[Q&A from Teleconference Meeting] 1Q of Year ending December 31, 2017

<Date and Time> May 11, 17:00-18:00

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

1. Japanese Alcoholic Beverages Business

Q. Competitors have already revised their own guidelines in response to the new fair trading standards for alcoholic beverages, which are to be enforced from June. Could you please explain the current situation at Sapporo? If sales promotion expenses are to be reduced, will you be reinvesting in brands, etc.?

A. We are not in a position to comment on other companies. At Sapporo, we have been carrying out a full-scale revision of our own guidelines since March. To ensure we handle the new system correctly, which starts in June, we expect there to be a decrease in future sales promotion expenses, but we have not incorporated this into the plan. Regarding brand investments, we have already set out policies and a direction for our expenditure aimed at increasing exposure and strengthening our brands; we do not plan to reinvest any decrease in spending on sales promotion expenses.

Q. According to the breakdown for capital investments in the first quarter, work was carried out to introduce one-way bottle production at the Nasu Brewery. How do you plan to utilize small-lot brewery in the future?

A. As part of the trend in recent years towards centralization of production bases, we have centralized manufacturing lines for our containers. At Nasu Brewery, which is a small-lot brewery, we have made capital investments so that we can manufacture products with containers not manufactured at regular-sized breweries. Rather than just manufacturing craft beers, we aim to increase fans of our products by making flexible proposals for differentiated products.

2. Food & Soft Drink Business

Q. According to the results for the first quarter, there was an increase in sales in the domestic Food & Soft Drink Business, and an improvement in the product mix. Could you please give us more details?

A. In the first quarter, there were strong sales of lemon-based beverages, which were 116% against the same period in the previous fiscal year, and tea beverages using Japanese ingredients, which were 119% against the same period in the previous fiscal year. Regarding lemon-based products and soups, for which we carried out a price revision last year, there was no impact from the increase in prices and sales volumes grew, contributing to our improved earnings.

3. Restaurants Business

<u>Q. In the Restaurants Business, there is a plan to increase earnings by 300 million yen per year, but in the first quarter earnings fell by 100 million yen against the same period in the previous fiscal year. Have labor costs risen more sharply than expected?</u>

A. Rising labor costs were incorporated into the annual plan, but the cost increases were even tougher than we expected. However, the increased costs can be covered by cost reductions in areas such as heating, lighting and water expenses, and we are not concerned about controlling our fixed costs. We are planning to contribute to earnings from second quarter onwards from our GINZA PLACE and Shimbashi outlets, which opened last year, and the Ginza 7-Chome outlet, which completed its refurbishment on February 28.

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