

# Results of Shareholders Survey (株主への意見聴取結果について)

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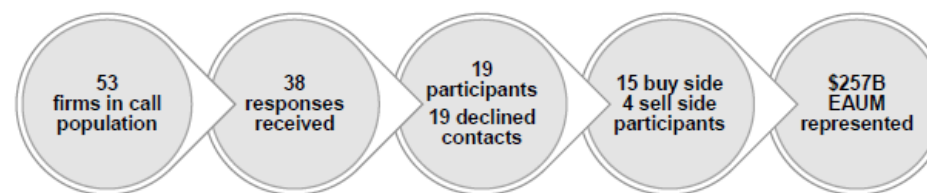
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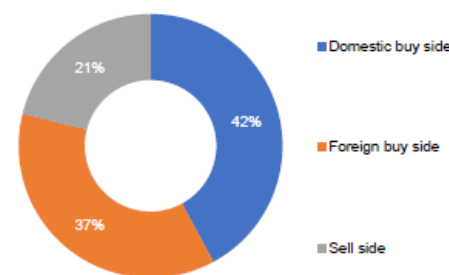
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### Study objectives & approach

- An independent global leading shareholder data provider conducted a perception study for 3D Investments to gather investment community feedback on Sapporo Holdings LTD's ("Sapporo") Medium-Term Management Plan (MTMP), strategy, valuation, synergies, and corporate governance practices including the effectiveness of internal and external directors.
  - Market feedback was gathered via telephone perception interviews held between April 14 and May 18, 2023, and they were recorded to ensure accuracy of reporting and rigorous analysis.
  - The questionnaire was provided by 3D Investment's team. The call population was based upon public ownership data for Sapporo Holdings.
  - After analysis of Sapporo Holdings' shareholder base 73 institutional investors and 7 sell-side analysts were invited to participate in the study. 3D Investments did not participate.
  - The questionnaire was designed to be a mix of closed- and open-ended questions in order to allow participants to freely discuss the most pressing issues and topics relating Sapporo Holdings' investment thesis.
  - All participants were offered the option of anonymity in exchange for candidness.

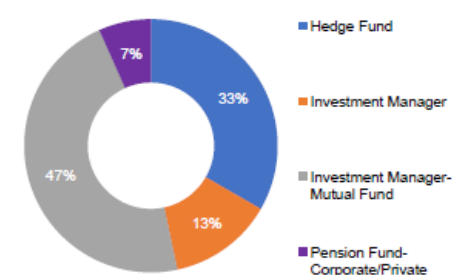


Participant category



Source: Global Leading Shareholder Data Provider

Buy side institution type



Source: Global Leading Shareholder Data Provider

# Overview of study findings

## 意見聴取結果の概要

Topic	Yes	No	Mixed Opinion	No Opinion
Do you think that Sapporo's corporate value is being managed in such a way that it is maximized?	0%	100%	0%	0%
Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand?	0%	90%	5%	5%
Do you think Sapporo's market valuation underperforms its competitors?	79%	5%	11%	5%
Do you think the company's most recent medium term management plan is appropriate and sufficient for maximizing corporate value?	5%	69%	21%	5%
Do you think the company should reexamine its medium-term management plan to maximize corporate value?	42%	32%	16%	11%
Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment?	5%	84%	11%	0%
Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value?	0%	74%	16%	10%
Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders?	0%	69%	26%	5%
Do you think the company's executives can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies?	5%	69%	26%	0%

Result details (結果の詳細)

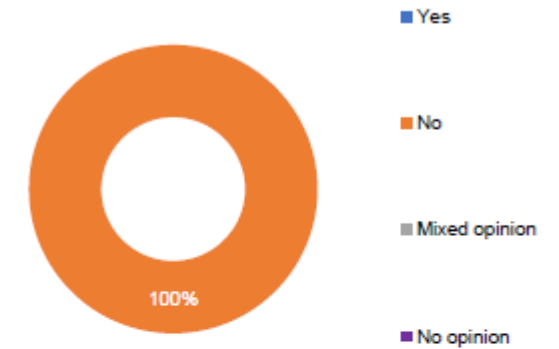
# Do you think that Sapporo's corporate value is being managed in such a way that it is maximized? (1/2)

サッポロは、企業価値が最大化されるような経営がされていると思いますか？ (1/2)

## Corporate value management

- There is unanimous agreement amongst the study population that Sapporo's corporate value is not being managed in a way that it is maximized. Respondents particularly highlight the low profitability and underperforming stock price as reasons for their view.
- While some participants appreciate that Sapporo has some good assets within its various businesses, they emphasize that value is not being extracted from these due to a lack of focus and dispersion of management resources in differing segments with no synergies.
- When probed further, most agree that the beer business is the key driver in maximizing corporate value given the brands' positioning in the market. However, many note that the profit margins in the beer business are low and there is a need for greater brand competitiveness, especially given expectations of low or declining growth in the domestic market.
- When asked about the ideal capital strategy to maximize corporate value, feedback is mixed with regards to the real estate business. While there is agreement that Sapporo should not invest heavily into real estate, some discuss splitting the real estate business and alcoholic beverages business to allow for appropriate valuations. A participant, however, notes that the stable income from the real estate business is crucial to funding the turnaround of the alcoholic beverages segment, which should be the main priority.
- A minority discusses the possibility of Sapporo focusing on becoming a real estate company but raise concern over management's ability to compete in an area that is not their core area of expertise.

