

Q&A from Financial Statements Briefing for Closing Accounts of Year Ended December 31, 2016

<Date and Time> February 14, 15:30-17:00

<Speakers> Chairman and Representative Director, Tsutomu Kamijo; President and Group Operating Officer, Masaki Oga; Director of Corporate Finance and Business Management Department Shinichi Soya, and President of Sapporo Breweries Ltd. Hideya Takashima

1. Japanese Alcoholic Beverages

Q. For two consecutive years, sales volumes of Sapporo Draft Beer Black Label have increased year on year. Could you please explain the background to this growth in sales?

A. (SB President Takashima) In the case of Sapporo Draft Beer Black Label, there has been a major cumulative impact from our “Otona Elevator” series of TV commercials since 2010, through which we have promoted the value of Sapporo Draft Beer Black Label as a drink that can be shared and enjoyed by adults, each of whom possesses his or her own unique set of values; accordingly, our customer base has been growing. In the past, sales were focused on the Greater Tokyo Area, but there has been an increase in the number of stores stocking the product in Western Japan, particularly canned beer. This increased store coverage has helped us to expand the sales volumes.

Q. Is the beer industry as a whole trying to move towards focusing on improving the profitability? Could you please tell us how you see the future direction for expenditure on sales promotions?

A. (SB President Takashima) We recognize that Japanese beer companies have lower profit rates than overseas companies, and we believe that we need to move towards improving our profitability. From the outset, Sapporo has not spent more on sales promotions than is necessary. In 2017, we plan to increase spending on sales promotions on a year on year basis. However, we believe that this is a necessary investment in order to thoroughly improve our brand power at a time when our beer sales are strong, and that this will improve our profitability as a result.

Q. In the Medium-Term Management Plan, you have placed the wine business as the company’s second pillar. Could you please explain your plans for improving the profitability and size of the business?

A. (SB President Takashima) Wine is classified as “daily wine” (wine costing less than 1,500 yen per bottle) and “fine wine” (mid-to-higher priced wine costing 1,500 yen per bottle or more), and both of these markets are important. However, Sapporo plans to grow our business by focusing on fine wine in particular. We sell globally renowned brands, such as Taittinger and Penfolds, and we plan to increase sales volumes by strengthening our communication capabilities.

(Director Soya) Regarding wine produced in Japan, the reputation of Japanese wine has been improving in recent years. Sapporo owns its own vineyards, and we are involved in production from the cultivation of grapes. In addition to possessing significant added value for our customers in the sense of being able to tell them the entire production story all the way from the vineyard, this also has the advantage of allowing us to secure ownership profits as a wine manufacturer.

2. International Business

Q. Could you tell us about the business model for the North American soft drinks market?

A. (President Oga) Silver Springs Citrus, Inc. operates in the PB chilled market, whereas Country Pure Foods, Inc. focuses mainly on the food service market. This means that the markets themselves are not especially large. However, both companies focus on B-to-B fields with a close eye on the profit rate, and both companies rank highly. We want to promote measures aimed at merging these two companies in order to expand sales areas and management efficiency, with a view to moving into B-to-C fields in the long term.

3. Other

Q. Could you please explain your position in regards to the application of the International Financial Reporting Standards (IFRS)?

A. (Director Soya) In order to increase the international comparability of our financial information in capital markets, we are currently making various preparations with a view to applying IFRS. We are also carrying out investigations into the best methods for disclosing information to our stakeholders.

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