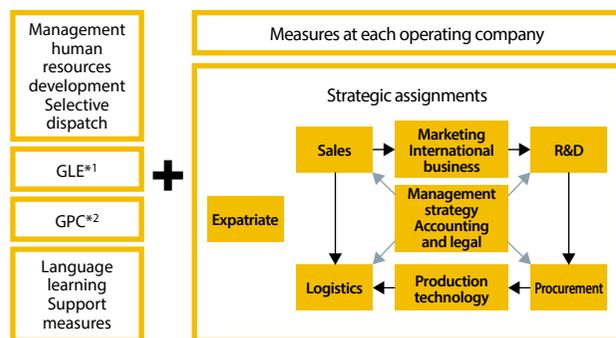
Management human resources development committee meets twice annually

Composed of members of the Management Council of each company, with the meeting owner being the president of each company.

Sapporo Breweries completed the system in 2021 and each operating company in 2023.

Human Resources Strategy

Sapporo Group Global Human Resources Development Plan



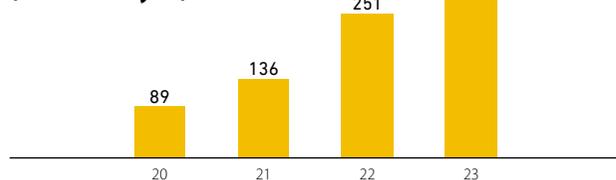
*1 Global Leadership Essentials

*2 Global Resource Development Program for Coming Generation

Sapporo Breweries officially launched “Wonder Works” in November 2023 as a system to search for business seeds. We aim to create a large number of human resources who are willing to take on challenges and lead to the creation of new businesses in the future.

As a result of these investments in human resources, the amount of investment in human resource development in 2023 was about three times that of 2020. Going forward, we will continue to actively invest in human resources and aim to achieve our KPI of “Challenges for future value creation” of 3.0 or higher (currently 2.7) in the employee awareness survey.

Investment in Human Resource Development (millions of yen)



Note: 5 main Group companies (Sapporo Holdings, Sapporo Breweries, POKKA SAPPORO Food & Beverage, Sapporo Real Estate, and Sapporo Lion)

Strategy 3: Create an environment in which each and every employee desires to continue working with 100% effort

Increasing engagement and promoting health

Working flexibly with diverse values

The Sapporo Group introduced work from home and flextime systems in 2013 and a region-specific work system in 2016 to support flexible work styles. In 2024, we plan to implement the following initiatives.

- Sapporo Breweries: work from anywhere system for regional employees and a system where traveling sales employees can elect to relocate alone or commute from home
- Sapporo Lion: introduced a system to shorten the working hours of managers

In addition, as a result of our proactive efforts to support employees raising children, including achieving a 100% rate of eligible male employees taking childcare leave in 2023 at Sapporo Breweries, we obtained Platinum Kurumin certification for Sapporo Breweries and Kurumin certification for POKKA SAPPORO. Sapporo Holdings was selected in “Next Nadeshiko: Companies Supporting Dual-career and Co-parenting” in recognition of its efforts to support work-life balance when raising children, regardless of gender.



In terms of achieving a work-life balance with medical treatment, Sapporo Breweries received the inaugural Diamond Award, the highest rank, and POKKA SAPPORO, received the Silver Award at the gan-ally-bu AWARD 2023 in recognition of their efforts to disseminate information both inside and outside the company and participate in external activities. Going forward, we will continue to create an environment where each and every employee can work based on their own circumstances while helping them address their own challenges.

Promotion of health and productivity management

In 2023, the Sapporo Group formulated the Medium-Term Health and Productivity Management Plan, focusing on the promotion of mental and physical health and preventing serious complications, and established KPIs up to 2026. Eight Group companies have been certified as “Excellent Enterprise of Health and Productivity Management 2024,” after working diligently on the themes of raising health awareness, making healthy behaviors a habit, and raising the topicality of them in the workplace.



Increasing work engagement

In order to create an environment in which each and every employee can realize their full potential, the Sapporo Group has been promoting supportive management since 2021, including training to enhance psychological safety in the workplace and training on unconscious bias, one-on-one meetings, and human resource development committee meetings in which all managers in the workplace participate. As a result, figures improved in the three items of job confidence, demonstration of strengths, and job satisfaction, and work engagement in 2023 achieved the 2026 target of 54 or higher.

Reducing presenteeism

For presenteeism, which is an indicator of labor loss due to a decline in performance at work, we have set a target to reduce it to 33.4% or less in 2026. In 2023, it was 33.8%, a reduction of 0.6% from 2022 (equivalent to a reduction in losses of approximately 120 million yen).

DX Strategy

Overview of DX Strategy

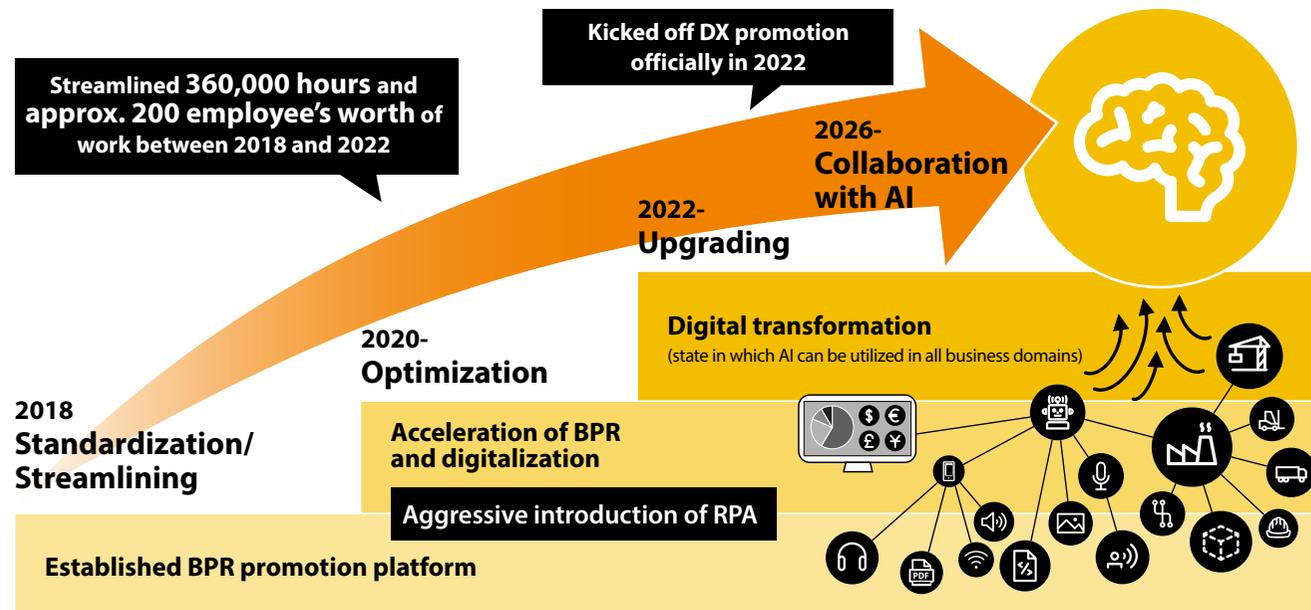
The Sapporo Group has been engaged in business process reform (BPR) activities since 2018, and by 2022, we had achieved operational efficiency improvement equivalent to 360,000 hours and approximately 200 employee's worth of work. From 2022, we will promote DX strategy based on the Sapporo Group DX Policy formulated in March 2022.

From 2022 to 2023, in addition to promoting understanding of DX and fostering a corporate culture through e-learning for all employees, we focused on developing key personnel who will play a central role in business transformation and new value creation through DX. As a result, 200 key personnel completed some form of development program over this two-year period.

In May 2023, we opened the DX Innovation Lab as a platform to support the exploration and realization of DX plans voluntarily proposed by Sapporo Group employees. In addition to Sapporo Group employees, outside companies will participate as lab partners, aiming to create results through the establishment of co-creative relationships.

In addition to human resources development, the Group DX & IT Committee, established under the Management Council, is monitoring the situation appropriately and developing a data infrastructure and harnessing AI to utilize internal and unstructured data that has not been fully utilized until now. Through these efforts, we intend to expand our points of contact with customers as well as grow existing and new businesses.

DX Strategy Roadmap



DX Policy



DX Strategy

Converting All Employees to DX Human Resources

The Sapporo Group officially started its own human resources development program in 2022, aiming to convert all employees to DX human resources.

In 2022, the first year of the program, after conducting e-learning for all employees, we planned and implemented the following three training programs: (1) training to develop core human resources who will drive DX strategy forward, (2) training for managers to support core human resources, and (3) training for officers in charge to make more bold and

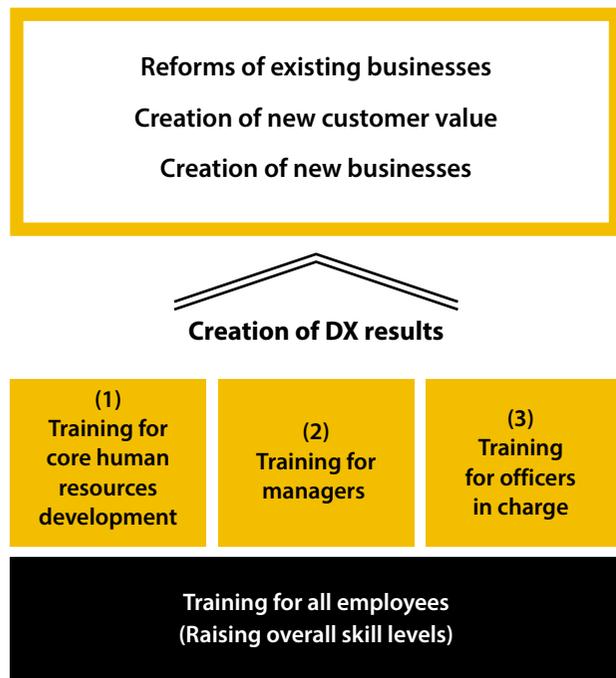
optimal decisions. Among these, for core human resources, we focused on three categories, such as business designers, with the aim of developing people who have knowledge of the latest technologies such as AI and who can solve problems while utilizing internal and external support.

In 2023, the second year of the program, we continued to develop human resources, and in response to growing demand for technical talent, we revised the program to better match actual conditions. This included increasing the number of DX technical planners and changing the content of the program to make participants more able to immediately

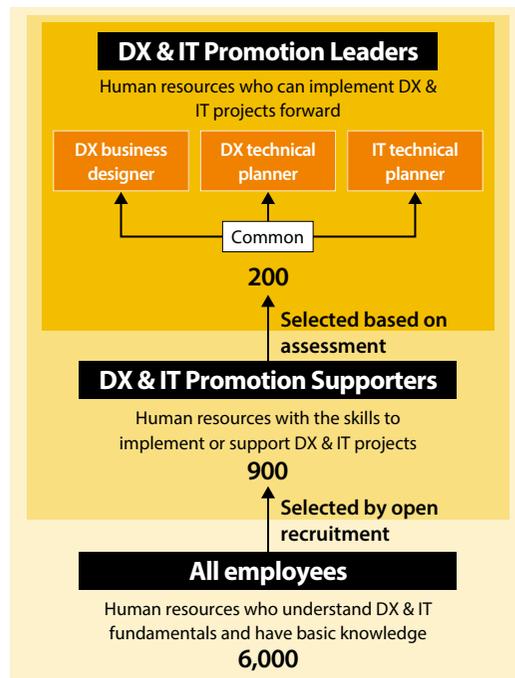
contribute what they learned at work upon completion.

Under this program, we have completed the training of 200 core human resources over the past two years, and they have begun working on initiatives to solve the issues they are facing. At the same time, as one measure to support the implementation of each initiative, the program has begun training in-house instructors in development tools that can be used by non-engineers, with the aim of speeding up the implementation of many small-scale DX measures.

Overview of DX Human Resources Development



Categories of Core Human Resources Development



Required Roles	DX business designer	DX technical planner		IT technical planner
		1. Data science	2. No code/ low code development	
Required Roles	Human resources who are capable of planning, drafting, and implementing digital business projects in line with the company's strategy	Human resources with expertise in AI and data analysis	Human resources capable of implementing digital tools	IT service design and provision, continuous improvement, maintenance and operation, and cybersecurity and governance
Specialist Skills	Operations analysis Business process design BPR implementation	Analysis and design Programming	Analysis and design No code/ Low code methods	Infrastructure planning and conceptualization Cybersecurity countermeasures System basics and general operation management
Basic Skills	Problem identification Hypothetical thinking	Project management Vendor management		IT basics

DX Strategy

Case 1 DX Innovation Lab Promoting Creation of Results in DX

In May 2023, we established the DX Innovation Lab as a venue for co-creation and innovation where all employees, mainly those who have completed the DX & IT human resources development program, can work on DX projects and create results.

This lab is a platform for promoting DX ideas from exploration to realization among the Group's employees. In addition to offering learning content and events related to DX, the lab provides functions for sharing individual ideas as DX plans and promoting them across organizational boundaries. We also invite people from outside the company to participate as lab partners. Our goal is to create bold business reforms and new business models by building co-creative relationships, both inside and outside the company, through repeated

examination and verification.

Currently, more than 300 DX projects have been proposed by employees, and each is being considered for real life implementation. Through the activities of the DX Innovation Lab, we will deliver richer experiences and value to our customers and contribute to the transformation of society as a whole and the resolution of social issues.

