

Q&A from Financial Statements Briefing for 1H of Year Ending December 31, 2018

<Date and Time> August 6, 10:00-11:30

<Speakers> President, Representative Director Masaki Oga, Director Shinichi Soya, and President of Sapporo Breweries Ltd. Hideya Takashima

Q. In the Japanese Alcoholic Beverages Business, this year the decline in total demand for beer-type-beverages appears to have accelerated. Does this mean that a preference for low-priced beverages is emerging among consumers? Is beer demand expected to recover when the liquor tax on beer is reduced under the liquor tax reforms? Could you please explain the medium-term outlook for the market?

A. (SB President Takashima) Since the start of this year, there has been a very large outflow away from new-genre beer and towards RTD (ready-to-drink) beverages. We think there is a significant possibility of even larger falls in total demand for beer-type-beverages. The impression we have is that a preference for low-priced beverages is emerging in the alcohol market as a whole. Meanwhile, tax on beer will be reduced in three stages under the liquor tax reforms - in 2020, 2023 and 2026. We expect each stage to coincide with a pick-up in demand.

(Director Soya) Looking at past trends, customers have moved away from beer and towards new-genre beer for price reasons. Once the price gap between beer and new-genre beer is reduced under the liquor tax reforms, it is likely that customers who enjoy the taste of beer will return to beer from new-genre beer. For this reason, we believe there is scope for growth in beer demand, and Sapporo Breweries will further strengthen our beer business. At the same time, the outflow away from new-genre beer towards RTD beverages is based on changes in customer preference, and not price. For this reason, we do not believe this outflow will stop. It seems likely that RTD beverages will be established as a major genre in the future.

Q. There have been strong sales of Black Label, but on the other hand Yebisu sales volumes have been falling in reaction to the new products released last year. How do you see the future trend for premium beers?

A. (SB President Takashima) There has been a shift away from high-priced products towards standard products and new-genre beer, and demand for premium beers is falling. Yebisu has actually outperformed in comparison to the total demand.

Inbound demand is expected in the lead-up to the 2020 Olympics, and we want to publicize to the world the fact that Yebisu is Japan's best beer.

Q. There have been strong sales of "Jikkuri Kotokoto" canned soup. Could you explain the capacity and outlook for this product?

A. (Director Soya) We use a can for this product that we developed independently with a partner. It is the same can used for the Aromax product. The concept is to use a recappable can and fill the product with high quality content. A drinking style of using

a recappable can to drink a little at a time is in line with recent trends. In the past, soup products were kept on the hot shelf at convenience stores, etc., but cold products can be handled at room temperature.

Currently, there are no problems with capacity. The summer season poses a challenge in terms of equipment operation for the year as a whole, and this product can be seen as a strategic product to stimulate soup demand in summer.

Q. In the second half of the year, large increases are forecasted in profits in both (1) the North American Soft Drinks business in the international business, and (2) the Food & Soft Drinks Business in Japan. What are the grounds for these forecasts?

A. (Director Soya) (1) In the case of the North American Soft Drinks business, there were large losses in the second half of the last fiscal year at Silver Springs Citrus, Inc., and last year's losses are reflected in this year's increase. In terms of recent conditions, performance has returned to the level it was before results worsened. This is why we have forecast an increase in profits year-on-year.

(2) In the Japanese Food & Soft Drinks Business, profits have improved as a result of an increased sales volumes and an improved product mix, but the plan also includes an increase in costs. As of the second quarter accounts, there has been a fall in sales volume year-on-year, but costs have not risen as much as expected. The second half of the year will include effects from the summer heatwave and also winter soup demand. For these reasons, we did not change the profit plan. We will control costs in line with the sales volume.

Q. Could you explain your views on reviewing your business portfolio?

A. (President Oga) We believe we need to set out clear selection and concentration from the perspective of responding to changes in the market. We intend to reform the business structure itself, and to develop the business portfolio with a sense of speed.

End.