



# *Integrated Report 2020*

SAPPORO HOLDINGS LIMITED

## **2 The Sapporo Group's Value System**

- 2 Editorial Policy and Information Framework
- 3 The Sapporo Group's Management Philosophy Framework
- 4 Cover Story

## **6 Message from the President**

## **10 Value Creation Story**

- 10 Our Brand History
- 12 Our Value Creation Story

## **13 The Sapporo Group's Business Model**

- 13 The Sapporo Group's Business Model
  - 14 1. Craftsmanship
  - 15 2. Urban Development
  - 16 3. Special Brand Experiences

## **17 The Sapporo Group's Competitive Advantage**

- 17 Products and Marketing
- 19 Quality and Innovation
- 20 Human Resources
- 21 Stakeholder Engagement

## **22 The Sapporo Group's Growth Strategy**

- 22 Group Management Plan 2024
- 23 Our Businesses
- 24 Business Strategy
- 27 Financial Strategy
- 29 Financial Highlights

## **30 Special Feature**

- 30 Special Feature 1: Breathing New Life into the *Yebisu* Brand
- 31 Special Feature 2: Accelerating Global Expansion

## **32 The Sapporo Group's Sustainability**

- 32 Promoting Sustainability Management
- 33 Identifying and Updating Materiality
  - 34 Promise 1: Contribute to Creative, Enriching, and Rewarding Lifestyles through Alcoholic Beverages, Food, and Soft Drinks
  - 35 Promise 2: Promote Coexistence with Society
  - 36 Promise 3: Environmental Conservation
  - 37 Promise 4: Cultivating Highly Unique Employees
- 38 Initiatives Based on Our 4 Key Promises
  - Sapporo Breweries Meets the Challenge
- 39 Efforts in Line with TCFD Recommendations
- 43 Spreading Awareness of Proper Drinking Practices
- 44 Promoting Diversity and Inclusion
- 45 Non-Financial Highlights

## **46 Foundation for Growth**

- 46 Dialogue between Two Audit & Supervisory Committee Members
- 49 Corporate Governance
- 57 Risk Management
- 60 Board of Directors, Directors Who Are Audit & Supervisory Committee Members, and Group Operating Officers

## **62 Corporate Data**

- 62 Ten-Year Summary of Financial and Non-Financial Data
- 63 Corporate Data

# CONTENTS

Integrated Report 2020  
Sapporo Holdings Limited

# Editorial Policy

*Integrated Report 2020* serves to inform all stakeholders about the Sapporo Group’s distinct value as a group with highly unique brands and expresses its direction and intentions toward the future—a future in which the Group plays an indispensable part in society.

This integrated report is intended to facilitate understanding of the Group’s economic and social value creation as accomplished through our business activities, based on our management strategy and Sustainability Policy, and through the disclosure of ESG-related information. In addition, the report seeks to inform readers on the state and progress of our initiatives.

Our editorial policy is to provide information regarding the changes that will take place moving forward in a clear and straightforward manner. In doing so, we hope that all stakeholders, including shareholders and other investors, will grasp the Sapporo Group’s vision toward sustainable growth.

July 2021

# Information Framework

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

<p><b>Integrated Report</b></p>  <p>Financial and non-financial information pertaining to the Sapporo Group</p> <p><a href="https://www.sapporoholdings.jp/en/ir/library/factbook/">https://www.sapporoholdings.jp/en/ir/library/factbook/</a></p>	<p><b>Sustainability Book</b></p>  <p>Information regarding the Sapporo Group’s sustainability-related initiatives (Japanese only)</p> <p><a href="https://www.sapporoholdings.jp/csr/sustainability_book/">https://www.sapporoholdings.jp/csr/sustainability_book/</a></p>
<p><b>Securities Report</b></p> <p>Business overview and description, operating status, financial statements, and other related information (Japanese only)</p> <p><a href="https://www.sapporoholdings.jp/ir/library/securities_report/">https://www.sapporoholdings.jp/ir/library/securities_report/</a></p>	<p><b>Corporate Governance Report</b></p> <p>Information related to corporate governance, including basic stance and description of organizational system</p> <p><a href="https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/corporate_governance_report.pdf">https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/corporate_governance_report.pdf</a></p>
<p><b>Financial Presentation Materials</b></p> <p>Information related to the management plan for the fiscal year and financial results</p> <p><a href="https://www.sapporoholdings.jp/en/ir/library/description/">https://www.sapporoholdings.jp/en/ir/library/description/</a></p>	<p><b>ESG Data</b></p> <p>Environmental, social, and governance (ESG)-related data for previous fiscal years</p> <p><a href="https://www.sapporoholdings.jp/en/csr/esg/">https://www.sapporoholdings.jp/en/csr/esg/</a></p>

### Forward-Looking Statements

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

### Period Covered

This report covers the fiscal year ended December 2020 (Jan. 1, 2020–Dec. 31, 2020). However, it may refer to events before or after this period as necessary.

### Organizations Covered

Sapporo Holdings Limited and Group companies

### Referenced Guidelines

- International Integrated Reporting Council (IIRC), The International 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



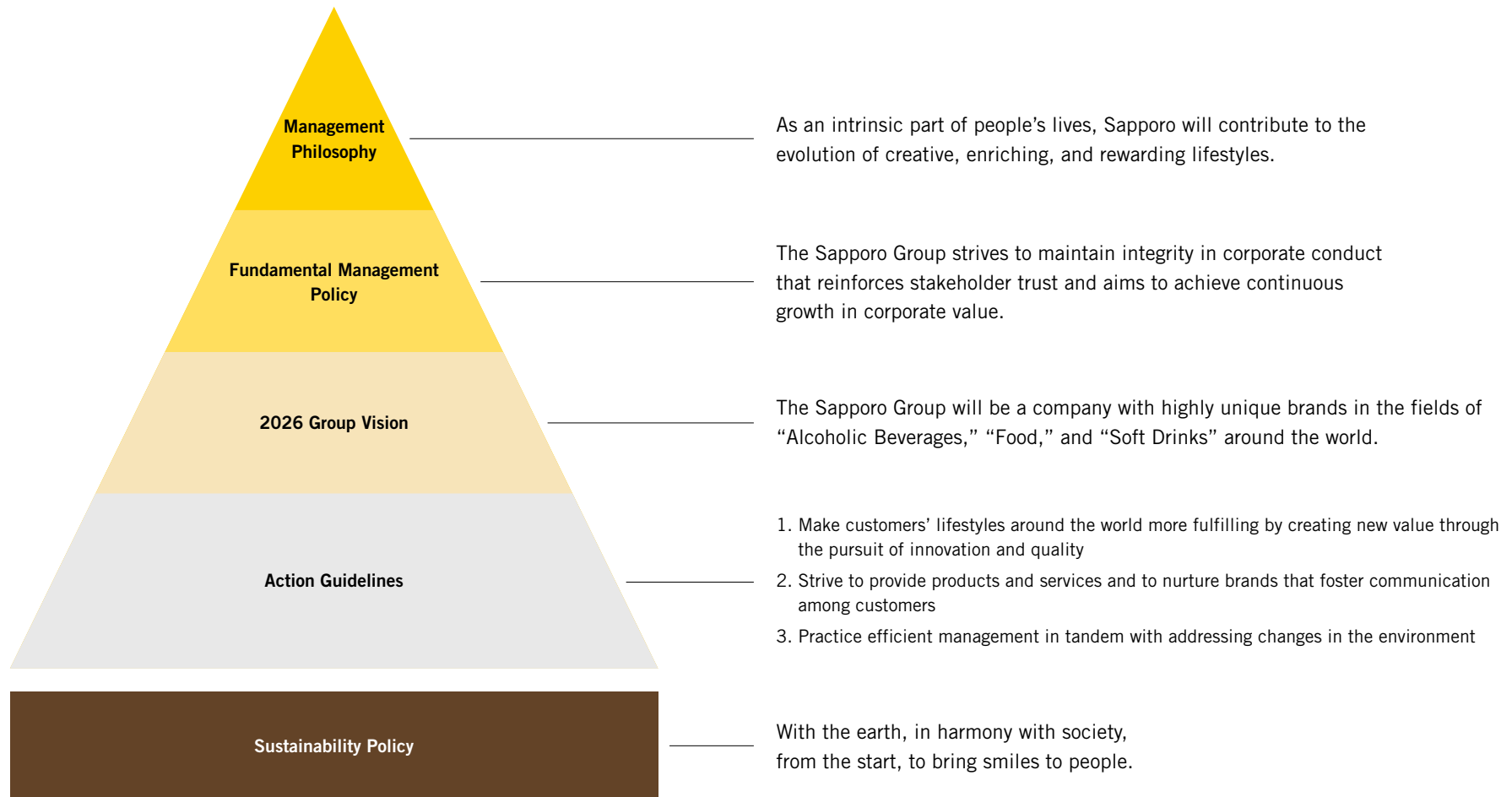
### Supported Initiatives

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



# The Sapporo Group's Management Philosophy Framework

The Sapporo Group is committed to “the realization of a sustainable society” and “sustained growth of the Group” and is therefore working under its Sustainability Policy to create value leading to solutions for global issues. By doing so, it is working to realize its Management Philosophy: “Sapporo will contribute to the evolution of creative, enriching, and rewarding lifestyles.”





# Sapporo's *Origin*

The Sapporo Group carries on the “Pioneer Spirit” of its forerunners,  
who dreamed of the future in an undeveloped territory.

With this spirit, they took the initiative and made decisions through harsh conditions,  
staying true to their convictions and building communities and connections in the process.

This “Pioneer Spirit” infuses the Sapporo Group’s identity and drives  
it to constantly refine its brand and take on challenges.





Over its history, which spans a period of over 140 years, the Sapporo Group has expanded its business, not only in Alcoholic Beverages but also in Food & Soft Drinks, Restaurants, and Real Estate. Our goal is to realize a sustainable society while developing products and services that have a deep connection with people's lives, bring joy to our customers, and grow the Group in a sustainable manner.



Management Philosophy

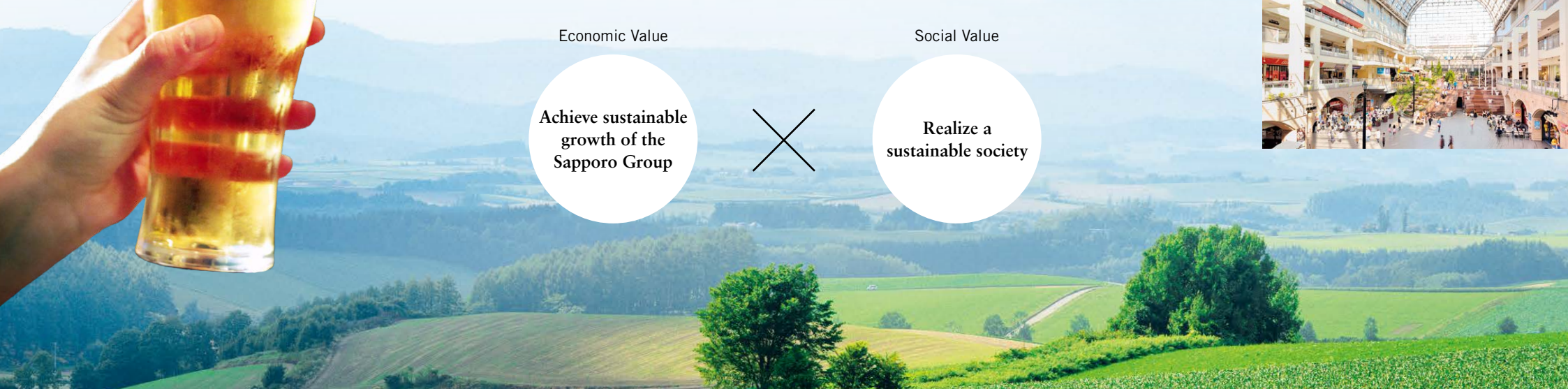
As an intrinsic part of people's lives, Sapporo will contribute to the evolution of creative, enriching, and rewarding lifestyles.

Economic Value

Social Value

Achieve sustainable growth of the Sapporo Group

Realize a sustainable society



# Message from the President



Masaki Oga

President and Representative Director

## The First Year of Group Management Plan 2024 in Review

In 2020, because of the spread of COVID-19, there was a significant shift in the way people think and act in regard to lifestyle, workstyle, and the relationship between people and society. It was quite a challenging year, with the dilemma of how to guide management open to question. On the one hand, the food service, tourism, a segment of the entertainment industry, and other industries continue to suffer from difficulties imposed by the pandemic. On the other hand, however, the push toward teleworking and increased consumption due to stay-at-home measures have opened up never-before-seen market opportunities and possibilities for new value creation.

The stark results for fiscal 2020, the first year of Group Management Plan 2024, warrant a pause for reflection, as it marked the first time in 22 years that

the Sapporo Group recorded an operating loss. This result came due to a significant drop in demand in the restaurant business, the domestic vending machine business, and businesses that involve direct contact with customers.

That being said, there are also fields and products that have the potential to grow due to shifts in product demand and lifestyles. Looking to beer, for instance, sales of the canned version of *Sapporo Draft Beer Black Label* rose for the sixth consecutive year, thanks to the increased prevalence of consuming alcohol at home. In the overseas beer business, we struggled in the U.S., where the ratio of sales leans heavily toward business use, while sales increased, and continue to do so, in Canada, where the ratio veers toward home use. COVID-19 also drew more attention toward health-related value. This led to increased support for lemon and soy milk yogurt products in the Food & Soft Drinks business segment, and in fiscal 2020 shipping volumes of *Pokka Lemon*, one of our mainstay products, reached an all-time high. In overseas alcoholic beverages, low-carb, low-sugar, and health-friendly ready-to-drink (RTD) items showed remarkable growth, and we have high expectations for this field going forward. In the Real Estate business segment, we were able to maintain a high occupancy rate at the Yebisu Garden Place Tower and other properties centered in the Tokyo metropolitan area, amid an office building market suffering a deteriorating occupancy rate and average rent level.

**To bring joyful smiles to people around the world,  
we will continue to take on new challenges,  
making use of our strengths as a company with highly unique brands,  
our commitment to craftsmanship, and  
urban development rooted in the community.**

## Message from the President

### Seizing Business opportunities for Further Growth

The proliferation of self-quarantine measures and teleworking has resulted in more time spent with family and more time for one's self, which has increased opportunities for drinking and preparing meals at home. This has proven to be a major growth opportunity for the Alcoholic Beverages business segment and the Food & Soft Drinks business segment. What is important here is how quickly we can provide products and services to meet demand. In order to achieve the targets in Group Management Plan 2024, we will continue our efforts in line with the plan's basic policy in fiscal 2021, while promoting marketing strategies that aim to take advantage of these opportunities.

In the beer business, our main business, we will offer products and services on two ends of a spectrum—with premium value on one end and reasonable value on the other—as a way to provide brand value that will meet diversifying sensibilities and satisfy each and every customer. In the overseas alcoholic beverages business, we plan to promote the penetration of premium brands such as *Sapporo Premium Beer* and develop both new low-carb products with health related value and RTD products, utilizing strategies tailored to the characteristics of each area.

In the Food & Soft Drinks business segment, we intend to develop the brand of our mainstay lemon products further by emphasizing their value in terms of food education, health functions, and co-creation

with local communities. In plant-based milk, we plan to increase sales of soy milk yogurt products by increasing awareness and growing the customer base thereof. It is all but certain that the markets for lemons and plant-based milk are primed for further expansion. I believe that, by eschewing conventional modes of thinking and initiatives, we can achieve growth that exceeds said market expansion. In the Real Estate business segment, we will continue to maintain and improve the occupancy rates and average rent levels of our properties. Specifically, we will refurbish the commercial wing of Yebisu Garden Place, which will create new functionality and added value for customers. This action will maintain and improve profitability while also enhancing the brand value of the entire Ebisu district.

With that said, risk identification and appropriate countermeasures are a vital part of advancing our growth strategy. To address quality assurance and a wide range of risks, we will build a new risk management system and fulfill our responsibilities as a manufacturer.

### Improving the Efficiency of Invested Capital

We are working to speed up the review process of our business structure as it relates to low-return businesses. In the restaurant business, we expect fiscal 2021 to be another difficult year, so we are scaling back business centered on beer halls in city centers. However,

*We will identify risks and promote our growth strategy in terms of both business growth and improved efficiency of invested capital.*

we intend to create a new business model capable of generating profits as well as a framework for facilitating store openings. In the domestic vending machine business, we working to optimize the number of machines in operation and taking measures to improve profitability. Moving to overseas alcoholic beverages, we will draw from our production and supply system based in Canada to establish a production system and acquire breweries within the U.S. Such measures will serve to reduce distribution costs and also work toward ensuring that both Canada and the U.S. have a stable supply system.

We will also develop a new business model for the Real Estate business segment. This model will involve applying our pool of know-how toward actively achieving profitability in new business areas, which includes strategically reorganizing our portfolio of properties and making equity investments in private placement funds.



## Message from the President

*To achieve sustainable growth as a company integral to society, it is important that we create both economic and social value.*

### Making Reforms to the Business Structure

In a time when change comes rapidly and sensibilities are diversifying, the key to growth is an organizational structure that can accommodate prompt management decisions and strategic promotion. In fiscal 2020, we transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee, in order to facilitate flexible decision-making. However, we will also work to further clarify the roles of the holding company and operating companies to ensure the organization can be flexible in the face of changing market conditions.

The holding company will continue to comprise a downsized head office with an easy-to-understand organizational structure focused on governance, internal control, management resource allocation, and risk management functions. In fiscal 2020, we worked to streamline personnel, which included facilitating early retirements and improved head-office functions.

Operating companies, on the other hand, are to prioritize business reforms utilizing information technology and promote digital transformation (DX) to reconfigure employee workstyles and business processes, with the goal of improving operational efficiency.

Personally, I see three approaches to DX. The first is constructing an information network for the entire Group, which encompasses overseas businesses. The second is achieving operational efficiency, which will leverage automation to change the very nature of work itself. The third, and most important, is building direct connections with customers. While it is important that we expand our information network and improve operational efficiency, these endeavors are meaningless if the use of digital technology comes at the cost of weakening human relationships. Therefore, the Sapporo Group, an entity that values direct dialogues with its customers, will promote DX as a means to enhance points of contact with customers by facilitating dialogues and information sharing. In doing so, we will create new, business-related added value.

### The Sapporo Group's Sustainability Management

Our business has close connections with local communities and we have long worked to reduce our burden on the environment, but now, in a time when social issues are becoming increasingly more complicated, our business activities must create both

economic value with social value. As we move forward, every employee must clearly understand that their daily duties are linked to social issues and be committed to solving them, while as a group we must share this sentiment and work toward the resolution of these issues. To achieve sustainable growth as a company that is an integral part of society, we have highlighted the promotion of sustainability management as one of the basic policies of Group Management Plan 2024, and as one of the pillars of our management strategy. In that same vein, we have also formulated a sustainability policy to serve as a guideline.

As a guideline for reducing our environmental impact, we have set a goal within our Environmental Vision of reducing CO<sub>2</sub> emissions at Company locations to zero by 2050. Decarbonization is an unavoidable topic relevant to all of humankind, and we are making concrete and steady efforts comprising our goal to switch to renewable energy at our offices and shared facilities at Yebisu Garden Place by 2022.

As for society, we will work on urban development by utilizing the portfolio management of the Sapporo Group's three unique businesses. The Real Estate business segment has its beginnings in the site of our old beer brewery. Instead of having properties for the sake of owning them, we want to provide customers with special brand experiences that can only be provided at those properties, with an added element of "Alcoholic Beverages," "Food," and "Soft Drinks." This is the goal of our urban development efforts and

## Message from the President

the reason why we possess so much real estate. With this unique business approach, we are able to strengthen our ties to areas and local communities with which we have a deep connection and help contribute to their development.

Every human resource of the Sapporo Group bears a responsibility toward sustainability management. Accordingly, it is important that we create an environment where people are able to go beyond the boundaries of their work and their field and put their individuality on display. In order to strengthen human resources, promote growth, and foster a *Kaitaku* (pioneering), challenge-seeking mindset, we have reformed the personnel systems of major operating companies. It is my hope that each and every one of us will be bold, take on challenges, and let our individuality shine like that first shining star. We are also evolving in our efforts to respect human rights and have formulated a new human rights policy in recognition of the impacts that our entire value chain has on such rights.

### The Source of Our Competitive Advantage

The Sapporo Group's brand is evidence of the trust we have cultivated with stakeholders over our long history. The foundation that this trust has been built upon is the "Pioneer Spirit" passed down from the Group's establishment to the present. The Group has continued to create new value that meets the

*It is the "Pioneer Spirit" of taking on challenges and opening up new markets that lifts up the current Sapporo brand.*

expectations of its customers by focusing on what had yet to be achieved and continuing to take on challenges. For instance, it is Sapporo that pioneered the fields of low-malt beer and new-genre products. Opening up new markets, as opposed to staying put in existing ones, is among the reasons why we garner support from our customers.

Strengthening the brand requires that we be unique, unwavering, and timeless. We will task ourselves with making new, pioneering efforts to create value and products different from those of other companies. As we perform these tasks, one by one, the people of today will support them. This is the source of the Sapporo Group's competitive advantage.

### Becoming a Company with Highly Unique Brands

"A company with highly unique brands" is aimed at being an entity that allows each employee to express their individuality wholeheartedly. It is specifically because we are a company so geared toward providing people with fun and joy that I would like the employees responsible to enjoy their work as well. It is my hope that by putting their individuality on display employees can attach added value to their work. I believe that each of them can become their own "first star." We will continue to promote diversity and inclusion alongside efforts to cultivate global human resources and support the success of women, initiatives that will bring greater corporate value with them.

We must continue going forward, not simply as a manufacturer but as a company committed to seeking challenges that will bring new value. We exist to deliver comfort, excitement, and vitality to people. The Sapporo Group's star logo represents the immovable North Star. We too will never be shaken and continue the task of shining bright, no matter the era, and would like to ask our stakeholders for their continued support in this endeavor.

July 2021



Masaki Oga  
President and Representative Director

## Alcoholic Beverages

# 1876

Established the *Kaitakushi* Brewery in Sapporo, Hokkaido

## 1877

Launched *Sapporo Lager Beer*, the Company's first product



## 1890

Launched *Yebisu*



## 1896

Launched *Anchor*

# 1899

Opened *YEBISU BEER HALL*, Japan's first beer hall in Ginza, Tokyo

Space to experience the Sapporo brand—Entered the restaurant business



YEBISU BEER HALL



## 1934

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

# 1887

Established Japan Beer Brewery Company in Ginza, Tokyo

# 1909

Started manufacture and sale of *Citron*

Entered the Soft Drinks business—Utilization of carbon dioxide gas from brewing process

## Food & Soft Drinks

## 1914

Launched *Ribbon*



## 1948

Launched *Blue Seal*

# Our Brand History


For over 140 years of history, Sapporo has helped bring smiles to people through an accumulation of dialogues with all of its stakeholders in the pursuit of innovation and quality. Emerging from these dialogues have been ideas shared among all stakeholders, and these “crystals” have become the Sapporo Group brand. It is this brand and our many brand assets that are the most important factors in achieving growth.

### Actions Rooted in Our Founding Spirit


Sapporo Breweries was born in 1876 as *Kaitakushi* Brewery. Back then, we embarked on a challenge—the trial cultivation of Hokkaido-grown barley and hops, believing that good-quality ingredients make good-quality beer. In 1880, we began outsourcing cultivation to designated farmers. This action has encouraged local farming and is the origin of the Collaborative Contract Farming System, utilized by Sapporo Breweries today.