Yui Otaka

Deputy Manager, DX Planning Department,
DX and IT Management Division
Sapporo Holdings Ltd.



Case 2 Rebuilding the Supply Chain with AI Demand Forecasting

In order to flexibly respond to diverse customer needs and deliver the right amount of products at the right time, we need to be able to accurately forecast changing demand. Traditionally, such demand forecasting has been performed by humans using statistical approaches and other means. In July 2021, we began a demonstration testing aimed at improving the accuracy of demand forecasting through collaboration between AI and people.

We have also implemented step-by-step business process reengineering (BPR), and have improved the accuracy of new products for convenience stores to an average error of 10% between actual and forecasted values, which is becoming a strong weapon for sales. In the future, as data

collaboration across industries progresses, we are looking to further improve forecasting accuracy by linking market data in a timely manner.

In addition to improving forecasting accuracy, this initiative has been of great value in fostering a corporate culture of data-driven decision-making. We will continue to improve forecasting accuracy to streamline the entire supply chain and contribute to further enhancement of corporate value.

Daisuke Yoshimura

General Manager, Supply Chain Management Department
Sapporo Breweries Limited

R&D Strategy

Overview of R&D Strategy

The Sapporo Group promotes the combination of core technologies cultivated in many fields and open innovation to continuously provide the value customers demand and to develop new categories and markets.

Sapporo Breweries, which is responsible for the Alcoholic Beverages business, pursues research with a focus on developing technologies for sustainable raw material procurement, pursuit of the taste and function of alcoholic beverages, and pursuit of new drinking experiences. In March 2024, the company received the JSBBA Award for Achievement in Technological Research for a number of achievements related to yeast research. Additionally, as part of the Group's efforts to realize a decarbonized society, Sapporo Breweries is also working to develop environmentally friendly containers and packaging that significantly reduce paper usage.



POKKA SAPPORO, which is in charge of the Food & Beverage business, is committed to delivering "value beyond taste" (the appeal and surprise of ingredients, connections with the community, and happy times) to customers by leveraging its strengths in unique lemon ingredients, functional research, and food processing technologies that preserve authentic flavors. In the area of lemon functionality, in particular, POKKA SAPPORO has realized various effects and benefits in the form of products, such as Kire-to Lemon MUKUMI, which reduces the sense of swelling temporarily perceived in the face, and these products have been well received.

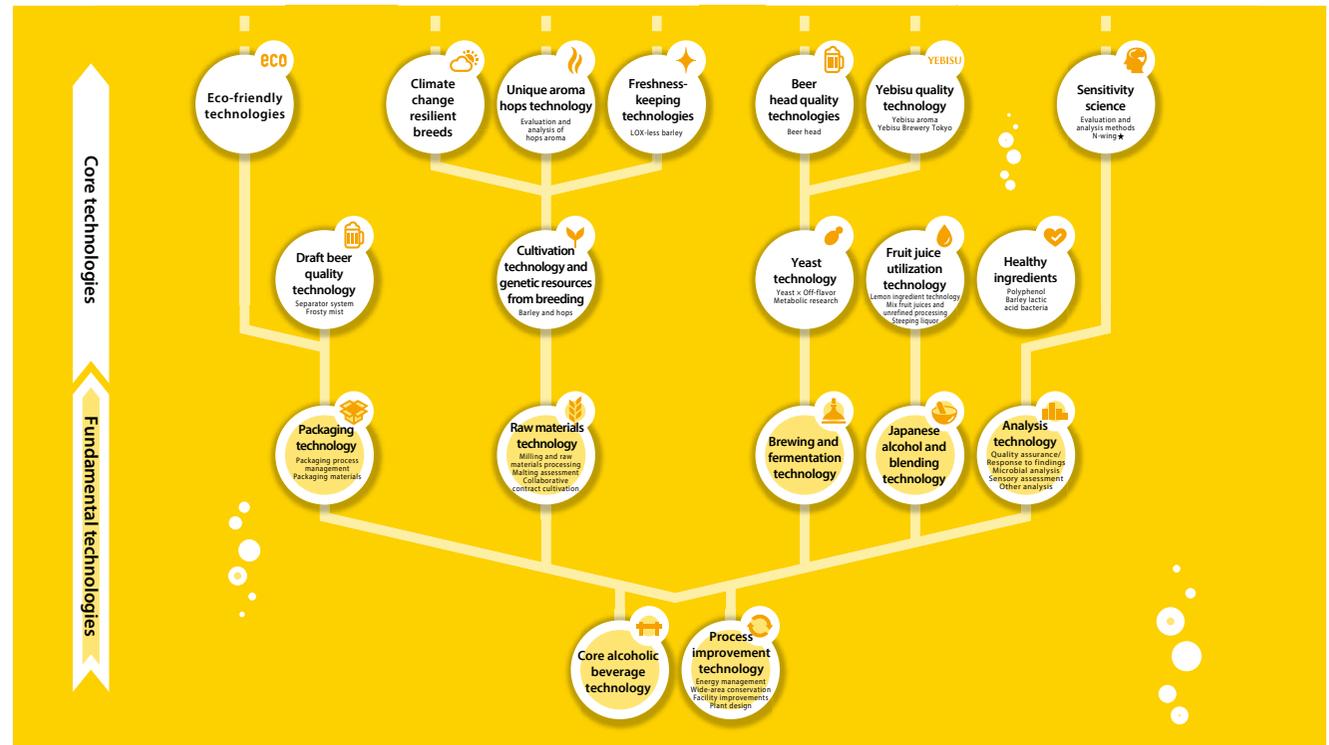
Technical System

Sapporo Breweries has studied R&D domains and mapped out categories of "core technologies," which are unique and differentiating technologies (domains) and technologies (domains) that lead to customer value. This map of core technologies includes seven basic technologies, including raw materials, brewing/fermentation, and Japanese alcohol and

blending, as well as twelve core technology domains such as yeast technology, cultivation and breeding technology, and other technologies that are linked to these core technologies.

We will continue to deepen and expand these core technologies to open up new markets and create new value from Sapporo Breweries' unique perspective.

Core Technology Map



R&D Strategy

Case 1 Barley Variety Development for Beer Adaptable to Climate Change

Sapporo Breweries, which has been breeding beer barley since its founding, has been promoting the development of varieties adapted to climate change for the “realization of a society in harmony with nature,” and in recent years, the company has focused on developing varieties with improved resistance to Fusarium head blight*.

Fusarium head blight adversely affects the growth and quality of beer barley, and there are concerns that global warming and increased precipitation may increase the damage. Pesticides are currently used to control the disease. Therefore, the development of varieties with improved resistance could help reduce the occurrence of the disease, as well as reduce the amount of pesticides used, contributing to the reduction of environmental impacts. The company is

developing varieties in Hokkaido, where the company was founded, with the goal of filing an application for registration of domestic varieties of barley and hops with characteristics that can respond to climate change in 2026 and commercialization by 2029. In the future, the company also plans to develop varieties in Canada. Sapporo Breweries aims to resolve emerging climate change risks through beer barley breeding, thereby contributing to stable procurement and agricultural management.

Yoshiro Tokizono

Deputy Chief Research Scientist, Basic Technological Research Group, Raw Materials Development Institute, Production and Technology Division Sapporo Breweries Limited



* Caused by infection of barley ears with Fusarium head blight during flowering; infected ears have a peach to orange color and are at risk for yield and quality loss.

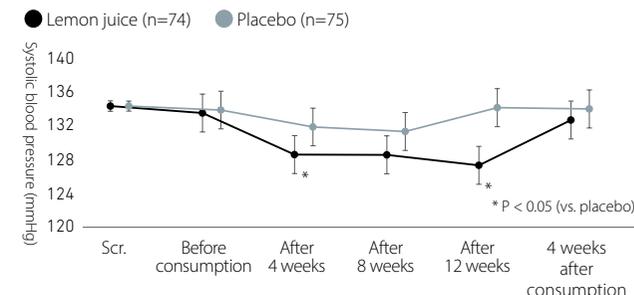


Case 2 Effect of lowering Systolic Blood pressure in People with High Blood Pressure after ingesting lemon juice

POKKA SAPPORO Food & Beverage has been researching the health functions of lemons for many years, revealing various functions so far. Among them, the company has found that continuous intake of 30 ml of lemon juice has the effect of lowering systolic blood pressure.

Since we launched Pokka Lemon in 1957, we have been developing products in line with the changing times and have gained the support of our customers for around six decades. Going forward, we will continue to maximize the value of whole lemons, create new value for lemons, and contribute to healthy and vibrant diets through products, services, and various social activities.

Changes in Systolic Blood Pressure



Masanori Hiramitsu

Lead Research Scientist, Basic Research Group, Core Technology Research Institute, R&D Division POKKA SAPPORO Food & Beverage Ltd.

Part 7

Governance

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Outside Director Discussion

Our objective is to help the Sapporo Group boost its long-term corporate value

Outside Directors Tetsuya Shoji and Toshihiro Uchiyama shared their view on the role of outside directors in increasing the corporate value of Sapporo Holdings over the long term.

The role and responsibilities of an outside director

—As an outside director, what are the main contributions you want to make to the management of the Sapporo Group?

Shoji Outside directors are responsible for working with the Board of Directors to advance the Sapporo Group's mission to continuously improve the Group's corporate value. Our actual duties are to examine and approve management plans formulated by the Group executives, to manage and supervise the plan as it is put into action, and to provide support when needed.

Uchiyama I consider the main role of the outside director to be to oversee management, which includes helping to implement risk countermeasures. At the same time, outside directors are now also expected to encourage risk taking. When a company is considering M&A, we will fully evaluate the risks but we will also encourage taking action when we see benefits. We want to provide support for the president.

Shoji In M&A and other matters as well, we want to encourage the company executives to take a chance while reminding them that if a venture fails, we also take responsibility for it. Of course, it's important to know when to step on the accelerator and when to put on the brakes, and we will certainly monitor the company's actions and raise the alert to prevent failures. However, I think it's also necessary to

create a corporate culture where directors can push ahead and take on new challenges.

Uchiyama The risk evaluation I provide as an outside director is primarily rooted in my own experience. The Sapporo Group is strengthening its overseas business, and I have over 10 years of experience working overseas and with M&A. The advice I can give is based not only on my successes, but on my

failures as well.

Shoji The Sapporo Group has a diverse Board of Directors, and each member has a wealth of experience and capabilities. One of my aims is to provide input and advice using various yardsticks for executive action so we can engage in constructive discussions.

Tetsuya Shoji
Outside Director



Toshihiro Uchiyama
Outside Director



Outside Director Discussion



Progress of the medium-term management plan

—How do you evaluate the progress of the medium-term management plan?

Uchiyama The company's medium-term management plan is off to a good start in its first year with growth in both sales and profits in fiscal 2023. However, the result can also be viewed as unremarkable considering the tailwind from inbound tourism and the revision to the liquor tax.

Shoji One of the main points of discussion in the plan's first year was about revising the business portfolio. We thoroughly discussed what the core business should be and how to select and concentrate the businesses around it in a way that will improve capital efficiency and raise ROE and other metrics, which are areas that the capital markets are also emphasizing more.

Uchiyama Those discussions were what led to the decision to dissolve Anchor Brewing, which we acquired in 2017, although I felt we should have made the decision a little earlier. After experiencing that failure, we need to be more careful about the post-merger integration of Stone Brewing, which we are seeking to build into a driver of business growth.

Shoji Risk is a natural part of M&A and, when risk surfaces, it is important to examine and discuss how to avoid and minimize it and then for the corporate executives to take action.

—How will you monitor the progress of the medium-term management plan and the implementation of the medium- to long-term management strategy?

Uchiyama As we monitor the progress of the medium-term management plan, I expect the executive side to consider me as a thorn in their side. My intention is not to pick at flaws but to help the executive side look closely at points they consider to be issues and to assist in investigating the causes and speeding up the implementation of countermeasures.

Shoji The executives indicated they want to use the corporate and business strategies as a framework for formulating the medium- to long-term management strategy. For the corporate strategy, I expect our discussions to focus on revising the organizational structure and ways to use external capital in the Real Estate business. The main theme for the business strategy will be how to design a growth strategy for the Domestic Alcoholic Beverages business, which will include examining and discussing specific strategies for the beer and RTD fields. Discussion of the overseas business will focus on long-term growth, including M&A, and the Food & Soft Drinks business will focus on the business approach, including linking it to the Alcoholic Beverages business. At each turning point, we will measure the progress and

establish the status, and make a public announcement at the appropriate time.

Medium- to Long-term Management Policies

—Why were the Medium- to Long-term Management Policies announced now?

Uchiyama The main objective of the medium-term management plan was to set targets and provide strategies to raise the low level of profits. However, we thought the fiscal 2026 horizon was too short to realize the Sapporo Group's full potential, so we decided to discuss management strategies that would extend over a longer period.

Shoji Business has been gradually improving since the pandemic ended, and we thought, rather than sticking too closely to a plan that was formed under past conditions, we



Outside Director Discussion

needed to take a more flexible approach. As the saying goes, “Fix the roof on a sunny day.”