Do you think that Sapporo's corporate value is being managed in such a way that it is maximized?



Source: Global Leading Shareholder Data Provider

Do you think that Sapporo's corporate value is being managed in such a way that it is maximized?

	Yes	No	Mixed opinion	No opinion
Buy side	0%	100%	0%	0%
Domestic	0%	100%	0%	0%
Foreign	0%	100%	0%	0%
Sell side	0%	100%	0%	0%
Overall	0%	100%	0%	0%

Source: Global Leading Shareholder Data Provider

# Do you think that Sapporo's corporate value is being managed in such a way that it is maximized? (2/2)

サッポロは、企業価値が最大化されるような経営がされていると思いますか？ (2/2)

## Participant quotes

*"I think the answer is clear that corporate value isn't maximized. Clearly there's an operation issue with the beer business, which is underperforming. The real estate business has some great assets. But actually, combining the two together is very inefficient. Particularly in Japan where you have listed real estate companies as a pure play trade at a persistent discount to underlying NAV because of the tax wedge in terms of the earnings, whereas obviously there are a number of pass-through vehicles like REITs which are much more efficient ways for people who want to access those very stable underlying cash flows to receive them. Holding real estate in a corporate structure is very, very inefficient. Not only that, real estate trades at for example 5% cap rate/20X earnings, whereas a beer business doesn't. Combining those two basically drags down the multiple of the overall group. You have this combination of poor operating assets, inefficient structure, and a conglomerate discount. All of that coupled together means there's a pretty big discount to intrinsic value."*

Foreign buy-side analyst

*"I have a negative view of the investments in the real estate business. First, as mentioned above, there is still much to be done in the alcoholic beverage business, and there is ample potential to increase corporate value by strengthening efforts. In addition, in general, no real estate company has been able to demonstrate a corporate value greater than its real estate holdings. It is disconcerting that an operating company would invest capital in a business that is valued so low."*

Domestic buy-side analyst

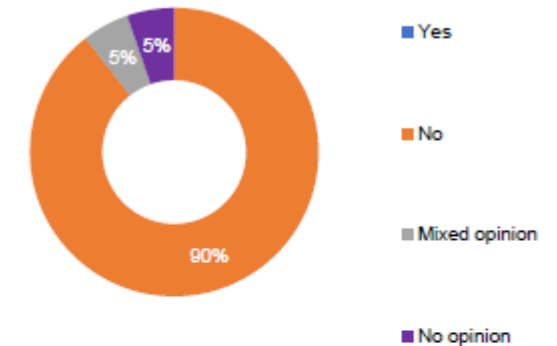
# Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand? (1/2)

サッポロは、酒類ブランド価値が最大化されるような経営がされていると思いますか？ (1/2)

## Value of the alcoholic beverage brand

- A majority of respondents agree that management is not executing in a way that maximizes the value of the alcoholic beverage brand.
- Many explain that they believe Sapporo has popular beer and liquor brands, such as Yebisu and Sapporo Black, but they are unable to see the brand recognition and large fanbase translate into earnings due to poor unit costs. These participants call for greater investment into operational efficiencies, expansion of the brands globally, and enhanced marketing initiatives domestically to take more market share from competitors such as Kirin and Asahi.
- Of those opining on whether the stable income from the real estate business is having an impact on improvement in the alcoholic beverages business, 85% have a view that it has a negative impact, noting that the stable income conceals the poor operating performance in other segments of Sapporo's business.
- The participant with a mixed opinion prefers to reserve their judgment as they believe management has promised to maximize value in the recent medium-term management plan, but notes that the team does not have a track record of executing against their announced plans.

Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand?



Source: Global Leading Shareholder Data Provider

Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand?

	Yes	No	Mixed opinion	No opinion
Buy side	0%	87%	7%	7%
<i>Domestic</i>	0%	75%	13%	13%
<i>Foreign</i>	0%	100%	0%	0%
Sell side	0%	100%	0%	0%
<b>Overall</b>	<b>0%</b>	<b>90%</b>	<b>5%</b>	<b>5%</b>

Source: Global Leading Shareholder Data Provider



# Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand? (2/2)

サッポロは、酒類ブランド価値が最大化されるような経営がされていると思いますか？ (2/2)

## Participant quotes

*“The alcoholic beverage brand value is not maximized. 3D Investments is right that there is a certain naivety because of the real estate business. They are not working on maximizing value. If the alcoholic beverages business is analyzed on a stand-alone basis, the situation is close to a loss and the company could collapse. If management had been aware of this, they would have taken steps to leverage the situation, such as taking major measures. It is no wonder that it is pointed out that the company was naive.”*