**1956** Revival of *Sapporo Beer*




**1964** Began exporting beer to the United States




**1977** Launched *Sapporo Draft Beer Black Label*



**1984** Established SAPPORO U.S.A., INC.




**1988** Revived *Sleeman*



**1996** Launched *Wild Rose Brewery*

**2003** Launched *Grande Polaire*



**2004 Innovation** Launched new-genre beverage *Draft One*

**2006** Entered Canada

**2006 Innovation** Established the Collaborative Contract Farming System

**2009** Opened the first *YEBISU BAR* jointly developed with Sapporo Breweries in the Ginza Corridor District


**2010** Entered Vietnam

**2015** Opened *GRANDE POLAIRE WINEBAR TOKYO*


**2019** Opened *Sapporo Draft Beer Black Label THE BAR*

**1957**

- Established Nikka Lemon Co., Ltd., which later became POKKA CORPORATION
- Launched *Pokka Lemon*




**1963** Launched *Shinsyu-ichi Miso* mascot *Miko-chan*




**1973 Innovation** Developed the first Hot- and Cold-Type Vending Machine

**1977** Established POKKA CORPORATION (SINGAPORE) PTE. LTD.

**1994** Opened first *Café de Crié* location in Fushimi, Nagoya



**1996** Launched *Jikkuri Kotokoto*




**2013** Integrated business with POKKA CORPORATION and started operations as POKKA SAPPORO Food & Beverage Ltd.

**2015** Entered soy milk and chilled products business


**2019** Made spice manufacturer Yasuma Co., Ltd. a consolidated subsidiary

**1988**  
Established *Seiwa Real Estate Co., Ltd.* (now Sapporo Real Estate Co., Ltd.)  
Entered the Real Estate business by reviving former brewery sites


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



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



**2016** Completed construction of GINZA PLACE

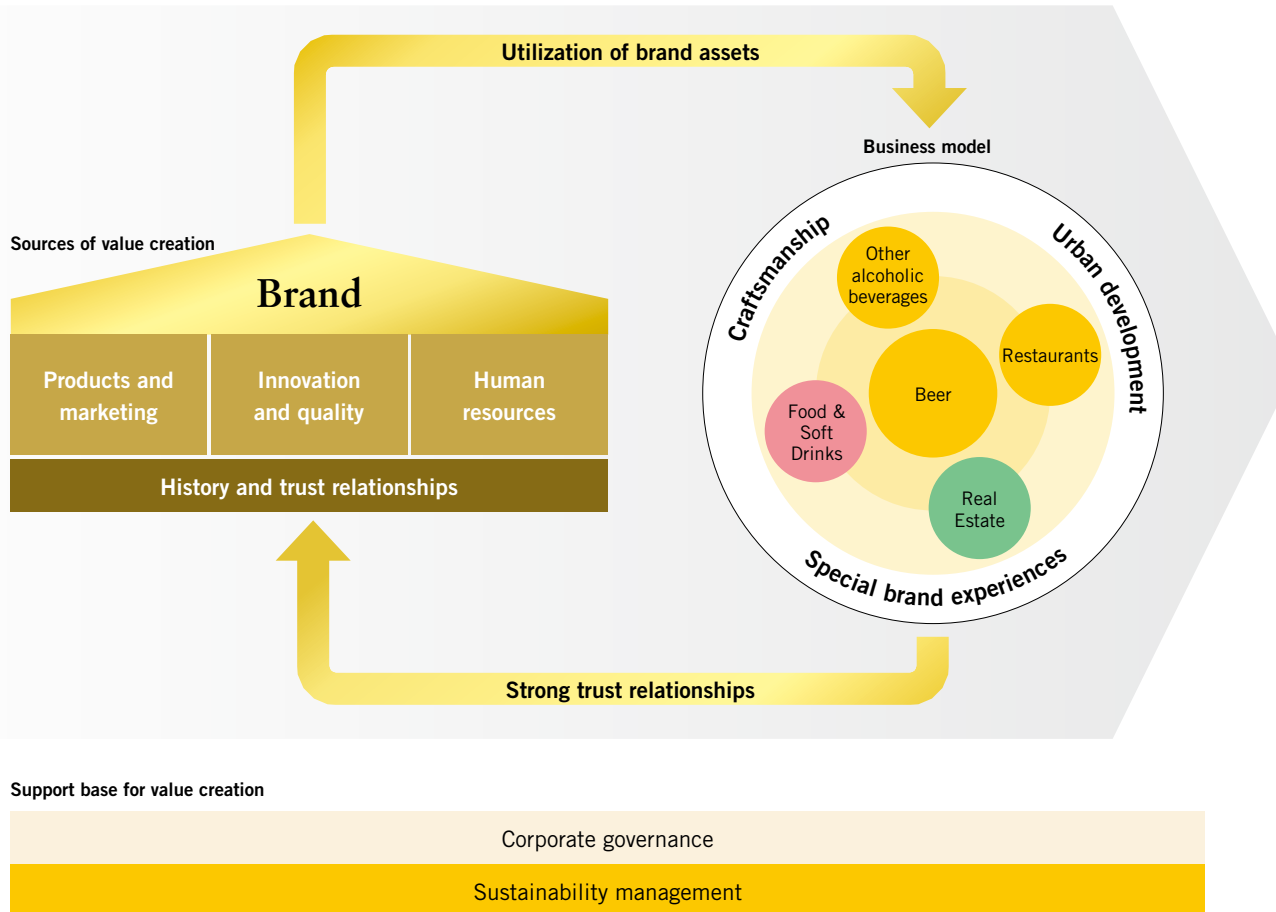


**Real Estate**

# Value Creation Story

In addition to its Alcoholic Beverages business, which has its origin in beer, the Sapporo Group has expanded to include businesses in Food & Soft Drinks and Real Estate, becoming part of various aspects of people's lives. Our goal is to solve social issues and realize a sustainable society by continuing to refine our brand, one of the Group's strengths that incorporates our over 140 years of history, relationships of trust with our customers, unique products, innovation, quality, and human resources.

## Refining Our Brand



— Long-Term Vision —

**A company with highly unique brands**

— Providing Value to the World —

**Providing each customer with special times and experiences**

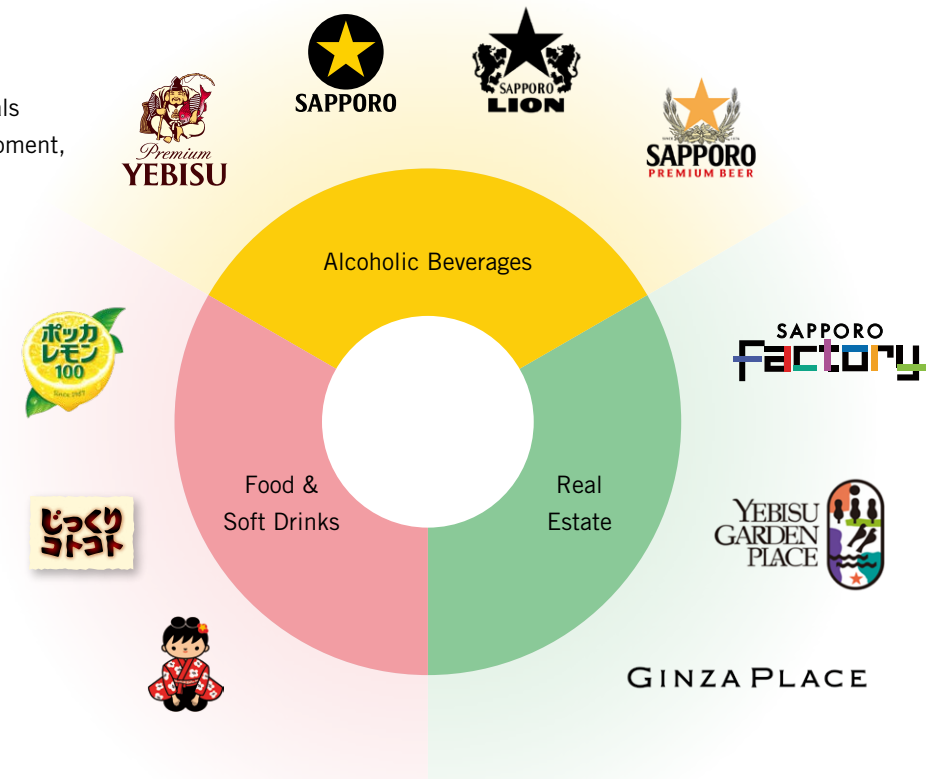
**Contributing to the realization of a world brimming with life**



# The Sapporo Group's Business Model

The Sapporo Group draws on strengths developed over its more than 140 years of history to offer proposals for a diverse set of values and lifestyles based on three approaches: unique craftsmanship, urban development, and special brand experiences. In doing so, the Group is constantly working to refine its brand.

## Sources of Value Creation



## The Sapporo Group's Unique Business Approach

### 1. Craftsmanship

We procure the high-quality raw materials and manufacturing technologies that maintain the superior quality in keeping with our commitment to craftsmanship passed down since the Group's founding. We also take on the challenge of creating new value, which includes proposals for new settings and communities.

- Highly unique products and services that build trust
- Contribution to health
- Creation of contact points

### 2. Urban Development

We continue to contribute to the development of local communities through urban development efforts that place value on the contact points and connections with these areas, with which we have deep connections, while not losing sight of the craftsmanship that lays at our core.

- Urban development that takes advantage of beer-related assets
- Coexistence with and development alongside local communities

### 3. Special Brand Experiences

We offer special brand experiences that can only be provided with our beer-related assets, which serve to deepen our relationships with customers. These relationships of trust are what make Sapporo's culture of "Alcoholic Beverages," "Food," and "Soft Drinks."

- Brand experiences in distinct locations
- Beer culture creation

# 1. Craftsmanship

## A Highly Unique Brand, with Products and Services Tied to Our Customers through Our Trust Relationships

In addition to its commitment to procuring raw materials and manufacturing, what defines the craftsmanship of the Sapporo Group is the seriousness with which it utilizes all means for reaching its customers, thereby creating special value that brings them joy. The new value and settings we offer and the highly unique products and services we provide are what build strong relationships of trust with our customers.

### Highly Unique Products That Build Trust



**Sapporo Draft Beer Black Label**  
*Sapporo Draft Beer Black Label* is the ultimate draft beer that continues to evolve, embodying a commitment to manufacturing methods and malt, and boasting a whiter and more beautiful foam.

**Yebisu**  
 Boasting a rich and full-bodied flavor with carefully selected ingredients and manufacturing methods, *Yebisu* is a one-of-a-kind beer.

**Overseas Brands**  
 These products bring an even better flavor to people around the world as they raise their glasses to toast. As these products expand globally, they bring *Sapporo* from Japan to the world.

**Pokka Lemon**  
*Pokka Lemon* products have grown with the times for over 60 years, bringing extra color to the dining table.

### Contribution to Health



**Plant-Based Milk**  
 Products that utilize plant-based milk are delicious and contribute to customer health.

**Non-Alcoholic Beverages**  
 Our non-alcoholic beverages allow customers to choose how they want to spend their time, enjoy themselves, and find happiness day after day.

### Creation of Contact Points



**Sapporo Draft Beer Black Label THE BAR**  
 Customers can easily stop by this standing bar in search of the deliciousness of the day's first draft beer.



**YEBISU BAR**  
 Customers can fully experience the charm and world view of the *Yebisu* brand at this stylish Japanese-style beer bar.



**HOPPIN' GARAGE**  
 This service quenches customer's desire to enjoy beer even more by offering a unique, outside-the-box experience.

## 2. Urban Development

# A City Brand That Values Contact Points and Connections with Local Communities

Although the Sapporo Group has been committed to craftsmanship since its establishment, it has also been engaged in urban development that values the contact points and connections with areas in which the Group has deep roots as well as with local communities. We intend to continue moving forward as a group that contributes to the development of local communities through various corporate activities.



## SAPPORO

### The Birthplace of the Sapporo Group

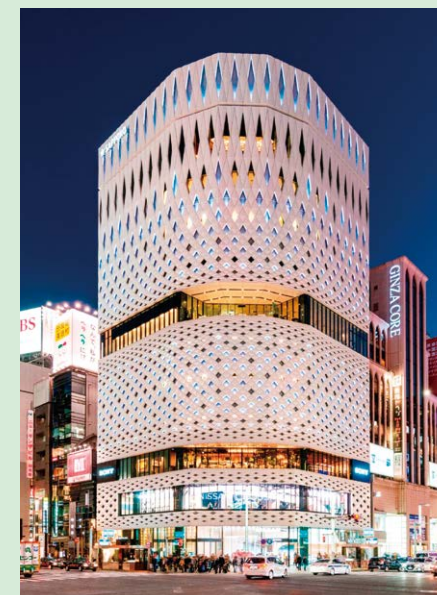
Sapporo, Hokkaido Prefecture, was the home of the *Kaitakushi* Brewery, making it at once the birthplace of the Sapporo Group and of Japanese beer. Sapporo Factory is built on the site of the brewery of Sapporo Breweries, which was itself preceded by the *Kaitakushi* Brewery. It is now a place where locals can relax and is home to a myriad of facilities, including those where people can experience the history of the *Kaitakushi* era.



## EBISU

### The District Named after *Yebisu*

The Yebisu Beer Brewery was completed in 1889, in Mita-mura in the Ebara district, now the Mita district in the Meguro Ward of Tokyo. In 1901, the Ebisu Railway Station was established for the purpose of shipping beer. Years later, it became a train passenger station, currently known as JR Ebisu Station. In addition, the district's name was changed to Ebisu as well. Cases of an area being renamed after a product brand are exceedingly rare.



## GINZA

### Celebrating Japan's First Beer Hall

Since the 1899 opening of Japan's first beer hall, *YEBISU BEER HALL*, in Ginza, the Sapporo Group has been making history together with the district for many years. In addition, GINZA PLACE opened in 2016, conceived as "a base for communication and exchange." Our goal is to make GINZA PLACE "a landmark that builds the Ginza of tomorrow" and help further invigorate the city and create an upbeat atmosphere.



### 3. Special Brand Experiences

## Creation of Deep Connections with Customers through Experiences Only We Can Provide

We engage in urban development that takes advantage of assets brimming with history and of the trust relationships with customers we have built up over time, while also producing craftsmanship supported by our strong brand and high quality. We believe these special brand experiences, put forth in settings only we can provide, create invaluable moments for people, which in turn build strong trust relationships. It is such trust relationships that create a sustainable culture of “Alcoholic Beverages,” “Food,” and “Soft Drinks.”



#### Craftsmanship

A highly unique brand, with products and services tied to our customers through our trust relationships

#### Urban Development

A city brand that values contact points and connections with local communities

### Special Experiences That Refine Our Brand

#### Examples of Our Special Brand Experiences



Sapporo is the birthplace of Japanese beer and of the Sapporo Group. Therefore, when people taste Sapporo-brand products, they can experience the nature bestowed upon Hokkaido Prefecture combined with over 140 years of history.



Yebisu is the beer that has given its name to both a station and a district. When people taste a beer infused with 130 years of history in the charming district of Ebisu—a place enjoyed by residents, visitors, and workers alike—they can experience our brand on a new level.



Ginza is home to Japan's first beer hall. One can experience the true thrill of beer culture in this beer hall, which still operates to this day as a place for people to gather, enjoy a glass of draft beer, and smile to no end.

## Products and Marketing

### Sapporo Draft Beer Black Label

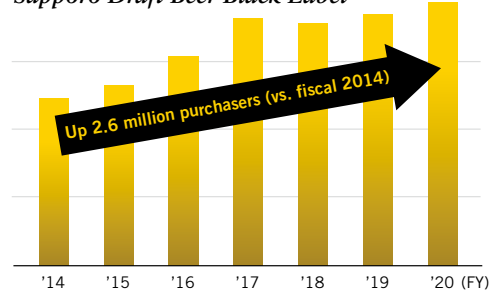
*Sapporo Draft Beer Black Label* is a truly delicious draft beer that can be enjoyed even at home. This is the idea that sparked the 1977 launch of *Sapporo Draft Beer Black Label*, a “draft in a bottle” that remains dedicated to delivering the delicious flavor of draft beer to this day. “Perfect” flavor is always the goal. It is the perfect balance between the umami flavor of barley and the refreshing aftertaste. It is the creamy foam that keeps the taste and aroma fresh. *Sapporo Draft Beer Black Label* will continue to evolve, with our goal to produce a beer enjoyed by beer-loving adults, a beer they will never tire of, no matter how many times they say “cheers!” with drinks in hand.



#### Sales of *Sapporo Draft Beer Black Label* Increase for the Sixth Consecutive Year

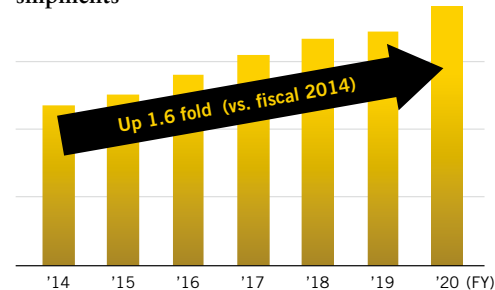
In fiscal 2020, shipments of canned *Sapporo Draft Beer Black Label* showed an increase in sales for a record sixth consecutive year, rising by 2.6 million purchasers compared with fiscal 2014. The unique worldview represented by *Sapporo Draft Beer Black Label* receives particular support from young demographics.

Estimated number of purchasers of canned *Sapporo Draft Beer Black Label*



Source: SCI purchaser figures  
Calculation period: fiscal 2014–November 2020

*Sapporo Draft Beer Black Label* (canned) shipments



Source: Internal shipping records

#### Increased Household Demand Due to Stay-at-Home Measures

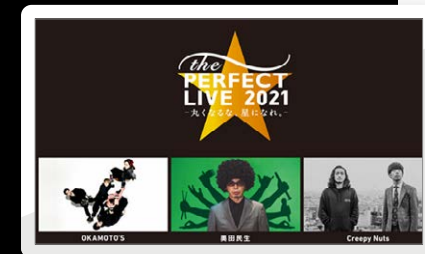
In response to COVID-19, customers have begun reevaluating what they truly care about and pursuing “personal joy and happiness.” Therefore, following revisions to liquor tax rates in 2020, we have been taking steps to enhance the value of our beer products, which is expected to increase the number of canned alcoholic beverages purchased for household use.

### Marketing Strategy to Promote “Premiumization”

In order to push toward an even higher growth trajectory, we are working to raise the unique value of experiencing *Sapporo Draft Beer Black Label* to the premium level (premiumization). We are also working to create passionate fans as an approach to creating growth opportunities.

#### 1. An Online Event to Give a Shout of Encouragement to Young People with *Sapporo Draft Beer Black Label*, the Beer Adored by Adults

As a result of COVID-19, young people have had major life events such as coming-of-age ceremonies, graduations, and company entrance ceremonies canceled, as well as losing opportunities to meet their friends. To support them in this trying time, we held a free online live event on January 14, 2021.



#### 2. A Beer Glass Campaign with 44 Glasses to Choose from, to Further Enhance Times and Spaces for Drinking at Home

To commemorate the 44th anniversary of the release of *Sapporo Draft Beer Black Label* on April 1, 2020, we launched a beer glass campaign with 44 different glasses to choose from. We will continue to develop products and services that allow customers to experience the *Sapporo* brand with the aim of enhancing their time spent at home.



# Lemon Business

We launched *Pokka Lemon* in 1957, and for over 60 years we have developed products in keeping with the changing times. Now, in addition to *Pokka Lemon 100*, which is used in cooking and food preparation at home, we produce other products, such as *Chelate Lemon*, launched in 2001, a drink that allows one to enjoy the deliciousness of lemons with ease.



## Marketing Strategies to Unlock the Possibilities of Lemons



We intend to support people and society with an enthusiastic vigor through products, services, and a variety of social activities that employ every aspect of lemons while exploring their rich potential.

### Shipments of Pokka Lemon 100 and Chelate Lemon Break Records

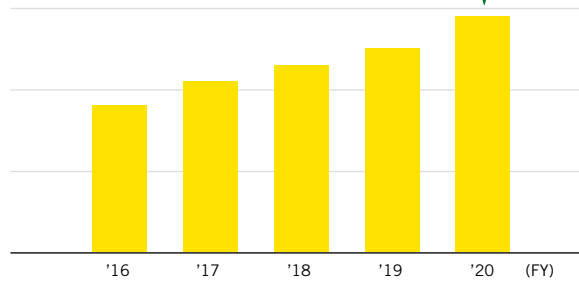
*Pokka Lemon 100* and *Chelate Lemon*, major products in the lemon business, achieved record shipping number in fiscal 2020, following the same trend as fiscal 2019.

#### Lemon Business

(internal management base)

Approximately **¥29.0 billion**

**116%** compared with previous fiscal year



Source: In-house performance figures, based on internal management amounts

**Pokka Lemon 100**  
**125%** compared with previous fiscal year (fiscal 2020)

**Chelate Lemon**  
**110%** compared with previous fiscal year (fiscal 2020)

### Promoting the Value of the Lemon Business

We intend to tailor our approach to match the level of demand of customers in an era of COVID-19. Our medium-term goal is to double the total demand for lemons; therefore, we will increase the demand for products grouped in terms of “soft drinks,” “food,” and “business use” and thereby generate a variety of value. While living under the conditions created by COVID-19, we will also enhance online and social media-related efforts while engaging in activities that spread awareness of the value of lemons in order to create bonds with stakeholders.

Soft Drinks	Food	Business Use
Cater to demand for refreshing drinks with a light and delicious flavor	Meet demand for easy and convenient food preparation	Contribute to providing value associated with the unique experience of eating out

### Changing Lifestyles and Increased Health Awareness

In 2021 thus far, changes in living conditions stemming from COVID-19 have had a variety of effects on the market surrounding the lemon business. Regarding *Pokka Lemon 100*, periods of self-quarantine brought more opportunities for people to cook and eat at home—with an accompanying increase in recipes using lemon products for making sweets or drinks—and this trend has continued since.

#### Food Education Value

Established the “Lemon Museum” website, which collects a variety of lemon-based information



#### Health Function Value

Spread awareness of the new health functions provided by lemons



#### Co-Creation of Value Locally

Online tours of Osakikamijima Town, Hiroshima Prefecture



# The Pursuit of Quality

The Sapporo Group places the prioritization of safety and the pursuit of quality in its products and services front and center within the Sapporo Group Code of Corporate Conduct, with the goal of becoming a company that customers can trust. Moreover, we believe in the importance of quality and safety at every stage, from research and product development to the procurement of raw materials, manufacturing, logistics, and sales and are working to improve further in this regard.

## 1.

### Constant Efforts to Improve Beer Foam Quality

Beyond preventing oxidation and gas vaporization, beer foam is an important means of visually communicating a beer's deliciousness. At Sapporo Breweries, we are making constant efforts from manufacturing to sales for increasing foam quality to the highest level possible.

#### Efforts in the Brewing Process

**Basic research** | **Industrial science**

We have created the optimal preparatory conditions for preserving the proteins that help retain foam through subsequent processes without adversely affecting other aspects of quality. During the fermentation and storage process, we also maintain strict control of yeast proteinase A (PrA), an enzyme that lowers foam retention.

#### Development of Draft Beer Server and Beer Faucet

**Container and equipment development**

We have introduced the SAPPORO SEPARÉ System, a proprietary quality management system for draft beer that involves regularly replacing the cooler components in beer server units, which are collected and cleaned at our maintenance centers. Another new development is a beer faucet that produces foam toward the wall of a glass, which results in finer bubbles that last longer.

#### Development of Barley with Superior Foam Retention

- Raw materials**
- Breeding
  - Collaborative Contract Farming System — □ P.38



Creating new value in beer

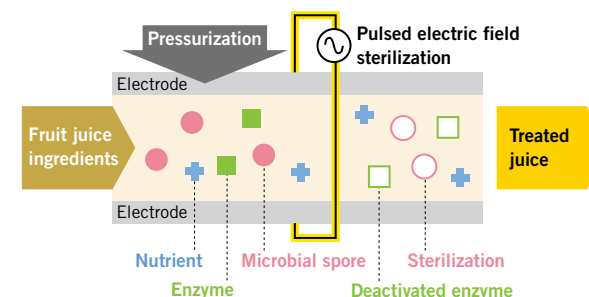
## 2.

### Practical Application of Pulsed Electric Field sterilization to Maintain and Improve Quality



The high AC electric field method of sterilization is able to sterilize food items by pulsing electric currents within a food item. This technology efficiently and swiftly sterilizes microorganisms in food items. Compared with exposure during conventional heat sterilization, food is exposed to heat for a shorter period of time, making it possible to produce processed foods of higher quality.

