**Q&A from Teleconference Meeting - Financial Results for 1Q of FY12/2019**

Date and time: May 9, 16:00–17:00

Speakers: Managing director Shinichi Soya with the General Manager of the Accounting and Finance Department and IR Section

**Alcoholic Beverages (Japan/Asia)**

Q. Regarding total demand in the beer genre, a shift towards new-genre beer appears to be happening. In terms of the competition, have any new difficulties arisen that are different to those you have faced until now?

A. There have been no changes such as higher price competition from our competitors. We believe the shift to new-genre beer is happening not just because of trends in beer but also trends in RTD. It is possible that the boundary between RTD and new-genre beer is disappearing. Regarding Sapporo Breweries' sales volume in the beer genre in the January-March period, our beer sales progressed according to the plan for both Sapporo Draft Beer Black Label and Yebisu. Our sales volume in new-genre beer fell below the plan, but we believe that from April onwards this will gradually recover to approximately in line with the start-of-year plan.

Q. How do you see any changes in consumption levels and trends for alcoholic beverages after the consumption tax is increase?

A. Regarding the increase in consumption tax, in respect to beer we believe we will be affected by a temporary fall in sales volume, but that sales will return to normal after two or three months. For this reason, we do not plan to implement any measures focusing on Sapporo Draft Beer Black Label or Yebisu. At the same time, we believe that the new-genre beer and RTD markets will remain competitive because of a savings mindset among customers, and we intend to implement initiatives accordingly.

Q. As of the closing of the first quarter accounts, there has been a major positive effect of 1.1 billion yen resulting from the product mix. Could you please explain the details and the outlook for the year as a whole?

A. In April last year, we revised our prices for commercial products in the beer genre. For this reason, there was a net increase in sales for the January-March period of 2018. However, as of March a full year will have passed. A higher ratio of beer cans has contributed to profits, but January-March is a period of low sales, meaning there has been a slightly disproportionate effect. For this reason, we expect no changes to the forecast of a positive effect from the product mix of 1.3 billion yen that was set out in the start-of-year plan.

**Alcoholic Beverages (North America)**

Q. Could you tell us about conditions in the North American alcoholic beverages business?

A. Results at Canadian company SLEEMAN BREWERIES have been strong. There has been strong double-digit year-on-year growth in sales revenue at Sapporo USA, but sales have fallen at Anchor Brewing in response to the impact of the decline in demand for craft beer in San Francisco area. On April 1, we carried out a management integration of Sapporo USA and Anchor Brewing, and we have been reorganizing the management system. In terms of costs, logistics costs have continued to rise, but no major problems have arisen because we have been implementing a reorganizations of the warehouses, etc.

**Food & Soft Drinks (Japan/Asia)**

Q. There was a fall in income from the Food & Soft Drinks business in Japan in the first quarter. Could you please explain the future outlook for achieving the planned increase in profits?

A. In the first quarter, there was an impact from a decline in sales volumes from vending machines, including canned coffee, and also from a decline in the sales volume for soups because of the relatively warm winter. In the leadup to the summer, we will be focusing on acquiring columns of vending machines for soft drinks. In regard to soups, we plan to launch a production line at our Sendai Factory in August, and we will develop our product lineup and actively pursue sales. In March, we completed a manufacturing line for soymilk yoghurt, and we are now able to manufacture inhouse and start developing our integrated manufacturing and sales business. Accordingly, we will further develop our products in the future.

**General Management**

Q. In the start-of-year plan, you have included the cost of carrying out management platform-building and making growth investments, as well as the cost of carrying out business structure reforms. However, these costs had not yet been incurred as of the first quarter. Does this mean that something has changed since the initial forecast?

A. In regard to the cost of management platform building, our R&D costs and costs related to various measures such as healthy management will start to arise from the second quarter onwards. The cost of making growth investments and carrying out business structure reforms arise at the point we carry out an action, and at the current stage we are unable to say when this will occur.

End