

**[Q&A from Teleconference Meeting] 3Q of Year ending December 31, 2017**

<Date and Time> November 6, 11:00-12:00

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

**1. Japanese Alcoholic Beverages Business**

Q. Has there been any impact on operating income because of the need to handle the new standards on fair trading for alcoholic beverages, which were enacted in June? Could you give us an update of the latest situation?

A. Sapporo Holdings has already worked hard to promote efficient expenditure on sales terms, and the changes in standards will not have a major impact.

Q. How big was the impact from falling sales as a result of unseasonal weather in summer?

A. In the January to June period, the cumulative volume of sales in the beer and beer-type beverages category fell 1% year-on-year. In contrast, sales in the July to September period fell 4% year-on-year, and the poor weather had a major impact on sales volumes. The impact on operating income from falling volumes is estimated to have been around 1 to 1.5 billion yen. Under these circumstances, the year-on-year fall in operating income in the third quarter in the Japanese alcoholic beverages business was kept at just 300 million yen. There was an impact from falling sales of happoshu and new-genre beer, but there was also a positive impact from the improved product mix resulting from an increase in the beer sales volume, and we believe that steady sales growth in multilayered categories, such as RTD, also helped.

Q. Could you explain the background to the falling sales volume in new-genre beer?

A. The Mugi to Hop brand accounts for a high ratio of new-genre beer. However, despite carrying out a product renewal, the advertising tone was almost unchanged from last year. The result was that we were unable to change the direction of the new-genre beers market. We will review our strategy moving forward.

**2. North American Beverages Business**

Q. The reasons given for the fall in income at Silver Springs Citrus, Inc. were a drop in overall demand for orange juice and high costs caused by a decline in orange crop yields. Could you tell us what the prospects are for a recovery in results?

A. These are structural issues and for that reason we are unlikely to be able to affect the situation in the short term. However, even if results are poor in the first and second quarters of next year, in the second half of next year we plan to recover to a similar level to last year's results. Regarding the declining production efficiency caused by falling manufacturing volumes, we believe we can achieve improvements through the merger with Country Pure Foods, Inc., which is planned for January next year.

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