Domestic buy-side analyst

*“It is difficult to say that management is being carried out in a way that maximizes the value of the alcoholic beverage brand. This is because overall profit margins have remained low. 3D Investments has a point when it says that the profits from real estate have a negative impact on the value maximization of the alcoholic beverages business. This is not only true for the alcoholic beverages business but also for other businesses. The speed of Sapporo Holdings' efforts at structural reform can be assessed as having been quicker in recent years. However, up to this point, low profit margins have continued to be neglected, not only in alcoholic beverages but also in food products. Given this track record, it is difficult to say that the company has been managed in a way that maximizes the value of the alcoholic beverage brand.”*

Sell-side analyst

*“The value of the alcoholic beverage brand is not maximized. For example, it would be understandable if the reputation of Sapporo beer was bad and, as a result, profit margins and so on were low. However, the fact is that there are many Sapporo beer lovers, including those around me, who support the taste. Yet the profit margin is so low. The fact that the company has such a large and deep-rooted fan base but has not been able to link it to profits is evidence that management is not working to maximize corporate value.”*

Foreign buy-side analyst

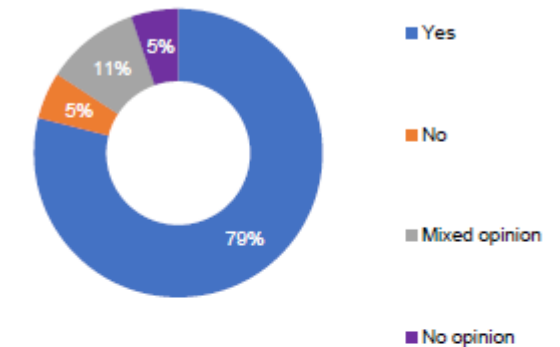
# Do you think Sapporo's market valuation underperforms its competitors? (1/2)

サッポロの市場評価は、競合比アンダーパフォームしていると思いますか？ (1/2)

## Market valuation

- Most respondents believe that Sapporo's market valuation underperforms its competitors based on its profit margin, market share, and total shareholder return. Several participants note that the value of the real estate business is not being fully realized by the market because of the ineffective management and weakness of the unprofitable businesses. Some interviewees cite that the underperformance is driven by structural issues given the domestic market structure with four major beer companies competing for share in the declining total addressable market.
- Though a majority agree Sapporo's market valuation underperforms, a buy-side analyst believes that Sapporo is fairly valued given the current operational performance of the beer business as well as the inadequate recent medium-term management plan. Two of the sell-side analyst, however, do not believe Sapporo's market valuation underperforms its peers because of the recent increase in the share price, which they attribute to 3D Investment's involvement in the stock.
- In order to increase Sapporo's market valuation, respondents state that the company must increase the profit margin of the alcoholic beverages business, win market share from competitors in the alcoholic beverage business, and monetize the real estate business by selling it, for example. Moreover, investors and analysts discuss the importance of restructuring and turning around the unprofitable businesses.

Do you think Sapporo's market valuation underperforms its competitors?



Source: Global Leading Shareholder Data Provider

Do you think Sapporo's market valuation underperforms its competitors?

	Yes	No	Mixed opinion	No opinion
Buy side	87%	0%	7%	7%
<i>Domestic</i>	88%	0%	0%	13%
<i>Foreign</i>	86%	0%	14%	0%
Sell side	50%	25%	25%	0%
<b>Overall</b>	<b>79%</b>	<b>5%</b>	<b>11%</b>	<b>5%</b>

Source: Global Leading Shareholder Data Provider

# Do you think Sapporo's market valuation underperforms its competitors? (2/2)

サッポロの市場評価は、競合比アンダーパフォームしていると思いますか？ (2/2)

## Participant quotes

*“It is underperforming. The alcoholic beverages and beverage business is destroying the corporate value of Sapporo Holdings. At the very least, we should be trying to raise the profit margins of these sectors and make them stable. However, both the alcoholic beverages and the beverages business are challenging. The domestic population is declining, especially the age group that is the company's demand group, and it is gradually slipping away. In the short term, measures to improve profit margins are necessary and can be achieved, but how to reduce the issue in the long term is a major theme that needs to be addressed at the same time.”*

Domestic buy-side analyst

*“Yes, the market valuation underperforms its competitors. Kirin and Asahi operate with far higher margins. So the stock price performance is not good, but also the underlying profitability of their brands is far lower than competitors.”*

Foreign buy-side analyst

*“There has not been any significant improvement over other companies in the same industry. In the business sector of Sapporo Holdings, there is no business that is earning money except for real estate. In order to enhance its market valuation, the company must first improve this situation. In other words, it is necessary for the business divisions other than the real estate business to become profitable. It would be a good thing if the company could take market share from its competitors in the beer and other businesses, but before that, the first priority would be to increase its earning power.”*

