

[Q&A from Teleconference Meeting] 3Q of Year ending December 31, 2015

<Date and Time> November 6, 17:30-18:30

<Speakers> Director Toshio Mizokami with the General Manager of the IR Section

1. Japanese Alcoholic Beverages Business

Q. The full-year forecast for sales volumes in the Japanese beer market has been revised downwards to 96% year-on-year. The performance as of September 30 was 93%. How much of a recovery can be made in the October to December quarter and what is the outlook for next year?

A. In the happoshu and new genre category, the impact of fierce competition with our competitors is being seen in terms of the sales volume. It is important to recover as quickly as possible and for this reason in October we made a limited launch of “Mugi To Hop the gold Kinu No Koku” and in November we plan to make a limited launch of “Mugi To Hop the gold Koku no Kiwami” as new extensions of the “Mugi to Hop the gold” brand. Meanwhile, in the beer category, sales of Black Label have been strong and we plan to make a limited launch of Fukami Ajiwau Yebisu as a new brand extension of the Yebisu brand, which is approaching the season of peak demand for gift purchases. We believe that this will allow us to recover sales volume.

Next year, there will be no change in this year’s direction, which has been to focus on the key brands of Black Label, Yebisu and Mugi to Hop the gold. We plan to implement new initiatives in order to increase brand value.

2. International Business

Q. In Vietnam, competitors have entered the premium market. Could you please describe the market conditions and the impact on Sapporo? An operating loss of 2.2 billion yen is forecast for the Vietnamese business this fiscal year. What is your view on the likelihood of an improvement in profitability next year?

A. In the high-price band premium category, leading competitors entered the market and competition became very strong. In the mid-price band, there was remarkable growth in the mainstream category. In terms of the impact on Sapporo, we were affected by trial purchases of other companies’ products in the beer club business. Three and a half years have now passed since Sapporo first entered the Vietnam market. We have used the experience gained during this time to carry out product renewals in November that more closely match the tastes of local customers.

Specifically, we have reviewed the taste, packaging and price of our products.

We have also promoted sales in regional cities, such as Nha Trang and Da Nang, in addition to Ho Chi Minh City. Through these measures, we plan to improve profitability next year.

Q. In the Vietnam business, Sapporo Vietnam has become a wholly-owned subsidiary after receiving the 29% investment stake of joint venture partner Vietnam National Tobacco Corporation. What was behind this decision? Will this lead to any problems from an operational perspective?

A. Vietnam National Tobacco Corporation needed to reorganize its investment stake as part of the Vietnamese government's policy of raising capital from peripheral business with the aim of strengthening the core business of state-run companies. Meanwhile, we needed to speed up decision-making in response to the changing market, and agreement was reached for us to accept a transfer of their stake. Approximately 1.6 billion yen in goodwill has arisen as a result of the transaction. Relations with the government remain good, and no problems will arise in relation to sales operations.

3. Food and Soft Drinks Business

Q. Sales volume in the Food and Soft Drinks Business grew this year, but the profit ratio remains low. What are the prospects for an improvement in the future?

A. This year, vending machine-related expenses accumulated and even when this was offset against reductions in advertising expenses there was a negative impact on profits of around 300 million yen.

We plan to select products for use in vending machines and promote investigations into profitability on a column by column basis in order to raise profitability. POKKA SAPPORO has performed strongly in soup and hot products and as a company it tends to make profits in the fourth quarter from October to December. In the vending machine business, sales of hot coffee and other drinks have started. There is increased demand for canned soup, and profits will increase.

4. Real Estate Business

Q. Has there been any change in the forecast for the Real Estate Business next year?

A. The occupancy rate at YGP is forecast to recover to 99% by the end of the year, and there has been no change in the forecast for next year.

Ginza 5-Chome redevelopment project is also forecast to contribute to profits from the second half of next year onwards.

End