



[Translation]

February 13, 2020

Company Name	Sapporo Holdings Limited
Representative	Masaki Oga President and Representative Director
Securities Code	2501
Listed on	Tokyo Stock Exchange Sapporo Securities Exchange
Inquiries	Yuru Kobayashi Director of Corporate Communication Department Tel:+81-3-5423-7407

Notice Concerning Transition to a Company with Audit & Supervisory Committee and the Partial Amendments of the Articles of Incorporation

Sapporo Holdings Limited (the “Company”), at its Board of Directors’ meeting held today, decided to transition to a Company with Audit & Supervisory Committee, subject to approval at its 96th Ordinary General Meeting of Shareholders to be held on March 27, 2020 (the “Ordinary General Meeting of Shareholders”). In connection with such decision, the Company also resolved to submit to the Ordinary General Meeting of Shareholders a proposal for “Partial Amendments of the Articles of Incorporation.”

1. Transition to a Company with Audit & Supervisory Committee

(1) Purpose of Transition

The Company has actively attempted to strengthen its corporate governance by various means such as voluntarily establishing the “Nominating Committee” and “Compensation Committee” and increasing the ratio of the Independent Outside Directors in the Board of Directors to one-third.

The Company has now decided to change its governance structure in order to enhance management transparency and efficiency as well as further enhance its corporate governance.

Upon the approval of the Company’s proposals at the Ordinary General Meeting of Shareholders, the Company will transition to a Company with Audit & Supervisory Committee, which will enable the Company to make decisions in a more flexible manner, and thereby further enhance corporate value. In addition, the Company intends to further enhance corporate governance by various means such as maintaining the “Nominating Committee”, “Compensation Committee”, and “Independent Outside Directors Committee” that the Company voluntarily established as well as increasing the ratio of Independent Outside Directors in the Board of Directors to half.

(2) Timing of Transition

The Company will transition to a Company with Audit & Supervisory Committee upon the approval of the necessary amendments of the Articles of Incorporation at the Ordinary General Meeting of Shareholders.

2. Partial Amendments of the Articles of Incorporation

(1) Purpose of Amendments

As described in 1. above, the Company will make necessary amendments of its Articles of Incorporation, such as the establishment of new provisions concerning (i) Directors who are Audit & Supervisory Committee Members and (ii) the Audit & Supervisory Committee, and the deletion of the provisions

concerning the Audit & Supervisory Board Members and the Audit & Supervisory Board, which will be necessary for the transition to a Company with Audit & Supervisory Committee.

(2) Details of Amendments

The details of the amendments are as appended.

(3) Schedule

March 27, 2020 (Scheduled): Date for Ordinary General Meeting of Shareholders to Amendments of the Articles of Incorporation

March 27, 2020 (Scheduled): Effective Date of Amendments of the Articles of Incorporation

3. Others

(1) Corporate Structure after the Transition to a Company with Audit & Supervisory Committee

Upon the approval of the Company's proposals at the Ordinary General Meeting of Shareholders, the Company's corporate governance structure will be as follows:

- (i) A Company with Audit & Supervisory Committee will not have any Audit & Supervisory Board Members and Audit & Supervisory Board. Instead, an Audit & Supervisory Committee consisting of three or more Directors, where the Outside Directors are the majority, will be established;
- (ii) A Director who is an Audit & Supervisory Committee Member is entitled to vote as a Director at a meeting of the Board of Directors, and a Director who is an Audit & Supervisory Committee Member appointed by the Audit & Supervisory Committee may state, at the meeting of shareholders, the opinions of the Audit & Supervisory Committee on the election and dismissal and the remuneration for Directors who are not Audit & Supervisory Committee Members; The "Nominating Committee", the "Compensation Committee" and the "Independent Outside Directors Committee," which the Company voluntarily established, will be maintained.
- (iii) The Company's Board of Directors will consist of ten Directors (of which three Directors will be the Audit & Supervisory Committee Members), of which five Directors will be the Independent Outside Directors (of which two Directors will be the Audit & Supervisory Committee Members); therefore, the ratio of the Independent Outside Directors in the Board of Directors will increase from one-third to one-half; and
For a list of the Directors to be elected at the Ordinary General Meeting of Shareholders, please refer to the following press release on the Company's website.
[Reference information: "Notice Concerning Change of Officers" dated February 13, 2020]
<https://www.sapporoholdings.jp/news/dit/?id=8569>
- (iv) The Company will delegate part of the decisions on the execution of important operations to Directors and ensure swift and efficient decision-making.

