

[Q&A from Teleconference Meeting] 3Q of Year ending December 31, 2018

<Date and Time> November 2nd, 17:00-18:00

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

Q. With regard to the financial results for the third quarter, could you please detail the progress of sales in relation to plan targets and indicate any issues in the way of achieving yearly plan targets?

A. Performance in the Japanese alcoholic beverages business and Japanese food and soft drinks business has fallen behind plan targets.

In the Japanese alcoholic beverages business, demand for high-priced beers continues to stagnate and sales for the Yebisu brand have declined due to the downturn of "Yebisu Hanamiyabi" which was newly launched last year.

The fourth quarter is the period with the highest annual sales figures for Yebisu and the middle of November will see the promotion of initiatives to meet yearly plan targets, including the limited release of extension product "Yebisu Kaoru Rouge." For "Sapporo Draft Beer Black Label" we foresee no problems, as sales continue to grow, with sales of cans being particularly strong. In addition, we have steadily increased sales volume in the growing RTD market by launching "Rirakusu" in April and "Sapporo Chu-Hai 99.99 (Four Nine)" in August, but the point remains how long will it take to recoup our investment.

In the Japanese food & soft drinks business, the decline in coffee beverages has bottomed out in the third quarter, and the key point is how much can we add in terms of sales with non-coffee hot drinks in the fourth quarter.

Q. What is the outlook for the beer market next year ahead of the increase in the consumption tax?

A. In view of the increase in the consumption tax, we believe there is a chance that the market will become polarized. While we assume that a shift will occur from happoshu to beer, causing beer sales to grow, on the other hand, we also assume that the new-genre beer market will remain strong thanks to customers' tendency to save. Also, the craft beer fad seems to approach saturation and next year may see a change in this trend. We want to lead customers who are accustomed to the uniqueness of craft beers towards similarly unique Yebisu extension products.

Q. Based on business profits in the third quarter from July to September, the food and soft drinks business and the international business are growing; could you please explain what is behind the growth?

A. As for the food and soft-drink business, a big boost came, among other factors, from sales of lemon drinks which increased by 7% from last year. The international business is still affected by the downturn due to the one-time expense of approximately 400 million

yen for the acquisition of Anchor in the same quarter last year.

Q. In the international business, we had anticipated a significant improvement of Silver Springs Citrus (SSC) in the second half of the fiscal year, but it had failed to materialize as of the third quarter. Have we seen any improvement in the fourth quarter?

A. In the second half of the last fiscal year, SSC recorded a loss of more than 1 billion yen due to a decline in demand for orange juice, a rise in costs of raw materials and a decline in manufacturing efficiency at factories. We have seen an improvement of about 200 million yen in the third quarter and are expecting a further improvement of about 1 billion yen in the fourth quarter. In the future, a key point will be whether we can take advantage of the total product mix following our business integration with Country Pure Foods in April to increase orders for product categories other than orange juice.

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