Uchiyama We were also hearing questions from the capital markets like “Why are you still not meeting your targets?” “If beer is your core business, why isn’t it generating profits?” and “Is your decision-making too slow?” We responded by recommitting to the medium-term targets while also providing more clarity about our longer-term goals. We also created the Group Strategy Review Committee, which is made up primarily of corporate executives and invites external specialists in for in-depth discussions several times a year.

Shoji Even though we are fully committed to the medium-term management plan, that does not mean that we cannot change parts of it. We will need to give it a thorough review in light of the changes in the business conditions in both Japan and overseas. The Group Strategy Review Committee, which has members with direct management experience, has already discussed the plan with an awareness of this issue, which I believe it is extremely significant. The committee also includes members who are not company executives. I felt pleasantly surprised and reassured from seeing people who are deeply familiar with the business freely and openly sharing their first-hand experience.

—What is your evaluation of the Medium- to Long-term Management Policies?

Uchiyama I think we all believe they are very good strategies, but the most important will be when and what kind of measures are taken to implement the strategies. That is what the Board of Directors will have to decide. For the overseas Alcoholic Beverages business, will they employ M&A or develop their own factories? In domestic Alcoholic Beverages business, how can we increase our presence as demand continues to decline? How can we use our core competence in

beer to produce results? Each of these will require very detailed and full formed measures.

Shoji We will need to continue strengthening our monitoring in this area too. To improve our capital efficiency, particularly in the Alcoholic Beverages business, we will check the output figures against the KPIs and make recommendations for areas that need to be changed.

Strengthening governance

—Why did the number of outside directors increase from five to seven?

Shoji To rejuvenate the Board and ensure diversity. We have always had people experienced in BtoB, and we wanted to bring in people with knowledge of BtoC. We also want to have people with knowledge of the capital markets on the management team to help us better understand what the markets want.

Uchiyama As the chair of the Nominating Committee, you and President Oga interviewed each of the candidates together.

Shoji I did. As we talked, it was clear to me that they would provide some truly remarkable insights. Also, their various backgrounds add nicely to the Board’s skill matrix. I’m looking forward to how each member will use their personal experience and knowledge to contribute to the Sapporo Group.

—What are the key points of the revised executive compensation system?

Uchiyama The Compensation Committee has been discussing how to reformulate the performance-linked part of the compensation system to take into account factors like our status in the beer and beverages market. We revised the

system in fiscal 2024 to make it correlate better with the medium-term management plan. Some of the changes we made were to emphasize capital efficiency, which included changing the evaluation indicators for performance-linked from revenue and core operating profit to EBITDA and ROE. Since we are also seeking to achieve carbon neutrality, we added CO₂ emission reduction performance as an evaluation item. These changes are meant to reinforce each member’s commitment to our objectives.

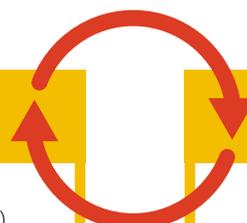
—Are there any areas where you think the Board of Directors’ effectiveness can be improved?

Shoji Presently, the executive side does not share all of its information with the Board, which creates an information asymmetry in the meetings. I would like the outside directors to receive more detailed information, including background data, on agenda items that require critical decision-making.

Uchiyama Similarly, the increased number of outside directors has made it more important to have an efficient system of providing information ahead of time and a balanced meeting agenda. I think the Board could be even more effective if it were arranged so we could have intensive discussions of important agenda items and if we were provided full explanations about formal items in advance.

Shoji Continuing to strengthen the Board’s monitoring function will be important, as will properly applying the PDCA cycle for audits as part of risk management. More than anything, however, I would like the company to promote a mindset where taking on challenges is encouraged; specifically, creating an environment so the next generation of employees has no reservations about pursuing challenges.

Dialogue with Institutional Investors



Dialogue with Investors

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

Performance

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

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

Sharing Information with Management and Others

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

Performance

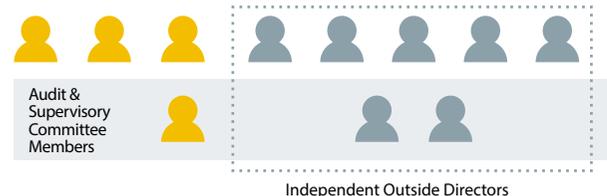
- Reports on market reactions post-earnings announcement and feedback from dialogues with investors are presented at the SH Board of Directors and the weekly executive meetings. 6 times a year
- Quarterly dialogue contents are reported via email to SH and business companies. 4 times a year
- Quarterly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

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

Corporate Governance Digest

Composition of Board of Directors, Nominating Committee and Compensation Committee

Board of Directors



Nominating Committee



President and Director

Compensation Committee



President and Director

Meetings of the Board of Directors and each Committee (Fiscal 2023)

Board of Directors Audit & Supervisory Committee

Number of meetings held	Number of meetings held
13	17
Attendance rate	Attendance rate
99.3%	100%

Nominating Committee Compensation Committee Outside Director Committee

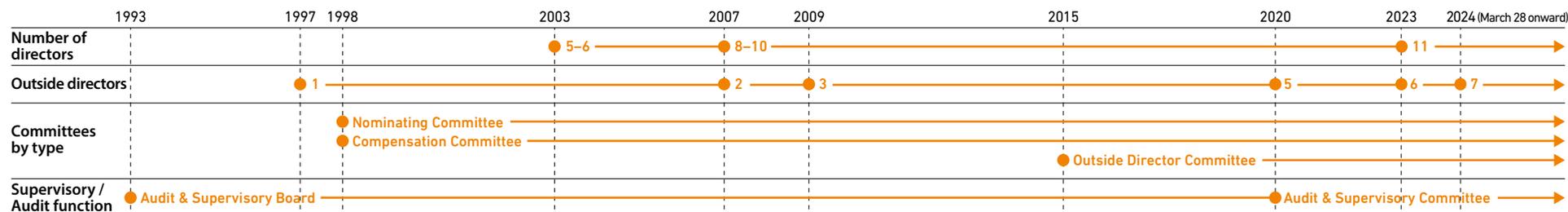
Number of meetings held	Number of meetings held	Number of meetings held
5	5	6
Attendance rate	Attendance rate	Attendance rate
100%	100%	97.2%

Diversity of directors



- 1 in their 40s
- 3 in their 50s
- 6 in their 60s
- 1 in their 70s
- 9 men
- 2 women

History of Corporate Governance Reforms



* The Company transitioned to a pure holding company structure in 2003.

* The term of office of directors was shortened to one year from March 2005. (Note) As the Company established an Audit & Supervisory Committee on March 27, 2020, the term of office of directors (excluding directors who are Audit & Supervisory Committee Members) became one year.

* As of March 28, 2024, the Company's Board of Directors consists of 11 directors, including 7 Independent Outside Directors. As a result, Independent Outside Directors have accounted for a majority of the Board of Directors since March 30, 2023.

Board of Directors, Directors Who Are Audit & Supervisory Committee Members, and Group Managing Officers

(As of March 28, 2024)

Nominating Nominating Committee Member

Compensation Compensation Committee Member

Board of Directors



Masaki Oga

President and Representative Director (Chairperson of the Board)

Nominating **Compensation**

Years in office: 7

(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 Managing Officer of the Company
Mar. 2015 Group Managing Officer of the Company
Jan. 2017 President and Group Managing Officer of the Company
Mar. 2017 President and Representative Director of the Company (up to the present)
Mar. 2022 Director (Member of the Board) of Sapporo Real Estate Co., Ltd. (up to the present)



Rieko Shofu

Managing Director

Years in office: 2

(July 13, 1967)
Apr. 1990 Joined Hakuholdo Inc.
June 2007 Executive Manager of Corporate Design Department of Hakuholdo Inc.
Aug. 2011 Corporate Officer and Executive Manager of Hakuholdo Consulting Inc.
May 2015 President and CEO of Sensing Asia Ltd. (up to the present)
Apr. 2016 Deputy Director of Corporate Planning Headquarters and Director of Corporate Planning Department of POKKA SAPPORO Food & Beverage Ltd.
Mar. 2017 Director of Corporate Planning Headquarters and Director of Corporate Planning Department of POKKA SAPPORO Food & Beverage Ltd.
Mar. 2018 Group CEO of Pokka Corporation (Singapore) Pte. Ltd.
Jan. 2020 Group CEO of Pokka Pte. Ltd.
Jul. 2020 Director (Member of the Board) and Senior Executive Managing Director of Sapporo Group Foods Ltd.
Mar. 2022 Director (Member of the Board) of the Company, Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd.
Jan. 2023 Director (Member of the Board) of the Company, Vice President and Representative Director of POKKA SAPPORO Food & Beverage Ltd., President, Representative Director of Sapporo Group Foods Ltd.
Jul. 2023 Director (Member of the Board) of the Company, Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd., President, Representative Director of SAPPORO Group Foods Ltd.
Nov. 2023 Director (Member of the Board) of the Company, Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd.
Mar. 2024 Managing Director (Member of the Board) of the Company, Director (Member of the Board) of Sapporo Breweries Limited (up to the present)



Toshihiro Uchiyama

Outside Director (Chair of Compensation Committee)

Compensation

Years in office: 2

(November 28, 1958)
Apr. 1981 Joined NSK Ltd.
June 2008 Vice President, Deputy Head of Corporate Planning Division HQ of NSK Ltd.
June 2009 Vice President, Head of Corporate Planning Division HQ of NSK Ltd.
June 2010 Senior Vice President, Responsible for IR and CSR Offices, Head of Corporate Planning Division HQ of NSK Ltd.
June 2012 Director, Senior Vice President of NSK Ltd.
June 2013 Director, Executive Vice President of NSK Ltd.
June 2015 Director, President and CEO of NSK Ltd.
June 2017 Director, President and CEO of NSK Ltd. (Position name in Japanese changed with English unchanged)
Apr. 2021 Chairman and Director of NSK Ltd.
Mar. 2022 Outside Director (Member of the Board) of the Company (up to the present)
June 2023 Corporate Adviser of NSK Ltd. (up to the present)



Yoshitada Matsude

Managing Director

Years in office: 2

(January 2, 1966)
Apr. 1988 Joined the Company
Sept. 2010 Director of Accounting & Finance Department of the Company
Mar. 2011 Director of Accounting & Finance Department of the Company, Director (Member of the Board) and Director of Group Accounting & Finance Department of Sapporo Group Management Co., Ltd.
Mar. 2012 Director of Accounting & Finance Department of Sapporo Breweries Limited
Sept. 2016 Vice President and Representative Director of Miyasaka Brewery Co., Ltd. (currently, Shinsyu-ichi Miso Co., Ltd.)
Mar. 2018 President and Representative Director of Shinsyu-ichi Miso Co., Ltd.
Mar. 2019 Director of Accounting & Finance Department of the Company, Director (Member of the Board) and Director of Accounting & Finance Department of Sapporo Group Management Co., Ltd.
Oct. 2019 Director of Accounting & Finance Department of the Company, Director (Member of the Board) and Director of Accounting & Finance Department of Sapporo Group Management Co., Ltd., Director (Member of the Board) and Executive Officer of Sapporo Real Estate Co., Ltd.
Mar. 2020 Group Managing Officer and Director of Accounting & Finance Department of the Company, Director of Accounting & Finance Department of Sapporo Breweries Limited
Mar. 2022 Managing Director (Member of the Board) and Director of Accounting & Finance Department of the Company, Director (Member of the Board) of Sapporo Breweries Limited
Jul. 2022 Managing Director (Member of the Board) of the Company, Director (Member of the Board) of Sapporo Breweries Limited
Mar. 2024 Managing Director (Member of the Board) of the Company, Director (Member of the Board) of POKKA SAPPORO Food & Beverage Ltd. (up to the present)



Tetsuya Shoji

Outside Director (Chair of Nominating Committee)

Nominating

Years in office: 3

(February 28, 1954)
Apr. 1977 Joined Nippon Telegraph and Telephone Public Corporation
June 2006 Senior Vice President, General Manager of the Personnel Department of Nippon Telegraph and Telephone West Corporation
June 2009 Senior Vice President, Head of General Affairs of Nippon Telegraph and Telephone Corporation
June 2012 Senior Executive Vice President, Representative Member of the Board of NTT Communications Corporation
June 2015 President & CEO, Representative Member of the Board of NTT Communications Corporation
June 2020 Corporate Advisor of NTT Communications Corporation (up to the present)
Mar. 2021 Outside Director (Member of the Board) of the Company (up to the present)



Makio Tanehashi

Outside Director (Chair of Outside Director Committee)

Nominating

Years in office: 1

(March 13, 1957)
Apr. 1979 Joined The Fuji Bank, Limited
June 2011 Deputy President & Executive Officer, Branch Banking Division of Mizuho Bank, Ltd.
June 2011 Representative Director, Deputy President & Executive Officer, Head of Branch Banking Division of Mizuho Bank, Ltd.
Apr. 2012 Representative Director, Deputy President & Executive Officer, Head of Branch Banking Group of Mizuho Bank, Ltd.
Mar. 2013 Representative Director, President & CEO of Tokyo Tatemono Real Estate Sales Co., Ltd.
Jul. 2015 Senior Executive Managing Officer and Division Director of Real Estate Solution Service Division of Tokyo Tatemono Co., Ltd.
Oct. 2015 Senior Executive Managing Officer, Division Director of Real Estate Solution Service Division, and Division Director of International Business Division of Tokyo Tatemono Co., Ltd.
Mar. 2016 Senior Executive Managing Officer, Director and Division Director of Real Estate Solution Service Division, and Division Director of International Business Division of Tokyo Tatemono Co., Ltd.
Jan. 2017 Representative Director, Chairman & Executive Officer of Tokyo Tatemono Co., Ltd. Chairman of the Board of Tokyo Tatemono Real Estate Sales Co., Ltd.
Mar. 2019 Representative Director, Chairman of the Board of Tokyo Tatemono Co., Ltd. (up to the present)
Jan. 2021 Director of Tokyo Tatemono Real Estate Sales Co., Ltd. (up to the present)
Mar. 2023 Outside Director (Member of the Board) of the Company (up to the present)

