

[Q&A from Teleconference Meeting] 1Q of Year ending December 31, 2018

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

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

1. Japanese Alcoholic Beverages Business

Q. Sales of Sapporo Draft Beer Black Label remain strong. Could you please explain what is behind the growth in sales?

A. We have consistently promoted the “Otona Elevator” series of commercials and actively provided promotions at which the customers can taste the drinks themselves. This has helped to promote the brand, and we have expanded our promotions in terms of both customer age group and area. Our analysis is that the main cause for growth in sales is our success in encouraging customers who drink Black Label in bars and restaurants to then drink cans of Black Label at home.

Q. Your competitors are strengthening their positions in the field of new-genre beer. Could you explain what measures you have implemented in the first quarter and what we can expect moving forward?

A. We have consistently focused our efforts on the “Mugi to Hop” brand. However, in the first quarter our sales volume fell against the same period in the previous fiscal year in response to inventory reductions carried out in preparation for product renewals and because of increasing market competition. Meanwhile, we have seized the opportunity presented by market needs for high-alcohol products, and in the new-genre beer category on June 5 we plan to release a 9%-alcohol new product called “LEVEL 9 Zeitaku Strong”.

Q. In the current fiscal year, you are planning to invest actively in sales promotion expenses with the aim of carrying out multilayered initiatives. Could you explain the situation in the first quarter?

A. We launched a new RTD product called “Relakusu” on April 3. For this reason, from March onwards we made advance investments in advertising, etc. In the same period in the last fiscal year we carried out a brand investment for the new launch of “Yebisu – Hanamiyabi”. Accordingly, sales promotion expenses were at a similar level to last year. From the second quarter onwards, we plan to realize an increase in sales promotion expenses along with growth in RTD sales volumes.

2. North American Beverages Business

Q. How much of an improvement in results are you expecting as a result of the business merger of Silver Springs Citrus, Inc. and Country Pure Foods, Inc.?

A. In the first quarter, income from the North American Beverage Business fell against the same period in the previous fiscal year because of lower sales volume and more expensive manufacturing costs. We completed the business merger of the two companies on April 28, and we are currently working to reduce costs, under the leadership of Country Pure Foods, Inc. On an annual basis, we expect to achieve cost reductions of about 1.4 billion yen, and according to the plan there will be a particularly significant impact in the second half of the fiscal year. The current challenge we face is to catch up on what needs to be done in order to achieve the plan.

3. Food & Soft Drinks Business

Q. What was the reason for the fall in income from the domestic soft drinks business in the first quarter?

A. There has been a trend in the market for customers to switch to purchases of coffee in PET bottles and counter coffee at convenience stores. Accordingly, there has been a fall in the sales volume for canned coffee. When carrying out vending machines negotiations, the key point is to carry out negotiations when the product lineup is being changed from the spring/summer to the autumn/winter lineup. For this reason, we plan to implement full measures as a way of improving our results in the autumn/winter.

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