#### Pulsed Electric Field sterilization Mechanism



#### Achievements in Research Regarding the Health Benefits of Lemons

- 1995** Discovered the antioxidant properties of the polyphenol eriocitrin, found in lemons
- 2000** Demonstrated the chelate effect in citric acid
- 2007** Conducted study on the anti-fatigue effect of citric acid
- 2018** Conducted long-term observational and interventional studies on lemons, conducted in Osakikamijima Town, Hiroshima Prefecture

## Human Resources

# Human Resource Strategy

Embedded in the Sapporo Group's human resource strategy is its strong support for all Group employees to "Go Beyond Boundaries." This phrase refers to taking steps outside of boundaries, whether they exist in one's own subconscious mindset or whether they be organizational, business-related, or national boundaries.

Human resources are what support the Company; as such, our goal is to ensure that all human resources are happy to be a part of the Sapporo Group. To that end, we conduct human resource management and development related to the priority issues put forth in our management plan, such as focusing on core businesses and building resilience, accelerating global expansion, establishing a simple and compact organizational structure, and promoting sustainability management.

### "Cultivating Highly Unique Employees" and "Kaitaku (Pioneering), Challenge-Seeking Mindset"

The Sapporo Group's strength lies in its brand, refined for over 140 years based on the trust received from its customers, with a brand story woven by each and every human resource.

Every single human resource of the Group is an inheritor of the *Kaitaku*, or "Pioneer Spirit." As they pursue their own growth, their individuality shines as part of the diverse human resources that make up the Group. We will support them as they take on new challenges and go beyond boundaries in the pursuit of creating new value and realizing their dreams.

### Introduction of a Flexible Human Resource System Aimed at Active Participation of All Employees

In order to strengthen our human resources and promote their growth, we have drastically reformed the human resource systems of multiple operating companies. We are making a variety of efforts for eliciting from our diverse set of human resources not only a spirit of independence but also a willingness to take on challenges. These efforts include a transition from management-related initiatives to support-related initiatives, and from initiatives focused on simply abolishing a seniority-based system to initiatives that will allow active participation of all employees.



To cultivate next-generation managers, we hold next-generation manager workshops led by outside directors and lecturers on themes that include sustainability, diversity, governance, and innovation.

#### ◆ Introduction of an Equal Opportunity Manager-Grading System

This system will allow us to select the right people for the right positions at an early stage, ensure flexible personnel management, and help revitalize the organization.

#### ◆ Abolition of Evaluation-Based Rankings

We will make drastic revisions to our evaluation system and conduct training and evaluation based on criteria such as the conduct required for a given role, degree of achievement of or contribution to the Group's organizational vision, and willingness to take on challenges.

#### ◆ Strengthening of Support-Based Management through One-on-One Consultations and Human Resource Development Meetings

We support each and every employee in recognizing their strengths and issues constructively and achieving independent growth. Furthermore, we conduct human resource management that facilitates prompt responses to changing conditions through the provision of quick feedback.

## The Sapporo Group's Cultivation and Management of Human Resources



Mayumi Fukuhara  
Director (Member of the Board)

The Sapporo Group's most valuable resource is its human resources. With its goal to become a group with highly unique brands, every individual represents the corporate brand itself, and the individuality and task execution capabilities of the Group's human resources are what make the brand successful.

As COVID-19 continues to spread since the previous year, we have continued our business activities while ensuring the safety and health of our human resources as a top priority. Previous stereotypes regarding ways of working have been stripped away, thanks to the Groupwide development and quick rollout of workstyles that are not bound by a particular time or place. Ideas for communication are also shared freely in a remote working environment.

That said, these conditions have not caused the Group to become lax when it comes to the cultivation of human resources. We have developed creative training measures, such as cross-border training that connects human resources from Japan and overseas through remote tools, as well as next-generation manager workshops that allows outside directors to serve as instructors. We have also introduced a number of handheld-friendly training programs to support the autonomous careers of human resources.

Moreover, we have worked determinedly for more than 10 years in the name of diversity and inclusion, spearheaded by our work to support women's success. Our efforts have produced a steady stream of results, including our selection as a Semi-Nadeshiko Brand in 2021. For our ongoing work to promote the physical and mental health of employees, we have also been recognized as a White 500 enterprise under the Certified Health & Productivity Management Outstanding Organizations Recognition Program for a second consecutive year.

In fiscal 2021, we will continue to invest in our human resources, the source of our value creation, by conducting human resource management via a flexible personnel system and by leveraging digital transformation to implement educational programs aimed at creating innovation.



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

<p><b>Customers</b></p>	<p><b>Providing valuable products and services that build trust</b></p> <ul style="list-style-type: none"> <li>• Customer service centers</li> <li>• Brewery and plant tours</li> <li>• Events, etc.</li> </ul>	<p>Sapporo Breweries holds half-day events where employees can experience working at the customer service center, as well as events for employees to listen to customer feedback. In fiscal 2020, these half-day events were canceled as a preventive measure to curb the spread of COVID-19, while events for listening to customer feedback were conducted online.</p>
<p><b>Shareholders / Investors</b></p>	<p><b>Adhering to the Corporate Governance Code and implementing appropriate shareholder returns</b></p> <ul style="list-style-type: none"> <li>• General Meeting of Shareholders</li> <li>• Financial results briefings</li> <li>• Individual dialogues with domestic and overseas institutional investors</li> <li>• Publication of reports, etc.</li> </ul>	<p>The Company holds information sessions with individual investors several times a year, as well as financial results briefings or conference calls every fourth quarter for institutional investors. Furthermore, the Company holds an overseas roadshow twice a year, held in overseas locations to accommodate institutional investors outside of Japan. By carrying out these IR activities, we are able to gather the opinions and requests of our shareholders and investors and provide regular feedback to management and related departments of the Company.*</p>
<p><b>Suppliers</b></p>	<p><b>Respecting human rights and promoting environment-friendly procurement</b></p> <ul style="list-style-type: none"> <li>• Daily communication</li> <li>• Sapporo Group Procurement Basic Policy, procurement from a sustainability perspective, etc.</li> </ul>	<p>The Sapporo Group is carrying out sustainability initiatives throughout its supply chain while working to promote understanding and cooperation among suppliers of raw materials. Sapporo Breweries makes regular visits to suppliers of packaging materials to conduct quality control inspections and employee training. These visits also serve as opportunities to hold exchange events where the Company and suppliers can share knowledge and opinions related to sustainability and SDG initiatives.*</p>
<p><b>Community / Society</b></p>	<p><b>Implementing training/food education for the next generation, regional contribution activities, and environmental conservation using each business' characteristics</b></p> <ul style="list-style-type: none"> <li>• Next-generation training</li> <li>• Regional contribution activities</li> <li>• Disaster-recovery efforts</li> <li>• Environmental conservation activities, etc.</li> </ul>	<p>As of December 31, 2020, the Sapporo Group has formed 62 cooperative agreements with a variety of entities across Japan—including prefectures, municipalities, and universities. In July 2020, we worked with PIAZZA, INC. to launch the PIAZZA app for the Ebisu, Daikanyama, and Hiroo districts of Tokyo. With the cooperation of Shibuya Ward, the Group has also entered into a cooperative agreement with <i>Ebisu Shimbun</i> and concluded the Shibuya Social Action Partner Agreement. Through these agreements, the Group aims to resolve social issues by encouraging active communication as a way to connect local people.</p>
<p><b>Employees</b></p>	<p><b>Promoting diversity and inclusion and the improvement of health as well as supporting employee growth and the pursuit of their ideal career path</b></p> <ul style="list-style-type: none"> <li>• Open recruitment system, open training</li> <li>• Career support system</li> <li>• Health management</li> </ul>	<p>The Sapporo Group respects all forms of diversity, acknowledges and utilizes its diverse set of human resources, and is committed to enhancing work conditions to ensure that each individual can work to their fullest potential. The Group utilizes open recruitment and open training to support employee growth, help them direct their own career path, promote their physical and mental health, encourage them to go beyond their own boundaries and venture into new territory, and allow them to feel satisfied in their decision to work for the Sapporo Group.</p>

\* Some activities scheduled for fiscal 2020 were canceled and postponed to fiscal 2021.

## Group Management Plan 2024

Although the market environment has changed considerably due to COVID-19, the Sapporo Group has not altered its direction for the medium term. However, it is important to generate early-stage results if we are to meet medium-term targets. Thus, we must accelerate our efforts going forward.

In order to achieve the goals laid out in Group Management Plan 2024, in fiscal 2021 we will continue to work under the four basic policies of the plan and focus on strengthening our main brands while promoting growth centered on products for household use. We will also continue with structural reforms targeting cost reductions, work to reduce losses in the restaurant business and turn a profit in the Food & Soft Drinks business segment, and increase Groupwide profitability.

### Basic Policy

<b>1</b>	<b>Focus on Core Businesses and Build Resilience</b> <small>□□ P.24, 25</small>	<b>2</b>	<b>Accelerate Global Expansion</b> <small>□□ P.31</small>
<ul style="list-style-type: none"> <li>▶ Focus management resources on beer business</li> <li>▶ Scale down or withdraw from low-return businesses and shift to “Food” and other growth fields</li> </ul>		<ul style="list-style-type: none"> <li>▶ Transfer all overseas businesses to operating companies, and deploy a consistent global brand strategy</li> <li>▶ Strengthen earnings capacity with focus on North America and Asia Pacific and simultaneously accelerate growth</li> <li>▶ Nurture global human resources</li> </ul>	
<b>3</b>	<b>Establish Simple and Compact Organizational Structure</b> <small>□□ P.27, 28</small>	<b>4</b>	<b>Promote Sustainability Management</b> <small>□□ P.32</small>
<ul style="list-style-type: none"> <li>▶ Restructure to realize downsized head office operations and easy-to-understand organizational structure and pursue business process re-engineering and digital transformation</li> <li>▶ Designate governance, operating company support, and management resource allocation functions to Sapporo Holdings</li> <li>▶ Fully transfer business promotion functions to operating companies to increase responsiveness</li> </ul>		<ul style="list-style-type: none"> <li>▶ Balance social and economic value creation, primarily through measures such as producing our own high-quality raw materials</li> <li>▶ Promote urban development in locations with connections to the Company, such as Ebisu, Sapporo, and Ginza</li> <li>▶ Raise level of management transparency and fairness to meet the needs of the times</li> </ul>	

### Financial Targets

Reach **¥30.0 billion** in core operating profit in fiscal 2024

Key Indicators □□ P.27, 28

Revenue growth rate	Core operating profit to revenue ratio	Annual overseas revenue growth rate
2% or more (annual average)	5% or more	1.6 times (compared with fiscal 2019)

### Financial Policy

Place emphasis on profitability and efficiency relative to invested capital and maintain financial condition and stability relative to fiscal 2019 while increasing profitability

<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">Cash flows from operating activities</div> <div style="font-size: 2em;">÷</div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">Investments</div> </div>	<b>Key Indicators</b> □□ P.28	Fiscal 2019 results	Fiscal 2020 results
	<b>Interest-bearing debt to EBITDA</b>	5.9	8.1
<b>Net debt-to-equity (D/E) ratio</b>	1.2	1.5	

### Policy for Shareholder Returns

The Company regards the appropriate return of profits to shareholders as an important management policy and upholds a basic policy of stable dividends payments in consideration of its business performance and financial condition. As for the level of dividends to be paid going forward, the Company will take into account the dividend payout ratio and dividend on equity (DOE) ratio\* while working to enhance its corporate value under Group Management Plan 2024. In the event that profit attributable to owners of parent fluctuates significantly due to temporary losses related to special factors or the recording of profits, the dividend payment amount may be determined after considering the impact of such fluctuations.

\* DOE ratio = Amount of dividends ÷ Amount of capital (i.e., total equity attributable to owners of parent)

# Overview

Revenue ¥434.7 billion Core Operating Profit ¥4.3 billion

## Alcoholic Beverages

□□ P.24

Domestically, we further developed the Alcoholic Beverages segment, which centers on our beer products, drawing from the Company slogan, “Bringing more cheer to your ‘Cheers!’” Overseas, we continued to promote our growth strategy with a focus on North America and Southeast Asia, basing it on the characteristics of each region. Our beer halls, such as *GINZA LION* and *YEBISU BAR*, spread the idea of *omotenashi* by offering our customers a safe, secure, and delicious dining experience in comfortable surroundings. We will always create new products in pursuit of new possibilities and deliver enjoyment and richness to our customers.

- ▶ **Main Brands:** Beer and beer-type beverages: *Sapporo Draft Beer Black Label*, *Yebisu*, *Mugi to Hop*, *Gold Star* Wine: *Grande Polaire*, *Penfolds* Champagne: *Taittinger* Spirits: *Bacardi*, *Dewar's* Overseas brands: *Sapporo Premium Beer*, *Sleeman*, *Anchor* Restaurants: *GINZA LION BEER HALL*, *YEBISU BAR*
- ▶ **Main Sales Areas:** Japan and Asia Pacific (Vietnam, Korea, Singapore, China, etc.), Australia, North America (Canada, U.S.), Europe

Revenue  
¥285.4 billion

Core Operating Profit  
¥2.4 billion

## Food & Soft Drinks

□□ P.25

Domestically, the Food & Soft Drinks segment centers on the production and sale of a variety of items, including lemon-based products, soups, soft drinks, and soy milk yogurts. This segment also covers the operation of cafe chains. Overseas, we are developing *Pokka*-brand drinks for roughly 60 countries and regions from our Singapore base. With novel ideas, sparks of inspiration, and overflowing passion, we will continue to create products one after another and provide a sense of “deliciousness” in each one.

- ▶ **Main Brands:** *Chelate Lemon*, *Kaga-Bo-Hojicha Roasted Green Tea*, *Gabunomi* Soups: *Jikkuri Kotokoto* Lemon-based products: *Pokka Lemon 100* Soy milk: *Soyafarm*, *Soybio* Restaurants: *Café de Crié*, *Blue Seal* Overseas brand: *Pokka*
- ▶ **Main Sales Areas:** Japan and Asia (Singapore)

Revenue  
¥125.9 billion

Core Operating Loss  
¥2.6 billion

## Real Estate

□□ P.26

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

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

Revenue  
¥23.3 billion

Core Operating Profit  
¥10.9 billion

### Revenue



### Number of Employees (As of December 31, 2020)

7,592 (Consolidated) 151 (Parent company)

### Consolidated Subsidiaries and Equity-Method Affiliates (As of December 31, 2020)

45 (Consolidated subsidiaries) 2 (Equity-method affiliates)



# Business Strategy

## Alcoholic Beverages

Pursuing the Craftsman's Spirit so Our Consumers Can Discover New Enjoyment and Enrichment



### Fiscal 2020 Achievements and Issues

- Japanese Alcoholic Beverages**
  - Sales of beer for home consumption increased (sales of canned version of *Sapporo Draft Beer Black Label* expanded for the sixth consecutive year and sales of canned version of *Yebisu* rose year on year for the first time in four years)
  - *Gold Star*, *Mugi to Hop*, and other new-genre products showed strong performance
  - Customer support grew for *Otokoto Ume Sour* (RTD)\*1 and sharp growth recorded for *Koime no Lemon Sour* (RTS)\*2
  - Decrease in demand for on-premises alcohol
- Restaurants**
  - Profits decreased significantly due to shutdown of operations in response to state of emergency declaration and to a drop in demand for end-of-year parties
- Overseas Alcoholic Beverages**
  - Canada-based business, which has a high proportion of sales for household products, showed strong performance
  - U.S.-based business, which enjoys a large proportion of sales in restaurants, struggled

\*1 Ready-to-drink: Low-alcohol beverages that can be opened and consumed as is  
 \*2 Ready-to-serve: Alcohol that can be enjoyed mixed with ice, water, etc.

### Revenue (billions of yen)

Fiscal 2020	285.4
Fiscal 2019	330.2

### Core Operating Profit (billions of yen) / Core Operating Profit Margin (%)

Fiscal 2020	2.4/0.8%
Fiscal 2019	8.5/2.6%

■ Core operating profit ● Core operating profit margin

## Strategic Policy for Fiscal 2021

### Growth Strategies

#### ▶ Strengthen Brand Power for Premium Value and Reasonable Value Products

We will reevaluate what customers truly care about in light of COVID-19 and pursue value in terms of "personal joy and happiness." For premium value, we will provide products that add extra flair to one's own personal time. With regard to reasonable value, we will offer products that facilitate a fulfilling drinking experience at home.

#### ▶ Increase Market Share in Canada and Expand Business in U.S. Market

We will promote the penetration of premium brands such as *Sapporo Premium Beer*, utilizing strategies tailored to the characteristics of each area. In Canada, we will continue to increase sales and profits by enhancing beer and RTD products while optimizing costs. Moreover, we will improve our profit structure by updating packaging for *Anchor*-brand products and promoting new product development.

### Structural Reforms

#### ▶ Shift to Low-Cost Structure with Simpler Operations

In the restaurant business, we will build upon reforms aimed at reducing costs and increasing profitability, including closing unprofitable locations, negotiating lower rental fees, and controlling labor costs through work-style reforms and optimizing personnel. In addition, we will ramp up development and operation of new business formats with high profit efficiency to adapt to changing social needs.

# Food & Soft Drinks

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



## Fiscal 2020 Achievements and Issues

- Soup, Lemons, and Plant-Based Milk**
  - In domestic foods, sales of soup grew due to increased demand for boxed and cup-type products stemming from stay-at-home measures
  - In lemon products, *Pokka Lemon 100* achieved a record shipping volume
  - In plant-based milk, soy milk yogurts contributed to an increase in sales volume
- Other**
  - Sales decreased for *Café de Crié* due to temporary store closings and scaled-back operations in urban areas
  - Sales volume contracted for vending machines

## Revenue (billions of yen)

Fiscal 2020	125.9
Fiscal 2019	136.9

## Core Operating Loss (billions of yen)

Fiscal 2020	(2.6)
Fiscal 2019	(0.5)

## Strategic Policy for Fiscal 2021

### Growth Strategies

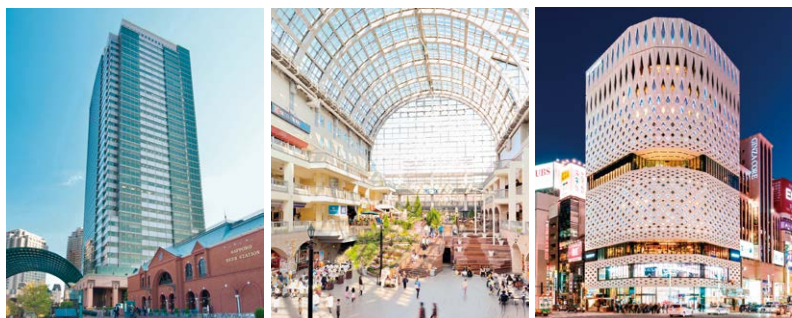
- ▶ **Domestic Soft Drinks**  
We will focus our efforts on strong brands such as the *Tochi to Craft* series of unsweetened teas, made with domestically produced ingredients.
- ▶ **Lemon-Based Food and Soft Drinks**  
We will further grow sales of *Pokka Lemon 100* and *Chelate Lemon* by proposing more scenarios for utilizing lemons and providing information regarding the health benefits of lemon consumption.
- ▶ **Processed Food**  
We will make proposals that address recent changes in people's lifestyles, while offering new types of food beyond soup.
- ▶ **Plant-Based Milk**  
We will continue to work on boosting consumer awareness of soy milk yogurts and increase contact points with customers.

### Structural Reforms

- ▶ **Improve Non-Profitable Businesses**  
We will reduce costs in the domestic vending machine business by continuing to remove machines from unprofitable locations and introducing recycling machines.

# Real Estate

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



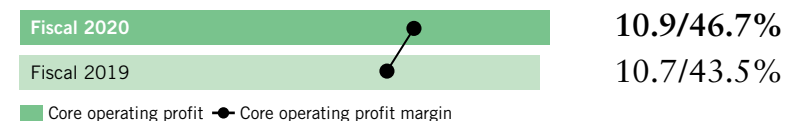
## Fiscal 2020 Achievements and Issues

- Supported the Sapporo Group’s profit base, as this business segment not greatly impacted by the unprecedented effects of COVID-19 relative to other business segments
- Maintained high occupancy rates and rent levels at Yebisu Garden Place, a key source of earnings for this business segment, and at other properties in the Tokyo metropolitan area
- Revenue from commercial facilities declined due to COVID-19

### Revenue (billions of yen)



### Core Operating Profit (billions of yen) / Core Operating Profit Margin (%)



## Strategic Policy for Fiscal 2021

### Growth Strategies

- ▶ **Promote Urban Development in Ebisu, Sapporo, and Ginza**  
At Yebisu Garden Place and Sapporo Factory, beyond continuing to heighten convenience to cater to diversifying lifestyles and changing workstyles, we will offer new functions and added value for maintaining and enhancing earnings as well as raising the brand value of the surrounding areas. We will also develop new ways to spend time in these areas with efforts that include refurbishing the commercial wing of Yebisu Garden Place and switching to renewable energy.
- ▶ **Implement Strategic Review of Property Portfolio**  
We will improve value provision across the entire business segment by further promoting urban development in Sapporo City and Tokyo's Ebisu district and through measures such as the strategic review and revision of our property portfolio, while also continuing to work on securing profits in new business fields, including making equity investments in private placement funds.

## Message from the Director of Corporate Finance



**The Sapporo Group will build an optimal business portfolio through growth investments and reforms to its cost structure, efforts that will enhance its financial structure.**

Yoshihiro Iwata

Managing Director (Member of the Board)

### The First Year of Group Management Plan 2024 in Review

During fiscal 2020, the year ended December 31, 2020, the first year of Group Management Plan 2024, the Alcoholic Beverages business segment and the Food & Soft Drinks business segment were negatively impacted by COVID-19. This manifested as a major drop in sales of beer for business use and restaurants for the Alcoholic Beverages business segment, and a similar decline in sales through vending machines for the Food & Soft Drinks business segment. However, increased demand for alcoholic beverages for home consumption, coupled with a greater focus on health-related value, resulted in increased sales of brands targeting households, such as *Sapporo Draft Beer Black Label*, *Yebisu*, and *Pokka Lemon*. While soaring distribution costs have been a longtime problem with regard to North American alcoholic beverages business, efforts to revamp production bases for new products have led to

steady improvements in our profit structure. As for the Real Estate business segment, we were able to maintain a high occupancy rate focused on Yebisu Garden Place, which created a steady cash flow and served to reinforce Group earnings. In terms of the organization, we focused on lowering our break-even point through cost reforms that included implementing an early retirement incentive program.

In Group Management Plan 2024, we have highlighted the payment of stable dividends as our policy for shareholder returns. Although the Sapporo Group posted an operating loss from recording a one-time expense for implementing the early retirement incentive program, as well as from impairment of property, plant and equipment, it was determined that these results were due to the temporary impact of COVID-19. Therefore, the yearly dividend was set at ¥42.00 per share, the same as in fiscal 2019. In fiscal 2021, we will improve profitability, increase the depth of our equity capital, and build a solid foundation.

### Efforts toward Organic Growth

One of the financial targets under Group Management Plan 2024 is to reach ¥30.0 billion in core operating profit in fiscal 2024. To reach this target, we are first aiming to generate core operating profit of ¥9.0 billion in fiscal 2021. A target of ¥30.0 billion in core operating profit seems particularly high when compared with our performance in fiscal 2020 and our plans for fiscal 2021. However, we believe that steady efforts directed toward organic growth, in tandem with reforms to our business structure, will help us achieve this target. Moreover, we will expand sales through organic growth to both ensure steady top-line growth and realize an annual average revenue growth rate of 2%, the latter being one of the major indicators of Group Management Plan 2024. In the beer business, which constitutes our main business, we will continue to focus on products for household consumption and direct management resources toward the canned versions of *Sapporo Draft Beer Black Label* and *Yebisu* as we wait for the COVID-19 pandemic to subside. Doing so will allow us to further lock in demand for alcoholic beverages at home.

We will also continue working diligently to expand globally to reach another major indicator, an annual overseas revenue growth rate of 1.6 times that of fiscal 2019. In Canada, a strong market, this will involve reinforcing sales of ready-to-drink (RTD) products, in addition to our *Sleeman* brand, which is well established in the country. In the U.S., we intend to expand within the household market. At the same time, we plan to update the *Anchor* brand for the first time since its acquisition, in order to revitalize the brand with new products that will appeal to old fans and young people alike.