Domestic buy-side analyst

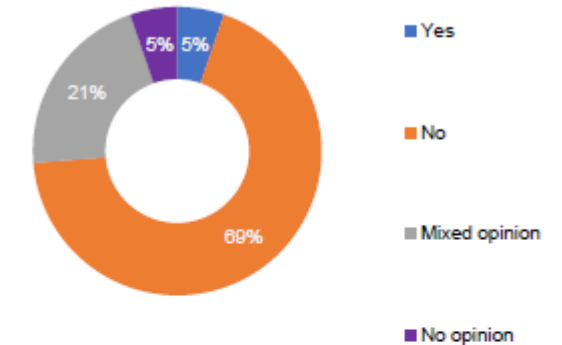
# Do you think the company's most recent medium term management plan is appropriate and sufficient for maximizing corporate value? (1/2)

サッポロの直近の中期経営計画について、企業価値最大化を目指すにあたって適切かつ十分なものと考えますか？ (1/2)

## Appropriateness of medium term management plan

- A majority of interviewees do not believe that Sapporo's most recent medium-term management plan is appropriate and sufficient for maximizing corporate value because it lacks adequate detail on how it will be achieved and does not show the long-term strategic objectives. Many respondents believe that the profit margin targets are not realistic given Sapporo's current operational performance as well as the market conditions, such as liquor tax changes and post-COVID-19 recovery. While many assert that the target is not realistic, they also view it as being too low relative to other companies in the industry and thus, not sufficiently maximizing Sapporo's corporate value. A few participants believe that if real estate is the core business, the alcoholic beverages business should be sold because they are different businesses with unique capital structures. Others believe that more radical reform is needed to maximize corporate value.
- Participants who hold mixed opinions are encouraged by the positive changes such as including a profit margin target but do not have a high degree of confidence that the targets are realistic or achievable, nor that the strategy of pursuing net investments for capital gains is appropriate. An investor views the plan as appropriate as they are encouraged by the profit margin target. They also appreciate that Sapporo's management has clarified that real estate will be a core business given it is a strength of the company.

Do you think the company's most recent medium-term management plan is appropriate and sufficient for maximizing corporate value?



Source: Global Leading Shareholder Data Provider

Do you think the company's most recent medium-term management plan is appropriate and sufficient for maximizing corporate value?

	Yes	No	Mixed opinion	No opinion
Buy side	7%	73%	13%	7%
Domestic	13%	50%	25%	13%
Foreign	0%	100%	0%	0%
Sell side	0%	50%	50%	0%
Overall	5%	69%	21%	5%

Source: Global Leading Shareholder Data Provider

# Do you think the company's most recent medium term management plan is appropriate and sufficient for maximizing corporate value? (2/2)

サッポロの直近の中期経営計画について、企業価値最大化を目指すにあたって適切かつ十分なものと考えますか？ (2/2)

## Participant quotes

*“The current medium-term management plan is not appropriate for maximizing corporate value. The profit target for the alcoholic beverages business is too low. It is impossible to evaluate the company's performance if it is only 1/3 of other companies in the same industry. It is also difficult to agree that the real estate business is the core of the company's business. There are no sufficient indicators, action plans, or milestones to achieve the business profit targets in the mid-term management plan. I would like to see the company at least present its thinking on why a level of 1/3 of its peers is appropriate as a target.”*

Domestic buy-side analyst

*“I think this medium-term management plan has shown what Sapporo Holdings can do, and I can see much more enthusiasm than before. However, what would be the next step after that? They cannot answer that this is an appropriate medium-term management plan because we have the impression that it does not go far enough in terms of long-term and overarching perspectives.”*

Domestic buy-side analyst

*“The new medium-term management plan does not go far enough. There are both good and bad aspects to the decision to give a profit margin target instead of a sales target. As a matter of fact, it is clear that it is no longer possible to pursue scale, so Sapporo's focus on profitability is considered a good thing. On the other hand, there is no mention of how scale will be achieved. Are they aiming to increase profit margins by increasing the scale of their operations? Or is it unclear whether they want to give up on sales and adopt a strategy of attacking niche genres with craft beers or raising unit costs with strong brands?”*

Foreign buy side analyst

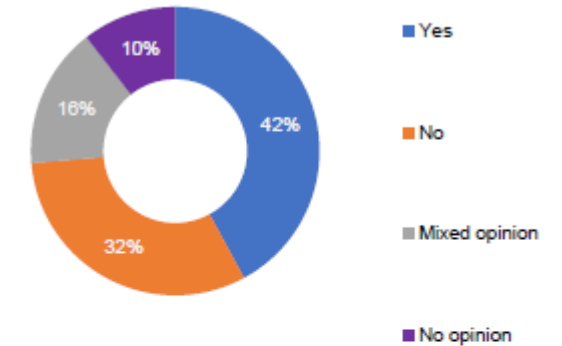
# Do you think the company should reexamine its medium term management plan to maximize corporate value? (1/2)

サッポロは、企業価値最大化に向けて、中期経営計画の再検証を行うべきと考えますか？ (1/2)