(2) Re-establishment of Compensation Framework for Stock-based Compensation System (Board Benefit Trust, or BBT)

The Company obtained approval for the introduction of a stock-based compensation system (Board Benefit Trust, or BBT) (the "System") for Directors (excluding Outside Directors) at the 92nd Ordinary General Meeting of Shareholders held on March 30, 2016.

Upon the transition to a Company with Audit & Supervisory Committee, the Company will submit a proposal to the Ordinary General Meeting of Shareholders for the termination of the compensation framework under the current System for Directors, and the re-establishment of a compensation framework for Directors (excluding Directors who are Audit & Supervisory Committee Members, and Outside Directors).

End

Attachment (Contents of Partial Amendments of the Articles of Incorporation)

The contents of the proposed amendments to the Articles of Incorporation are as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 4 Directors and Board of Directors</p> <p>(Number of Directors) Article 18 The Company shall have no more than <u>ten (10)</u> Directors. (Newly introduced)</p> <p>(Election) Article 19 Directors shall be elected at the General Meeting of Shareholders. A resolution to elect a director shall be made at a meeting at which the shareholders holding one-third (1/3) or more of the voting rights of all shareholders who are entitled to exercise their voting rights are present, and shall be adopted by a majority of votes thereof. Cumulative voting shall not be used for election of Directors.</p> <p>(Term of Office) Article 20 The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one (1) year after his/her appointment. The term of office of a Director <u>who assumed office to fill a vacancy</u> shall be until the expiration of the term of office of <u>the predecessor</u>.</p> <p>(Newly introduced)</p>	<p>Chapter 4 Directors and Board of Directors</p> <p>(Number of Directors) Article 18 The Company shall have no more than <u>twelve (12)</u> Directors. <u>2. Among the Directors set forth in the preceding paragraph, the Company shall have no more than four (4) Directors who are Audit & Supervisory Committee Members.</u></p> <p>(Election) Article 19 Directors shall be elected, <u>while making a distinction between Directors who are Audit & Supervisory Committee Members and other Directors,</u> at the General Meeting of Shareholders. A resolution to elect a director shall be made at a meeting at which the shareholders holding one-third (1/3) or more of the voting rights of all shareholders who are entitled to exercise their voting rights are present, and shall be adopted by a majority of votes thereof. Cumulative voting shall not be used for election of Directors.</p> <p>(Term of Office) Article 20 The term of office of a Director (<u>excluding a Director who is an Audit & Supervisory Committee Member</u>) shall expire at the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within one (1) year after his/her appointment. The term of office of a Director <u>elected to fill a vacancy of another Director (excluding a Director who is an Audit & Supervisory Committee Member) who retired before the expiration of his/her term of office</u> shall be until the expiration of the term of office of <u>such retired Director (excluding a Director who is an Audit & Supervisory Committee Member).</u> <u>2. The term of office of a Director who is an Audit & Supervisory Committee Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within two (2) years after his/her appointment.</u> <u>The term of office of a Director who is an Audit & Supervisory Committee Member elected to fill a vacancy of another Director who was an Audit & Supervisory Committee Member and who retired before the expiration of his/her term</u></p>