## Business Structure Reforms

One of the key indicators of Group Management Plan 2024 to be achieved is a core operating profit to revenue ratio of 5% or more. In keeping with this goal, we will conduct a review of operating and distribution costs and take steps to improve the profitability of unprofitable businesses. In April 2020, we shifted away from distribution directly managed by the holding company in favor of joint management between Sapporo Breweries Limited and POKKA SAPPORO Food & Beverage Ltd. We also introduced a system that allows operating companies to be proactive with regard to distribution reforms.

We plan to reduce break-even points for all unprofitable businesses in order to secure earnings greater than those in fiscal 2019.

In the Restaurant business segment, we will try to generate a stable cash flow by closing unprofitable outlets and selling off assets while working actively to establish services in line with the times, such as the thriving takeout business put forth by Sapporo Lion Limited. Having positioned fiscal 2021 as a preparatory period for post-COVID-19 growth investments, we will develop expertise enabling a low-cost, low-operation business format.

We will reduce losses in the domestic vending machine business by continuing to remove machines from unprofitable locations and introducing recycling machines. One initiative not exclusive to the domestic vending machine business will be the improvement of efficiency of invested capital. As an example, this will involve investing in marketing that is mindful of the balance between putting financial resources toward advertising and publicity versus total returns.

## Real Estate in New Business Domains

To date, we have built up our strength as a real estate company by promoting urban development in Ebisu, Sapporo, and Ginza—areas with historical ties to the Sapporo Group. To further develop the Real Estate business segment as an earnings base, we will continue to utilize our urban development know-how for new business going forward.

One of our first measures will be to raise the value of existing assets to increase profitability. This includes refurbishing the commercial wing of Yebisu Garden Place. One aspect of this refurbishment will be the switching over to renewable energy sources at Company offices and shared facilities at Yebisu Garden Place by 2022. This carbon-free format will provide added value translating to higher asset value. We expect that increasing the environmental and social value of Yebisu Garden Place will raise the value of the *Yebisu* brand in kind.

Second, we will continue to strategically reorganize our business portfolio as a means to diversify risks and improve profits in a more stable manner. To do this, we will acquire new properties located predominantly in the Tokyo metropolitan area, among other efforts. Since our goal is to increase the returns on our investments, it is crucial that we make our investment decisions using both total investment amounts and capital efficiency as our key indicators.

Third, we will expand business scale through real estate securitization and equity investments in private placement funds. As we take advantage of unrealized capital gains for our real estate and strengthen our capital, we will use the wave of profits expected from these sales to reinvest in equity investing and other new investments.

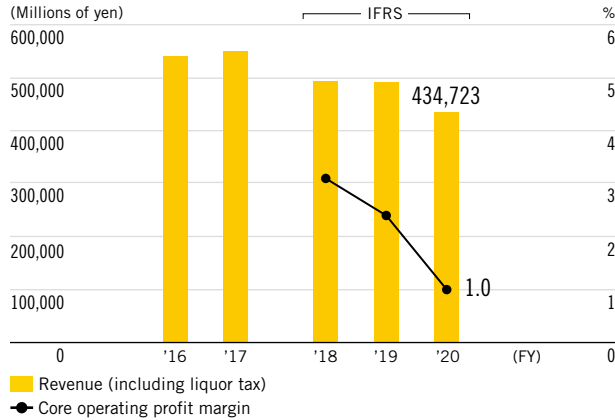
With these three measures in mind, we will develop new real estate business that will enable us to improve the asset efficiency of the entire Sapporo Group.

## Business Portfolio Optimization

Under the financial policy for Group Management Plan 2024, the Sapporo Group will strive to strengthen its profitability by investing an amount equivalent to its operating cash flow, while emphasizing profitability and efficiency in relation to the capital invested. In fiscal 2020, both the cash flow balance and capital were affected negatively. Therefore, our first step is to strengthen capital and rebuild our financial base in order to bring our key indicators, the net debt-to-equity ratio and the ratio of interest-bearing debt to EBITDA, back to fiscal 2019 levels. While we expect to record core operating profit in fiscal 2021, we aim to create a capital structure that can tolerate growth investments and risks while ensuring financial soundness at a level allowing us to maintain our current credit rating.

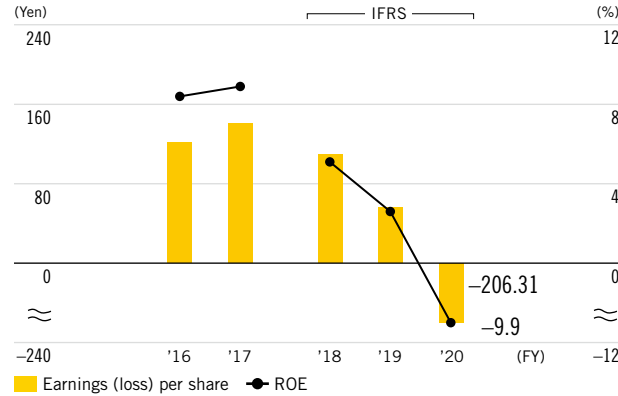
The Sapporo Group will strengthen its financial base by building an optimal business portfolio, which will secure profits, and through growth investments and reforms to its cost structure. These actions will form a financial structure capable of sustainable growth. As the director of corporate finance, I will continue to work on internal management, aimed at steady growth from a financial perspective. Going forward, I look forward to gathering more frank opinions and receiving your continued support and understanding in this process.

## Revenue (Including Liquor Tax) / Core Operating Profit Margin\*1



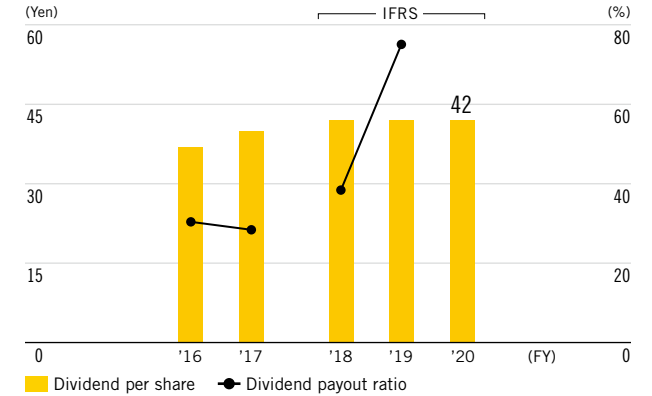
\*1 Core operating profit is calculated as revenue – cost of sales – selling, general and administrative expenses.  
Core operating profit margin is calculated as core operating profit ÷ revenue (including liquor tax).

## Earnings (Loss) per Share / ROE\*2

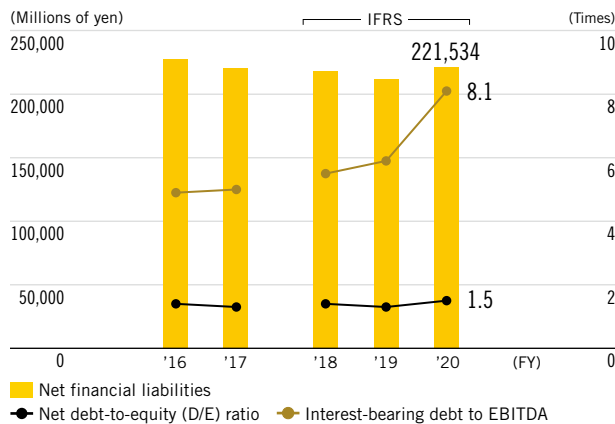


\*2 Under JGAAP, ROE is calculated before goodwill amortization.

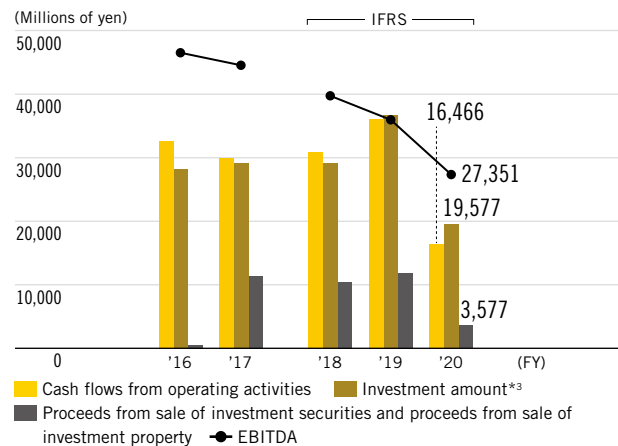
## Dividend per Share / Dividend Payout Ratio



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

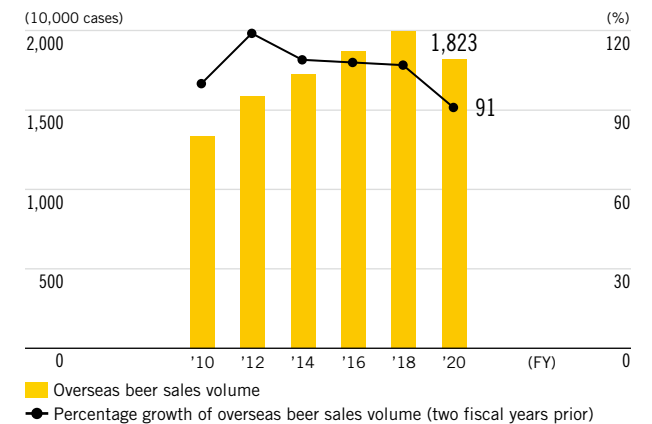


## Cash Flows from Operating Activities and Status of Investments



\*3 Investment amount is calculated as cash flows from investing activities + proceeds from sale of investment securities and proceeds from sale of investment property.

## Trends in Overseas Beer Sales Volume





Color Your Time!  
**YEBISU**  
 ビールの楽しさ、もっと多彩に。



BORN IN 1890, TOKYO



As a trailblazer in Japanese premium beer, the *Yebisu* brand has embarked on an initiative in 2021, dedicated to pioneering its next stage and bringing the enjoyment of times with a beer in hand to every customer. As the first course of action, we revamped our brand concept with the goal of breathing new life into the *Yebisu* brand. As part of this effort, we will execute a variety of actions that include creating new customer contact points for brand experiences.

Our New Brand Concept

A brand that creates a beer experience special to each and every person

A beer that is more than a “small, extravagant reward” —it is the key to a more fulfilling time with beer, just for you



- ▶ We have relaunched three of our year-round products: *Yebisu*, *Yebisu Premium Black*, and *Yebisu Premium Ale*.
- ▶ Each can is stamped with the phrase “BORN IN TOKYO, 1890,” representing both the story of a beer created in Tokyo, in the Ebisu district, and the symbol of diversity that is the Tokyo of today.
- ▶ We will continue to develop a diverse product lineup to match the varying lifestyles of our customers, and take actions that will bring extra color to the times people enjoy.



## Special Feature 2

# Accelerating Global Expansion

The Sapporo Group has transferred control of all overseas businesses to operating companies and is developing a consistent global brand strategy. The Medium-Term Vision of the International Business Headquarters aims to achieve the following two goals in order to realize sustainable profit growth.

- Continue to shine globally as a premium brand from Japan, shipping 30 million cases by 2026, including 10 million cases under the *Sapporo* brand as well as cases under brands such as *Sleeman* and *Anchor*
- Grow overseas business operations into a driving force for the Sapporo Group, with global human resources who demonstrate the “Pioneer Spirit” worldwide

### Fiscal 2021 Business Policy

#### Canadian Market

- Strengthen presence of premium, mainstream, and RTD products
- Continue to increase sales and profits through cost structure reform

#### U.S. Market

- *SPB*\*: Accelerate expansion of home market share with stronger brand marketing
- *Anchor*: Increase sales through updated packaging and new product development

\* *SPB*: Sapporo Premium Beer

## TOPIC 1.

### Sapporo Premium Beer Canned Products by SAPPORO U.S.A. Show Strong Results

Strong sales of products for household use were triggered by changes in customer consumption styles and increased demand due to stay-at-home measures in 2020.



## TOPIC 2.

### Sleeman Clear Contributes to Sales Growth for Sleeman Breweries

Sleeman Breweries' canned products—a high percentage of which are used in households—performed well, among which *Sleeman Clear*, a product with high health value, saw strong sales.



## TOPIC 3.

### Sapporo PURE Launches in the U.S.

We will take advantage of consumer wellness trends and strengthen the presence of the Sapporo brand in retail channels while drawing younger demographics back into the fold.



## TOPIC 4.

### Anchor Brand to Undergo Renewal

We will improve the profit structure of *Anchor* by updating packaging for *Anchor*-brand products and carrying out new product development.






## Promoting Sustainability Management

### The Sapporo Group's Sustainability Policy

The Sapporo Group promotes sustainability management based on its Sustainability Policy, established in 2019. Sustainability management for the Group refers to efforts executed through its business activities to address social issues such as climate change, food loss, marine plastic waste, and regional revitalization.

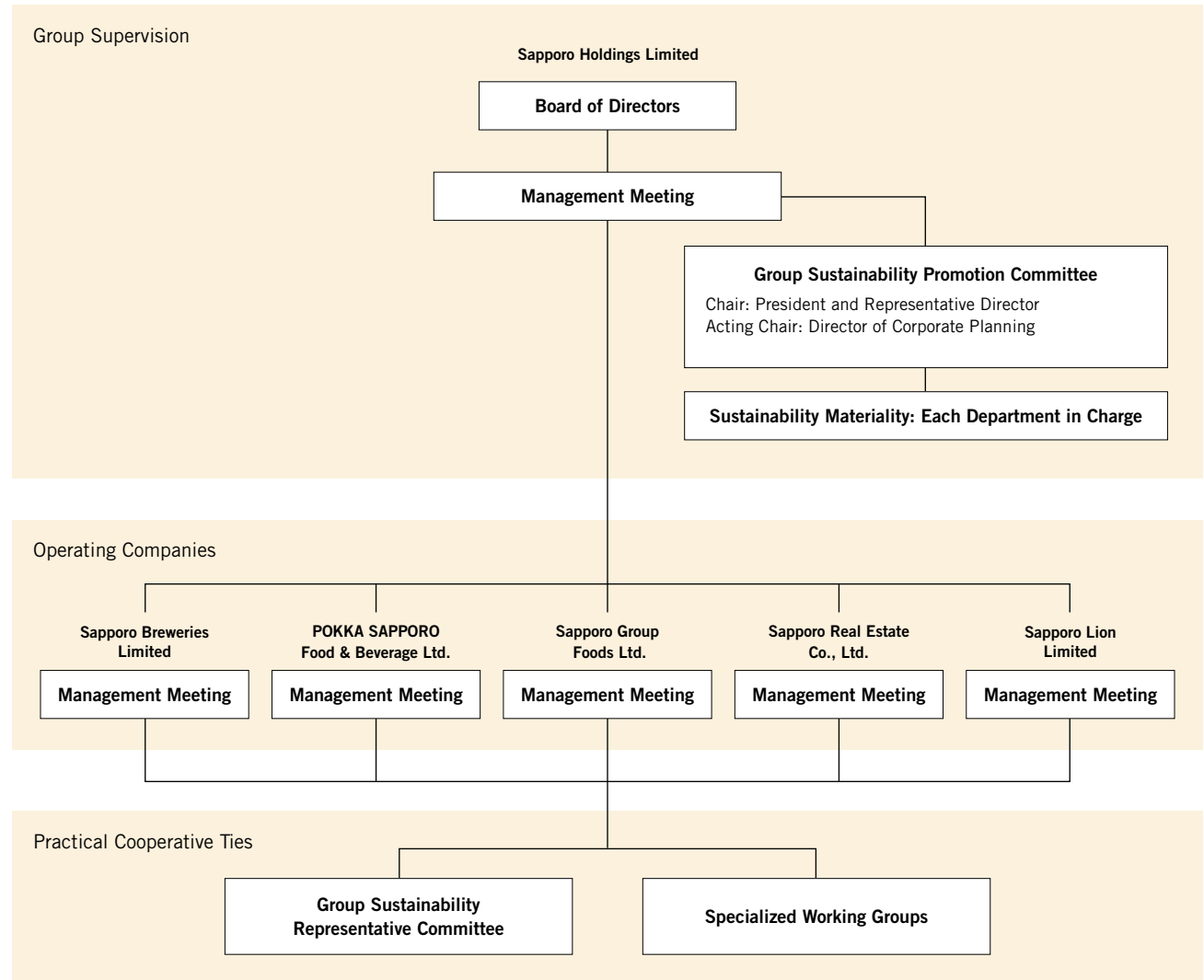
Drawing from partnerships between employees of the Sapporo Group and stakeholders around the world, we are working to realize a sustainable society by creating both social and economic value.

 **The Sapporo Group's Sustainability Policy**  
<https://www.sapporoholdings.jp/en/csr/plan/>

### Sustainability Implementation Structure

Sapporo Holdings has formulated an overall policy for implementing the Sapporo Group's sustainability activities and has established a Group Sustainability Promotion Committee. This committee is chaired by the president and representative director of the Company, who is responsible for coordination and adjustment within the Group.

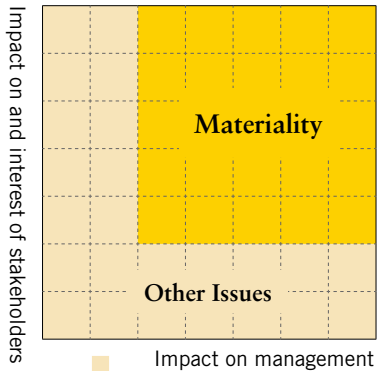
The Sapporo Group's Sustainability Implementation Structure (As of December, 31, 2020)



## Identifying and Updating Materiality

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

### Identifying Key Challenges



#### Other Issues

- Environmental communication
- Work-life balance
- Disaster recovery efforts
- Disaster risk management
- Rigorous information security
- Reinforcing fair and impartial partnerships
- Dialogue and cooperation with stakeholders

### Materiality



## Sustainability Management Strategy

# Sustainable Smile Plan

With our Sustainability Policy, we will promote Sustainable Smile Plan, a sustainability management strategy. Based on the medium- to long-term targets (2030) set for sustainability materiality, we will work to solve social issues through our businesses for a sustainable society

#### Promises 1

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

- ▶ Safety, reliability and quality
- ▶ Creating new value
- ▶ Providing education on responsible drinking and perpetuating the culture of beer

#### Promises 2

Promote Coexistence with Society

- ▶ Supporting local communities
- ▶ Sustainable procurement

#### Promises 3

Environmental Conservation

- ▶ Preventing global warming
- ▶ Promoting the 3Rs
- ▶ Harmonizing with nature

#### Promises 4

Cultivate Highly Unique Employees

- ▶ Health and productivity management
- ▶ Diversity & Inclusion and human rights
- ▶ Human resource development and training

# 4 Key Promises






### List of Abbreviations

Sapporo Holdings: SH Sapporo Breweries Limited: SB POKKA SAPPORO Food & Beverage Ltd.: PS Sapporo Lion Limited: SLN  
 Sapporo Real Estate Co., Ltd.: SRE Yebisu Garden Place: YGP Sapporo Factory: SF Shinsyu-ichi Miso Co., Ltd.: SSI  
 Note: Items listed without reference to a specific subsidiary refer to initiatives undertaken by the Sapporo Group.

## Promise 1

### Contribute to Creative, Enriching and Rewarding Lifestyles through Alcoholic Beverages, Food, and Soft Drinks






We will offer the joy of living and richer lives to our customers by creating new value through alcoholic beverages, food, and soft drinks.

Materiality	SDGs	Medium- to Long-Term Targets to 2030	Results (2020)	Plan (2021)
Safety, reliability and quality		<ul style="list-style-type: none"> <li>Continue our work of nurturing a corporate culture and training human resources to enhance the quality of “alcoholic beverages,” “food,” and “soft drinks” while building an effective quality assurance system based on global-standard food safety systems</li> <li>Pursue appropriate quality levels in line with customer needs and work to eliminate quality-related problems associated with our products and services</li> <li>Aggressively introduce new technologies to materialize high-level quality more efficiently</li> </ul>	<ul style="list-style-type: none"> <li>Maintained or improved food safety and quality assurance systems by acquiring FSSC 22000, ISO 22000, ISO 9001, HACCP, and other certifications                             <ul style="list-style-type: none"> <li>Expanded scope of FSSC 22000 and ISO 22000 certifications and implemented HACCP rollout in line with revisions to the Food Sanitation Act</li> </ul> </li> <li>Continued regular communication among Group operating companies with on-site confirmation. No quality issues were found within the Group that required external reporting</li> <li>Continued investigation into AI-related activities targeting labeling checks (ongoing) SB PS</li> <li>Transitioned to paperless labeling confirmation processes with teleworking support SB</li> </ul>	<ul style="list-style-type: none"> <li>Effectively develop, maintain, and operate a preventive quality assurance system by meeting FSSC 22000 standards and introducing HACCP</li> <li>Promote sustainability management by sharing customer feedback promptly and reliably</li> <li>Investigate methods to improve productivity for quality assurance activities</li> </ul>
Creating new value	  	<ul style="list-style-type: none"> <li>Promote research and development that fulfills the needs for “palatability” and “health benefits” by being quick to capture evolving changes</li> <li>Offer new value to customers through products that build on the research and processing technology of plant derived materials, a field where we hold an advantage</li> <li>Strengthen cooperation inside and outside the Group, efficiently acquire diverse technologies and promote innovation</li> </ul>	<ul style="list-style-type: none"> <li>Released beer taste beverages with new value in terms of deliciousness and health, such as <i>Gold Star</i>, a new-genre beverage, and <i>Umami Shibori</i>, a non-alcoholic beer taste beverage that lowers uric acid levels SB</li> <li>Progressed efforts in the food sector to develop products that utilize lemons as a core material and to verify the health function of soy milk yogurts PS</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct research and propose products rooted in deliciousness and health that will respond to changes in customer needs and lifestyles</li> </ul>
Providing education on responsible drinking and perpetuating the culture of beer		<ul style="list-style-type: none"> <li>Promote educational programs aimed at eliminating inappropriate drinking, including underage (before 20) drinking, drunk driving and alcohol harassment</li> </ul>	<p>Promoted activities to spread proper drinking awareness, targeting outside companies</p> <ul style="list-style-type: none"> <li>Distributed “<i>Shitte Okou Sake No Koto</i>,” a pamphlet aimed at elementary and junior high school students for preventing alcohol consumption</li> <li>Conducted seminars at universities and companies on appropriate drinking</li> <li>Introduced specialized glasses for alcoholic beverages as part of strengthened measures to prevent accidental alcohol consumption. Zero instances of accidental alcohol consumption and drunk driving SLN</li> </ul> <p>Eliminated internal scandals and health problems among Group employees caused by inappropriate drinking</p> <ul style="list-style-type: none"> <li>Conducted Alcohol Use Disorders Identification Test (AUDIT) for all Group employees</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote efforts to eradicate inappropriate drinking and raise awareness of appropriate drinking throughout society</li> </ul>
		<ul style="list-style-type: none"> <li>Contribute to the creation of enriching and rewarding lifestyles through our endeavors to perpetuate the culture of beer in Japan with museums and open-factory visits and through support for the “Association of Japan Beer Culture Study” SB SLN</li> </ul>	<ul style="list-style-type: none"> <li>Five facilities open for tours closed since February 25, 2020, due to COVID-19 and all planned events and new services canceled. Gradual recommencement of tours began from June 19, 2020, with admission restrictions ongoing. Kyushu Hita Brewery reopened from November 5, 2020 SB</li> <li>Continued to provide support for the General Incorporated Association of Japan Beer Culture Study. 2020 Japan Beer Certificate Examination canceled in 2020 SB</li> </ul>	<ul style="list-style-type: none"> <li>Establish a system that allows people to experience the Group’s history in an easy-to-understand manner and expand customer contact points</li> <li>Conduct the Japan Beer Certificate Examination (Beer-ken) with a greater pursuit of convenience and from a user-friendly perspective. Computer based testing (CBT) to be introduced in 2021 SB</li> <li>Communicate the history of <i>Beer Hall Lion Ginza 7-chome</i> and its present-day status</li> </ul>

# Promise 2

## Promote Coexistence with Society









We will contribute to community development and solve issues as a member of local societies, in addition to creating a better future along with everyone in society.