## Reexamination of medium-term management plan

- Market sentiment is split between those who believe Sapporo should re-examine its medium-term management plan to maximize corporate value and those who feel that it is not necessary. Those who note that the company should re-examine its plan assert that a new plan should include more detail on exactly how the targets will be achieved and how the strategy will be implemented to maximize corporate value. Moreover, they believe that Sapporo's plan should be more ambitious and robust, especially in light of its peers' targets.
- Participants who believe a re-examination is not necessary appreciate the direction of the current plan but state that it is a question of Sapporo's ability to successfully implement the plan given its poor execution track record. They also note the importance of Sapporo providing progress updates as the plan is implemented as well as further clarity on the long-term strategic vision.
- One respondent who has a mixed opinion believes that Sapporo can supplement the current plan with additional KPIs to hold the management team accountable, while another would like to see the company's execution of the plan before determining whether a re-examination is necessary. Another sell-side analyst asserts that a re-examination would not be sufficient without a change in management's investment approach.

Do you think the company should re-examine its medium-term management plan to maximize corporate value?



Source: Global Leading Shareholder Data Provider

Do you think the company should re-examine its medium-term management plan to maximize corporate value?

	Yes	No	Mixed opinion	No opinion
Buy side	53%	27%	7%	13%
Domestic	13%	50%	13%	25%
Foreign	100%	0%	0%	0%
Sell side	0%	50%	50%	0%
Overall	42%	32%	16%	10%

Source: Global Leading Shareholder Data Provider



# Do you think the company should reexamine its medium term management plan to maximize corporate value? (2/2)

サッポロは、企業価値最大化に向けて、中期経営計画の再検証を行うべきと考えますか？ (2/2)

## Participant quotes

*“It should be re-examined. Indeed, they have come up with a medium-term management plan that is more advanced than in the past. It is understandable that the feasibility and progress should be checked in light of the previously poor track record. However, there is nothing new about the methodology, and for this reason it is not necessary to wait three years for the medium-term management plan to be completed. It is doubtful that the situation will change by then, so a re-examination would be preferable.”*

Foreign buy-side analyst

*“As the medium-term management plan has only just been published, it is not at the stage of being re-examined. It is important to properly disclose the progress achieved in the medium-term management plan in the future. For example, the business profitability target of 5.7% is not the final target, and many market participants understand that this is not the final target. Also, given that the previous medium-term management plans have continually failed to meet expectations, we would first like to check progress to see whether the 5.7% target can be achieved”*

Domestic buy-side analyst

*“We do not believe that re-examination is necessary. The problem for Sapporo Holdings lies in its weak ability to execute. How can it execute the plan it has presented? We want to see if it is accompanied by the ability to execute. Even if they can improve the plan and create a plan that meets investors' expectations, it will be meaningless if they cannot achieve it.”*

Domestic buy-side analyst

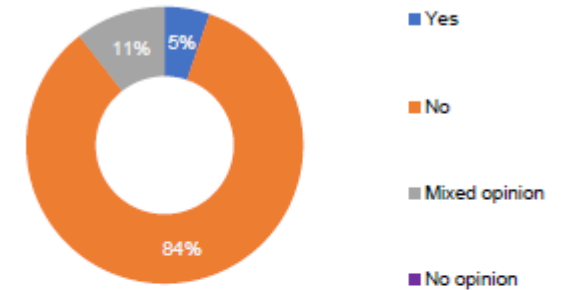
# Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment? (1/2)

サッポロの不動産事業について、その投資の規模やコア事業化・投資強化の方針を正当化できるだけのシナジーが他事業と十分に生じていると思いますか？ (1/2)

## Business synergies

- Most investors and analysts agree that there are no synergies between the real estate business and other segments, and therefore, it does not justify the scale of investment and policy to make it a core business. They explain that there are no quantitative proof points that suggest there are synergies being capitalized on, but some remain open to Sapporo explaining to the market if there are any. Respondents also note that real estate is a competitive sector with pureplay companies that have the expertise to compete, unlike Sapporo's management team. An investor reiterates prior sentiment around utilizing the real estate income to focus on fixing issues in the other business segments.
- Those with a mixed opinion also believe that synergies do not appear in the numbers, but they recognize that the land in regions such as Ebisu and Hokkaido could contribute to the brand value qualitatively.
- One of the participants in the 'yes' category also appreciates the brand value synergy, but perceives that there are no quantitative synergies generated between real estate and food or beverage. This interviewee, however, more strongly believes that the real estate business is a necessity for Sapporo as they are unable to see how the alcoholic beverage business can grow to compete with Asahi or Kirin.

Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment?



Source: Global Leading Shareholder Data Provider

Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment?