<p>(Representative Director and Executive Directors) Article 22 Directors who shall represent the Company shall be elected by a resolution of the Board of Directors. The Company may appoint one Chairman/Director and one President/Director, respectively, and one or more Vice Presidents/Directors, Executive Managing Directors and Managing Directors by a resolution of the Board of Directors.</p> <p>(Convener and Chairperson of Board of Directors) Article 23 The meetings of the Board of Directors shall be convened and chaired by the Chairman/Director. When the position of the Chairman/Director is not established or he/she is not able to attend, the President/Director shall convene such meetings and act as the chairperson thereof, and when the position of the President/Director is not established or he/she is not able to attend, other Directors shall convene such meetings and act as the chairperson thereof in accordance with the order determined in advance by a resolution of the Board of Directors.</p> <p>(Convocation Notice of Board of Directors Meeting) Article 24 A convocation notice of the Board of Directors meeting shall be dispatched to each Director <u>and Audit & Supervisory Board Member</u> at least three (3) days prior to the date set for the meeting; provided, however, that such period may be shortened in the case of urgency. With the consent of all Directors <u>and Audit & Supervisory Board Members</u>, the Board of Directors meeting may be convened without following the procedure for convening the meeting.</p> <p>(Method of Resolution of Board of Directors Meeting) Article 25 A resolution of the Board of Directors meeting shall be adopted by a majority vote of the Directors present at a meeting at which</p>	<p><u>of office shall be until the expiration of the term of office of such retired Director who was an Audit & Supervisory Committee Member.</u></p> <p>(Representative Director and Executive Directors) Article 22 Directors who shall represent the Company shall be elected <u>from among Directors (excluding those who are Audit & Supervisory Committee Members)</u> by a resolution of the Board of Directors. The Company may appoint one Chairman/Director and one President/Director, respectively, and one or more Vice Presidents/Directors, Executive Managing Directors and Managing Directors <u>from among Directors (excluding those who are Audit & Supervisory Committee Members)</u> by a resolution of the Board of Directors.</p> <p>(Convener and Chairperson of Board of Directors) Article 23 <u>Unless otherwise stipulated by laws and regulations,</u> the meetings of the Board of Directors shall be convened and chaired by the Chairman/Director. When the position of the Chairman/Director is not established or he/she is not able to attend, the President/Director shall convene such meetings and act as the chairperson thereof, and when the position of the President/Director is not established or he/she is not able to attend, other Directors shall convene such meetings and act as the chairperson thereof in accordance with the order determined in advance by a resolution of the Board of Directors.</p> <p>(Convocation Notice of Board of Directors Meeting) Article 24 A convocation notice of the Board of Directors meeting shall be dispatched to each Director at least three (3) days prior to the date set for the meeting; provided, however, that such period may be shortened in the case of urgency. With the consent of all Directors, the Board of Directors meeting may be convened without following the procedure for convening the meeting.</p> <p>(Method of Resolution of Board of Directors Meeting) Article 25 A resolution of the Board of Directors meeting shall be adopted by a majority</p>
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<p>a majority of Directors who are entitled to participate in the resolution are present. If all the Directors (limited to those Directors who are entitled to participate in the resolution of such matter) consent to a proposal with respect to a matter that is the subject of the resolution at a Board of Directors meeting in writing or in an electronic or magnetic record, the Company shall deem that there was a resolution by the Board of Directors adopting such proposal; <u>provided, however, that this shall not apply to the cases where any Audit & Supervisory Board Member states objections to such proposal.</u></p> <p>(Newly introduced)</p> <p>Article <u>26</u> (omitted)</p> <p>(Remuneration, etc.)</p> <p>Article <u>27</u> Remuneration, bonuses and other financial interests received by Directors from the Company as compensation for undertaking their functions (“Remuneration, etc.”) shall be determined at a General Meeting of Shareholders.</p> <p>Article <u>28</u> (omitted)</p> <p>(Group Operating Officers)</p> <p>Article <u>29</u> The Company may appoint a Group Operating Officer by a resolution of the Board of Directors meeting and may have such Group Operating Officers execute the business operations of each group company or the management issues that are particularly important for the operation of the group and that extend over operating companies. When the position of the President/Director is not established, the President may be appointed from among the Group Operating Officers by a resolution of the Board of Directors.</p>	<p>vote of the Directors present at a meeting at which a majority of Directors who are entitled to participate in the resolution are present. If all the Directors (limited to those Directors who are entitled to participate in the resolution of such matter) consent to a proposal with respect to a matter that is the subject of the resolution at a Board of Directors meeting in writing or in an electronic or magnetic record, the Company shall deem that there was a resolution by the Board of Directors adopting such proposal.</p> <p><u>(Delegation of Decisions on Execution of Important Operations)</u></p> <p><u>Article 26 The Company may, pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, delegate all or part of decisions on the execution of important operations (excluding the matters listed in Article 399-13, Paragraph 5 of the Companies Act) to Directors by a resolution of the Board of Directors.</u></p> <p>Article <u>27</u> (Unchanged)</p> <p>(Remuneration, etc.)</p> <p>Article <u>28</u> Remuneration, bonuses and other financial interests received by Directors from the Company as compensation for undertaking their functions (“Remuneration, etc.”) shall be determined, <u>distinguishing between whether they are for Directors who are Audit & Supervisory Committee Members and other Directors,</u> at a General Meeting of Shareholders.</p> <p>Article <u>29</u> (Unchanged)</p> <p>(Group Operating Officers)</p> <p>Article <u>30</u> The Company may appoint a Group Operating Officer by a resolution of the Board of Directors meeting <u>or a determination of Director(s) who are delegated by a resolution of the Board of Directors meeting,</u> and may have such Group Operating Officers execute the business operations of each group company or the management issues that are particularly important for the operation of the group and that extend over operating companies. When the position of the President/Director is not established, the President may be appointed from among the Group Operating Officers by a resolution of the Board of Directors.</p> <p>(Deleted)</p>
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<p><u>Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board</u></p>	<p>(Deleted)</p>
<p><u>(Establishment of Audit & Supervisory Board Members and Audit & Supervisory Board)</u> <u>Article 30 The Company shall have Audit & Supervisory Board Members and an Audit & Supervisory Board.</u></p>	<p>(Deleted)</p>
<p><u>(Number of Audit & Supervisory Board Members)</u> <u>Article 31 The Company shall have no more than five (5) Audit & Supervisory Board Members.</u></p>	<p>(Deleted)</p>
<p><u>(Election)</u> <u>Article 32 Audit & Supervisory Board Members shall be elected at the General Meeting of Shareholders.</u> <u>A resolution to elect an Audit & Supervisory Board Member shall be made at a meeting at which the shareholders holding one-third (1/3) or more of the voting rights of the total shareholders who are entitled to exercise their voting rights are present, and shall be adopted by a majority of votes thereof.</u></p>	<p>(Deleted)</p>
<p><u>(Term of Office)</u> <u>Article 33 The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within four (4) years after his/her appointment.</u> <u>The term of office of an Audit & Supervisory Board Member elected to fill a vacancy of another Audit & Supervisory Board Member who retired before the expiration of his/her term of office shall be until the expiration of the term of office of such predecessor.</u></p>	<p>(Deleted)</p>
<p><u>(Full-time Audit & Supervisory Board Members)</u> <u>Article 34 The Audit & Supervisory Board shall appoint full-time Audit & Supervisory Board Members from among the Audit & Supervisory Board Members.</u></p>	<p>(Deleted)</p>
<p><u>(Convocation Notice of Audit & Supervisory Board Meeting)</u> <u>Article 35 A convocation notice of the Audit & Supervisory Board meeting shall be dispatched to each Audit & Supervisory Board Member at least three (3) days prior to the date set for the</u></p>	<p>(Deleted)</p>