Board of Directors, Directors Who Are Audit & Supervisory Committee Members, and Group Managing Officers (As of March 28, 2024)



Kotaro Okamura
Outside Director

Compensation

Years in office: -
(November 11, 1955)
Apr. 1979 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
Sept. 1990 Morgan Trust Bank Ltd. (currently JPMorgan Asset Management (Japan) Limited)
Aug. 1995 Investment Banking Division of JPMorgan Securities Japan Co., Ltd.
Apr. 2004 Tokyo Branch Manager and Representative in Japan of JPMorgan Chase Bank, N.A.
Sept. 2009 Representative Director and President of Thomson Reuters Markets LLC
Sept. 2012 Adviser of Societe Generale Securities Japan Limited
Jul. 2019 Senior Advisor of IFM Investors (up to the present)
Mar. 2024 Outside Director (Member of the Board) of the Company (up to the present)



Ryotaro Fujii
Outside Director

Nominating

Years in office: -
(January 30, 1975)
Apr. 1997 Joined the Ministry of Finance
Jul. 2001 Goldman Sachs Japan Co., Ltd.
Sept. 2003 Goldman, Sachs & Co. (New York)
Dec. 2004 Vice President of Goldman Sachs Japan Co., Ltd.
May. 2006 Principal of KKR Japan Co., Ltd.
Jan. 2008 Director of KKR Capital Markets Co., Ltd.
Jul. 2010 Director of Intelligence Co., Ltd. (currently Persol Career Co., Ltd.)
Jan. 2011 Director of KKR Japan Co., Ltd.
Apr. 2014 Audit and Supervisory Board Member of Panasonic Healthcare Holdings Co., Ltd. (currently PHC Holdings Corporation)
Jul. 2015 Representative Director and President of Permira Advisers LLP
Aug. 2015 Director of Sushiro Global Holdings Inc. (currently FOOD & LIFE COMPANIES LTD.)
Jun. 2016 Director of John Masters Organics Group, Inc.
Jan. 2018 Japan Representative Partner of Permira Advisers LLP
Jan. 2023 Senior Adviser of Permira Advisers LLP (up to the present)
Mar. 2024 Outside Director (Member of the Board) of the Company (up to the present)



Toru Miyaishi
Director who is an Audit & Supervisory Committee Member

Nominating Compensation

Years in office: -
(October 14, 1963)
Apr. 1986 Joined the Company
Jan. 2008 Director (Member of the Board) and Executive Officer, Director of Marketing Department of Sapporo Beverage Co., Ltd.
Sept. 2011 Director (Member of the Board) and Executive Officer, Director of Corporate Planning Department of Sapporo Beverage Co., Ltd.
Mar. 2012 Director of Human Resources and General Affairs Department of Sapporo Breweries Limited
Mar. 2013 Director of Corporate Planning Department of Sapporo Breweries Limited
Mar. 2016 Director (Member of the Board) and Executive Officer, Director of Marketing Department of Sapporo Breweries Limited
Mar. 2017 Director (Member of the Board) and Managing Officer, Director of Marketing Department of Sapporo Breweries Limited
Mar. 2019 Director (Member of the Board) and Executive Officer of Sapporo Breweries Limited
Jan. 2023 Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food & Beverage Ltd.
Director (Member of the Board) and Senior Executive Managing Director of Sapporo Group Foods Ltd.
Nov. 2023 Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food & Beverage Ltd.
President and Representative Director of Sapporo Group Foods Ltd.
Mar. 2024 Director (Member of the Board) who is a Statutory Audit & Supervisory Committee Member of the Company (up to the present)



Kohtarō Yamamoto

Outside Director (Outside Audit & Supervisory Committee Member)

Nominating Compensation

Years in office: 4
(October 19, 1955)
Apr. 1985 Registered as a Lawyer (Daiichi Tokyo Bar Association)
Joined Yamashita & Oshima Law Offices
Sept. 1991 Registered as a Lawyer in the State of New York
Jan. 1994 Established Yamamoto Law Office (currently Yamamoto & Shibasaki Law Offices) (up to the present)
Apr. 2012 Vice-President of Daiichi Tokyo Bar Association
Mar. 2020 Outside Director (Member of the Board) who is an Audit & Supervisory Committee Member of the Company (up to the present)



Naoko Tanouchi
Outside Director (Outside Audit & Supervisory Committee Member)

Nominating Compensation

Years in office: -
(May 19, 1965)
Apr. 1989 Joined Ajinomoto Co., Inc.
Sept. 1999 McKinsey & Company
Jan. 2002 Ajinomoto Co., Inc.
Jul. 2009 Associate General Manager of AminoScience Business Development Department of Ajinomoto Co., Inc.
Jul. 2011 Associate General Manager of Corporate Planning Department of Ajinomoto Co., Inc.
Jul. 2016 Associate General Manager of Internal Auditing Department of Ajinomoto Co., Inc.
Jun. 2019 Corporate Auditor of Ajinomoto Animal Nutrition Group, Inc.
Apr. 2021 Visiting Professor of Kobe University Graduate School (up to the present)
Jan. 2022 Outside Director of SHOEI FOODS CORPORATION (up to the present)
Mar. 2024 Outside Director (Member of the Board) who is an Audit & Supervisory Committee Member of the Company (up to the present)

Group Managing Officers

Hiroyuki Nose

Executive Group Managing Officer
President and Representative Director of Sapporo Breweries Limited

Hiroshi Tokimatsu

Executive Group Managing Officer
President and Representative Director of POKKA SAPPORO Food & Beverage Ltd.

Hiroshi Wada

Group Managing Officer

Takayuki Sato

Group Managing Officer

Yuichiro Miyake

Executive Group Managing Officer
President and Representative Director of Sapporo Lion Limited

Takanari Miyazawa

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

Yuka Uchiyama

Group Managing Officer

Board of Directors, Directors Who Are Audit & Supervisory Committee Members, and Group Managing Officers (As of March 28, 2024)

Directors' Skills Matrix

Name	Position and roles	Corporate management	Finance Accounting	Legal Compliance Risk management	Human resources Human assets*	Global operation	Marketing	DX and IT	Sustainability
Masaki Oga	President and Representative Director	○		○			○		○
Yoshitada Matsude	Managing Director	○	○		○				○
Rieko Shofu	Managing Director	○	○			○	○		
Tetsuya Shoji	Outside Director	○			○	○		○	
Toshihiro Uchiyama	Outside Director	○		○		○	○		
Makio Tanehashi	Outside Director	○	○	○					○
Kotaro Okamura	Outside Director	○	○		○	○			
Ryotaro Fujii	Outside Director	○	○			○	○		
Toru Miyaishi	Director (Chair of Audit & Supervisory Committee, Statutory Audit & Supervisory Committee Member)	○			○		○	○	
Kohtaro Yamamoto	Outside Director (Outside Audit & Supervisory Committee Member)			○		○			○
Naoko Tanouchi	Outside Director (Outside Audit & Supervisory Committee Member)		○	○		○	○		

*In order to clarify the skill balance of the Board of Directors, we have listed only the skills possessed by each Director that the Company "expects." These skills do not represent all of the skills (knowledge, experience, abilities) possessed by each Director.

Eight fields	Reason for selection
Corporate management	To realize the Group's management philosophy, it is necessary to have directors with experience and achievements as corporate managers, in order to oversee the improvement of profitability by transforming the business structure, including business portfolio review, based on the medium-term management plan.
Finance Accounting	It is necessary to have directors with knowledge and experience in the fields of accounting and finance, in order to formulate financial policies for sustainably enhancing corporate value by establishing a solid financial base, executing growth investment with capital discipline, and providing stable shareholder returns.
Legal Compliance Risk management	It is necessary to have directors with knowledge and experience of legal affairs and corporate governance, in order to improve the effectiveness of business execution based on laws, compliance, corporate governance, and risk management for the sustainable growth of the Group.
Human resources Human assets*	To maximize the value of human assets, which represent an important foundation of management, it is necessary to have directors with knowledge and experience of various aspects of human assets management, in order to realize a human assets strategy that accelerates the implementation of strategies and to build an organization in which each employee can demonstrate their individuality and contribute.
Global operation	It is necessary to have directors with experience and knowledge of international business in order to make management decisions based on an understanding of the local culture, market trends, country risks, etc., for the development of the overseas business, which is a core driver of the growth strategy in the medium-term management plan.
Marketing	It is necessary to have directors with experience in increasing revenue or implementing growth strategy through brand strategy, market creation and customer value development, etc., and experience and knowledge of R&D and production technology for monozukuri and furthermore consumer markets in order to promote and supervise businesses that make use of assets such as brands.
DX and IT	To transform the business structure for new growth in the medium-term management plan, it is necessary to have directors with knowledge of and experience in DX and IT in order to achieve the DX policy of "increase customer contact points," "expand existing and new businesses," and "workstyle reforms."
Sustainability	To achieve the Group's sustainable growth and fulfill its social responsibilities, it is necessary to have directors with knowledge and experience in sustainability in order to address the most important issues of "realization of a decarbonized society" and "co-prosperity with local communities," etc., based on our Sustainability Policy.

*The Group refers to human resources as "human resources" and instills the idea that all employees are the company's important assets.

Corporate Governance

Basic Policy on Corporate Governance*

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.

Basic Policy on Corporate Governance
<https://www.sapporoholdings.jp/en/sustainability/governance/policy/>

Supervisory Function

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 nominates and supervises the business execution of the representative director, president, other directors with special titles, Group managing officers, and other key personnel.

Meetings held in fiscal 2023: 13

Audit & Supervisory Committee

The Audit & Supervisory Committee is comprised of three directors who are Audit & Supervisory Committee members (two independent outside directors and one internal director). The members work with the Internal Auditing Department and other internal control departments to conduct audits on the performance of duties by each director following the audit policy established by the Audit & Supervisory Committee and the audit plan that contains priority audit items and division of duties.

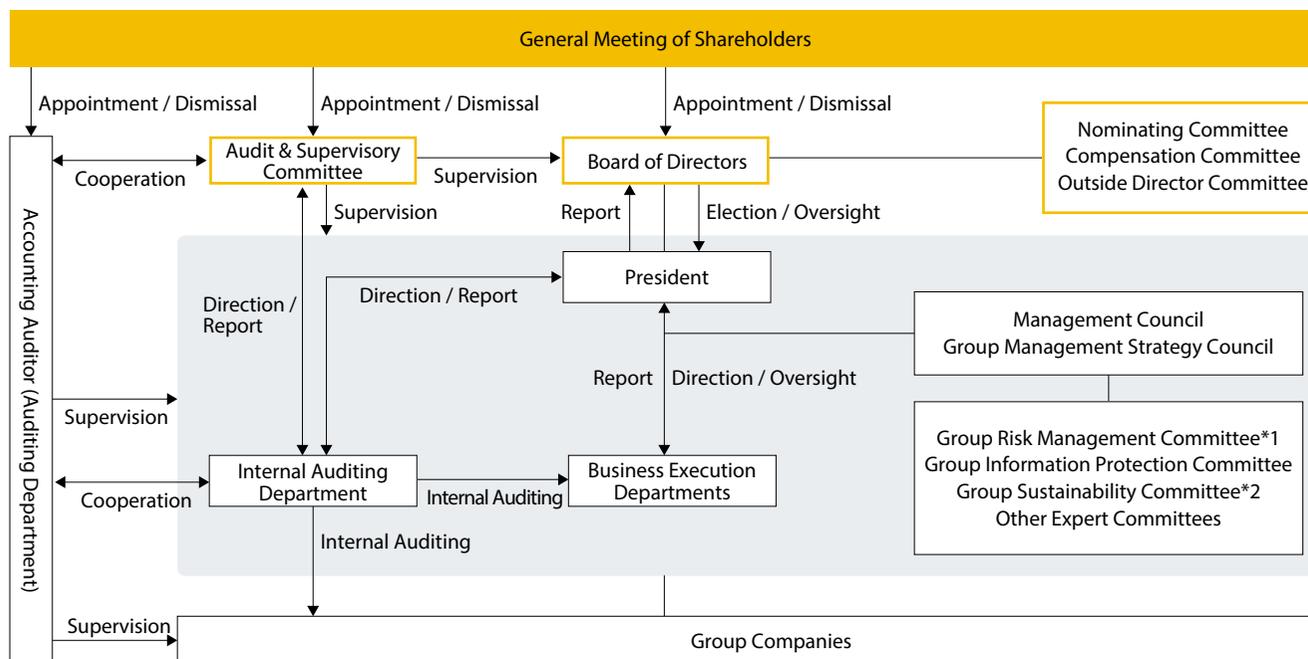
The Audit & Supervisory Committee obtains and shares information by having its members attend meetings of the Board of Directors, Management Council, Group Management Strategy Council, and other important meeting bodies. The committee selects a Statutory Audit & Supervisory Committee Member to ensure the effectiveness of its auditing and supervision functions through close collaboration with the Internal Auditing Department and other internal control departments.