	Yes	No	Mixed opinion	No opinion
Buy side	7%	87%	7%	0%
Domestic	13%	75%	13%	0%
Foreign	0%	100%	0%	0%
Sell side	0%	75%	25%	0%
<b>Overall</b>	<b>5%</b>	<b>84%</b>	<b>11%</b>	<b>0%</b>

Source: Global Leading Shareholder Data Provider



## Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment? (2/2)

サッポロの不動産事業について、その投資の規模やコア事業化・投資強化の方針を正当化できるだけのシナジーが他事業と十分に生じていると思いますか？ (2/2)

### Participant quotes

*"No synergies with real estate have been identified. The presence of properties in the Ebisu area does not lead to an increase in brand value. However, the lack of synergies does not mean that real estate should be stopped immediately. Regardless of the pros and cons of taking risks in real estate and actively taking profits, the real estate business is highly profitable, and this cash flow should be used for fundamental reforms."*

Domestic buy-side analyst

*"No synergies with the real estate business are expected. If anything, there may be an aspect of zero synergy, as the brand name comes from Sapporo city and Ebisu district, the areas where the real estate is held. However, the current low-profit margins mean that synergies are unlikely."*

Sell-side analyst

*"Since the main beer brand is Ebisu, the real estate in Ebisu is connected to the brand value, which is by no means zero. However, the company has not been able to produce anything that can be explained as synergies. Nor has the company explained any quantitative synergies. If they can, I would like them to please explain it well."*

Domestic buy-side analyst

*"Sapporo Holdings is not a real estate company. The real estate industry is highly competitive, with highly competitive companies specializing in real estate competing with each other. Therefore, some companies can generate a profit even if they specialize in real estate, while others cannot. What can Sapporo Holdings, a beverage company, do? This is a problem before creating synergies."*

Foreign buy-side analyst

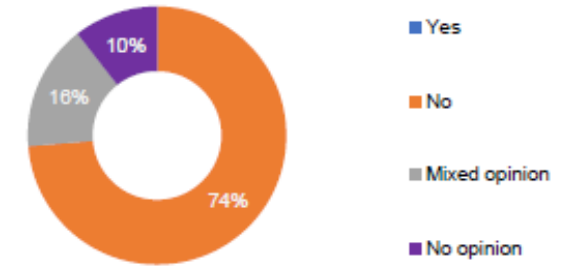
# Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value? (1/2)

現在の取締役会は、企業価値の最大化に向けて、サッポロの事業を客観的に分析し業績改善に着手するための、十分な監督機能を有していると思いますか？ (1/2)

## Board oversight

- There is agreement amongst buy and sell side respondents that Sapporo's Board of directors does not provide sufficient oversight to maximize corporate value. They highlight Sapporo's lagging operational and stock performance as reason to question the supervisory function of the Board.
- While some clarify that the composition of the Board appears to be adequate given diversity in age, gender, and experience, they question whether the experience is relevant as there is a lack of expertise in the alcoholic beverage sector or consumer goods more broadly.
- Participants with mixed opinions also hold skepticism on whether there is enough oversight but maintain that it will be important to see progress against specific KPIs relating to the current management plan before having a firm judgment.
- Two interviewees appreciate the current board. One of them acknowledges the inclusion of a real estate specialist on the Board but reiterates the expectation that Sapporo should focus on accelerating the core alcoholic beverage business. As such, they stress the need to have an outside director with relevant expertise in global brands and the alcohol or consumer goods sector.

Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value?



Source: Global Leading Shareholder Data Provider

Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value?

	Yes	No	Mixed opinion	No opinion
Buy side	0%	80%	13%	7%
Domestic	0%	63%	25%	13%
Foreign	0%	100%	0%	0%
Sell side	0%	50%	25%	25%
Overall	0%	74%	16%	10%

Source: Global Leading Shareholder Data Provider

## Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value? (2/2)

現在の取締役会は、企業価値の最大化に向けて、サッポロの事業を客観的に分析し業績改善に着手するための、十分な監督機能を有していると思いますか？ (2/2)

### Participant quotes

*“The ratio of outside directors, gender, and management experience, as well as whether the directors have the required knowledge in line with the management strategy are important, but these are formal requirements and are not reasons for our judgement that Sapporo's Board is not fulfilling its supervisory function. At present, Sapporo's results aren't satisfactory, which is an indication that the management lacks competence. We believe that the supervisory function is not being fulfilled because no actions or comments have been issued as a result of not being properly monitored by the outside directors and the Board of directors.”*

Foreign buy-side analyst

*“The company has outside directors with management experience and a full range of skills. However, it is difficult to say that the company has professionals in areas such as alcoholic beverages and real estate, which Sapporo has indicated in its medium-term management plan. What we are looking for is preferably someone who has experience with a global business or brand business.”*

Sell-side analyst

*“We believe that the Board should define KPIs that are consistent with the management strategy. There are many opinions on whether there should be experts in real estate and alcoholic beverages as a skill set for non-executive directors. However, knowledge of finance is essential. It is necessary to constantly supervise whether the profitability levels and targets set by Sapporo are appropriate from a financial perspective. The current situation in this respect is inadequate. For internal directors, we would like to see the formulation of plans that hold them accountable for results as well as the setting of KPIs and a performance-linked executive remuneration system. Without a remuneration system that holds directors accountable for results, it is difficult to convey to the market the will of Sapporo to seriously transform itself.”*

