Q&A from Financial Statements Briefing for Closing Accounts of Year Ended December 31, 2017

<Date and Time> February 16, 10:00-11:30

<Speakers> President and Representative Director Masaki Oga, Director of Corporate Finance and Business Management Department Shinichi Soya, and President of Sapporo Breweries Ltd. Hideya Takashima

Q. I would like to know the assumption based on which you developed the 2018 sales plan of the Japanese Alcoholic Beverages Business for each category.

A. (SB President Takashima) We assumed the following when we developed the 2018 sales plan by category:

1) For beers, sales grew three years in a row thanks to brisk sales of canned products of the Black Label brand in 2017. By continuing to strengthen branding efforts for beers, we expect to see a 2% YoY growth in quantity.

2) As for *happoshu* and new-genre beers, because we did not make much change in our communication, etc., in advertisements in 2017 except for “Mugi to Hop The gold”, a new-genre beer which was renewed, we failed to turn the tide in the new-genre beer market. In addition, the revised Liquor Tax Law hiked shop prices, putting a brake on sales. “Mugi to Hop,” which will be renewed on March 6, 2018, and “Goku Zero Sokai Zero,” launched in January 2018, are expected to contribute to sales, based on which we expect 13% sales growth in quantity from the previous year.

3) While we estimate the growth of total demand for RTD in 2017 was around 10% YoY, we grew nearly 40% in this market. We have been able to create unique products only Sapporo could provide. Based on the accelerating growth of the current market and future prospects, we expect to see sales grow by 2 billion yen in 2018 by increasing our efforts in the RTD market.

Q. Please give us the breakdown of the sales promotion cost plan for the 2018 Japanese Alcoholic Beverages Business, which suggests a 3.3 billion yen increase from the previous year.

A. (SB President Takashima) We plan to introduce new products in the markets of non-alcoholic beers and RTD in 2018 and expect to see sales growth of some 6.1 billion yen for all multilayered products. With the sales promotion cost plan, we expressed our intention to spend sufficient amounts of money for promotion to achieve such growth.

Q. Please tell us about measures to improve results this year for each business that showed poor performance in 2017, namely 1) North American Soft Drinks in the International Business, 2) Vietnam Beers in the International Business, and 3) Singapore Soft Drinks in the Food and Soft Drinks Business.

A. (President Oga)

1) (North American Soft Drinks) We will develop a more advantageous purchasing organization by integrating our two North American subsidiaries (SSC and CPF). In addition, we will improve

production efficiency at factories and integrate quality control systems to enhance production. Almost all SSC products are related to orange and were subjected to a sharp rise in raw material price, whereas CPF has a varied product mix and various sales channels. We will improve sales by making the most of the enhanced product mix from integration of the two affiliates amid declining consumption of orange juice.

2) (Vietnam Beers) Beer business in Vietnam grew slightly in 2017 but is yet to reach profitability. When we entered the Vietnamese market, the awareness of the Sapporo brand was quite low, so we have since implemented a strategy to grow sales volume while increasing the brand awareness by spending an appreciable amount of money on promotion. As a result, the Sapporo brand is now well recognized in the Vietnamese market and we are in the phase of revising sales promotion costs to create profits. We will also restructure our distribution networks by reducing unprofitable sales channels. In addition, by transferring a part of production of “Silver Cups” to Vietnam to benefit the manufacturing capacity of Sleeman, Canada, we will improve production efficiency in our Vietnam brewery and increase exports to Southeast Asia, thereby improving Vietnamese business.

3) (Singapore Soft Drinks) We are undergoing a drastic revision of the product-development back-up system for improved functionality to deal with the introduction of sugar tax in some countries to which products are exported from Singapore. Holding around 70% of the green tea market in Singapore, Pokka Sapporo enjoys exceedingly strong brand power and we are trying to harness it to find sales methods immune to price competition.

<u>Q. Will we see a major change in the methods and the system for management of overseas subsidiaries by each business company in Japan?</u>

A. (President Oga) Yes, you will. We are considering a change to the system so that the Japanese Alcoholic Beverages Business and the Food and Soft Drinks Business will integrate businesses in and outside of Japan and manage and develop brands in the future.

<u>Q. Regarding the Food and Soft Drinks Business, what is your strategy for vending machines?</u>

A. (Director Soya) The number of vending machines is on the decline when you look at the entire soft drink industry and demand for canned coffee is shrinking, shifting to tea and water. Vending machines placed inside buildings are also subject to the impact of shorter hours when people stay in the office due to work-style reform. We will continue to protect sites of good-performing vending machines we run by ourselves but will not implement a strategy of adding new vending machines, considering the huge burden in terms of funds, labor, and operation.

End.