Meetings held in fiscal 2023: 17

About Independent Outside Audit & Supervisory Committee Members

Independent outside directors who are Audit & Supervisory Committee members are each independent officers pursuant

Corporate Functions and Internal Control Relationships



*1 Group Risk Management Committee chair: President and Representative Director
 *2 Group Sustainability Committee chair: President and Representative Director

Corporate Governance

to the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange. They attend meetings of the Board of Directors, Nominating Committee, Compensation Committee, and Outside Director Committee as well as participate in discussions with the representative directors, directors, and executive group managing officers (presidents of operating companies) together with the Statutory Audit & Supervisory Committee Member. During these meetings, they provide appropriate recommendations, and advice from a fair, neutral and objective standpoint independent from executive management, playing an effective role in ensuring the legality and validity of decision-making.

Nominating and Compensation Committees

Although Sapporo Holdings is a Company with an Audit & Supervisory Committee, 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 the presentation of a sound management structure. Independent outside directors not concurrently serving on the Audit & Supervisory Committee, directors concurrently serving on the Audit & Supervisory Committee, and the president and representative director comprise the members of both committees. Each committee is chaired by an independent outside director not concurrently serving on the Audit & Supervisory Committee.

Nominating Committee

The Nominating Committee meets to recommend candidates for directorships of the Board of Directors, monitor formulation and implementation status of the succession plan of the President, hold discussions, deliberate on the dismissal of executive management positions (directors including the President), and make

recommendations to the Board of Directors.
Meetings held in fiscal 2023: 5

Compensation Committee

The Compensation Committee meets to formulate the compensation plan for and determine individual compensation amounts pursuant to resolutions of the Board of Directors.
Meetings held in fiscal 2023: 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 directors pertaining to Groupwide management strategies, corporate governance policies, and other matters, in order to increase the quality of business execution supervision. In fiscal 2023, the committee focused on monitoring the Medium-Term Management Plan and discussions concerning Medium- to Long-Term Management Policies, and held training sessions at R&D facilities and individual discussions with operating companies in order to deepen understanding of each business.
Meetings held in fiscal 2023: 6

Executive Function

Management Council

The Management Council meets to ascertain the situation of each operating company and convey management information, and ensure that Sapporo Holdings, as the holding company, is able to make decisions in a swift and agile manner. The council deliberates on important matters concerning general management not handled by the Board of

Directors and the President carries out necessary approvals.

The Management Council contains six committees covering the entire Group, with each committee agilely taking part in activities unique to its own mission.

Group Management Strategy Council

The Group Management Strategy Council discusses important matters related to the execution of business operations by Group companies in order to ensure consistent, swift and agile decision-making within the Group to maximize the Group's corporate value, with the President carrying out necessary approvals.

Group Risk Management Committee

The Group Risk Management Committee formulates overall policies for the implementation of the Group's risk management and carries out coordination and collaboration within the Group.

Group Information Protection Committee

The Group Information Protection Committee administers and implements activities for the protection of personal information and management of trade secrets for the Group as a whole. In addition, the committee collaborates on projects involving the Group Risk Management Committee.

Group Sustainability Committee

The Group Sustainability Committee formulates overall policies on the promotion of sustainability management and administers initiatives within the Group. The committee also monitors risks and opportunities in the external environment over the medium to long term for business continuity purposes (particularly with regard to environmental and social aspects) as well as governance practices concerning these.

Corporate Governance

Board of Directors' Effectiveness Assessment

In accordance with the Corporate Governance Guidelines, the Company assesses, analyzes, and discusses the effectiveness of the Board of Directors every year based on self-evaluations carried out by each director, and examines and implements improvement measures in response to recognized issues. In addition, following the suggestions of outside organizations, the Company is working to improve the assessment process by ensuring the neutrality and objectivity of responses and selecting evaluation items, among other ways.

In fiscal 2023, based on the continuous quantitative assessment from the previous fiscal year's assessment, the Company added an assessment on the establishment and operation of a monitoring system to ensure the implementation and achievement of the Medium-Term Management Plan (2023~26), which was identified as a priority issue for fiscal 2023, and also collected opinions, and analyzed and assessed them.

The Company analyzed the results of surveys and interviews, shared issues with all directors, and then discussed initiatives for the next fiscal year in an effort to achieve greater growth and evolution as an organization.

Method and Process of Assessment and Analysis

1. Implementation period:

October to December 2023

2. Respondents:

- Survey (written questionnaire): All 11 Directors
- Individual interviews: All six Outside Directors

3. Specific process and key points of survey:

I. Survey-based self-assessment

An anonymous survey was conducted by combining fixed-point questions with new questions related to the

issues to be addressed. A free response column was added for all items to elicit more specific opinions.

- II. Quantitative analysis and selection of interview items
Based on the results of quantitative assessment and the aggregation of free responses, an initial analysis report was created. Using this, interview items were selected.
- III. Interviews
The Board of Directors Office conducted individual

interviews with outside directors, confirming their honest thoughts and awareness of issues with the Board of Directors and discussing proposed initiatives for the next fiscal year.

IV. Discussion at Board of Directors meeting

The results of surveys and interviews were analyzed, awareness of the issues shared, and initiatives for the next fiscal year discussed.

Specific Interview Topics Identified from Assessment Items

	Survey: Assessment items	Interviews: Important themes to deepen discussion
Composition of the Board of Directors	Number of directors, composition (inside/outside) balance of knowledge, experience, and abilities	▶ Composition of the Board of Directors (skills and diversity)
Operation of the Board of Directors	Appropriate frequency of meetings, deliberation time, etc., and flexibility in decision-making	▶ Scrutiny of discussion criteria and reporting matters, and efficient facilitation
Roles and responsibilities of the Board of Directors	Constructive discussions, multifaceted considerations, and risk-taking	▶ Annual planning of important agenda items and mechanisms for appropriate risk-taking
Medium-Term Management Plan	Sufficient discussion, progress management, establishment of monitoring system, and reporting	▶ Improvement of monitoring system and reporting methods
Information provision	Enhancement of pre-briefings and provision of business and industry information	▶ Enhancement of pre-briefings, and early and efficient provision of information
Advisory committees	Effectiveness of the Nomination Committee, the Compensation Committee, and the Outside Director Committee	▶ Role of the chairperson, composition of committee members, and more active discussions
Institutional design	Assessment of the current institutional design	▶ Approach to discussions and considerations
Overall assessment	Status of improvement and overall assessment of initiatives/issues identified in the effectiveness assessment	▶ Comments and themes other than the above

Corporate Governance

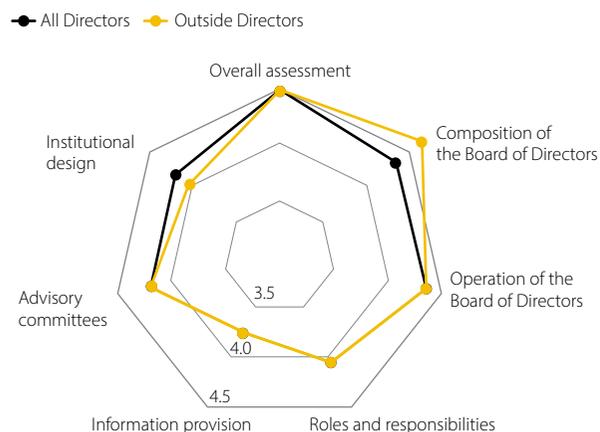
Results of Analysis and Assessment

Based on the analysis and reporting of the results of the survey and interviews, as well as discussions at meetings of the Board of Directors, the Company has determined that the Board of Directors is functioning effectively in light of its roles and responsibilities.

Survey Results Summary by Item

1. Low rated: appropriateness of risk-taking and monitoring system
2. Highly rated: free and constructive discussions, and Compensation Committee/Outside Director Committee are functioning well
3. Rated lower than the previous fiscal year: sufficient information provision for decision-making and securing the number of outside directors who contribute to the enhancement of corporate value
4. Low rated by outside directors: progress management of the Medium-Term Management Plan and consideration of actions to be taken

Assessment Score by Item (All Directors/Outside Directors)



Interview Results (Excerpts)

- Composition of the Board of Directors
I was able to conduct appropriate discussions on the necessary expertise, including discussions on the Real Estate business. Going forward, I would like to strengthen contact points with executives within the company who are candidates for the Board of Directors and Executive Officers.
- Annual setting of important agenda items
In the next fiscal year, I would like to devote more time to be devoted to discussions on risk management, human resource strategies for Overseas businesses, and growth strategies.
- Monitoring of management plan
In order to devote more time to discussions on management platform and growth strategies, it is necessary to narrow down the targets of monitoring, use more appropriate management indicators, and refine reporting methods.
- Operation of committees
The committees have been able to hold frank discussions. The leadership of the chair should be strengthened and more fundamental discussions should be held.
- Pre-briefings of agenda items
For complex and important decisions, providing ample opportunities for explanations in advance will allow for sufficient discussion to fill in the gaps in tenure and experience. In addition, I would like to make further use of off-site meetings as a venue to exchange opinions and expand knowledge.

Key Points of Future Initiatives to Further Increase the Effectiveness of the Board of Directors

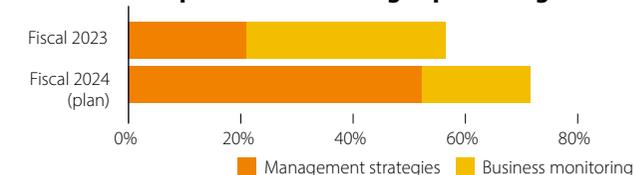
Broad and Strategic Setting of Agenda Items for the Board of Directors and Committee Meetings

Based on the results of the survey and interviews, as well as discussions held at the Board of Directors, important agenda items for the Board of Directors and committees are selected and an annual plan for the next fiscal year is formulated. In addition, the Company is establishing a system for pre-briefings to outside directors, including briefings at the time of appointment. At the same time, the Company will fundamentally review the way information is shared to engage in more constructive and highly effective discussions.

Narrowing of and Deeper Discussions on Important Themes in Monitoring of the Medium-Term Management Plan

Taking into account the progress made in the first year of the Medium-Term Management Plan, the Company will further focus on longer-term management policies, growth strategies for the Alcoholic Beverages business, sustainability, risk management, human asset strategies, and other themes related to our management platform. Through this process, the Company will flexibly adapt to the changing environment and formulate a growth strategy that enhances corporate value. In addition, if a problem arises, the Company aims to build a system that promptly initiates discussions and translates the results of these discussions into concrete actions.

Ratio of Time Spent on Deliberating Important Agenda Items



Corporate Governance

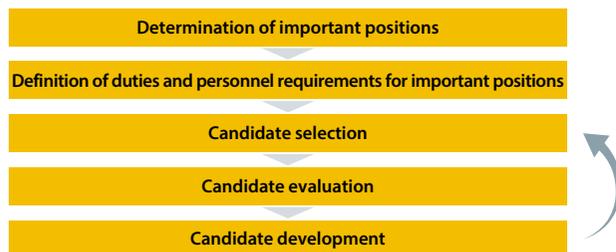
President’s Successor Development Plan

The Nominating Committee, an advisory body to the Board of Directors, every year reviews the formulation and implementation status and conducts discussion on the selection of a successor for the President and Representative Director. Based on this, the Board of Directors determines the successor.

The selection and dismissal of President and Representative Director is based on the right candidate with a wealth of experience, a rich track record, and great insight as an executive who can promote Group management and strengthen the corporate governance of the Company.

The Company works toward systematic cultivation of candidates, clarifying the requirements of corporate management to secure the next generation of candidates who can respond swiftly to changes in the business environment. Officers decide a policy for the cultivation of all candidates and strengthen development through assessments, dispatching to outside training, and strategic assignments, etc.

Cultivation of Next-Generation Management Candidates



Compensation for Board Members

The Company determines the amount of compensation paid to individual directors (excluding directors who are Audit & Supervisory Committee members) through the Compensation Committee based on the resolution of the Board of Directors.

At the Board of Directors held on February 10, 2021, a resolution was passed on the policy for determining the compensation of individual directors (hereinafter, “policy on determination of officer compensation”), which was later revised at the Board of Directors held on March 30, 2021, February 10, 2022, and February 14, 2024. A summary of the policy on determination of officer compensation is presented below.