Domestic buy-side analyst

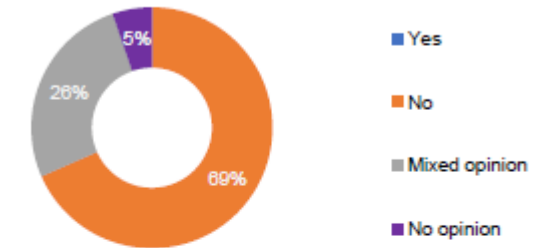
# Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders? (1/2)

現社外取締役は、株主・市場関係者と十分に交流し、株主の代弁者としての役割を十分に果たしていると思いますか？ (1/2)

## External directors

- A majority of the study population believes the current outside directors do not interact adequately with market participants to fulfil their role as a voice for shareholders given the TSR of Sapporo and a lack of messaging around the issues with Sapporo's operational performance.
- Many respondents state that they have never had an interaction with an outside director from Sapporo's Board, but a few note that this is not unique to Sapporo and is a broader issue within the Japanese market. Those in the 'mixed opinion' category primarily highlight this lack of interaction as a reason to reserve judgement.
- There is agreement amongst investors and analysts that the external directors should interact with market participants more frequently by participating in IR meetings and conference calls or providing a letter in the Annual Report. Specifically, they would like to understand how the outside directors gauge the current situation of the company, perform supervisory duties, hold the management team accountable, and ultimately advocate for shareholders by ensuring management is taking sufficient measures to increase corporate value through various initiatives.

Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders?



Source: Global Leading Shareholder Data Provider

Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders?

	Yes	No	Mixed opinion	No opinion
Buy side	0%	67%	27%	7%
Domestic	0%	50%	38%	13%
Foreign	0%	86%	14%	0%
Sell side	0%	75%	25%	0%
Overall	0%	69%	26%	5%

Source: Global Leading Shareholder Data Provider

# Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders? (2/2)

現社外取締役は、株主・市場関係者と十分に交流し、株主の代弁者としての役割を十分に果たしていると思いますか？ (2/2)

## Participant quotes

*“If the non-executive directors had acted as a voice for the shareholders, this situation would not have arisen. They are in this situation because they have failed to properly point out things that are normally obvious, such as how to utilize property values, the low profitability of the alcoholic beverage business, and the structures that are contributing to this.”*

Foreign buy-side analyst

*“This is not limited to Sapporo Holdings, but applies to all Japanese companies, and Sapporo Holdings is not particularly inferior to other companies. If there is an opportunity to meet with outside directors, I would like to do so. The points I want to check are: are they discussing their long-term vision, what is their perception of the current situation compared to the long-term vision, what are their strengths, and where should they focus their resources? Naturally, I would like to hear how these points are discussed at Board meetings.”*

Domestic buy-side analyst

*“There are doubts about sufficient supervisory functions, such as the main bank being an external director. There appears to be no check function or other objective functions that can be used to make decisions. The external director came out to speak at the October briefing, but it was not clear what he wanted to argue. It appeared to me that perhaps the outside director had to speak because activists had arrived, but they came out without an adequate track record of oversight or preparation to properly explain the situation to shareholders. Their explanation was disappointing. Perhaps the outside directors do not understand what the company’s challenges are and so they cannot exercise an appropriate supervisory function.”*

Sell-side analyst

*“In view of the share price or valuation, the outside directors do not seem to be fully fulfilling their role as a voice for shareholders.”*

Domestic buy-side analyst



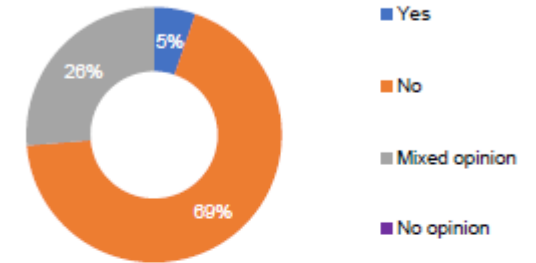
# Do you think the company's executives can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies? (1/2)

同社の執行（≡社内取締役）は、社内のしがらみや過去の経営方針に囚われず、事業ポートフォリオの在り方等を含め、企業価値最大化の観点から客観的・合理的な判断を下せると考えますか？ (1/2)

## Internal directors

- Consistent with prior feedback, investors and sell-side analysts view the stock and operational performance of Sapporo negatively. As a result, most participants opine that they do not believe the company's executives are making objective and rational decisions about the state of the business portfolio and matters pertaining to maximizing corporate value.
- Some note that there is a lack of evidence to understand if the company's executives are bound by past policies or internal ties. Nevertheless, they reemphasize that there is a need for investment into the turnaround and streamlining of operations, and at present, there is no indication of Sapporo's management undertaking initiatives to achieve this.
- A few interviewees in the 'yes' or 'mixed opinion' categories believe there is talent in lower levels of management that understand the key issues and would have suggestions to improve the operations, but this is not highlighted publicly or emphasized by senior leadership. Furthermore, sell-side analysts particularly hold a neutral stance as they believe Sapporo has taken a step in the right direction with the current medium-term plan by discussing a focus on profitability. However, they maintain that it is not yet reflected in the performance and thus, it will be crucial to see execution against the relevant KPIs.