Materiality	SDGs	Medium- to Long-Term Targets to 2030	Results (2020)	Plan (2021)
Supporting local communities	  	<ul style="list-style-type: none"> <li>Contribute to regional development through each employee playing an active role in supporting their local community</li> <li>Connect local communities through our products and services as we work together to solve problems</li> <li>Collaborate with administrative agencies and our partners to promote the creation of enriching towns in ways that help enhance the region's appeal <span>SRE</span> <span>SLN</span></li> </ul>	<ul style="list-style-type: none"> <li>Provided support to medical staff via the government as a response to COVID-19</li> <li>Delivered products to children's cafeterias, social welfare facilities, and other locations in local communities around Company bases</li> <li>Provided relief for heavy rains that occurred in July 2020                             <ul style="list-style-type: none"> <li>Offered financial aid to Kumamoto Prefecture, Oita Prefecture, and Hita City, along with donations from employees</li> <li>Provided support to Kumamoto Prefecture and Hita City in the form of drinking water and soup supplies</li> </ul> </li> <li>Supported Tohoku region reconstruction in line with the <i>Tohoku Mirai Project</i></li> <li>Number of local partnerships (as of December 31, 2020): 62</li> <li>Incorporated ingredients grown in disaster-stricken regions to convey the deliciousness of these regions' ingredients <span>SLN</span></li> <li>Opened Company-owned facilities. Cooperated with local event organizers in nearby areas <span>SRE</span></li> <li>Provided assistance for food and drink establishments during the COVID-19 outbreak by supporting a delivery and takeout map for Shibuya Ward</li> </ul>	<ul style="list-style-type: none"> <li>Continue making concrete efforts to help resolve issues in local communities located near Company bases</li> <li>Revitalize local community in cooperation with the <i>PIAZZA</i> localized SNS app <span>YGP</span></li> <li>Hold Ebisu Cultural Festival in cooperation with local partners <span>YGP</span></li> <li>Participate in <i>SHIBUYA OTONARI SUNDAY</i> and other local events held in Shibuya Ward <span>YGP</span></li> <li>Create service plan targeting area residents based on survey conducted in 2020 <span>SF</span></li> <li>Work with Sapporo City, neighborhood associations, neighboring elementary and junior high schools, parent-teacher associations, and other companies to investigate and implement initiatives aimed at revitalizing the Souseigawa East Area, such as events and environmental maintenance <span>SF</span></li> </ul>
Sustainable procurement	 	<ul style="list-style-type: none"> <li>Aim to have at least 90% of our major suppliers meet the sustainability procurement guideline <span>SB</span> <span>PS</span></li> </ul>	<ul style="list-style-type: none"> <li>Utilized marketing policy information sessions aimed at major suppliers as well as other opportunities to provide explanations and make requests regarding the Sapporo Group Procurement Basic Policy and sustainable procurement</li> <li>Conducted CSR procurement survey targeting major suppliers, thereby confirming the status of sustainable procurement. Eighty-nine percent of major suppliers met sustainability procurement guidelines</li> <li>Carried out Supplier Satisfaction Survey to evaluate the penetration of the Sapporo Group Procurement Basic Policy and implementation of fair and impartial procurement activities</li> </ul>	<ul style="list-style-type: none"> <li>Request understanding and cooperation from suppliers regarding the Sapporo Group Procurement Basic Policy and sustainable procurement</li> <li>Confirm status of sustainable procurement of suppliers via CSR procurement survey</li> <li>Ascertain degree of implementation of fair and impartial procurement activities</li> <li>Work to implement Supplier Satisfaction Survey and identify issues</li> </ul>

Promise 3


Environmental Conservation

In order to pass on nature's bounty to the future, we will strive to prevent global warming, promote the 3Rs, and achieve symbiosis with nature at every phase.


Materiality	SDGs	Medium- to Long-Term Targets to 2030	Results (2020)	Plan (2021)	
Preventing global warming		<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions at Company locations by 20% from 2013 levels</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO<sub>2</sub> emissions* at Company locations by 11% from 2013 levels</li> <li>Conducted TCFD scenario analysis, which provides a complete analysis of agricultural raw material yields for beer and has identified potential risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Promote energy-saving initiatives. Reduce CO<sub>2</sub> emissions by 1% year on year</li> <li>Disclose scenario analysis for Alcoholic Beverages business segment and other information based on TCFD recommendations</li> </ul>	
		<ul style="list-style-type: none"> <li>Strive to reduce CO<sub>2</sub> emissions from value chains outside Company locations</li> </ul>	<ul style="list-style-type: none"> <li>Calculated Scope 3 emissions for four operating companies for fiscal 2019*</li> </ul>	<ul style="list-style-type: none"> <li>Calculate Scope 3 emissions and disclose such emissions for major Group operating companies</li> </ul>	
Promoting the 3Rs		<p>Water resources</p> <ul style="list-style-type: none"> <li>Reduce the total water consumption at our production factories by 10% from 2013 levels <b>SB PS</b></li> <li>Launch global measures against water-related risks to save water resources</li> </ul>	<ul style="list-style-type: none"> <li>Reduced total water consumption* at production factories by 7.7% from 2013 levels <b>SB PS</b></li> <li>Conducted examination into water risks at production bases in Japan and overseas</li> </ul>	<ul style="list-style-type: none"> <li>Effective water use                             <ul style="list-style-type: none"> <li>- Water consumption at domestic Company-owned breweries -11.7% compared with 2013 <b>SB</b></li> <li>- Water consumption per unit at domestic Company-owned factories -0.5% year on year <b>PS</b></li> </ul> </li> </ul>	
		<p>Containers &amp; packaging</p> <ul style="list-style-type: none"> <li>Sustain and expand the use of lighter and simpler container packaging ("Reduce")</li> <li>Expand the use of recyclable materials to diminish our dependence on exhaustible resources for containers &amp; packaging</li> <li>Contribute to the building of a sustainable, recycling-oriented society through strengthened collaboration and cooperation with outside parties</li> </ul>	<ul style="list-style-type: none"> <li>Examples of measures achieved in 2020, aimed at expanding the transition to materials compatible with reduced material use and to packaging materials for alcoholic beverages, food, and soft drinks conducive to a recycling-oriented society                             <ul style="list-style-type: none"> <li>- Expanded use of lightweight aluminum cans and can lids <b>SB</b></li> <li>- Introduced labeling denoting FSC® certification on paper containers of six-can packs <b>SB</b></li> <li>- Increased use of short-flap cardboard boxes, reducing use by approx. 115 tons by weight <b>PS</b></li> <li>- Expanded use of lightweight resin caps to approx. 30 million caps, reducing use by approx. 15 tons by weight <b>PS</b></li> <li>- Abolished use of plastic tray containers for instant miso soup, reducing plastic use by approx. 30% by weight <b>SSI</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Increase measures to reduce packaging for alcoholic beverages, food, and soft drinks</li> <li>Expand transition to packaging materials for alcoholic beverages, food, and soft drinks compatible with a recycling-oriented society</li> <li>Promote collaboration with industry organizations involved in resource recycling                             <ul style="list-style-type: none"> <li>- Help promote bottle-to-bottle recycling of soft drink PET bottles by working with domestic organizations in the recycling industry</li> </ul> </li> </ul>	
		<p>Wastes</p> <ul style="list-style-type: none"> <li>Aim to reduce food loss at our food service outlets and in food distribution (domestic group companies)</li> <li>Reduce waste generation and raise the rate of reused food waste to 50% by 2024 <b>SLN</b></li> <li>Strive to increase the waste recycling rate, and achieve to 100% at our major factories <b>SB PS</b></li> </ul>	<ul style="list-style-type: none"> <li>Switched expiration date labeling on beer taste products to reflect their longer shelf lives <b>SB</b></li> <li>Rate of recycled food waste*: 43.3% <b>SLN</b></li> <li>Of the 12 major factories targeted, only one has not achieved the aforementioned goal</li> </ul>	<ul style="list-style-type: none"> <li>Continue work to reduce food loss from restaurant operations and food distribution</li> <li>Achieve a 100% waste recycling rate at major factories <b>SB PS</b></li> </ul>	
					
					
					
					

For details regarding the Sapporo Group's Environmental Vision 2050 and ESG data, please visit the Company's website.

\* Amounts from April 1, 2019 to March 31, 2020

 **Environmental Vision:**  
<https://www.sapporoholdings.jp/en/csr/earth/environment/target/>




**ESG data:**  
<https://www.sapporoholdings.jp/en/csr/esg/>

Materiality	SDGs	Medium- to Long-Term Targets to 2030	Results (2020)	Plan (2021)
Harmonizing with nature		<ul style="list-style-type: none"> <li>Develop barley and hop varieties with more tolerance to climate change <b>SB</b></li> </ul>	<ul style="list-style-type: none"> <li>Made steady progress toward goals by introducing assessment methods, etc.</li> </ul>	<p>(Barley)</p> <ul style="list-style-type: none"> <li>Select parental lines with practical resistance to Fusarium head blight and pre-harvest sprouting</li> <li>Continue group cultivation aimed at breeding cultivars that can adapt to a broad range of environments</li> </ul> <p>(Hops)</p> <ul style="list-style-type: none"> <li>Establish an evaluation system for root systems in order to select genetic resources resistant to climate change</li> <li>Utilize root evaluation system to evaluate breeding lineages</li> </ul>
		<ul style="list-style-type: none"> <li>Offer lifestyle alternatives that harmonize with nature for nearby residents, with a focus on Yebisu Garden Place and Sapporo Factory <b>SRE</b></li> </ul>	<ul style="list-style-type: none"> <li>Engaged in appropriate management of site space (including green space) and made space open to public <b>YGP</b></li> <li>Established a new farm in Sapporo Square, adding to the existing flower planters <b>YGP</b></li> <li>Collaborated with a local NPO to engage in the planting of vegetables and other flora and donated some of the harvested vegetables to local organizations <b>SRE</b></li> </ul>	<ul style="list-style-type: none"> <li>Maintain an open green space as a certified urban oasis <b>YGP</b></li> <li>Utilize the urban farm (Yebisu Garden Farm) located in Sapporo Square to provide opportunities for hands-on experience cultivating seasonal vegetables. Hold events featuring food using harvested vegetables <b>YGP</b></li> <li>Participate in initiatives to conserve forest resources held by municipalities in Hokkaido and join tree-planting activities. Involve local residents in said activities <b>SF</b></li> <li>Continue to perform tree cultivation workshops using large Christmas trees as materials</li> <li>Conduct tree and flower planting as well as weed removal in the area surrounding Sapporo Factory, with employee participation <b>SF</b></li> </ul>

## Promise 4

### Cultivating Highly Unique Employees

We respect diverse employees and foster the development of an environment that allows each employee to demonstrate his or her ability to the maximum extent.

Materiality	SDGs	Medium- to Long-Term Targets to 2030	Results (2020)	Plan (2021)
Health and productivity management		<ul style="list-style-type: none"> <li>Encourage employees and their families to raise their health awareness and effect behavioral change to maintain better health</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of employees with high stress levels: 8.0% (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Participation rate for lifestyle-related health checkups: 73.0% (40 years or older) <b>SH SB PS SRE SLN</b></li> <li>Percentage of employees who smoke: 26.4% <b>SH SB PS SRE SLN</b></li> </ul>	<ul style="list-style-type: none"> <li>Continue to reduce percentage of employees with high stress levels compared with the previous year (8.0%) (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Raise the participation rate for lifestyle-related health checkups to as close to 100% as possible <b>SH SB PS SRE SLN</b></li> <li>Lower the percentage of employees who smoke to as close to 12.0% as possible <b>SH SB PS SRE SLN</b></li> </ul>
Diversity & Inclusion and human rights		<ul style="list-style-type: none"> <li>Aim to realize an environment that encourages each employee to have a deeper understanding of diversity and to work with passion and vitality</li> <li>Raise the proportion of women in management and executive positions (to a proportion equivalent to that of female workers among the entire workforce)</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and inclusion team capabilities*: 3.0 points (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Percentage of women in management positions: 4.2% in 2020 <b>SH SB PS SRE SLN</b></li> </ul>	<ul style="list-style-type: none"> <li>Improve diversity and inclusion team capabilities* compared with the previous year (3.0 points) (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Target percentage of women in management positions: 4.8% <b>SH SB PS SRE SLN</b></li> </ul>
Human resource development and training		<ul style="list-style-type: none"> <li>Establish a system that encourages employees to shine, inspiring them to "carve out their own careers"</li> <li>Establish an environment where employees receiving cancer treatment and those providing nursing care can keep working</li> <li>Increase the ratio of employees with disabilities to 3.0% of the workforce</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of employees with high engagement*: 19.0% (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Percentage of employees with disabilities: 2.3% (as of June 2020) <b>SH SB</b></li> </ul>	<ul style="list-style-type: none"> <li>Raise percentage of employees with high engagement* compared with the previous year (19.0%) (Based on stress checks and employee awareness surveys) <b>SH SB PS SRE SLN</b></li> <li>Target percentage of employees with disabilities: 2.4% <b>SH SB</b></li> </ul>

Note: A portion of the data presented here is also presented as results in the ESG Data section of the Company's website.

\* Evaluation items in a survey by a research company

# Initiatives Based on Our 4 Key Promises— Sapporo Breweries Meets the Challenge

Sapporo Breweries is committed to the procurement of fine raw materials, drawing from the conviction present since its founding, “To make delicious beer from nothing but the finest raw materials.” The Company shows this commitment by breeding its own barley and hops and through its adoption of the Collaborative Contract Farming System, its proprietary procurement system for raw materials. Fueled with the desire to deliver more delicious beer to customers, our over 140-year commitment to raw materials has led to our efforts to resolve sustainability material issues.

## Promise 1 Creating Value, Starting with Raw Materials

Collaborative work with breeding institutions around the world has produced LOX-less variations of barley, with successful cultivation of these varieties taking place in Canada and Australia. When used in malt production, LOX-less barley keeps beer fresh for longer and improves the quality of the beer foam. As such, it is utilized in *Sapporo Draft Beer Black Label* as “flavor-retaining malt.”



## Promise 1 Pursuing Safety, Security, and High Quality

The main elements of the Collaborative Contract Farming System are:

- 1 Sapporo knows the growers of its barley and hops, and where they are grown
  - 2 How said barley and hops are cultivated
  - 3 Direct communication between Sapporo and the growers
- These three elements make up Sapporo Breweries' barley and hops procurement system, and allows the Company to work with growers to produce barley and hops from the field.



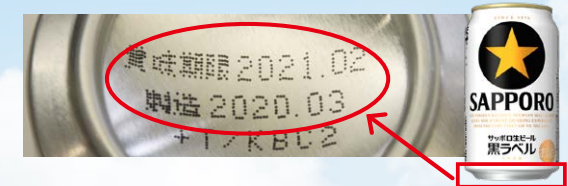
## Promise 2 Ensuring Mutual Prosperity through the Development, Production, and Commercialization of Raw Materials

Kamifurano in Hokkaido Prefecture is the only region in Japan that produces both malting barley and hops developed by Sapporo Breweries. We promote the region by brewing beers, on behalf of Kamifurano, from barley and hops produced in Kamifurano to support its local events.



## Promise 3 Utilizing Anti-Food Loss Measures

Sapporo Breweries has been able to extend the shelf life of its products through efforts that include the adoption of LOX-less barley (barley lacking the enzyme that causes beer deterioration) as a raw material in “flavor-retaining malt,” manufacturing methods that do not introduce oxygen in the production process, and distribution methods that maintain a constant temperature and prevent shaking of products during transport.



## Promise 3 Developing Barley and Hops Resilient to Climate Change

In 2017, Sapporo Holdings concluded a comprehensive partnership agreement with Tokyo University of Agriculture, in order to contribute to the resolution of global food and environmental problems. Joint research is underway regarding the development of a novel method to select hop germplasm with better root system development, under the hypothesis that such hop plants may show better resilience to extraordinary weather phenomena caused by climate change, including droughts and other kinds of water stress.



Joint research and surveying with Tokyo University of Agriculture



## Efforts in Line with TCFD Recommendations

### Efforts Related to Climate Change

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.



### Governance

The Sapporo Group has 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 integrate the environmental conservation activities for the Group as a whole.

A variety of issues are investigated based on social trends and the Group's environmental policy. In particular, climate change has been designated as a major issue, and the Sapporo Group has been making efforts to reduce its greenhouse gas emissions. Along with this, operating companies have been developing environmental conservation frameworks that align with their business characteristics.

### Strategy

In 2019, we formulated the Sapporo Group's Environmental Vision 2050, which aims to realize a carbon-free society. In addition to business structural reforms targeting decarbonization and thorough energy-saving measures, the Sapporo Group is working to prevent global warming by utilizing renewable energy.

These efforts include cultivating our own barley and hops, prime ingredients used in our core beer business since its founding in 1986, while we have utilized the Collaborative Contract Farming System, our proprietary procurement system, since 2006. Looking to the future, we have taken into account the impact of the scenarios listed on the following page on the yield of raw materials and are working with universities, research institutions, and suppliers in Japan and overseas to develop new varieties of raw materials at Sapporo Breweries' Raw Material R&D Center and to ensure stable procurement. We will also strengthen ties with suppliers to ensure stable procurement of secondary raw materials, such as rice and corn.

The entire Group will take on the challenge of resolving issues related to climate change, both in terms of mitigation\*1 and adaptation,\*2 through its rigorous decarbonization efforts and its over 140 years of manufacturing raw materials. By doing so, the Sapporo Group will work toward becoming a resilient business entity and building a sustainable society.

\*1 Mitigation involves limiting the emissions of greenhouse gases (as defined by the Ministry of the Environment).  
 \*2 Adaptation involves taking appropriate action to prevent or minimize damage (as defined by the Ministry of the Environment).

□ P.32 The Sapporo Group's Sustainability Implementation Structure





## 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.

### Scenario Analysis Results

	Temperature increase	Extreme weather (typhoons, floods, droughts, etc.)	Agricultural trends	Other social trends
<b>Sustainability Scenario 1—Progress</b>	Rise in global temperature kept within 2 °C	Extreme weather increases to some degree (-)	Stricter regulations on use of chemical fertilizers, etc. (-)	Population growth, improved living standards, higher food demand, and higher food prices to a certain degree
<b>Sustainability Scenario 2—Level</b>	Rise in global temperature cannot be kept within 2 °C	Frequent extreme weather causes widespread damage (-)	Selective breeding and increased capital investment (+)	Population growth, improved living standards, increased food demand, and higher food prices
<b>Sustainability Scenario 3—Stagnation</b>	Rise in global temperature greatly exceeds 2 °C	Extreme weather grows in severity (-)	Agricultural damage grows due to rampant crop disease (-)	Soaring food prices, greater difficulty for those from poorer backgrounds to attain food

+: Positive effect on agricultural yield - : Negative effect on agricultural yield

### Forecast for Procurement Yields by Area / Country ↑: Over 5% increase ➡: Between 5% decrease and 5% increase ↓: Over 5% decrease

In Scenario 1—Progress, it is assumed that agricultural yields will be negatively affected by restrictions on chemical fertilizers and other changes. In countries and areas where yield estimates are trending upward, yields may increase or stay level even under the negative factors in the table above.

#### Barley

	Progress	Level	Stagnation
Europe	↓	➡	↓
North America	↓	↑	↑
Oceania	➡	↑	➡
East Asia	↓	➡	↓

#### Hops

	Progress	Level	Stagnation
Europe	➡	➡	↓
North America	➡	➡	↓
Oceania	↑	↑	↑
East Asia	↑	↑	↑

#### Corn

	Progress	Level	Stagnation
North America	↓	↓	↓
South America	↑	↑	↑

#### Rice

	Progress	Level	Stagnation
East Asia	↓	➡	↓

Yield estimates are presented in comparison with yields in 2018 to determine whether levels will have increased, stayed even, or decreased by 2050.

## Risks and Opportunities, Responses, and Measures

The results of the scenario analyses on the previous page have made it clear that in each scenario there will be areas showing a decrease in yields. Based on this understanding, an investigation has been conducted into the risks and opportunities facing the Sapporo Group, incorporating the effects of the three aforementioned scenarios and assuming one of them could become reality.

With regard to risks, the Group recognizes a potential drop in product quality due to lower agricultural yields stemming from abnormal weather, stronger regulations, crop damage from diseases and harmful insects, and other factors. As for opportunities, the Group recognizes the potential for heightening its competitiveness by stabilizing quality via selective breeding, development of new cultivars and products, and other measures. We believe that strengthening mitigation and adaptation measures will greatly reduce the impact of risks and increase our ability to seize opportunities.

Although yields in each area show a decreasing trend, we will look at the differences in each area and secure a diverse range of suppliers. We will also 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. Listed below are risks and opportunities as well as affective responses and measures for each scenario.

Item		Risks and Opportunities	Responses and Measures
Risks	Transitional Risks	<ul style="list-style-type: none"> <li>Strengthened regulations on agrochemicals in each country</li> <li>Increased costs due to introduction of carbon pricing in each country</li> </ul>	<ul style="list-style-type: none"> <li>Maintain awareness of information related to agrochemical regulations and status of use</li> <li>Collect information on integrated pest management that can replace chemical pesticides, such as biological pest control and physical removal; maintain awareness of trends among producers</li> <li>Move forward with decarbonization initiatives (achieve 2030 and 2050 targets)</li> </ul>
		<ul style="list-style-type: none"> <li>Increased food demand due to global population growth, tightened export restrictions due to lower production stemming from abnormal weather, and rising procurement prices</li> <li>Delays in procurement of raw materials due to prevalence of new diseases and other factors</li> </ul>	<ul style="list-style-type: none"> <li>Secure a diverse group of suppliers</li> <li>Collect information and maintain awareness of global trends and regulations related to import and export of food products</li> <li>Strengthen foundation for stable domestic production</li> </ul>
		<ul style="list-style-type: none"> <li>Drop in quality of raw materials due to abnormal weather</li> </ul>	<ul style="list-style-type: none"> <li>Develop and spread high-yield cultivars of barley and hops with low risk of quality degradation from abnormal weather</li> </ul>
	Physical Risks	<ul style="list-style-type: none"> <li>Increased crop damage from diseases or harmful insects as a result of global warming</li> <li>Increased water risks due to heat waves from abnormal weather, droughts, and irregular rainfall, higher frequency of wind and water damage due to typhoons and torrential rains, and greater enormity of damage</li> </ul>	<ul style="list-style-type: none"> <li>Develop and spread new cultivars of barley and hops with high disease resistance</li> <li>Work with suppliers to establish a pest control system in a move toward introducing integrated pest management</li> <li>Conduct risk assessments targeting safety of water supply at existing sites, droughts, and abnormal weather</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Increased competitiveness from more efficient production systems that utilize ICT and robots, stable quality through selective breeding, development of new cultivars for raw materials, new product development, and other factors</li> </ul>	<ul style="list-style-type: none"> <li>Utilize new agricultural technologies in collaboration with partners in Japan and overseas</li> <li>Develop and spread barley and hop cultivars that can help avoid or mitigate the effects of climate change (droughts, torrential rains, etc.)</li> </ul>	

## Indicators and Targets

Based on the responses and measures listed on the previous page, we have set the following indicators and targets for the key initiatives of the Sapporo Group.

For mitigation measures, which aim to control greenhouse gas emissions, we have set medium- to long-term targets for reducing CO<sub>2</sub> emissions. As a specific initiative intended to achieve targets related to the value chain, we have begun the process of establishing new activities for the future to reduce emissions in areas that utilize the Collaborative Contract Farming System in Japan and overseas. We will expand these efforts to domestic cultivation areas while taking into account regulations such as those pertaining to agrochemicals.

For adaptation measures, which aim to avoid or reduce the damage caused by climate change, we have set new targets for primary agricultural raw materials used for beer, our core business. Looking ahead, we aim to develop and commercialize cultivars addressing factors in reduced yields and drops in quality, such as abnormal weather, including droughts and torrential rains, and water stress and diseases caused thereby.

<b>Mitigation</b>	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions from Group-owned bases by 30% by 2030 (compared with 2013 levels)</li> <li>• Aim to reduce CO<sub>2</sub> emissions from Group-owned bases to zero by 2050 (compared with 2013 levels)</li> <li>• Work to reduce CO<sub>2</sub> emissions throughout value chain (Activities to reduce CO<sub>2</sub> emissions to be carried out at all domestic production areas utilizing the Collaborative Contract Farming System by 2030)</li> </ul>
<b>Adaptation</b>	<ul style="list-style-type: none"> <li>• Apply to register new cultivars of barley and hops by 2030 as a means to adapt to climate change</li> <li>• Commercialize new barley and hop cultivars domestically by 2035 as part of efforts to adapt to climate change</li> <li>• Develop and commercialize new environmentally adaptive cultivars in Japan and overseas (in addition to the cultivars above) by 2050</li> </ul>

We have set targets for other climate change-related items, listed under “Medium- to Long-Term Targets for Sustainability Materiality,” and are promoting efforts to reach these targets throughout the Group.