<p><u>meeting; provided, however, that such period may be shortened in the case of urgency. With the consent of all Audit & Supervisory Board Members, the Audit & Supervisory Board meeting may be convened without following the procedure for convening the meeting.</u></p>	
<p><u>(Rules of the Audit & Supervisory Board)</u> <u>Article 36 In addition to the applicable provisions of laws and regulations and these Articles of Incorporation, all matters related to the Audit & Supervisory Board shall be governed by the Rules of the Audit & Supervisory Board prescribed by the Audit & Supervisory Board.</u></p>	(Deleted)
<p><u>(Remuneration, etc.)</u> <u>Article 37 Remuneration, etc. of Audit & Supervisory Board Members shall be determined at the General Meeting of Shareholders.</u></p>	(Deleted)
<p><u>(Agreements with Audit & Supervisory Board Members for Limitation of Liability)</u> <u>Article 38. The Company, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, may enter into agreements with Audit & Supervisory Board Members that limit liability for the compensation under Article 423, Paragraph 1 to the limit provided for in the applicable laws and regulations.</u></p>	(Deleted)
<p>(Newly introduced)</p>	<p><u>Chapter 5 Audit & Supervisory Committee</u></p>
<p>(Newly introduced)</p>	<p><u>(Establishment of Audit & Supervisory Committee)</u> <u>Article 31 The Company shall have an Audit & Supervisory Committee.</u></p>
<p>(Newly introduced)</p>	<p><u>(Convocation Notice of Audit & Supervisory Committee Meeting)</u> <u>Article 32 A convocation notice of the Audit & Supervisory Committee meeting shall be dispatched to each Audit & Supervisory Committee Member at least three (3) days prior to the date set for the meeting; provided, however, that such period may be shortened in the case of urgency. With the consent of all Audit & Supervisory Committee Members, the Audit & Supervisory Committee meeting may be convened without following the procedure for convening the meeting.</u></p>
<p>(Newly introduced)</p>	<p><u>(Rules of the Audit & Supervisory Committee)</u> <u>Article 33 In addition to the applicable provisions of laws and regulations and these</u></p>