Basic policy

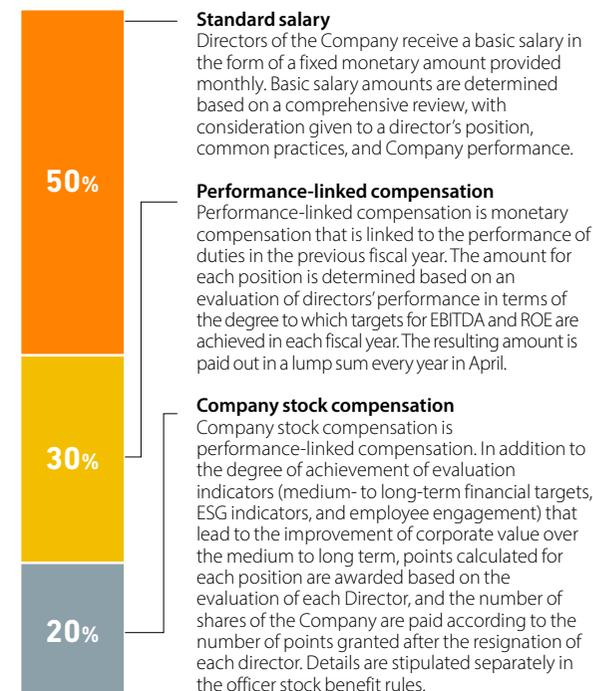
- The basic compensation policy for directors of the Company (excluding directors who are Audit & Supervisory Committee members; hereinafter the same shall apply) is to employ a system under which compensation is linked to business performance and medium- to long-term corporate value, accomplished by combining monetary compensation and company stock compensation for the purpose of contributing to the sustainable growth of the Company. Individual compensation is set at a level appropriate to the responsibilities of each director.
- Compensation for executive directors shall comprise monetary compensation and company stock compensation.
- Monetary compensation shall comprise (1) standard salary (fixed compensation) and (2) performance-linked compensation within the maximum amount of compensation approved by the General Meeting of Shareholders.
- Company stock compensation shall basically comprise a performance-linked stock-based compensation system.
- Outside directors shall be paid standard salary only.

Determination of compensation

- Decisions regarding the compensation paid to each director are delegated to the Compensation Committee. The Compensation Committee determines the standard salary of individual directors, the amount of performance-linked compensation, and the number of points to grant for performance-linked stock-based compensation.
- As a measure to ensure the appropriate execution of this authority, the Compensation Committee comprises independent outside directors not concurrently serving on the Audit & Supervisory Committee, directors who are the members of the Audit & Supervisory Committee, and the president and representative director. The chair of the Compensation Committee is selected from among the independent outside directors not concurrently serving on the Audit & Supervisory Committee.

Composition of Compensation

The standard ratio of basic salary to performance-linked compensation to company stock compensation is 5:3:2, when the degree of achievement of performance targets is the highest possible.



Corporate Governance

Evaluation Criteria for Performance-Linked Compensation and Company Stock Compensation

Classification	Indicator*1		Fiscal 2023 Results, etc.
Performance-linked compensation	Revenue (vs. plan)	Level of achievement of results versus targets in each business year	Results: ¥518.6 billion/ Plan: ¥490.0 billion
	Core operating profit (vs. plan)	Level of achievement of results versus targets in each business year	Results: ¥15.6 billion/ Plan: ¥13.5 billion
Performance-linked stock-based compensation	Medium- to long-term financial target	ROE Evaluation based on annual evaluation criteria versus the target in the Medium-Term Management Plan (8%)	Fiscal 2022 results: 5.0%
	ESG indicators	1. FTSE Russell ESG Score *2 2. MSCI ESG Rating*2 Establishment of annual evaluation criteria for scores and ratings of each indicator	1. 3.1 2. A
	Employee engagement	Work engagement*3 Establishment of annual evaluation criteria using results from external institution surveys	A
	Individual evaluations	Performance of each officer	Determined by the Compensation Committee based on the evaluation indicators of each individual

*1 The Company chose these indicators because it aims to contribute to the sustainable growth of the Company by making performance-linked compensation based on the results of the performance of duties in each fiscal year and performance-linked stock-based compensation linked to the Company's medium- to long-term corporate value. In addition, the Company has revised its policy regarding the determination of the details of executive remuneration, etc., in accordance with a resolution passed at a meeting of the Board of Directors held on February 14, 2024. The revision involves changing performance-linked compensation from "the amount calculated by position according to the degree of achievement of revenue and operating profit targets for each fiscal year" to "the amount calculated by position according to the degree of achievement of EBITDA and ROE targets for each fiscal year."

*2 Scores and ratings by international external evaluation agencies that collect, analyze, and evaluate ESG-related information of companies.

*3 A state in which employees have positive feelings about their work and feel fulfilled.

Compensation Amounts for Board Members in Fiscal 2023

Officer classification	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (People)
		Basic salary	Performance-linked compensation	Performance-linked stock-based compensation	
Directors excluding directors who are Audit & Supervisory Committee members (includes outside directors)	265(41)	174(41)	53(-)	38(-)	8(4)
Directors including directors who are Audit & Supervisory Committee members (includes outside directors)	51(22)	51(22)	-(-)	-(-)	3(2)
Total (includes outside officers)	316(62)	225(62)	53(-)	38(-)	11(6)

Internal Audits

The Internal Audit Department, an internal auditing organization independent of the executive chain of command, receives instructions from the representative director or the Audit & Supervisory Committee and audits all operations of the Company and its subsidiaries regarding compliance with laws, the Articles of Incorporation, and internal regulations, enabling dual reporting. Moreover, when performing duties assigned by the Audit & Supervisory Committee, employees of the Internal Audit Department are required to follow the instructions and orders of the committee exclusively.

Upgrading Internal Control Systems

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 formulated the Sapporo Group Internal Control System Development Guidelines outlining specific matters in relation to internal control systems at the Group and promotes specific actions with the officer in charge responsible.

Corporate Governance

Cross-shareholdings

Policy on cross-shareholdings

The Company strategically holds the shares of other companies in situations where it judges that this will contribute to the medium- to long-term enhancement of corporate value from the standpoint of facilitating business continuity and increasing profits by strengthening commercial relationships. The Company determines whether to hold individual cross-shareholdings every year based on verification by the Board of Directors following Company rules. With regard to the benefits and risks associated with cross-shareholdings, the Company comprehensively judges the business feasibility that evaluates qualitative aspects such as the scale of the transactions and future development potential and investment feasibility that evaluates quantitative aspects such as comparison with the cost of capital, and then reduces its holdings of those listed company stocks it has decided to sell.

Based on the policies of the Medium-Term Management Plan, the Company is steadily working to reduce its holdings of cross-shareholdings.

Additionally, the Company has set new quantitative targets to accelerate efforts and clarify our immediate policy for further reduction of these holdings.

Updating of Quantitative Targets

(Old) Quantitative Targets	<ul style="list-style-type: none"> The ratio of the book value of shares held to the total equity attributable to owners of the parent shall be less than 20% by the end of the fiscal year ending December 31, 2026.
(New) Quantitative Targets	<ul style="list-style-type: none"> The ratio of the book value of shares held to the total equity attributable to owners of the parent shall be less than 20% by the end of the fiscal year ending December 31, 2024. The ratio of the book value of shares held to the total equity attributable to owners of the parent shall be less than 10% by the end of the fiscal year ending December 31, 2026.

*The Company records the book value of shares held with market value based on market value.

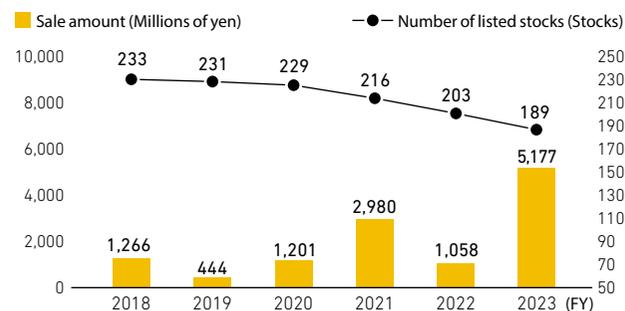
Exercise of Voting Rights Pertaining to cross-shareholdings

In the exercise of voting rights pertaining to cross-shareholdings, the Company will comprehensively weigh the pros and cons from a medium- and long-term perspective, taking into consideration the Company's strategic holding policy and the common interests of the shareholders involved in investments. Regarding the contents of agenda and other

Number of Listed Stocks, Amount Recorded on Balance Sheet, and Total Equity Attributable to Owners of Parent

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024 (Target)	Fiscal 2026 (Target)
Number of listed stocks	Listed stocks	229	216	203	189	-	-
Amount recorded on balance sheet (a)	Millions of yen	45,213	44,196	47,047	48,375	-	-
Total equity attributable to owners of parent (b)	Millions of yen	149,781	162,570	166,310	182,315	-	-
Ratio (a÷b)	%	30	27	28	27	Under 20	Under 10

Sale Amount and Number of Listed Stocks



issues pertaining thereto, the Company will, whenever necessary, have dialogues with the investee companies.

Promoting Compliance

The Group has set out the Sapporo Group Code of Corporate Conduct to provide a solid set of ethical guidelines to direct the conduct of all executives and employees. The Group Risk Management Committee promotes compliance measures for the entire Group by convening meetings of its subcommittees, with the General Affairs Department serving as the secretariat.

In addition, the Internal Auditing 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.

Internal Reporting System

The Company established the Sapporo Group Corporate Ethics Hotline Regulations for the prevention and early detection of misconduct within the Group and for fostering high ethical standards. This is a system that allows Group employees to report misconduct and ethical violations with peace of mind. The anonymity and confidentiality of whistleblowers are thoroughly maintained, and consideration is taken to ensure that whistleblowers are not treated unfavorably. In addition, as a means of whistleblowing, the Company has established a telephone contact point by an agency or an attorney, a dedicated e-mail address, and a written reporting channel. Whistleblowers can access any of these channels to submit a report according to their own circumstances and convenience.

Risk Management

Basic Approach to Risk Management

The Sapporo Group ensures the longevity of its businesses by gaining a comprehensive understanding of the potential risks to both its businesses and the operating environment and by providing a high-priority response. We define risk as a “phenomenon that creates uncertainty for the future.” In turn, we classify risks as either an opportunity or threat. Risks are further divided into “broad risks” that have yet to materialize and “narrow risks” that have already come to light. Organizations address each type of risks they are in charge of in an effort to minimize threats and maximize opportunities by making risk management a focal point of operations.

The Management Council, Group Sustainability Committee, and Group Risk Management Committee maintain an awareness of their respective roles and set action plans according to their specific functions in order to address the risks of opportunities and threats. The Board of Directors and the Management Council receive reports from each organization on a semiannual basis and monitor and

supervise risk management activities.

As a measure to prevent risk during normal times, a Group cross-functional subcommittee meets monthly to monitor the progress of efforts to address risk, share risk events, and share ways to prevent risk recurrence or risks from occurring.

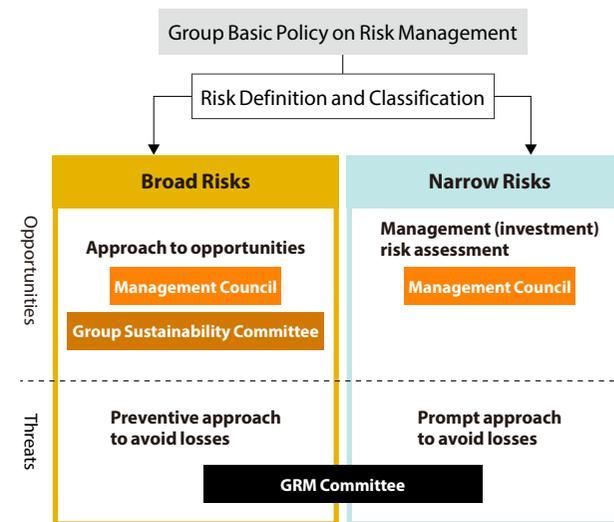
The Group’s Risk Management Structure and Operational Flow

The Sapporo Group manages latent risks in important decision-making for business execution or in business execution through the Management Council. A system is in place where administrative departments such as corporate planning, general administration, finance and accounting, and legal analyze expected risks in response to the deliberations and reports of the Management Council and necessary reporting is carried out.

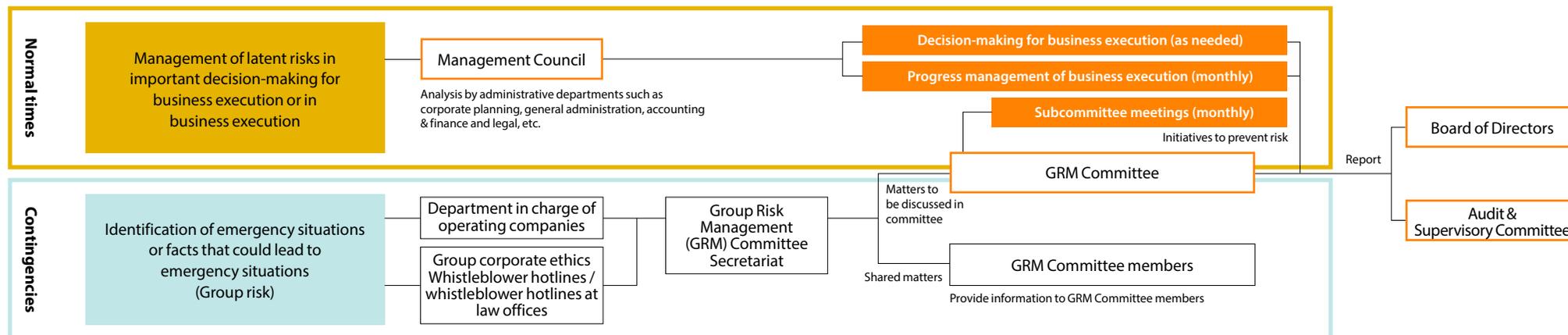
Upon identification of emergency situations or facts that could lead to emergency situations, the Group Risk Management Committee works with crisis management organizations at each operating company to discuss countermeasures including

disclosure, address risks swiftly and properly in an effort to quickly resolve risks and mitigate risks.