We will continue our efforts to grasp risks and opportunities yet to be fully analyzed and to gain an understanding of measures to be taken in response and of financial impacts while continuing to expand the disclosure of necessary information. We will also make revisions when appropriate due to changes in social conditions.



Sapporo Group Environmental Vision 2050

<https://www.sapporoholdings.jp/en/csr/earth/environment/target/>



Sapporo Holdings Limited *Sustainability Book 2021* (Japanese only)

[https://www.sapporoholdings.jp/csr/sustainability\\_book/](https://www.sapporoholdings.jp/csr/sustainability_book/)

## Spreading Awareness of Moderate Drinking Practices

The Sapporo Group carries out initiatives in line with its Policy Related to Moderate Drinking Practices, which is based on the Sapporo Group Code of Conduct. As members of a corporate entity engaged in the distribution of alcoholic beverages, we are actively involved in efforts to provide knowledge to employees concerning proper drinking practices.

### Policy Related to Moderate Drinking Practices

The Sapporo Group Code of Corporate Conduct stipulates the following policies on the relationship between alcoholic beverages and society.

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

Group companies, especially the alcohol-centered businesses of Sapporo Breweries and Sapporo Lion, will also promote moderate drinking practices under these policies.

#### Medium- to Long-Term Targets for Fiscal 2030 Related to Spreading Awareness of Moderate Drinking Practices

Promote educational programs aimed at eliminating inappropriate drinking, including underage (before 20) drinking, drunk driving, and alcohol harassment

### International Alliance for Responsible Drinking

As a member of the Brewers Association of Japan for six years, an organization affiliated with the Global Alcohol Producers Group (GAPG), Sapporo Breweries has stayed true to its commitment—since 2013—and has worked to promote moderate drinking practices. The company will continue to enhance its efforts in this regard going forward.



## Results of Fiscal 2020 Initiatives

The Sapporo Group promoted activities aimed at eliminating improper drinking practices and spreading awareness of moderate drinking practices throughout society.

### Outside the Group Spreading Awareness of Moderate Drinking Practices

We will continue to promote activities to spread awareness of moderate drinking practices.

- Distributed pamphlets for elementary and junior high school students aimed at preventing alcohol consumption
- Conducted seminars on appropriate drinking targeting universities and companies
- Promoted “Don’t Drink and Swim” activities aimed at improving drinking etiquette at the beach (support provided for Japan Lifesaving Association)

### Inside the Group Improving Awareness among Employees

Our Thorough Policy Related to Moderate Drinking Practices for All Employees

- Conducted Alcohol Use Disorders Identification Test (AUDIT) for all Group employees
- Utilized Alkiller alcohol-checking device and telematics-based driver supervision systems to confirm a breath alcohol concentration of 0.00 mg/l among sales representatives prior to boarding vehicles

### Business Activity

- Introduced specialized glasses for alcoholic beverages at Sapporo Lion locations as part of strengthened measures to prevent accidental alcohol consumption. In fiscal 2020, there were zero instances of accidental alcohol consumption and drunk driving.

## Product Development to Meet a Variety of Needs

If we are to popularize and grow our non-alcoholic beer taste beverages as means to prevent drunk driving and promote good health, it is important that these products feature flavor, quality, and functionality that will satisfy customers. In June 2020, we launched *Sapporo Umami Shibori*, the world's first non-alcoholic beer to utilize anserine to lower uric acid levels. This product has received praise from beer-loving customers who are conscious of their uric acid levels.



Sapporo Umami Shibori

## Promoting Diversity and Inclusion



### The Power of Differences

We believe that keys to realizing our Management Philosophy are to let the individuality of each and every person shine, allow people to develop this individuality alongside their peers, recognize these differences, and treat them as strengths.

Therefore, we will work to establish an environment that further enables each employee to fully demonstrate their abilities, thereby recognizing and utilizing the variety of ideas and viewpoints of our human resources while being respectful of the entire spectrum of diversity, whether it involves gender, age, disability, nationality, academic background, employment patterns, values, sexual orientation, gender identity, or any other factor.

The Sapporo Group is working to establish itself as a diverse and inclusive group.

#### Key Initiatives

##### ▶ Promoting the Success of Women

Aiming to create conditions in which “women can naturally and continuously participate with a sense of satisfaction,” we make active efforts to send female employees to seminars and cross-industry exchanges to encourage their own visions for leadership and to support their career development. We have also placed importance on building a human resource pipeline through efforts including providing training for female employees so that they can have more meaningful involvement in management regarding decision-making and new value creation.

##### ▶ Providing Support for Balancing Medical Treatment and Work

We have launched “Can Stars,” an in-house community, to support employees who are trying to balance cancer treatment with work and to establish a work environment that offers peace of mind to employees who have dealt with cancer. We also work actively to provide peer support, facilitate exchanges with other companies, and carry out other activities.

##### ▶ Enhancing Management Capabilities

Managers, including those at the administrative level, take part in training with themes that include “psychological safety” and “working one-on-one” to deepen their understanding of the diverse set of human resources within the Group and to enhance their capabilities as managers when it comes to drawing out the abilities of their employees.

##### ▶ Offering Career Support

We adhere to the slogan “carve out your own career path” and support employees in the pursuit of their ideal career plan through life career seminars, career cafes, our career support system, and other activities. We also provide a wide range of learning opportunities through our career development support funding system, open training, and other efforts.

##### ▶ Creating New Value with the *UchiRepi* App

Company members selected through open recruitment held a contest aimed at creating new business-related value by working with start-up companies to resolve social issues. The team that won the right to commercialize their idea developed *UchiRepi*,\* an app that helps lessen the burden of housework and reduces food loss. Such accomplishments are the result of an environment where a diverse group of human resources can transcend barriers such as occupation, age, and other attributes to take on new, self-driven challenges.

\* Users can take pictures of their food receipts at the time of purchase or the contents of their refrigerator to register ingredients available at home, and the app utilizes AI to offer recipes for meals that can be made with those ingredients alone or with proposed additional ingredients (patent pending).



#### Acquisition of “Eruboshi” Certification for Promoting Women’s Advancement and Participation in the Workplace

In 2020, POKKA SAPPORO Food & Beverage Ltd. received “Eruboshi” certification, given to companies that promote women’s advancement and participation in the workplace.



#### Selection as a Semi-Nadeshiko Brand for Outstanding Promotion of Women’s Success

In 2021, Sapporo Holdings was granted the Semi-Nadeshiko Brand designation. Companies are jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for outstanding promotion of women’s success.



#### Certified as a White 500 Company, a Distinction Limited to the Top 500 Enterprises Surveyed for Health Management

Sapporo Holdings, Sapporo Breweries, and POKKA SAPPORO Food & Beverage are working to better promote activities that encourage improving health, in terms of not only protecting one’s life or improving one’s health but also promoting strength in differences. In recognition of these efforts, these companies were designated as White 500 enterprises under the Certified Health & Productivity Management Outstanding Organizations Recognition Program. This distinction is granted to the top 500 organizations in the large enterprise category, and limited to organizations that score in the top 10% in surveys for health management. In addition, Yasuma Co., Ltd. was designated as a Bright 500 enterprise under the same program, as one of the top 500 organizations in the small- to medium-sized enterprise category.



#### Sapporo Breweries and POKKA SAPPORO Food & Beverage Receive Consecutive Gan-Ally-Bu Awards in 2020

Sapporo Breweries received the Gold award and POKKA SAPPORO Food & Beverage earned the Silver award at the 2020 Gan-Ally-Bu Awards, a non-governmental project sponsored by the Gan-Ally-Bu. The award is granted for efforts related to mitigating the issues of balancing cancer treatment (“gan” in Japanese) with work. This marks the third consecutive Gold award for Sapporo Breweries and the second consecutive Silver award for POKKA SAPPORO Food & Beverage.

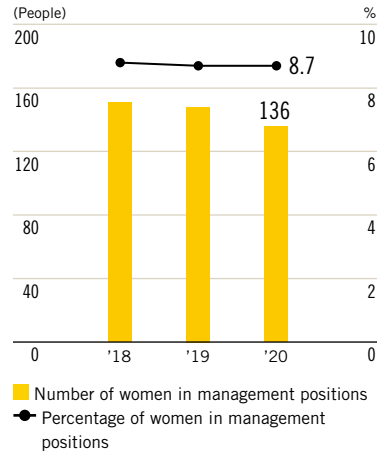


Sapporo Breweries

POKKA SAPPORO Food & Beverage

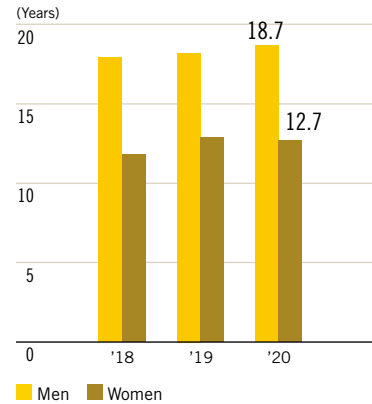
## Non-Financial Highlights

### Number and Percentage of Women in Management Positions\*<sup>1</sup>



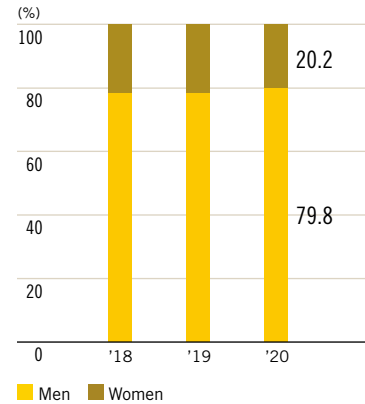
\*1 Percentage of women in management positions at domestic and overseas Group companies

### Average Number of Years Employed (by Gender)\*<sup>2</sup>



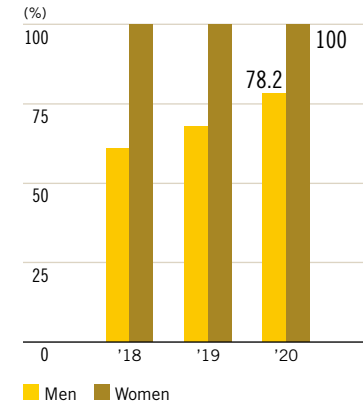
\*2 Average number of years employed at major domestic Group companies

### Ratio of Male to Female Employees\*<sup>3</sup>



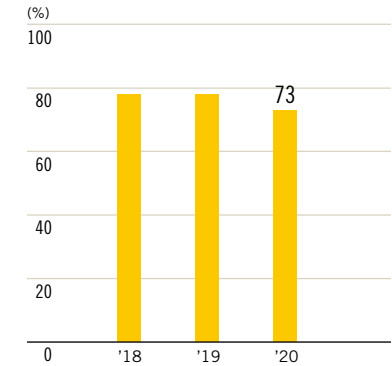
\*3 Percentage of women who are full-time employees of the Group domestically and overseas

### Proportion of Employees Taking Childcare Leave\*<sup>4</sup>



\*4 Ratio of employees taking childcare leave (Sapporo Holdings and Sapporo Breweries)

### Participation rate for lifestyle-Related Health Checkups\*<sup>5</sup>



\*5 40 years or older at major domestic operating companies

### Number of Academic Presentations (in fiscal 2020)

# 11

POKKA SAPPORO Food & Beverage Ltd. announced that the regular intake of soy milk yogurts over a two-week period has been shown to increase levels of *Lactobacillus bifidus* in the intestines and internal levels of equol, a substance with beneficial effects. The Sapporo Group has made 11 external academic presentations regarding this finding.

### Number of Applicants for the Japan Beer Certificate Examination

# Total 27,824

The test is conducted annually by the General Incorporated Association of Japan Beer Culture Study, which was established by Sapporo Breweries in 2012. The exam is aimed at helping spread and popularize Japanese beer culture by providing an opportunity to learn about the beverage. (The 2020 exam was canceled due to COVID-19.)

### Results of Social Contribution Activities (in fiscal 2020)

# ¥ 225 million

We appreciate the support of the countries and regions where we operate and engage in social contribution activities deeply rooted in the community while maintaining open lines of communication. In fiscal 2020, we engaged in reconstruction efforts for areas affected by natural disasters and efforts related to COVID-19.

### Number of Local Partnerships (As of December 31, 2020)

# 62

The Sapporo Group has formed 62 cooperative agreements with a variety of entities across Japan—including prefectures, municipalities, and universities—and is working to resolve a myriad of social issues by contributing to local communities, conducting local area development, and providing disaster prevention support.

### Percentage of Employees with High Engagement (in fiscal 2020)

# 19.0%

Every year, we conduct an employee awareness survey to confirm engagement levels and to ensure not only that the Group is one in which its human resources are capable of being physically and mentally healthy, can take on challenges in new areas, and go beyond their boundaries with an energetic, bright, and forward-facing spirit but also that they are satisfied with their decision to work for the Sapporo Group.

# Discussion

## Dialogue between Two Audit & Supervisory Committee Members



**Toshio Mizokami**

Standing Director



**Kazuo Sugie**

Outside Director  
(Independent Officer)

Toshio Mizokami, the chair and full-time member of the Audit & Supervisory Committee, engaged in a frank exchange of opinions with Kazuo Sugie, an outside director and fellow member of the Audit & Supervisory Committee. They discussed enhancing the supervisory function over management as a means to improve management transparency and achieve management goals, and thereby strengthen corporate governance for the Sapporo Group.

### The Sapporo Group's Vision for Governance

**Sugie:** In fiscal 2020, Sapporo Holdings transitioned to a Company with an Audit & Supervisory Committee, which I believe was the best decision it could make. While each institutional design has its pros and cons, this system fits the Group well. Back when the Company was still a Company with an Audit & Supervisory Board, the Board of Directors was very open and unrestricted with no wall between Audit & Supervisory Board members and members of the Board of Directors. That being said, I personally believe that our

discussions are more substantial after transitioning to a Company with an Audit & Supervisory Committee. Using information provided beforehand, members of the Board of Directors are able to hear explanations of agenda items, engage in question and answer sessions, and have meaningful discussions during meetings.

**Mizokami:** One of the strengths of being a Company with an Audit & Supervisory Committee is that the committee members have the voting rights of Board members while also having independent legal authority, meaning they can engage in a wider range of activities. Comparing this past one-year period with the period up to fiscal 2019, when the Group utilized an Audit & Supervisory Board, I have noticed that Audit & Supervisory Committee members are more deeply involved in business execution and that their supervisory function over the Board of Directors and day-to-day activities has been enhanced. As for the effectiveness of the Board, the presence of foreign nationals and members with management experience means that they can point out issues in a composed and objective manner—issues that might go unnoticed in a Board with inside directors alone. In any case, looking in terms of the changes in responsibility and authority, the balance of members, and size of the meeting body, I would agree that establishing an Audit & Supervisory Committee was the best choice for the Sapporo Group. With that said, this is just a starting point. We understand that there are still issues that need to be addressed if we are to deepen discussions even further, such as the information gap between inside and outside officers, and for outside directors who are not on the Audit & Supervisory Committee.

## Discussion

### The Evolution of Governance to Improve Effectiveness

**Sugie:** I do not think that a majority of outside directors is what brings diversity to a board of directors. When it comes to facilitating the expansion of a company, what is more important than having people from inside or outside a company is having people who can give pragmatic and feasible opinions from a variety of perspectives. In terms of the number of members of the Board and its composition, I would say that the current number of 10 is appropriate, but I feel that it is a bit weighted toward people from management departments. I also think that, for the sake of promoting diversity, it would be good to include two or more women as Board members in the future, either from inside or outside the Company.

**Mizokami:** When appointing Board members, a company must appoint candidates who can give advice that will assist with right decision-making during Board meetings, which includes highlighting items that require attention. On this point, I agree with Mr. Sugie. Just because a person has skills does not mean they can solve problems, so, naturally, personality is something to look at carefully when selecting Board members. And, if the number of

*I think that the Board of Directors finds its true meaning when it functions as a way to discover new business opportunities and that this function is the key to improving its effectiveness.*

—————*Toshio Mizokami*

members or the scale of the Board exceeds what is necessary, then it will lose focus, so I for one believe that it is fine to reduce the number by a few.

**Sugie:** There are a few reasons for bringing in people from outside a company. One is to hear their proposals for how the company in question can work to devise strategies and set management targets for sustainable growth, as well as proposals for risk countermeasures. Other reasons are engaging in substantial discussion and helping guide said company toward right management decisions. At the same time, it is important to increase the number of human resources from within a company who are a part of these discussions. It is the officers and employees of a company who actually conduct business, so management cannot be dictated based on external opinions alone; however, just as Mr. Mizokami said, there is the worry that adding more people will muddle the discussion. In the end, the thoughts and opinions of all members of the Board need to come into alignment for the Board of Directors to function. It is exceedingly rare for agenda items to be decided with a simple “yes” or “no,” and an organizational design such as a Company with an Audit & Supervisory Committee is meaningful as a solution.

**Mizokami:** Discussions about risk are becoming more important with each passing year, and the Board of Directors discusses several potential scenarios to ensure that the Sapporo Group takes appropriate risks. During actual business activities, unexpected issues or shortcomings may arise, and in these cases the Board reconvenes to discuss and decide upon countermeasures to address the risk scenario. Risk aversion to the point of crushing the seeds of growth is a case of having one’s priorities backward, so I think that the Board of Directors finds its true meaning when it functions as a way to discover new

business opportunities and that this function is the key to improving its effectiveness.

### Expected Roles and Responsibilities

**Sugie:** After joining DIC Corporation as a technical worker, I gained experience in fields such as production, marketing, planning, and overseas business, and I also served as the representative director. I was also a director of multiple NPOs dedicated to management training and chair of the Career Training Committee for the Japan Association of Corporate Executives, so I believe that I can contribute to human resource development with my knowledge of management. The Sapporo Group is actively engaged in human resource development based on the concept of “diversity and inclusion,” and I would like to support such efforts with a more specialized perspective.

**Mizokami:** Since joining Sapporo Breweries, I have mainly been part of accounting and other back-office departments, but I have also acquired experience in a variety of business scenarios such as working with overseas expatriates, hotel business operations, and assisting with reorganizing client management at Sapporo Breweries. Through this experience, I learned the importance of active communication with young employees and with people in the field, regardless of age, nationality, or position. I think of organizational management as the blood flow of a company, and management and governance as what keeps the blood circulating. So, as the only inside member of the Audit & Supervisory Committee, I believe that inside officers who have developed as part of the organization have an important duty to prevent problems that would “stop the blood flow” in order to ensure the organization can run smoothly.



## Discussion

**Sugie:** Outside directors need to approach their roles from four different perspectives, namely, society, the world, the true nature of things in business and elsewhere, and the actual work that takes place in order to come up with resolutions. These four perspectives represent the elements that are easy to miss when one works for a single company, even if they sit on a board of directors. It is therefore important for outside officers to be able to supervise from these perspectives. A good player does not necessarily make a good coach.

**Mizokami:** What we want from an Audit & Supervisory Committee member is advice that lends itself to a preventive approach, versus auditing after the fact. As a full-time Audit & Supervisory Committee member, I attend important Management Council meetings and strategic meetings, but I try to give advice from a neutral standpoint, separate from the execution side, in order to further improve management quality.

Another important factor is the amount of trust created among officers inside and outside the Company through discussion. As the only inside Audit & Supervisory Committee member, I communicate often with the two outside members of the committee as well as the three outside directors. This is one of my strengths, and I recognize that it is my role to utilize this strength to maintain the circulation between these internal and external parties. To say that this sums up my existence as a full-time Audit & Supervisory Committee member is no overstatement.

### Improvement of Corporate Value

**Sugie:** The Sapporo Group holds many intellectual assets. One of its greatest assets is its brand power and

recognizability, which is among the highest in Japan. As far as corporate culture goes, every employee performs their duties with a “Pioneer Spirit” and is able to act upon their own decisions. However, I feel that the Group needs to enhance its ability to take risks and overcome adversity that it needs if it is to continue as a front-runner in the Japanese beer industry. That being said, if it can gain a clear understanding of what modern consumers want and develop unique products that other companies cannot imitate, the Sapporo Group should be able to achieve sustainable growth in the future.

**Mizokami:** We have valued the “Pioneer Spirit” from our very founding. If we were to make knock-off versions of other companies’ products, Sapporo’s reputation would drop significantly. Going forward, we will forge ahead of other companies and create new systems and value in all aspects of marketing, manufacturing, logistics, and management. You cannot be a pioneer if you stay on the defensive.

For the Sapporo Group, the biggest risk is avoiding the risk that should have been taken. To that end, we need forward-thinking management in addition to on-site development and marketing. We need management that can move past mistakes with a calm demeanor as we actively take on challenges.

**Sugie:** I agree. I would like Sapporo to take on appropriate risks and embark on challenges that will create new value, and it is important to create an environment where employees are empowered to do so. The Company will grow if it promotes human resource policies aimed at taking in a variety of opinions and developing expertise, laying the foundation for changing awareness, even when it comes to building up managers.

*In addition to providing support in terms of human resource development, as outside directors we will utilize the four perspectives to improve our supervisory function.*

————— *Kazuo Sugie*

New value lies in how useful each person’s work is to society and people, and how that work contributes to the SDGs. My hope is that every employee will have a strong sense of purpose that motivates them to work and gives their life more meaning, and that that feeling inspires them to perform their day-to-day duties knowing that it will increase the value of the Company.

**Mizokami:** Embedded in the phrase “a company with highly unique brands” is the desire for each and every one of us to be vibrant and express our individuality through our work. As Mr. Sugie noted, our role is to provide the environment and the time to make such endeavors possible. Challenge equals change. With change comes risk, but I would like employees to actively seek challenges, without being daunted by the risk. We, the management team, review risk scenarios as appropriate, based on the challenges of each and every person within the Company, and then use these scenarios to formulate medium- to long-term strategies. If this cycle is understood across the entire organization, individual strength will improve, and this strength can be channeled toward organizational strength.

I would like to continue to support the Sapporo Group from a management standpoint as it continues to take on challenges in true pioneer fashion.

## Governance Digest

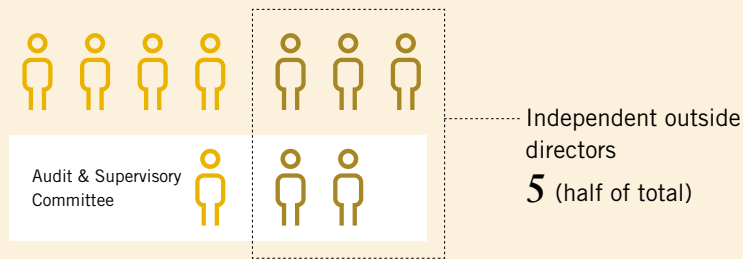
### Format

The Company has transitioned to a Company with an Audit & Supervisory Committee, a governance system with appropriate capabilities in terms of the audit and supervision of the Board of Directors. The transition was made in order to bring the transparency and effectiveness of corporate governance to a higher level and to increase corporate value by leveraging stronger monitoring functions over management to achieve management targets.

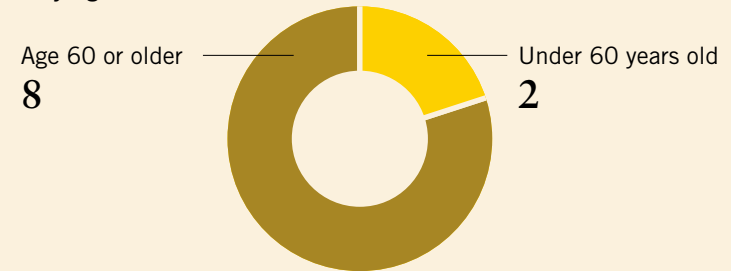
Sapporo Holdings voluntarily established the Nominating Committee and the Compensation Committee in November 1998 in order to improve the transparency of management related to the membership and treatment of the Board of Directors and maintain a sound management structure.