Do you think the company's executives can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies?



Source: Global Leading Shareholder Data Provider

Do you think the company's executive can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies?

	Yes	No	Mixed opinion	No opinion
Buy side	7%	80%	13%	0%
Domestic	0%	75%	25%	0%
Foreign	14%	86%	0%	0%
Sell side	0%	25%	75%	0%
Overall	5%	69%	26%	0%

Source: Global Leading Shareholder Data Provider

Do you think the company's executives can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies? (2/2)

同社の執行（≡社内取締役）は、社内のしがらみや過去の経営方針に囚われず、事業ポートフォリオの在り方等を含め、企業価値最大化の観点から客観的・合理的な判断を下せると考えますか？ (2/2)

### Participant quotes

*“They are not making objective and rational decisions and appear to be making decisions with ties. There are structural difficulties for those who come from within the company. They have worked for the company for a long time, and this conflicts their own interests. Conflicts always arise in discussions on the transfer of control, so it is difficult to ask internal directors to be objective and rational in their arguments.”*

Foreign buy-side analyst

*“There is no evidence to identify whether the executives are trapped by ties when making decisions. In relation to the real estate business, it seems there is naivety in that the company will not collapse because of it. From this point on, in order to move the company in the right direction, the management team needs to show its resolve by cutting out naivety. It is desirable for them to set KPIs that are consistent with the management plan and introduce a share-based remuneration system whereby remuneration is properly increased if results are achieved. For example, if TSR remains low, remuneration will not be increased. The design should be easy to understand.”*

Domestic buy-side analyst

*“It is not possible to be positive about whether they are making rational decisions. It is necessary to start by examining how executives are appointed in the first place. Formally, the nomination committee may be used to select the directors, but in reality, in some cases, they are appointed by the president or so-called ‘yes-men’ are recruited. If these trends are not broken, trust cannot be placed in the members of the Board of directors.”*

Domestic buy-side analyst

## 質問リスト

### About Sapporo's corporate value

1. Do you think that Sapporo's corporate value is being managed in such a way that it is maximized?
2. What do you think the ideal capital strategy (including a review of the business portfolio) should be to maximize corporate value?

### About alcoholic beverage brand value

3. Do you think that management is executing in a way that maximizes the value of the alcoholic beverage brand?

### About Sapporo's market valuation

4. Do you think Sapporo's market valuation underperforms its competitors?

### About the new medium-term management plan

5. Do you think the company's most recent medium-term management plan is appropriate and sufficient for maximizing corporate value?
6. Do you think the company should re-examine its medium-term management plan to maximize corporate value? Please also tell us why.

### About Synergies in Real Estate Business

7. Do you think the company's real estate business is generating enough synergies with other businesses to justify the scale of investment, the policy of making it a core business and the policy of reinforcing investment? Please explain why you think so.

### About the Board of directors

8. Do you think the current Board of directors provides sufficient oversight to objectively analyze Sapporo's business and initiate performance improvement to maximize corporate value?
9. Do you think the current outside directors interact sufficiently with shareholders and market participants to adequately fulfill their role as a voice for shareholders?

### About internal directors

10. Do you think the company's executive (Internal directors) can make objective and rational decisions about the state of the business portfolio and other matters from the perspective of maximizing corporate value, without being bound by internal ties or past management policies?



## 質問リスト

### サッポロの企業価値について

1. サッポロは、企業価値が最大化されるような経営がされていると思いますか？
2. 企業価値最大化のために、あるべき資本戦略（事業ポートフォリオの見直しを含む）とはどのようなものになると思いますか？

### 酒類ブランド価値について

3. サッポロは、酒類ブランド価値が最大化されるような経営がされていると思いますか？

### サッポロの市場評価について

4. サッポロの市場評価は、競合比アンダーパフォームしていると思いますか？

### 新中期経営計画について

5. サッポロの直近の中期経営計画について、企業価値最大化を目指すにあたって適切かつ十分なものと考えますか？
6. サッポロは、企業価値最大化に向けて、中期経営計画の再検証を行うべきと考えますか？その理由についても教えてください

### 不動産事業のシナジーについて

7. サッポロの不動産事業について、その投資の規模やコア事業化・投資強化の方針を正当化できるだけのシナジーが他事業と十分に生じていると思いますか？そう考える理由についても教えてください

### 取締役会について

8. 現在の取締役会は、企業価値の最大化に向けて、サッポロの事業を客観的に分析し業績改善に着手するための、十分な監督機能を有していると思いますか？
9. 現社外取締役は、株主・市場関係者と十分に交流し、株主の代弁者としての役割を十分に果たしていると思いますか？

### 社内取締役について

10. 同社の執行（≒社内取締役）は、社内のしがらみや過去の経営方針に囚われず、事業ポートフォリオの在り方等を含め、企業価値最大化の観点から客観的・合理的な判断を下せると考えますか？

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