Risk Definition and Classification



Operational Flow Regarding the Sapporo Group’s Risk Management



Risk Management

Major Business-Related Risks (Threats) and Countermeasures

Following is a list of risks applicable to the Sapporo Group, potential threats posed by these risks, and countermeasures.

Classification	Events	Details	Countermeasures
Strategic risks Groupwide risks	Changes in economic conditions and population dynamics	There is a possibility that a worsening global economy caused by changes in economic conditions could lead to changes in shipments of main products, or decline in value of owned assets. These situations could have a negative impact on operating results or financial condition as a result of a more challenging competition environment. In addition, the Group may not be able to secure or cultivate the required human resources due to market contraction caused by declining birthrate and aging population or tougher competition for the hiring of employees.	<ul style="list-style-type: none"> Gain an understanding of these trends and analyze their effects on business, and formulate a response plan and execute. Develop products that are appropriate for shifting consumer needs and lifestyles. Promote Groupwide utilization of human resources, personnel allocation plans, workstyle reforms, redouble BPR efforts, and the employment and flourishing of senior personnel. Build a framework for advancing DX and IT strategies and foster digital human assets. Develop environment that embraces diversity and inclusion and promote measures that increase work engagement.
	Climate change risks	If it becomes difficult to procure primary raw materials or secure necessary water resources due to future climate change, the Group may face opportunity loss due to cessation of operations. These situations could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> Address and disclose environmental risks based on the TCFD recommendations Promote measures to achieve harmony with the environment and coexistence with society. Carry out research and development in order to mitigate climate change-related risks to primary raw materials, and secure multiple procurement partners.
	Impacts of legal systems	Changes in various laws and regulations or the unforeseen introduction of new laws and regulations, etc., could have a negative impact on operating results or financial conditions due to a drop in demand caused by restrictions on business activities or new costs for compliance with the new systems.	<ul style="list-style-type: none"> Continually monitor the situation of legal systems and implement forward-looking measures. Ensure proper understanding of and thorough compliance with laws and regulations through in-house training on legal affairs.
	Dependence on specific business fields	A decline in sales could be caused by factors such as price competition with competitors amid declining demand in the domestic market, changes in alcohol tax rates, changes in consumer preferences, price hikes of products due to surging costs of raw materials, supplies and energy, or a cooler than normal summer or longer than normal rainy season. These situations could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> Improve profitability by reorganizing our business and product portfolios Expand business activities into international markets.
	International business activities	In addition to changes in economic trends, competition environment or foreign exchange rates, factors such as changes in legal systems concerning investment, trade, tax and foreign exchange, differences in business practices, labor relations, regional armed conflict, terrorism, infectious diseases or other political, social or economic disruptions could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> Gather information on the governments and economies of applicable countries to undertake appropriate management and support of business operations based on local operating environment. Establish business management and risk management structures. Decentralize risks by dividing business portfolio by country.
	Impacts of R&D	Changes in consumer preferences, technological innovations or legal revisions could have a negative impact on operating results or financial conditions in case of unpredictable changes in the business environment and declining competitiveness in the marketplace.	<ul style="list-style-type: none"> Continually engage in R&D and propose products that can deliver value commensurate with changes in consumer needs and lifestyle patterns.
	Food safety	If a quality or labeling problem related to our products or raw materials occurs, a product recall, shipment of defective products, or product liability claims might occur. In the Restaurants business, if food poisoning occurs, we might be ordered to suspend operations for a certain period of time, which could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> In addition to past examples and case studies involving other companies, analyze possible society-wide risks and develop preventive measures. Undertake initiatives to establish a quality assurance system by, for example, raising awareness and providing training on risk management and risk communication to relevant departments of Group Companies. Manage manufacturing partners and suppliers as well as monitor and conduct quality audits, etc. of them.
	Safety of contract manufactured products and purchased products	The occurrence of quality issues beyond the scope of safety initiatives could have a negative impact on operating results or financial conditions due to suspension of sales, product recalls, etc.	<ul style="list-style-type: none"> Redouble efforts to gather the latest information on market conditions, decentralize and diversify suppliers, promote Group procurement, optimize quality standards, maintain appropriate inventory levels, carry out foreign currency hedging, and implement other necessary measures.
Procurement of raw materials and supplies and prices	The cost of sales could increase due to a rise in the price of raw materials and supplies caused by volatility in product prices and foreign exchange rates, which could have a negative impact on operating results or financial conditions. Additionally, ongoing regional conflict will negatively impact the global supply chain.	<ul style="list-style-type: none"> Redouble efforts to gather the latest information on market conditions, decentralize and diversify suppliers, promote Group procurement, optimize quality standards, maintain appropriate inventory levels, carry out foreign currency hedging, and implement other necessary measures. 	

Risk Management

Major Business-Related Risks (Threats) and Countermeasures

Classification		Events	Details	Countermeasures
Strategic risks	Groupwide risks	Risks in the supply chain	Rising costs and declining functions across the supply chain or the occurrence of human rights violations and environmental damages in the supply chain could make it impossible to maintain a stable supply chain, which could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Ensure respect for human rights and monitor the reduction of environmental impacts, etc., in the supply chain. • Gather information from suppliers related to crop conditions and cultivation of raw materials. • Diversify transportation methods, such as use of co-deliveries.
		Business and capital alliances	Deterioration in the management and assets of the business of alliance partners or investee companies because these companies' results fell short of initial forecasts due to changes in market environment or business environment could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Upgrade M&A processes based on past results and case studies involving other companies • Implement detailed due diligence on financial details or contractual relationships with the said companies. • Implement monitoring and appropriate risk assessments.
	Unique risks to each business	Alcoholic beverage issues	A contraction in consumer demand for alcoholic beverages caused by the negative health and societal impacts of excessive alcohol consumption, rising health consciousness and tighter regulations worldwide could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Promote responsible drinking aimed at eliminating inappropriate drinking, including underage drinking*, drunk driving, drinking while pregnant and nursing, and heavy drinking, etc.
Financial risks		Impairment of fixed assets	Impairment losses on fixed assets or goodwill from business combinations caused by weakened profitability or a downturn in market prices due to significant worsening in operating environment could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Make appropriate investment decisions based on business environment, profitability, and future potential.
		Financial liabilities	Financial liabilities may increase due to large-scale investments for growth strategy, and, if market interest rates rise or rating agencies downgrade the Company's credit rating, the Company's interest burden could increase or financial conditions worsen, which could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Diversify sources of financing, rationalize borrowing periods, and procure necessary funds based on market rate environment. • Execute foreign exchange forward and interest rate swap transactions to limit volatility risks.
		Retirement benefit obligations	Major changes in assumptions, such as fluctuations in the fair value of plan assets, fluctuations in interest rates, or changes in pension assets, could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Monitor investment returns of the corporate pension fund.
Operational risks		Risks from natural disasters	The Group's buildings and facilities could be damaged in the event of earthquake, wind or water damage, or landslide greatly exceeding assumptions due to a large-scale natural disaster or secondary disasters. Additionally, product supply issues caused by the temporary suspension of operations or disruptions in logistics networks resulting in opportunity loss or losses on the disposal of products could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Introduce an employee safety confirmation system and tools for summarizing facility damage data and establish an emergency communication system. • Prevent secondary damages by improving the safety of facilities and their earthquake resistance. • Establish disaster response manuals and BCP and review them regularly.
		Risks from infectious diseases, etc.	If the economic impacts of a pandemic or an infectious disease outbreak worsen, surging prices of raw ingredients and supplies, a decline in consumption, weak sales in the restaurant industry, and weaker demand for industrial-use products could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Continue with risk mitigation measures, including educating employees in each business segment, providing information, maintaining a sanitary environment, and quickly detecting cases of infectious disease, etc.
		Corporate governance risks	Deficiencies in the Group's corporate governance or internal control could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Strengthen operational supervision functions within the Group and confirm the development/implementation of internal control at Group Companies.
		Compliance risks	The occurrence of acts within the Group in violation of laws, regulations or social requirements, such as illicit or criminal actions or bribery, could have a negative impact on operating results or financial conditions. Additionally, the Company's brand and credibility could be negatively impacted if there is criticism of such actions on social media or in other media.	<ul style="list-style-type: none"> • Regularly raise employee awareness about compliance and the prevention of harassment. • Redouble the development and operation of the internal reporting system. • Identify latent risks through employee awareness surveys.
		Risks of litigation or fines	There is a possibility of litigation involving product liability law, intellectual property law or tax issues or levying of fines, irrespective of actual violations of laws or regulations during the course of business activities in Japan and abroad. Depending upon the matter of litigation or the results of litigation, there could be negative impacts on the Group's operating results or financial conditions.	<ul style="list-style-type: none"> • Prevent conflicts and disputes using compliance training, etc. that raises employee awareness. • Build a system for responding to conflicts and disputes.
		Information security risks	Falsification of important information or divulgence of personal information due to cyberattacks, etc., could have a serious impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Establish multi-tiered defense and monitoring systems for external attacks, and perform security diagnostics. • Educate and raise awareness among employees about information protection including cyberattacks.
		Credit risk of customers	Trouble collecting receivables due to the sudden, unforeseen bankruptcy of a business partner or affiliate could have a negative impact on operating results or financial conditions.	<ul style="list-style-type: none"> • Conduct credit management and monitoring as well as appropriate risk assessment of customers and related parties.

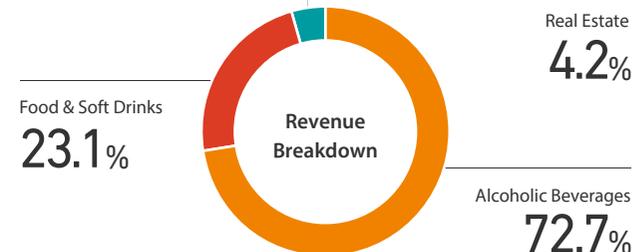
*In Japan, under age drinking refers to persons below the age of 20 consuming alcoholic beverages.

Financial Results Summary

The impacts of the COVID-19 pandemic have subsided and economic activities normalized. The recovery of the on-trade market from these impacts and the effects of restructuring in the Restaurants business and the Domestic Food & Soft Drinks business contributed to the increase in both revenue and bottom line. Although we continued to be significantly affected by the soaring cost of sales as in the previous year, we compensated for this by revising prices and controlling costs.

Consolidated Group Revenue **¥518.6** billion (up 8.4% year on year)

Consolidated Group Core Operating Profit **¥15.6** billion (up 67.9% year on year)



Alcoholic Beverages

Revenue **¥376.9** billion (up 12.6% year on year)

Group Core Operating Profit **¥16.0** billion (up 107.2% year on year)

In Japan, amid various environmental changes such as changing lifestyles and rising prices following the pandemic, we took steps to strengthen sales of beer and RTD in light of the liquor tax revision in October 2023 and promoted restructuring in the Restaurants business. Overseas, sales volume of Sapporo brand beer in North America, where we are focusing our efforts, was up 4% year on year, sustaining the record high reached in 2022. In the United States, which is a growth driver, we worked to create synergies with Stone Brewing, which became a consolidated subsidiary at the end of August 2022, in order to achieve further growth centered on Sapporo brand beer.



Food & Soft Drinks

Revenue **¥119.9** billion (down 2.4% year on year)

Group Core Operating Profit **¥1.6** billion (down 7.5% year on year)

In Japan, the business underwent restructuring, including reducing the amount of waste by reducing SKUs, improving the unit cost of variable selling expenses, improving the product mix by reducing unprofitable SKUs, reducing unprofitable vending machine columns, and transferring the plant-based yogurt business, while shifting management resources to the lemon business, a growth area. Overseas, sales in Singapore and exports were strong. Overall, revenue of the Foods & Soft Drinks business decreased because we posted an allowance for doubtful accounts to account for delinquent receivables from overseas business partners whose financial situation worsened.



Real Estate

Revenue **¥21.7** billion (up 4.7% year on year)

Group Core Operating Profit **¥5.8** billion (down 10.5% year on year)

Core operating income declined from the previous fiscal year amid a decline in the occupancy rate at Yebisu Garden Place's office tower due to HVAC updating work that began in 2022, but excluding the areas undergoing HVAC work, the occupancy rate was in high 90% range, remaining steady. The number of visitors to Center Plaza have increased 1.8 to 2.0 times after the remodel in November 2022.

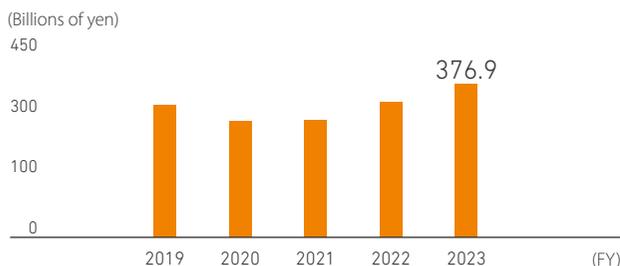
In the Sapporo area, we closed Hotel Clubby in April 2023 for remodeling and held the grand opening for the property rebranded as Hotel Sosei Sapporo MGallery in January 2024.



