

Q&A from Financial Statements Briefing for 3Q Results and Long-Term Vision / Medium-Term Management Plan

<Date and Time> November 4, 15:00 -16:30

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Department Hiroyuki Nose, Director of Corporate Finance and Business Management
Department Shinichi Soya, and President of Sapporo Breweries Ltd. Masaki Oga

1. Long-Term Vision / Medium-Term Management Plan

Q. What has changed the most in the current Medium-Term Plan compared with previous plans?

A. (Kamijo) In the New Management Framework since 2007, we have set “Creating Value in Food” and “Creating Comfortable Surroundings” as identified two business domains. Particularly, in Real Estate, we have been making investments in raising the value of Yebisu Garden Place and redevelopment of Ebisu First Square / GINZA PLACE. Stable earning capacity reflecting active investments will constitute the basis for the current Medium - Term Plan.

(Nose) In the next phase, we will not depend on real estate and change our direction to investments in the food business, thereby enhancing our corporate value as a food manufacturer.

Q. Could you tell us about the reason for an expected growth rate higher than the market average?

A. (Nose) In Japanese Alcoholic Beverages, we are strengthening the sale of beer, and Draft Beer Black Label and Yebisu brand are performing well. The market trend is changing from one where the sale of beer declines and those of a new-genre / happoshu grow, to a trend where the growth of beer can somewhat be expected and high-value added beers are selected by customers. Currently, considering that our multiple beer brands are showing good results, a certain degree of growth could continue to be anticipated in the future in the beer business. Moreover, we strive to focus on multiple layers and will increase contact with customers while boosting sales centered on wine.

In International Business, earnings of SLEEMAN have been good in Canada. Also, U.S. soft drinks business have a unique strength, so we wish to create a business model that can exert synergy effects of two companies, Silver Springs Citrus, Inc. and Country Pure Foods, Inc. In Vietnam, we will take new mainstream products to achieve further growth.

In Food & Soft Drinks, we launched tea brands using domestic materials and microwavable retort soup products. There could be a leeway allowing us to tap the market through expansion of products in response to the diverse needs of our customers.

Q. How do you relate the “Food” business growth to the expansion of your business scale and earnings?

A. (Nose) We have been developing our business with Alcoholic Beverages as our core business, but food and soft drinks are the same in the sense that customers put them in their mouth. In the food industry, small-scale players outnumber those in the soft drinks / beer industry. Our company is small in scale, but we consider that new value could be created through provision of distinct

products in a niche field. We will roll out premium products and unique products in a manner unique to our company, not rolling out low-end products in the red ocean market.

Q. How are costs reduced throughout the company?

A. (Nose) We are striving to reduce costs as a group-wide challenge. In Sapporo Group Management Ltd., we have promote efforts to cut costs in the area of logistics, information technologies, and procurement, resulting in a cost reduction of approximately three billion yen in the past three years, and will continue such efforts in the future.

2. Other business

Q. How are issues to be addressed to the beverage business in North America recognized?

A. (Kamijo) The soft drinks business in North America is run by two companies, Silver Springs, Inc. and Country Pure Foods, Inc., but manufacturing sites are concentrate in eastern U.S. Therefore, we will reorganize production sites and expand sales channels. In addition, as price trends of orange juice have an impact on earnings, the procurement of raw materials at stable prices becomes a challenge, but we will respond to the challenge by creating cost advantage and increasing suppliers.

Q. What does “transform the soft drinks business into an enterprise that generate steady earnings” mean?

A. (Soya) It means a departure from being a general beverage manufacturer. In other words, it does not mean that all-around products are furnished, but that we focus particularly on lemon and characteristic teas, and increase profits.

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