<p style="text-align: center;">Chapter 6 Accounting Auditor</p> <p>Articles <u>39</u> to <u>41</u> (Omitted)</p> <p>(Remuneration, etc.) Article <u>42</u> Remuneration, etc. of Accounting Auditors shall be determined by a Representative Director with the consent of <u>the Audit & Supervisory Board</u>.</p> <p style="text-align: center;">Chapter 7 Accounting</p> <p>Articles <u>43</u> to <u>47</u> (Omitted)</p> <p style="text-align: center;">(Newly established)</p>	<p><u>Articles of Incorporation, all matters related to the Audit & Supervisory Committee shall be governed by the Rules of the Audit & Supervisory Committee prescribed by the Audit & Supervisory Committee.</u></p> <p style="text-align: center;">Chapter 6 Accounting Auditor</p> <p>Articles <u>34</u> to <u>36</u> (Unchanged)</p> <p>(Remuneration, etc.) Article <u>37</u> Remuneration, etc. of Accounting Auditors shall be determined by a Representative Director with the consent of <u>the Audit & Supervisory Committee</u>.</p> <p style="text-align: center;">Chapter 7 Accounting</p> <p>Articles <u>38</u> to <u>42</u> (Unchanged)</p> <p><u>Supplementary Provisions</u> <u>(Transitional Measures Concerning Exemption from Audit & Supervisory Board Members' Liability)</u> <u>Regarding agreements that limit liability for compensation under Article 423, Paragraph 1 of the Companies Act, relating to actions of Audit & Supervisory Board Members (including persons who were previously Audit & Supervisory Board Members of the Company) conducted before the conclusion of the 96th Ordinary General Meeting of Shareholders held in March 2020, the provisions then in force shall remain applicable.</u></p>
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End