Financial Results Summary

Alcoholic Beverages

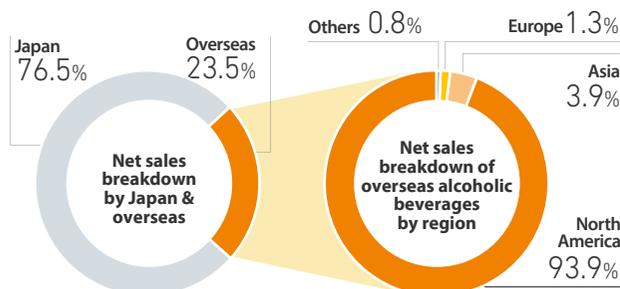
Trend in Revenue



Trends in Core Operating Profit / Core Operating Profit Margin

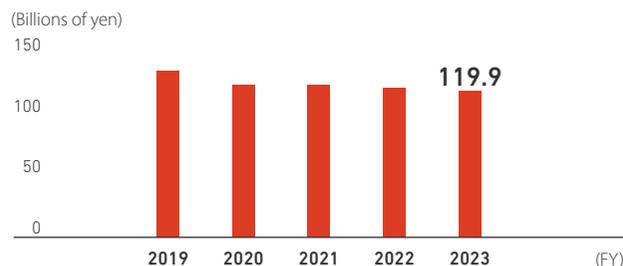


Net Sales Breakdown by Alcoholic Beverages

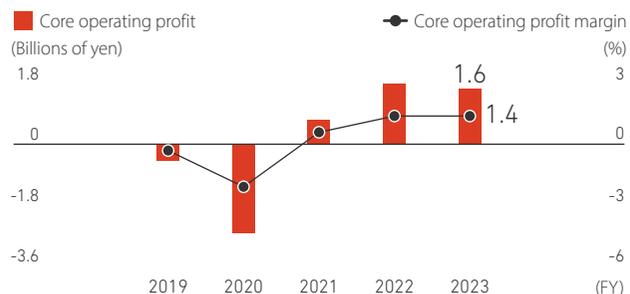


Food & Soft Drinks

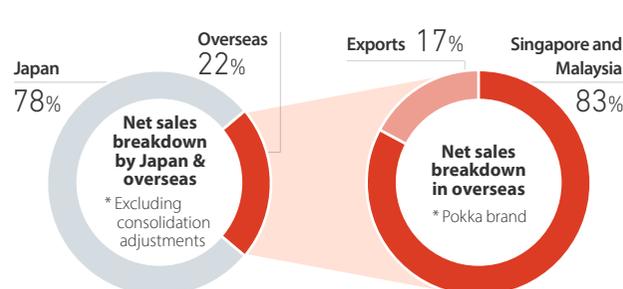
Trend in Revenue



Trends in Core Operating Profit / Core Operating Profit Margin

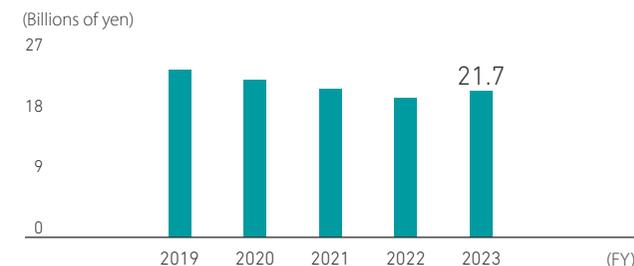


Net Sales Breakdown by Food & Soft Drinks

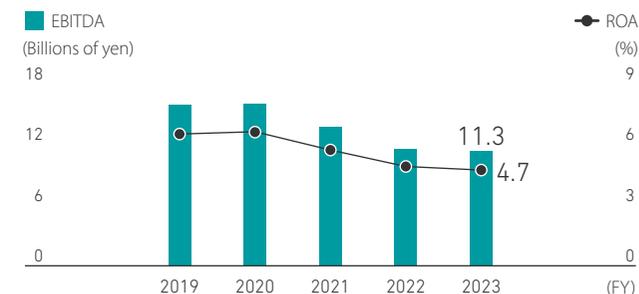


Real Estate

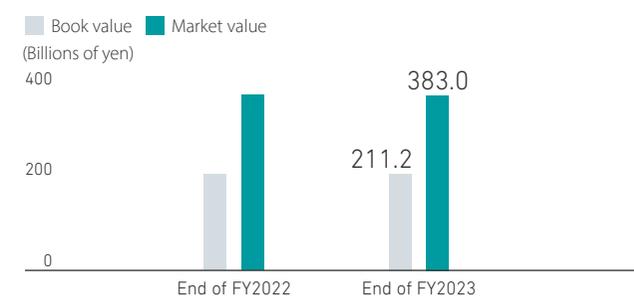
Trend in Revenue



Trends in EBITDA/ ROA (EBITDA basis)



Market Value of Rental & Other Properties at Fiscal Year End



Ten-Year Summary of Financial and Non-financial Data

The Sapporo Group has voluntarily applied International Financial Reporting Standards (IFRS), beginning in fiscal 2018. Figures prior to fiscal 2018 have been rounded down to the nearest specified unit. Figures from fiscal 2018 onward have been rounded up or down to the nearest unit. Moreover, in fiscal 2019, Country Pure Foods, Inc. was classified under discontinued operations, thus discontinued operations are presented separately from continuing operations. Consequently, revenue, core operating profit, and profit before tax for fiscal 2019 are shown based on values for continuing operations, and fiscal 2018 figures have been adjusted retroactively for comparative purposes.

Financial Data	JGAAP				IFRS					(Millions of yen)
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	518,740	533,748	541,847	551,549	493,908	491,896	434,723	437,159	478,422	518,632
Revenue (excluding liquor tax)	401,813	418,319	424,059	433,260	370,797	371,100	328,583	331,191	364,240	400,770
Overseas revenue	—	—	—	—	74,246	71,232	65,520	74,487	102,228	119,642
Overseas revenue (excluding liquor tax)	77,262	94,550	86,846	91,937	—	—	—	—	—	—
Core operating profit*1	14,728	13,950	20,267	17,032	15,159	11,724	4,261	8,142	9,312	15,633
EBITDA*2	42,974	42,327	46,529	44,558	39,751	35,971	27,351	28,639	29,879	36,029
Profit before tax	2,694	11,690	16,403	17,801	10,629	11,588	(19,364)	21,185	11,367	12,144
Profit attributable to owners of parent	340	6,108	9,469	10,978	8,521	4,356	(16,071)	12,331	5,450	8,724
Capital expenditures (cash basis)	19,133	20,339	21,809	15,253	21,573	29,912	16,109	21,241	22,326	28,923
Depreciation	24,481	24,224	22,341	23,571	24,592	24,248	23,089	20,496	20,567	20,395
Goodwill amortization	3,764	4,153	3,920	3,954	—	—	—	—	—	—
Cash flows from operating activities	22,284	35,265	32,570	30,005	30,830	36,069	16,466	30,308	7,814	45,446
Cash flows from investing activities	(17,229)	(9,755)	(27,586)	(17,823)	(18,727)	(24,930)	(16,000)	20,729	(46,137)	(16,439)
Cash flows from financing activities	(7,307)	(24,802)	(4,827)	(10,172)	(14,521)	(5,984)	4,138	(53,080)	36,465	(27,140)
Core operating profit margin	2.8%	2.6%	3.7%	3.1%	3.1%	2.4%	1.0%	1.9%	1.9%	3.0%
Interest-bearing debt to EBITDA ratio (times)	5.5	5.3	4.9	5.0	5.5	5.9	8.1	6.3	7.6	5.7
Net debt-to-equity ratio (times)	1.5	1.4	1.4	1.2	1.3	1.2	1.5	1.1	1.4	1.1
Equity ratio	25.0%	25.5%	25.7%	27.5%	25.2%	27.3%	24.3%	27.3%	26.0%	27.5%
ROE (before goodwill amortization)	2.7%	6.5%	8.4%	8.9%	5.1%	2.6%	(9.9%)	7.9%	3.3%	5.0%
ROE	0.2%	3.9%	5.9%	6.6%	—	—	—	—	—	—
Total assets	625,439	620,388	626,351	630,631	639,692	638,722	616,349	594,551	639,118	663,573
Total equity	160,004	163,822	166,380	177,663	164,735	174,524	149,551	163,327	167,201	183,248
Net Financial liabilities*3	237,775	224,310	227,553	220,871	218,358	212,126	221,534	180,730	226,513	205,399
Non-Financial Data										
Number of employees*4 (people)	7,014	7,484	7,737	7,772	7,797	7,603	7,527	6,872	6,692	6,610
CO ₂ emissions (Scope 1 and 2) (1,000 t-CO ₂)	—	—	—	—	236	207	181	184	189	175
CO ₂ emissions (Scope 3) (1,000 t-CO ₂ e)	—	—	—	—	—	1,034	966	903	1,138*7	1,105
Domestic Groupwide water use (1,000 m ³)	6,492	6,498	6,500	6,409	6,061	6,509	5,891	5,357	5,384	5,244
Percentage of women in management positions*5	—	8.1%	7.6%	8.1%	8.8%	8.7%	8.7%	9.7%	13.5%	14.4%
Percentage of male employees taking childcare leave*6	—	—	—	—	61%	68%	78%	80%	81%	114%

*1 Core operating profit is calculated as revenue – cost of sales – selling, general and administrative expenses. *2 Under JGAAP, EBITDA is calculated as operating profit + depreciation + goodwill amortization. Under IFRS, however, EBITDA is calculated as core operating profit + depreciation (excluding depreciation expenses on leased assets charged on the rent of restaurants). *3 Net financial liabilities include commercial paper, but do not include the balance of leased liabilities. *4 The number of employees is on a company-affiliated basis (including seconded employees from other companies) as of December 31 of each fiscal year. *5 Percentage of women in management positions at domestic and overseas Group companies (excluding seconded employees from outside of the Group) *6 Ratio of employees taking childcare leave (Sapporo Holdings and Sapporo Breweries) *7 Changed to a calculation method in 2024 compliant with SBT certification.

► For other non-financial data, please refer to the URL on the right. <https://www.sapporoholdings.jp/en/sustainability/esg/>

Corporate Data (As of December 31, 2023)

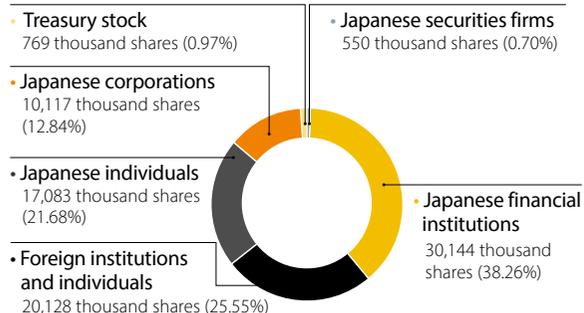
Corporate Information

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	¥53,887 million
Fiscal Year-End Date	December 31 on an annual basis
Number of Employees	6,610 (Consolidated) 110 (Parent company)

Stock Information

Total Number of Authorized Shares	200,000,000
Total Number of Issued Shares	78,794,298
Number of Shareholders	71,439
Stock Listings	Tokyo Stock Exchange, Prime Market Sapporo Securities Exchange (Securities Code: 2501)
Shareholder Register Manager	Mizuho Trust & Banking Co., Ltd.

Breakdown of Shareholders by Investor Type



Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,677	13.68
STATE STREET BANK AND TRUST COMPANY 505018 (Standing Proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	5,600	7.18
Custody Bank of Japan, Ltd. (Trust Account)	2,964	3.80
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) (Standing Proxy: Nomura Securities Co., Ltd.)	2,809	3.60
Custody Bank of Japan, Ltd., as trustee for Mizuho Bank Ltd. Retirement Benet Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	2,442	3.13
3D OPPORTUNITY MASTER FUND (Standing Proxy: Citibank N.A., Tokyo Branch)	2,400	3.08
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	2,237	2.87
Meiji Yasuda Life Insurance Company (Standing Proxy: Custody Bank of Japan, Ltd.)	2,236	2.87
The Norinchukin Bank	1,875	2.40
Marubeni Corporation	1,649	2.11

Note 1: Shareholding ratios are calculated after deduction of treasury stock (769,431).
Note 2: The status of the above major shareholders is based on the shareholder register.

Outside Evaluations

Included in ESG indices



Selected for CDP's Water A List, the highest rating for water security



The inclusion of SAPPORO HOLDINGS LTD in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of SAPPORO HOLDINGS LTD by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

“Excellent Enterprise of Health and Productivity Management 2024*1”
A total of eight companies recognized, including four in the large enterprise category and four in the SME category
Three companies selected again for White 500 and two selected again and one selected for the first time as Bright 500



Acquired “Platinum Kurumin*2” certification for the sixth consecutive year



Certified as an Enterprise Promoting the Success of Women Received “Eruboshi” Certification (Level 2)*3



Received the highest rating of “Diamond*4” in the “gan-ally-bu AWARD 2023” sponsored by the “gan-ally-bu”



Received the Gold Prize*5 in the age friendly category at the SAFE Awards



Selected as a Next Nadeshiko: Companies Supporting Dual-career and Co-parenting



*When not otherwise specified, certified by Sapporo Holdings or the Group *1 White 500: Sapporo Holdings, Sapporo Breweries, and POKKA SAPPORO Food & Beverage; Bright 500: Sapporo Real Estate, Sapporo Field Marketing and Sapporo Group Logistics; and Health & Productivity Management Outstanding Organization: Sapporo Lion and Yasuma *2 Sapporo Breweries (POKKA SAPPORO Food & Beverage acquired “Kurumin” certification) *3 POKKA SAPPORO Food & Beverage *4 Sapporo Breweries (POKKA SAPPORO Food & Beverage was awarded Silver for the fifth consecutive year) *5 Sapporo Lion



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