### Board of Directors

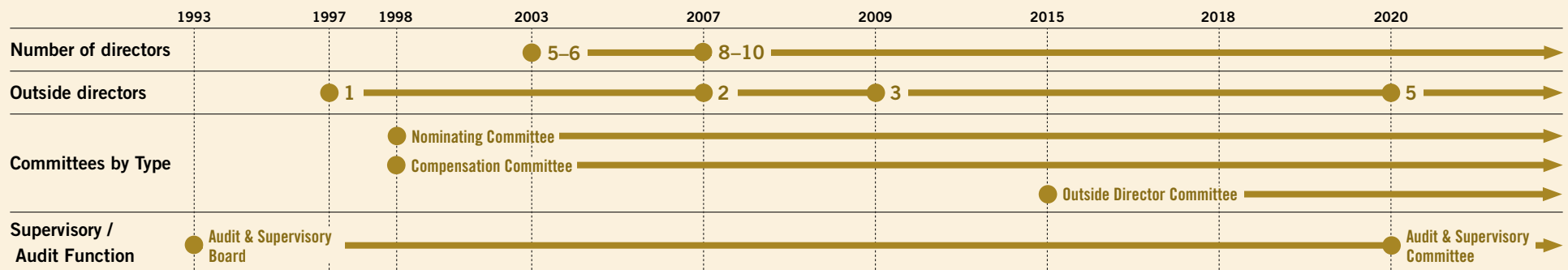
#### Constituent Members



#### By Age



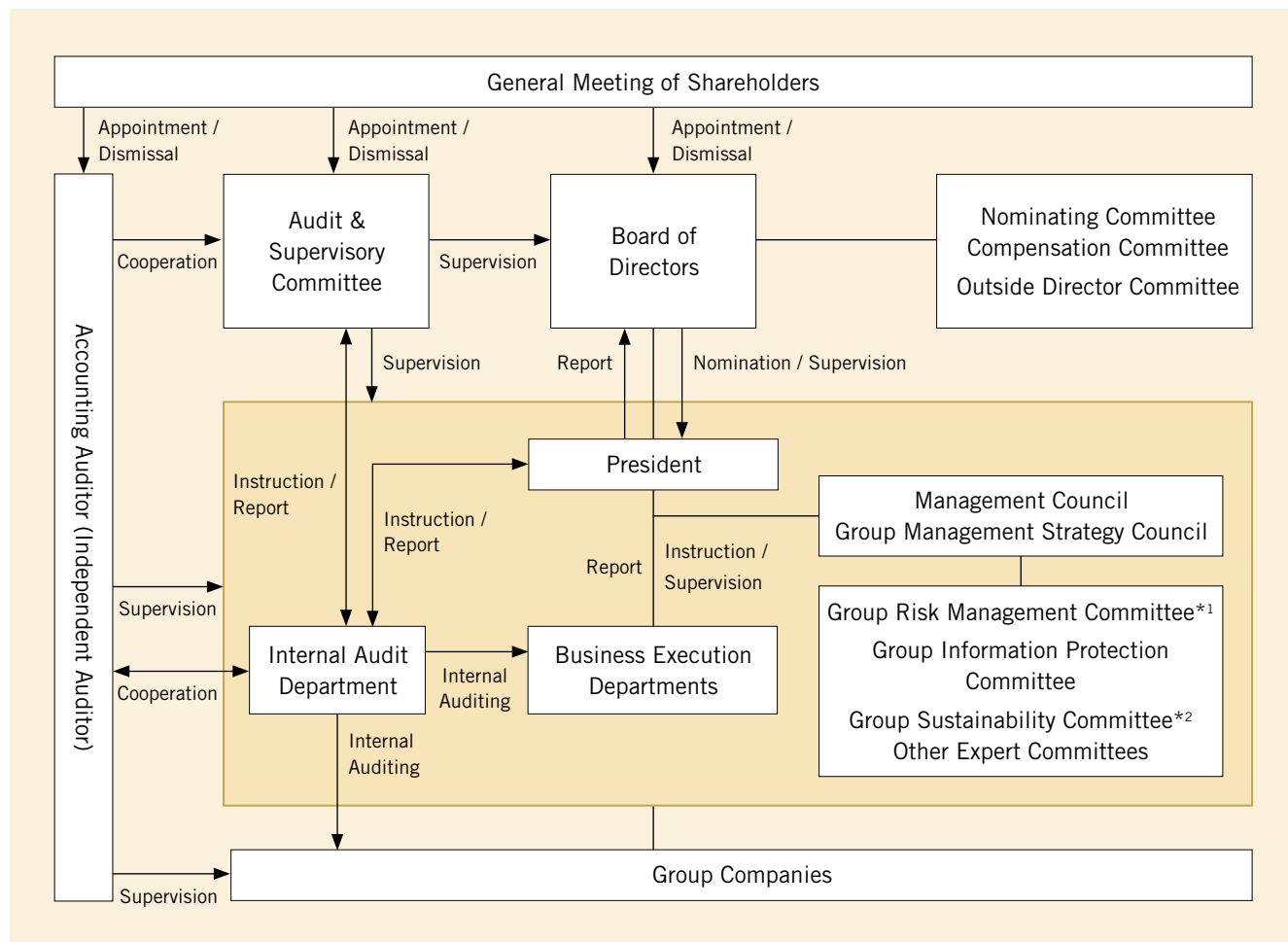
### History of Corporate Governance Reforms



Notes:

1. The Company began operations under a holding company framework in 2003.
2. The term for directors was shortened to one year from March 2005.

## 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

### Basic Governance Approach

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

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

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

 [https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/basic\\_governance\\_approach\\_2021.pdf](https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/basic_governance_approach_2021.pdf)

## 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, Group operating officers, and other key personnel.

### About Independent Outside Directors

Under the holding company framework, five of the 10 members, or one-half, of the Company's Board of Directors are independent outside directors. This ratio is intended to improve the transparency of management and enhance monitoring. All five have submitted notification to the Tokyo Stock Exchange and the Sapporo Securities Exchange of their independent director status as stipulated by the exchange's regulations. The independent outside directors are expected to objectively advise and supervise the management team from a neutral standpoint, based on their high perception. The independent outside directors offer advice and suggestions from their independent and objective standpoints and are expected to fulfill a role in raising corporate value. At the 15 Board of Directors' meetings held in 2020, the independent outside directors gave advice and suggestions regarding the review of issues from an objective viewpoint independent of that of management.

### Reasons for Appointment of Directors

Name	Reasons for appointment
Masaki Oga	Mr. Oga has served as representative director of the Company and president and representative director of an operating company. He has a wealth of experience, an extensive track record, and great insight as a manager. The Company has determined that he is the right person to promote Group management and strengthen the corporate governance of the Company.
Yoshihiro Iwata	Mr. Iwata possesses experience, a track record, and insight regarding corporate planning, having gained broad experience from his role as president and representative director of an operating company and other positions, as well as having been in charge of the corporate planning and international departments of said company. The Company has determined that he is the right person to strengthen the Group's management structure and global management of the Company.
Mayumi Fukuhara	Ms. Fukuhara has been in charge of the human resource departments of operating companies. She therefore has the experience, track record, and insight for overseeing overall human resource strategy. The Company has determined that she is the right person to promote diversity within and strengthen the human resource development of the Sapporo Group.
Yasuyuki Oohira	Mr. Oohira has substantial knowledge and experience in overall corporate management, having long-standing experience in the engineering department of an operating company, and having served as the person in charge of a corporate planning department, production technology department, research and development department, and supply chain management department. The Company has determined that he is the right person to promote the broad supply chain system and the research and development of the Sapporo Group.
Mackenzie Clugston Outside Director	Mr. Clugston has extensive insight in the fields of diplomacy and trade in North America and Southeast Asia, where the Company is pursuing business development. Based on that wealth of experience, an extensive track record, and great insight, Mr. Clugston can offer pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company, which is moving forward with global expansion.
Shuji Fukuda Outside Director	Mr. Fukuda has a wealth of experience, an extensive track record, and great insight as the president of a business corporation. Based on his experience in the treasury, human resource, and corporate management fields up to the present, Mr. Fukuda can offer pertinent opinions and advice to the Board of Directors of the Company from his objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute greatly to the corporate governance of the Company in such areas as the strengthening of the Group's management structure.
Tetsuya Shoji Outside Director	Mr. Shoji has a wealth of experience, a rich track record, and great insight as the president of a business corporation. Based on his experience in planning, human resources, general affairs, global expansion, and the promotion of digital transformation (DX) up to the present, Mr. Shoji can offer pertinent opinions and advice to the Board of Directors of the Company from an objective standpoint, independent of the management team engaged in executing the operations of the Company. The Company has determined that he will contribute to the corporate governance of the Company in areas such as the strengthening of the Group's management structure.

## Outside Director Committee

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

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

Candidates for independent outside director positions, whether they be positions for members of the Board of Directors who serve concurrently on the Audit & Supervisory Committee or for members of the Board who do not, are recommended by the Nominating Committee, chaired by an independent outside director. These candidates meet the standards for independence set out by financial instruments exchanges that have applied them, while they have a strong background, track record, and insight into corporate management or certain specialist fields that will enable them to offer accurate proposals and advice on the Company's management issues.

Name	Important concurrent occupations or positions at other organizations	Policy on independence
<b>Directors</b>		
Mackenzie Clugston	Outside Director of KAMEDA SEIKA CO., LTD. Professor under special tenure program of Kwansai Gakuin University Outside Director of Idemitsu Kosan Co., Ltd. Outside Director of NGK Spark Plug Co., Ltd.	In September 2016, Mr. Clugston assumed office as a consultant of the Company, and since then, the Company's management has been receiving advice from him. The annual compensation paid to Mr. Clugston was for his advice to the Company's management based on his experience and insight, and such compensation was ¥5.0 million or less. Accordingly, the Company has determined that Mr. Clugston is unlikely to have a conflict of interest with shareholders in light of the Standards for Independence of Outside Officers established by the Company.
Shuji Fukuda	Chairman and Director of Taiheiyō Cement Corporation Director of Yakushima Denko Co., Ltd. External Audit & Supervisory Board Member of Tobu Railway Co., Ltd.	Mr. Fukuda was involved in business execution at Taiheiyō Cement Corporation until March 2018. Currently, although there have been transactions between said company and the Company's subsidiaries, the amount of such transactions in the most recent business term was less than 0.1% of either the consolidated revenue of the Company or the consolidated net sales of said company. Accordingly, the Company has determined Mr. Fukuda is unlikely to have a conflict of interest with shareholders in light of the Standards for Independence of Outside Officers established by the Company.
Tetsuya Shoji	Corporate Advisor of NTT Communications Corporation	Mr. Shoji was involved in business execution at NTT Communications Corporation until June 2020. Although there are currently transactions between NTT Communications Corporation and the subsidiaries of the Company, the amount of such transactions in the most recent business term was less than 0.2% of either the consolidated revenue of the Company or the consolidated revenue of NTT Communications Corporation. Accordingly, the Company has determined Mr. Shoji is unlikely to have a conflict of interest with shareholders in light of the Standards for Independence of Outside Officers established by the Company.
Kazuo Sugie		Mr. Sugie was involved in business execution at DIC Corporation until March 2015. Although there have been transactions of said company's products between said company and the Company's subsidiaries, the amount of such transactions in the most recent business term was less than 0.1% of either the consolidated revenue of the Company or the consolidated net sales of said company. As such, the Company has determined that Mr. Sugie is unlikely to have a conflict of interest with shareholders in light of the Standards for Independence of Outside Officers established by the Company.
Kohtarō Yamamoto	Yamamoto & Shibasaki Law Offices Representative Lawyer	Mr. Yamamoto is currently a lawyer at Yamamoto & Shibasaki Law Offices. No transactions have or are being made between said law offices and the Company or the Company's subsidiaries, and the Company has determined that Mr. Yamamoto is unlikely to have a conflict of interest with shareholders in light of the Standards for Independence of Outside Officers established by the Company.

## Results of the Board of Directors' Effectiveness Assessment for Fiscal 2020

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

### (1) Initiatives in Fiscal 2020 in Response to the Results of the Board of Directors' Effectiveness Assessment for Fiscal 2019

In the assessment for fiscal 2019, it was recognized and stated once again that there was a need to provide information to outside directors, to further deepen discussions, and continuously confirm progress in relation to the management framework over the medium term and to the implementation of Group Management Plan 2024.

Therefore, in fiscal 2020 we organized the agenda items for Board meetings, based on the changes made in the institutional design, and made the following efforts to clarify the points to be discussed at Board meetings and improve the way they are assembled:

- 1) Improved pre-meeting explanations of agenda items to outside directors as well as provision methods
- 2) Reviewed discussion process and scheduling for Nominating Committee, Compensation Committee, and outside directors
- 3) Enhanced provision of management-related information by sharing summaries of Management Council meetings

Furthermore, the 15 Board meetings scheduled for fiscal 2020 were held despite the state of emergency declaration issued as a result of COVID-19, owing to the establishment of a web conferencing system.

### (2) Results of Board of Directors' Effectiveness Assessment for Fiscal 2020

With respect to the Board of Directors' effectiveness assessment for fiscal 2020, in continuation of similar practices in fiscal 2019, all directors took an anonymous survey. Feedback on the results of the survey was provided early, allowing for sufficient time to discuss the current situation and raise awareness of issues at the Board meeting held in January 2021.

The results indicated that on 80% of the survey items, we achieved the same score or higher compared with fiscal 2019, and it was judged via the survey that the effectiveness of the Board of Directors as a whole was ensured from the viewpoint of its composition, management, and roles and duties.

By way of solving the identified issues and implementing continuous assessments that make use of appropriate methods, the Company is making an effort to further improve the effectiveness of its Board of Directors.

## Group Operating Officers

The president oversees business execution across the entire Group based on the resolutions of the Board of Directors. Regarding business execution, the scope of authority afforded to management has been clarified, and there is a system in place that leverages advisory bodies such as the Management Council and the Group Management Strategy Council to facilitate flexible decision-making at the management level within the scope of said authority.

Furthermore, the Group's executive officers, who also serve concurrently as presidents and representative directors at major operating companies, commit to achieving the management goals applicable to their designated department and, after the responsibilities for achieving the Group's management goals have been clarified, to reporting to the president and representative director of the Sapporo Group on a monthly basis regarding the operational status of their department.

## 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 takes responsibility for appointing directors with specific responsibilities and promoting specific measures. Moreover, the Guidelines on the Construction of Internal Control Systems at Sapporo Group have been enacted to set out specific matters in relation to internal control systems at the Group, and these guidelines are used to confirm the level of progress being made in individual measures and to promote collaboration.

## Audit & Supervisory Committee

Sapporo Holdings Limited has adopted the Company with an Audit & Supervisory Committee system to improve transparency and strengthen management oversight functions in order to achieve its management goals. This system has the function of auditing and supervising the execution of duties by directors on the Board. The Audit & Supervisory Committee strives to collect information and maintain suitable auditing conditions. Members of the Audit & Supervisory Committee collect and share information by attending meetings of the Board of Directors, the Management Council, and other important meetings. Moreover, the Audit & Supervisory Committee is closely connected with the Internal Audit Department (a section of the Group Audit Department) to ensure it maintains effective auditing and supervision. To facilitate this role, one inside Board member is appointed as a standing Audit & Supervisory Committee member. Regular opinion exchanges with the president and representative director typically involve this member, who also communicates with the Internal Audit Department, the Internal Control Department, and the Accounting Auditor.

### About Independent Outside Audit & Supervisory Committee Members

The Audit & Supervisory Committee of Sapporo Holdings comprises three members, two of whom are independent outside Audit & Supervisory Committee members. Both independent outside Audit & Supervisory Committee members have submitted notification to the Tokyo Stock Exchange and the Sapporo Securities Exchange of their independent auditor status as stipulated by the exchange regulations. The independent outside Audit & Supervisory Committee members audit the duties executed by members of the Board from an objective and neutral standpoint, and offer input where fitting to preserve the propriety and appropriateness of decisions by Board members. Similarly, the independent outside Audit & Supervisory Committee members are expected to provide input where needed during discussions on proposals and fulfill a role to secure sound management. During the 14 meetings held by the Audit & Supervisory Committee in fiscal 2020, the two independent outside directors who serve as members provided advice and recommendations regarding the discussion of agenda items from an objective and neutral standpoint, independent of management.

### Reasons for appointment of Directors

Name	Reasons for appointment
Toshio Mizokami	Mr. Mizokami has gained substantial knowledge and experience from working in accounting and finance departments of the Company, including work overseas. He has also served as managing director and as an executive Group operating officer of the Company and has a wealth of experience, an extensive track record, and great insight. The Company has therefore determined that Mr. Mizokami will audit the performance of duties by directors from an objective and neutral perspective.
Kazuo Sugie <b>Outside Audit &amp; Supervisory Committee Member</b>	Mr. Sugie possesses strong insight based on a wealth of experience and a wide breadth of knowledge and information gained as president of a business corporation. The Company has therefore determined that Mr. Sugie will audit the performance of duties by directors from an objective and fair perspective.
Kohtaro Yamamoto <b>Outside Audit &amp; Supervisory Committee Member</b>	Although Mr. Yamamoto has no experience in directly managing a company, the Company has judged that he is able to audit the performance of duties by directors of the Company from an objective and fair perspective, based on his wealth of knowledge and experience as a lawyer and on his expertise in the field of corporate law specializing in the Companies Act, Antimonopoly Act, international contracts, among others.

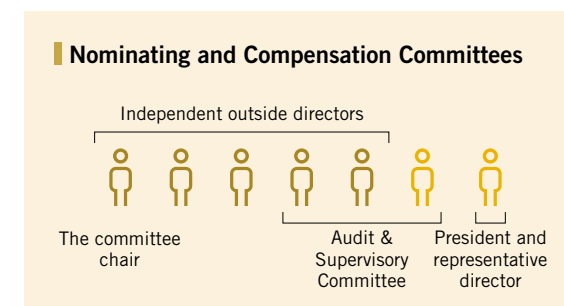
## Internal Audits

In keeping with the transition to a Company with an Audit & Supervisory Committee, 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.

## 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. All independent outside directors not concurrently serving on the Audit & Supervisory Committee, all members of the Audit & Supervisory Committee, and the president and representative director (or, when choosing a president and representative director from the Group executive officers, the chairman of the Board) comprise the seven members of both committees. Each committee is chaired by an independent outside director not concurrently serving on the Audit & Supervisory Committee.

\* In keeping with the transition to a Company with an Audit & Supervisory Committee on March 27, 2020, directors were elected to serve on the Audit & Supervisory Committee in an observational role, but were given full duties from fiscal 2021.



## Compensation for Board Members

The Company has established the Compensation Committee as an advisory body to the Board of Directors to facilitate objective and highly transparent decision-making concerning compensation. Compensation amounts for each director (excluding directors who are Audit & Supervisory Committee members) are determined by the Compensation Committee based on the resolution of the Board of Directors.

The policy for determining the amount of compensation for other directors and the calculation method are described below.\*

### 1. Basic policy

The basic compensation policy for directors of the Company (excluding directors who are Audit & Supervisory Committee members) 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. Specifically, executive directors receive monetary compensation and stock-based compensation. Of these two forms of compensation, monetary compensation is set within the limit decided at the General Meeting of Shareholders and is split into fixed compensation in the form of a basic salary and performance-linked compensation. Company stock compensation follows a performance-linked stock remuneration system and is not granted to outside directors, who only receive a basic salary.

### 2. Individual compensation amounts (basic salary)

Directors of the Company receive a basic salary in the form of a fixed monetary amount provided monthly. Basic salary amounts are determined based on a comprehensive review, with consideration given to a director's position, common practices, and Company performance.

### 3. Indicators and calculation methods for performance-linked compensation

Performance-linked compensation is monetary compensation based on the performance of duties for the previous fiscal year. This amount shall be within the limit determined at the General Meeting of Shareholders. When calculating performance-linked compensation, an amount based on an individual director's evaluation is added to an amount for each position. The amount for each position is determined each fiscal year based on the degree to which targets for sales revenue and core operating profit are achieved. The resulting amount is added to the director's basic salary on a monthly basis.

### 4. Description, amount, and calculation method for Company stock compensation

Company stock remuneration follows a performance-linked stock-based compensation system. When calculating Company stock compensation, a point amount for each position is granted each fiscal year based on the degree to which targets for sales revenue and core operating profit are achieved. Upon retirement, a director receives an amount of Company shares according to their point total. Cases of monetary payments as a proportion of performance-linked stock-based compensation are detailed separately under the officer stock benefit rules.

### 5. Ratio of basic salary to performance-linked compensation to Company stock compensation

When determining the proportion of compensation to executive directors by type, the Compensation Committee, an advisory committee to the Board of Directors, takes into consideration compensation levels and the ratio of performance-linked compensation among companies of the same business scale as the Company, based on data from external organizations. The standard ratio of basic salary to performance-linked compensation to Company stock compensation is 7:2:1, when the degree of achievement of performance targets is the highest possible.

## Compensation Amounts for Board Members in Fiscal 2020

Classification	Payment recipient	Payment amount (Millions of yen)
Directors who are not members of the Audit & Supervisory Committee (including outside directors)	10 (3)	168 (29)
Directors who are members of the Audit & Supervisory Committee (including outside directors)	3 (2)	34 (14)
Audit & Supervisory Board members (including outside Audit & Supervisory Board members)	5 (3)	13 (5)
Total (including outside officers)	18 (8)	215 (48)

Note: The resolution of the Board of Directors regarding the policy for determining the amount of remuneration for directors or the calculation method thereof, and the content of the resolution by the Board of Directors of the Company are summarized and described here.



## Strategic Holding of Shares

### (1) Policy on the Strategic Holding of Shares

The Company operates such businesses as alcoholic and non-alcoholic beverages, food, and real estate, which are closely connected with its customers' lifestyles, and it believes it to be necessary—in terms of business strategy—to have cooperative relationships with many different companies along its supply chain, ranging from development to procurement, manufacturing, logistics, and sales. Based on this viewpoint, the Company may in some cases own strategically held shares if, after comprehensively considering the state of such cooperative relationships, it finds that doing so would help raise corporate value over the medium to long term. The Board of Directors will regularly verify every year whether the Company's strategically held shares are appropriately owned and managed in accordance with its strategic holding policy. As a result of the abovementioned verification, the Company's strategically held shares that are not deemed to meet its strategic holding policy will be reduced.

### (2) Details of Verification Pertaining to Strategically Held Shares

In fiscal 2020, the Board of Directors verified whether the Company's strategically held shares were being appropriately retained and managed in accordance with its strategic holding policy from the viewpoints of objectives, risks, returns, capital efficiency, and other factors. As a result of the verification, the Company decided to sell a portion of its strategically held shares.

### (3) Exercise of Voting Rights Pertaining to Strategically Held Shares

In the exercise of voting rights pertaining to strategically held shares, 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 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 has created a Groupwide compliance system and established Whistleblower Hotlines and a Helpline to help with the prevention and early detection of misconduct, with the General Affairs Department serving as secretariat. In addition, the Group Audit Department, which is an internal auditing body that is independent of the executive chain of command, audits the general business operations of Sapporo Holdings and its subsidiaries to ensure compliance with laws and regulations, the Company's Articles of Incorporation, and internal rules.

## Internal Reporting System

In 2003, Sapporo Holdings formulated the Sapporo Group Corporate Ethics Hotline Regulations, with the goal of preventing or detecting at an early stage misconduct within the Group, and of nurturing high ethical standards. The regulations require people to report any misconduct they learn about, establish measures for preventing any disadvantage to whistleblowers, and provide a guideline for investigation and action based on the reported misconduct.

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/csr/governance/policy/pdf/basic\\_governance\\_approach\\_2021.pdf](https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/basic_governance_approach_2021.pdf)



#### Corporate Governance Report

[https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/corporate\\_governance\\_report.pdf](https://www.sapporoholdings.jp/en/csr/governance/policy/pdf/corporate_governance_report.pdf)

# Risk Management

## Basic Approach to Risk Management

The Sapporo Group determines 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. By making risk management such a high priority, the Group is able to minimize threats while maximizing opportunities.

