[Q&A from Teleconference Meeting] 1Q of Year ending December 31, 2016

<Date and Time> May 11, 11:00-12:00

<Speakers> Director Shinichi Soya with the General Manager of the IR Section

1. Progress of Fiscal 2016 Projection

Q. Operating income has recorded a significant improvement of 2,900 million yen in the first quarter. What is the progress of the annual projection by segment?

A. In the Japanese Alcoholic Beverages Business, the increase in earnings resulting from increased sales volume of beers and other beverages is expected to be 3,300 million yen in the current fiscal year, but earnings only increased 400 million yen as of the end of the first quarter. This is progress as projected because the first quarter is a period of small sales volume. Also, promotion expenses have been paid as projected, and we will control promotional expenses depending on sales.

In the International Business, earnings already increased 800 million yen as of the end of the first quarter compared with the projection of a 700 million yen increase in the current fiscal year. However, the SLEEMAN's payment method for promotional expenses was changed causing a period difference with the previous year. Promotional expenses in North America and other areas are projected to be increased by 400 million yen annually, which will be expected to progress as projected.

In the Food & Soft Drinks Business, the sales volume as of the end of the first quarter remained almost on par with the same period of the previous year, but this is progress as projected. We plan to launch new products with a Kireto Lemon brand during April and June and new soup products in the autumn and winter. Thus, sales volume will increase in and after the second quarter and we consider that an increase in earnings will be achieved as projected.

In the Restaurants Business, earnings only increased 100 million yen as of the end of the first quarter compared with the projection of a 700 million yen increase in the current fiscal year, but we consider that the projection will be achieved because large flagship stores will be opened in Ginza and Shimbashi.

In the Real Estate Business, earnings increased 900 million yen as of the end of the first quarter compared with the projection of a 1,700 million yen increase in the current fiscal year. We are actively promoting increasing the rent of existing tenants for the properties that we hold primarily in the metropolitan area, including the Yebisu Garden Place. The occupancy rate of the Yebisu Garden Place at the end of the first quarter rose from 87% of the same period of the previous year to 99%, with the range of the occupancy rate increase being the largest in the first quarter.

2. International Business

Q. Projects in Vietnam remained at the same level as those of the previous year. What is the recent business environment?

A. In Vietnam, particularly the growth in the premium market that we have entered into, is curbed due to increased liquor taxes and other factors. Competition in the market is also becoming intensified. We made our presence in Vietnam as a bridgehead whereby the Sapporo brand can penetrate Southeast Asia as a premium brand. Currently we are still more in the phase of gaining recognition rather than securing profit. Environmental changes are within the scope of assumption in view of a business, but the challenge is responding to risk quickly and drawing up detailed measures to be taken.

Q. It would appear that a 300 million yen cost was reduced reflecting a slash in cost in the Soft Drinks Business in North America. What is assumed as a synergy effect of the two beverages companies, Silver Springs Citrus, Inc. (SSC) and Country Pure Foods, Inc. (CPF)? Could you tell us about whether the synergy effect is included in the projection for the current fiscal year?

A. SSC produces products under OEM agreements with other companies, but CPF has its own brand so it is strong in business-use products. We consider that routes for business-use products can be increased, including the line of products. In addition, regarding the manufacturing site, SSC has only one plant in Florida, but CPF has four plants in Ohio, Florida, Connecticut, and Texas. Thus, we expect the geographical spread of the Soft Drink Business in the North America. Synergy effects are expected for procurement of the raw materials, including fruit juice and packing materials, where a negotiation capability is needed.

We launched a synergy committee in the second half of the previous year. Synergy effects will actually emerge in and after the current fiscal year. No quantitative effects have been included in the projection for the current fiscal year.

3. Food & Soft Drink Business

Q. It would appear that a 300 million yen cost was reduced reflecting a cost curtailment in vending machines. What is the future strategy for vending machines, including cost curtailment?

A. The cost of 600 million yen for vending machines is expected to be reduced annually in the projection for the current fiscal year, but we consider that the result of the first quarter has exceeded the assumption. As for strategy, we would like to strengthen sales promotion for corporations, etc. and utilize good locations where sales per machine are significant.

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