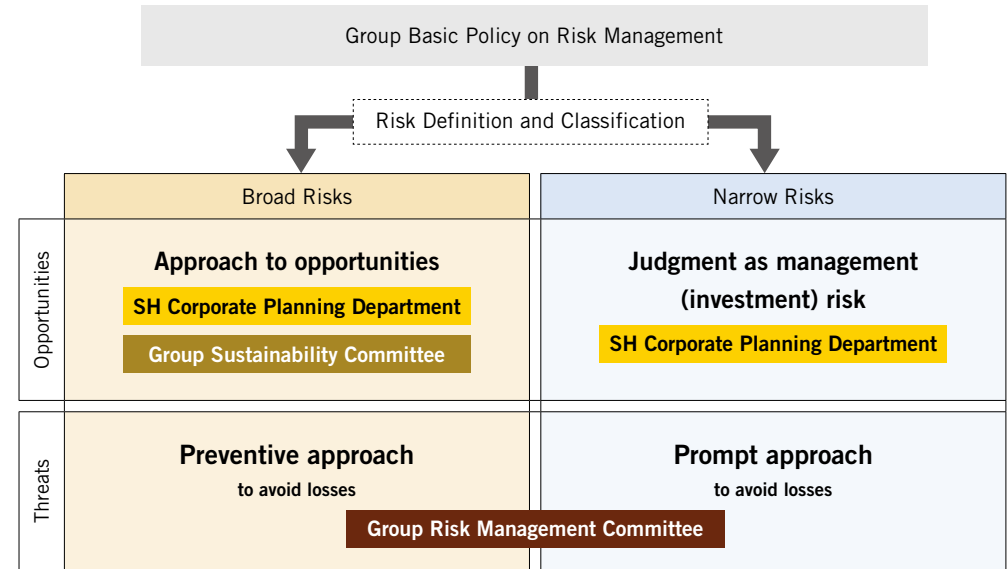
## Approach to Determining Risks

A risk is defined as a “phenomenon that creates uncertainty for the future.” It is then classified as an “opportunity” or “threat” that may bear a major impact on the Company. Risks are further divided into “broad risks” that have yet to materialize and “narrow risks” that have already come to light. Each risk is treated with a separate approach by the entity in charge of managing said risk.

## Operational Flow Regarding the Group’s Risk Management

Every fourth quarter, the Sapporo Group determines its risk management policy for the following fiscal year. Sapporo Holdings’ Corporate Planning Department, the Group Sustainability Committee, and the Group Risk Management Committee maintain an awareness of their respective roles and set action plans according to their specific functions in order to provide a comprehensive approach to risks, be they opportunities or threats. Management Meeting and the Board of Directors receives reports from each entity on a quarterly or semiannual basis and monitors risk management activities.

## Risk Definition and Classification



## Risk Management Structure



## Major Business-Related Risks (Threats)

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

	Details	Measures	
Risks related to business environment	<b>Laws, regulations, and tax systems</b>	The strengthening of legal regulations, or the introduction of new regulations, could restrict business operations. Consequently, the Group could incur new expenses.	<ul style="list-style-type: none"> <li>▶ Maintain constant watch over regulations pertaining to alcohol-related problems, food loss, and plastic-related issues in order to keep up to date on their status, and respond proactively.</li> <li>▶ Ensure proper understanding of and thorough compliance with laws and regulations through in-house training on legal affairs.</li> <li>▶ Establish a response system to litigation supported by specialized lawyers able to provide accurate advice and support for each legal field.</li> <li>▶ Gather and disseminate information related to laws and regulations of each country and region where the Group conducts overseas business.</li> <li>▶ Carry out currency forward transactions, interest swap transactions, and currency swap transactions so as to limit fluctuation-related risks.</li> <li>▶ Engage in market monitoring.</li> <li>▶ Strengthen safety and management systems at offices, commercial complexes, residences, and other facilities under possession.</li> <li>▶ Ensure that a distribution network is in place for when a disaster occurs.</li> <li>▶ Decentralize risks by dividing portfolio by country.</li> <li>▶ Carry out research and development in order to mitigate climate change-related risks to raw materials, and consider risks when selecting growing areas.</li> <li>▶ Gather information from suppliers related to crop conditions and cultivation of raw materials.</li> <li>▶ Understand regional characteristics as they relate to water intake and drainage, and collect information on disasters and other factors that may affect transport of raw materials.</li> <li>▶ Utilize remote working and travel restrictions and other measures to protect against diseases and reduce risk of spreading infection.</li> <li>▶ Reduce risk of spreading infectious diseases through temporary restaurant closures and other measures.</li> <li>▶ Develop products to meet changing consumer preferences.</li> <li>▶ Gain an understanding of these trends and analyze their effects on business, and formulate a response plan and execute.</li> <li>▶ Develop products that are appropriate for these shifting trends.</li> <li>▶ Monitor the entire market.</li> <li>▶ Establish strict investment criteria.</li> <li>▶ Promote Groupwide utilization of human resources, personnel allocation plans, workstyle reforms, and the employment and flourishing of senior personnel, and redouble business process re-engineering (BPR) efforts.</li> </ul>
		Litigation could be brought against the Group in terms of issues pertaining to the Product Liability Act, intellectual property laws, tax laws, or other regulations.	
		The Group's overseas business activities are subject to a variety of factors that could have a negative impact on operating results.	
	<b>Fluctuations in foreign currency translations and market interest rates</b>	In the event that market interest rates rise or the Group's credit rating is lowered due to a comparatively high ratio of financial liabilities to total assets, the Group could become weighed down by financial burden and face adverse conditions for procuring funds.	
		The cost of sales could increase due to a rise in the price of raw materials and supplies.	
	<b>Climate change, natural disasters, and infectious diseases</b>	The Group could sustain damage as a result of a large-scale natural disaster or a secondary disaster. This, in turn, could disrupt the supply of products.	
The Group's overseas business activities are subject to a variety of factors that could adversely affect operating results.			
Delayed responses to either climate change or social issues, or the spread of infectious diseases, could hinder procurement of raw materials.			
Climate change may lead to changes in consumer preferences, which may negatively affect operating results.			
Risks related to business execution	<b>Changes in economic conditions and population movements</b>	An economic downturn and other changes in macroeconomic trends could cause a drop in shipments of major products or cause unit prices to decline, which could in turn have an adverse effect on operating results.	
		Changes to living trends including lifestyles, consumer tastes, and distribution channels could cause a drop in shipments of major products or cause unit prices to decline, which could in turn have an adverse effect on operating results and revenue.	
		Assets under management could drop in value.	
		A lack of human resources or a drop in quality of work could have a negative impact on operating results.	
		A lack of respect for diversity or underutilization of diverse human resources could cause work conditions to deteriorate, which, if not dealt with in a timely manner, could have an adverse effect on operating results.	

## Major Business-Related Risks (Threats)

		Details	Measures
Risks related to business execution	<b>Governance</b>	Failure to operate according to the Guidelines on the Construction of Internal Control Systems at Sapporo Group could cause confusion in organizational management, which could have a negative effect on operating results. Ineffective governance of overseas Group companies or ineffective monitoring of these companies from Group headquarters could adversely affect operating results.	<ul style="list-style-type: none"> <li>Establish a complete internal auditing system, and execute appropriate risk assessments.</li> </ul>
	<b>Compliance</b>	When producing and providing products and services, there is a possibility that legal violations and compliance violations may occur if the laws and regulations required for each business are not thoroughly understood and if such knowledge is not continuously reinforced.	<ul style="list-style-type: none"> <li>Gain a correct understanding of laws and regulations and carry out appropriate compliance through legal education and timely internal sharing of legal information.</li> </ul>
	<b>Stable provision of products and services</b>	If situations arise related to product and service safety that exceed the scope of our quality assurance efforts, or if a new, quality-related problem affects the whole of society, this may affect operating results due to a suspension of sales, product recalls, or a cessation of operations. A lack of drivers and other labor shortages or a rise in distribution costs could cause costs to rise and lead to lost opportunities throughout the supply chain, which could affect operating results.	<ul style="list-style-type: none"> <li>Analyze possible society-wide risks and develop preventive measures.</li> <li>Carry out continuous simulation training of related risks.</li> <li>Optimize distribution costs based on changing conditions while complying with all relevant laws and regulations.</li> <li>Form a network of production and distribution points.</li> <li>Diversify transportation methods to include cooperative transportation.</li> <li>Improve logistical literacy.</li> </ul>
	<b>Information leaks and information management systems</b>	Leaks of personal information could result in higher expenses due to claims for damages or loss of trust, affecting operating results. The loss, leak, or falsification of information, as well as a suspension or interruption of information management systems caused by computer viruses, unauthorized access, and other security breaches, or by natural disasters, could have a negative impact on operating results.	<ul style="list-style-type: none"> <li>Build and update information management systems.</li> <li>Carry out thorough internal and outsourced auditing.</li> <li>Promote thorough employee training.</li> <li>Implement appropriate security measures for information management systems, and incorporate advanced surveillance handled by security specialists.</li> <li>Implement measures to ensure stable information management systems, including operation at secure data centers, constant network monitoring, and a protocol for system and data backups.</li> <li>Maintain thorough management over hardware and software licensing life cycles.</li> </ul>
	<b>Dependence on specific business fields</b>	Due to the high reliance on the domestic performance of the Alcoholic Beverages business segment, a decline in sales in the domestic market may adversely affect operating results.	<ul style="list-style-type: none"> <li>Expand business activities into other business fields and overseas regions.</li> </ul>
	<b>Business and capital alliances</b>	The deterioration of the business operations of an alliance partner or investee could have a negative impact on operating results.	<ul style="list-style-type: none"> <li>Implement monitoring and appropriate risk assessments.</li> </ul>
	<b>Capital investments</b>	Schedule delays, investment budget overruns, and other factors could adversely affect operating results.	<ul style="list-style-type: none"> <li>Maintain vigorous management over scheduling and progress.</li> <li>Formulate a long-term real estate investment plan.</li> </ul>

## Efforts to Prevent the Spread of COVID-19

The Sapporo Group has formulated its Basic Response Policy for COVID-19. Under this policy, the Group is working from its Disaster Countermeasures Headquarters to collaborate with each operating company in order to share information and maintain an awareness of the situation around the pandemic. We collect information on the response put forward at each Group company (including overseas Group companies), share information released by governments and government agencies (instructions, warnings, policies, etc.), and promptly act when infections are found at Group companies. Going forward, the Sapporo Group will continue its efforts to prevent the risk of infection among its employees, customers, and partners and to coordinate and cooperate with regional communities while taking further measures based on the latest developments.

# Board of Directors, Directors Who Are Audit & Supervisory Committee Members, and Group Operating Officers (As of March 30, 2021)

## Board of Directors



**Masaki Oga**  
President and  
Representative Director

(December 2, 1958)  
Apr. 1982 Joined the Company  
Oct. 2006 Director, Tokyo Headquarters Office,  
Tokyo Metropolitan Area Sales and Marketing  
Division of Sapporo Breweries Limited  
Mar. 2009 Operating Officer, Director of Hokkaido Sales &  
Marketing Division of Sapporo Breweries Limited  
Mar. 2010 Director (Member of the Board) and Managing  
Officer, Director of Marketing Department of  
Sapporo Breweries Limited  
Mar. 2013 President and Representative Director of  
Sapporo Breweries Limited  
Director (Member of the Board) and  
Group Operating Officer of the Company  
Mar. 2015 Group Operating Officer of the Company  
Jan. 2017 President and Group Operating Officer of  
the Company  
Mar. 2017 President and Representative Director of  
the Company (up to the present)



**Yoshihiro Iwata**  
Managing Director

(August 21, 1961)  
Apr. 1984 Joined the Company  
Mar. 2006 Director of Corporate Planning Department of  
Sapporo Breweries Limited  
Mar. 2014 President and Representative Director of  
Sapporo International Inc.  
Director (Member of the Board) and Group  
Operating Officer of the Company  
Mar. 2016 Director (Member of the Board) and  
Senior Managing Executive Officer of  
POKKA SAPPORO Food & Beverage Ltd.  
Director (Member of the Board) of  
Sapporo Group Management Co., Ltd.  
Jan. 2017 Group Operating Officer of the Company  
President and Representative Director of  
POKKA SAPPORO Food & Beverage Ltd.  
(up to the present)  
Mar. 2017 Executive Group Operating Officer of  
the Company  
Mar. 2020 Managing Director (Member of the Board) of  
the Company (up to the present)



**Mayumi Fukuhara**  
Director

(April 2, 1964)  
Apr. 1988 Joined the Company  
Mar. 2013 Director of Human Resources and General  
Affairs Department of Sapporo Breweries Limited  
Mar. 2014 Director of Human Resources Department of  
Sapporo Breweries Limited  
Mar. 2016 Director (Member of the Board), Director of  
Human Resources Department of the Company  
Mar. 2020 Director (Member of the Board) of the Company  
(up to the present)



**Yasuyuki Oohira**  
Director

(March 25, 1961)  
Apr. 1984 Joined the Company  
Mar. 2006 Director of Engineering Department of  
Sapporo Breweries Limited  
Mar. 2011 Operating Officer and Director of Chiba Brewery  
of Sapporo Breweries Limited  
Sept. 2012 Director (Member of the Board) and Operating  
Officer, Director of Corporate Planning  
Department of Sapporo Breweries Limited  
Mar. 2016 Director (Member of the Board),  
Managing Executive Officer, Director of  
Research and Development Headquarters of  
POKKA SAPPORO Food & Beverage Ltd.  
Mar. 2017 Director (Member of the Board) and  
Managing Executive Officer of  
POKKA SAPPORO Food & Beverage Ltd.  
Mar. 2019 Director (Member of the Board), Director of  
Research and Development Division of  
the Company  
Mar. 2020 Director (Member of the Board) of the Company  
(up to the present)



**Mackenzie Clugston**  
Outside Director  
(Independent Officer)

(June 19, 1950)  
June 1982 Joined Ministry of Foreign Affairs, Trade and  
Development of Canada  
Aug. 2000 Consul General of Canada in Osaka  
Aug. 2003 Minister, Embassy of Canada in Japan  
Aug. 2009 Ambassador of Canada to the Republic of  
Indonesia, to the Democratic Republic of  
Timor-Leste, and to the Association of  
Southeast Asian Nations (ASEAN)  
Nov. 2012 Ambassador Extraordinary and Plenipotentiary of  
Canada to Japan  
Sept. 2016 Consultant of the Company  
Mar. 2018 Outside Director (Member of the Board) of  
the Company (up to the present)



**Shuji Fukuda**  
Outside Director  
(Independent Officer)

(December 20, 1951)  
Apr. 1974 Joined Onoda Cement Co., Ltd.  
(currently Taiheiy Cement Corporation)  
Aug. 2010 Director, Managing Executive Officer and  
General Manager of Human Resources  
Department, of Taiheiy Cement Corporation  
Apr. 2012 President and Representative Director of  
Taiheiy Cement Corporation  
Apr. 2018 Chairman and Director of Taiheiy Cement  
Corporation (up to the present)  
Mar. 2019 Outside Director (Member of the Board) of  
the Company (up to the present)



**Tetsuya Shoji**  
Outside Director  
(Independent Officer)

(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)

## Directors Who Are Audit & Supervisory Committee Members



**Toshio Mizokami**  
Standing Director

(April 16, 1959)  
 Apr. 1984 Joined the Company  
 Mar. 2008 Director of Accounting & Finance Department of Sapporo Breweries Limited  
 Mar. 2011 Managing Officer, Director of Accounting & Finance Department of Sapporo Breweries Limited  
 Mar. 2012 Director of Accounting & Finance Department of the Company  
 Director (Member of the Board), Director of Group Accounting & Finance Department of Sapporo Group Management Co., Ltd.  
 Sept. 2013 Director (Member of the Board) of Sapporo Group Management Co., Ltd.  
 Mar. 2014 Director (Member of the Board), Director of Corporate Finance and Business Management Department of the Company  
 Mar. 2016 Managing Director (Member of the Board) of the Company  
 President and Representative Director of Sapporo Group Management Co., Ltd.  
 Mar. 2017 Executive Group Operating Officer of the Company  
 Mar. 2019 Standing Audit & Supervisory Board Member of the Company  
 Mar. 2020 Standing Director, Audit & Supervisory Committee Member of the Company (up to the present)



**Kazuo Sugie**  
Outside Director  
(Independent Officer)

(October 5, 1945)  
 Aug. 1970 Joined Dainippon Ink and Chemicals, Inc. (currently DIC Corporation)  
 June 2001 Director of Dainippon Ink and Chemicals, Inc.  
 Apr. 2009 Representative Director, President and CEO of DIC Corporation  
 Apr. 2012 Chairman of the Board of DIC Corporation  
 Mar. 2013 Outside Audit & Supervisory Board Member of the Company  
 Mar. 2015 Senior Advisor of DIC Corporation  
 Mar. 2020 Outside Director, Audit & Supervisory Committee Member of the Company (up to the present)



**Kohtaro Yamamoto**  
Outside Director  
(Independent Officer)

(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, Audit & Supervisory Committee Member of the Company (up to the present)

## Group Operating Officers

### Hiroyuki Nose

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

### Shinichi Soya

Executive Group Operating Officer  
 President and Representative Director of OKKA SAPPORO Food & Beverage Ltd.

### Yuichiro Miyake

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

### Hiroshi Tokimatsu

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

### Yoshitada Matsude

Director of Accounting (serving concurrently as Director of Accounting at Sapporo Breweries Limited)

## 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 2017 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, 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.

For the Year:	JGAAP							IFRS		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	449,452	492,490	509,834	518,740	533,748	541,847	551,549	493,908	491,896	434,723
Revenue (excluding liquor tax)	336,837	379,792	395,377	401,813	418,319	424,059	433,260	370,797	371,100	328,583
Overseas revenue	—	—	—	—	—	—	—	74,246	71,232	65,520
Overseas revenue (excluding liquor tax)	36,995	53,370	72,227	77,262	94,550	86,846	91,937	—	—	—
Core operating profit* <sup>1</sup>	18,883	14,414	15,344	14,728	13,950	20,267	17,032	15,159	11,724	4,261
EBITDA* <sup>2</sup>	46,476	44,099	44,388	42,974	42,327	46,529	44,558	39,751	35,971	27,351
Profit before tax	5,840	10,512	16,562	2,694	11,690	16,403	17,801	10,629	11,588	(19,364)
Profit attributable to owners of parent	3,164	5,393	9,451	340	6,108	9,469	10,978	8,521	4,356	(16,071)
Capital expenditures (cash basis)	13,422	53,870	13,768	19,133	20,339	21,809	15,253	21,573	29,912	16,109
Depreciation	24,482	25,805	25,058	24,481	24,224	22,341	23,571	24,592	24,248	23,089
Goodwill amortization	3,110	3,879	3,985	3,764	4,153	3,920	3,954	—	—	—
R&D expenses	2,621	2,998	2,683	2,698	2,724	2,766	2,791	2,840	2,994	2,559
Cash flows from operating activities	22,313	29,618	32,861	22,284	35,265	32,570	30,005	30,830	36,069	16,466
Cash flows from investing activities	(50,891)	(59,485)	(13,268)	(17,229)	(9,755)	(27,586)	(17,823)	(18,727)	(24,930)	(16,000)
Cash flows from financing activities	24,245	30,159	(19,147)	(7,307)	(24,802)	(4,827)	(10,172)	(14,521)	(5,984)	4,138
At Year-End:										
Total assets	550,784	597,636	616,752	625,439	620,388	626,351	630,631	639,692	638,722	616,349
Total equity	124,775	134,946	155,366	160,004	163,822	166,380	177,663	164,735	174,524	149,551
Net financial liabilities* <sup>3</sup>	209,963	247,891	236,275	237,775	224,310	227,553	220,871	218,358	212,126	221,534
Other Indicators:										
Core operating profit ratio	4.2%	2.9%	3.0%	2.8%	2.6%	3.7%	3.1%	3.1%	2.4%	1.0%
Interest-bearing debt to EBITDA ratio (times)	4.5	5.6	5.3	5.5	5.3	4.9	5.0	5.5	5.9	8.1
Net debt-to-equity ratio (times)	1.7	1.9	1.6	1.5	1.4	1.4	1.2	1.3	1.2	1.5
Equity ratio	22.4%	22.1%	24.6%	25.0%	25.5%	25.7%	27.5%	25.2%	27.3%	24.3%
ROE (before goodwill amortization)	5.1%	7.3%	9.5%	2.7%	6.5%	8.4%	8.9%	5.1%	2.6%	(9.9%)
ROE	2.5%	4.2%	6.7%	0.2%	3.9%	5.9%	6.6%			
Number of employees* <sup>4</sup> (people)	6,649	7,264	7,434	7,014	7,484	7,858	7,902	7,904	7,736	7,592
Groupwide CO <sub>2</sub> emissions* <sup>5</sup> (kt)	—	—	232.5	224.4	248.3	246.9	239.2	236.1	206.9	180.5
Domestic Groupwide water use* <sup>6</sup> (1,000 m <sup>3</sup> )	—	—	6,861	6,492	6,498	6,500	6,409	6,061	6,511	5,902

\*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 Applicable to the production facilities of the following number of Group companies: nine companies from 2013 to 2014; 11 companies from 2015 to 2017; 12 companies in 2018; and 11 companies from 2019 to 2020.

\*6 Applicable to four companies from 2013 to 2018 and five companies from 2019 to 2020.



For other non-financial data, please refer to the URL below.

<https://www.sapporoholdings.jp/en/csr/esp/>

### Corporate Information

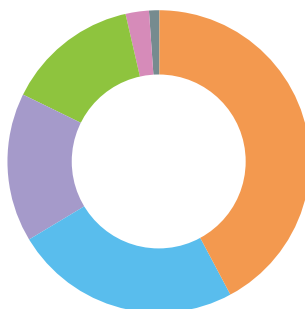
Company Name	Sapporo Holdings Limited
Business	Holding company
Date of Establishment	September 1, 1949
Head Office	20-1, Ebisu 4-chome, Shibuya-ku, Tokyo 150-8522, Japan
Capital	¥53,887 million
Fiscal Year-End Date	December 31 on an annual basis
Number of Employees	7,592 (Consolidated) 151 (Parent company)

### Stock Information

Total Number of Authorized Shares	200,000,000
Total Number of Issued Shares	78,794,298
Number of Shareholders	89,920
Stock Listings	Tokyo Stock Exchange, First Section Sapporo Securities Exchange (Securities Code: 2501)
Shareholder Register Manager	Mizuho Trust & Banking Co., Ltd.

### Breakdown of Shareholders by Investor Type

- Japanese financial institutions  
33,486 thousand (42.50%)
- Japanese individuals  
23,085 thousand (29.30%)
- Japanese corporations  
12,232 thousand (15.53%)
- Foreign institutions and individuals  
7,410 thousand (9.40%)
- Japanese securities firms  
1,814 thousand (2.30%)
- Treasury stock  
764 thousand (0.97%)





### Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,928	8.88
Custody Bank of Japan, Ltd. (Trust Account)	3,296	4.22
Custody Bank of Japan, Ltd., as retirement benefit trust assets Mizuho Trust and Banking Co., Ltd.	2,442	3.13
Nippon Life Insurance Company	2,237	2.87
Meiji Yasuda Life Insurance Company	2,236	2.87
The Norinchukin Bank	1,875	2.40
Marubeni Corporation	1,649	2.11
Custody Bank of Japan, Ltd., as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,594	2.04
Taisei Corporation	1,400	1.79
Custody Bank of Japan, Ltd. (Trust Account 7)	1,236	1.58

Note 1: Shareholding ratios are calculated after deduction of treasury stock (764,631).  
Note 2: The status of the above major shareholders is based on the shareholder register.

### Outside Evaluations

 	<p>Obtained Platinum “Kurumin” certification annually for a number of years</p> 
<p>Included in ESG indices</p>  	<p>Selected as a Semi-Nadeshiko Brand for outstanding promotion of women’s success</p> 
<p>Certified as Excellent Enterprise of Health and Productivity Management 2021 (White 500)</p>  	<p>Received “Eruboshi” certification, given to companies that promote women’s advancement and participation in the workplace</p> 
	<p>Obtained the 4.5 Stars Smart Work Management Award</p> 





**SAPPORO HOLDINGS LIMITED**

20-1, Ebisu 4-chome, Shibuya-ku, Tokyo 150-8522, Japan  
<https://www.sapporoholdings.jp/en/>