

July 9, 2024

3D Investment Partners Pte.
250 North Bridge Road
#13-01 Raffles City Tower, Singapore

Dear Fellow Sapporo Shareholders,

3D Investment Partners Pte. Ltd. ("we" or "3D"), is an independent asset management company specializing in value investing in Japan, with an investment philosophy focused on creating medium- to long-term value through compound capital growth. Funds that 3D manages are the largest shareholder of Sapporo Holdings Limited ("Sapporo" or the "Company").

Sapporo is a leading Japanese company with outstanding global brands in the alcoholic beverages business. However, primarily due to its real estate business, which has consistently generated returns below its cost of capital, Sapporo has not been able to fully realize its intrinsic value. To address this fundamental issue, Sapporo's management established the Group Strategy Review Committee in September 2023 to analyze ways to maximize shareholder value, including by divesting the Company's real estate assets. In February 2024, Sapporo issued the "Notice of Medium and Long Term Management Policies for Increasing Group-wide Corporate Value" outlining the intention of the Company to effectively divest the real estate business through the introduction of external capital. We express our respect for Sapporo's management and welcome their review of Sapporo's business configuration.

Sapporo's management is currently considering specific structures for the divestiture of its real estate assets, and we understand that Sapporo plans to announce a detailed structure within this fiscal year. The structure chosen for the real estate divestiture is critically important as it will significantly impact corporate value. Therefore, with input from several real estate experts, we have reviewed potential structures and developed a divestiture structure to maximize corporate value. We are pleased to share our analysis with our fellow shareholders. We kindly ask you to review the presentation materials ("Presentation Materials").

Presentation Materials: <https://www.3dipartners.com/engagement/sapporo-presentation-en-202407.pdf>

The Importance of Choosing an Appropriate Real Estate Divestiture Structure

We believe that there are three primary structures for Sapporo to consider with respect to its real estate divestiture: (1) a tax-qualified spin-off of a real estate holding company, (2) complete sales of individual properties, and (3) partial sales or capital increases of real estate holding companies.

When comparing the advantages and disadvantages of these structures, as shown in the comparison table at the end of this document, the method (3) – partial sales or capital increases of real estate holding company – has significant drawbacks:

- a) this structure does not achieve complete divestiture of the real estate, therefore Sapporo's corporate value will continue to be impaired as it continues to hold properties with an ROIC below the Company's cost of capital;
- b) the pool of real estate investors willing to purchase partial interests is limited, so the investments are more likely to be made at a discounted valuation.

Therefore, we believe that (1) – a tax-qualified spin-off of a real estate holding company and (2) complete sales of individual properties, both of which have no such drawbacks, are more likely to maximize Sapporo's corporate value.

In summary, we believe it is extremely important that the methods Sapporo considers for its real estate divestiture structure include (1) a tax-qualified spin-off of a real estate holding company and (2) complete sales of individual properties, as candidates. Simply put, these are the most likely structures to maximize corporate value for Sapporo.

3D's Real Estate Divestiture Structure to Maximize Corporate Value

Considering the advantages and disadvantages of each structure, we propose a real estate divestiture structure that consists of the following three elements to maximize Sapporo's corporate value:

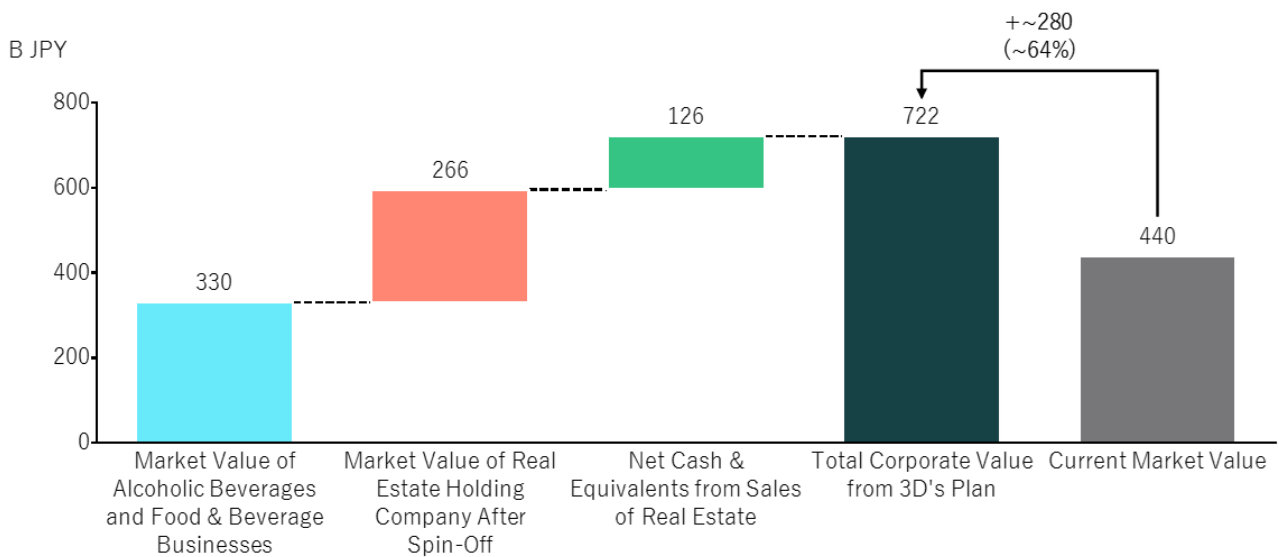
1. Classify the real estate owned by Sapporo into two groups: properties with significant potential for value appreciation and properties with limited potential for value appreciation.
2. For properties with significant potential for value appreciation, immediately execute a tax-qualified spin-off that allows for divestiture without incurring taxation of the profits and achieves a high valuation because of the portfolio's growth potential.
3. For properties with limited potential for value appreciation, completely sell the individual properties to real estate investors who favor cash flow stability over growth potential.

More specifically, properties such as Ebisu Garden Place, Lion Ginza 7-chome, and Shinjuku Lion, due to their good locations, should be classified under the group of properties with growth and value enhancement potential. These should be divested immediately through a tax-qualified spin-off to maximize the valuation of their growth and value enhancement potential. Other properties should be classified under the group without growth and value enhancement potential. These properties should be sold individually through an approach that maximizes the sale price (private sales, competitive bidding, etc.).

Potential for Corporate Value Enhancement through the Selection of an Appropriate Real Estate Divestiture Structure

We believe that the real estate divestiture structure we propose has the potential to increase Sapporo's stock market capitalization by approximately 280 billion yen, or about +64%, as detailed below.

Illustrative Value Creation Opportunity at Sapporo



In Conclusion



















We welcome Sapporo management's decision to effectively divest the real estate business. However, as mentioned above, the choice of the real estate divestiture structure is critically important as it will significantly impact Sapporo's corporate value. We believe that a structure combining a tax-qualified spin-off of a real estate holding company and the complete sales of other individual properties is the most rational from the perspective of maximizing corporate value.

We encourage shareholders to support Sapporo management's decision and review this open letter and the Presentation Materials. We kindly ask you to share your candid opinions with Sapporo and us.

Thank you for your attention and support.

Real Estate Divestiture Scheme Comparison Table

Real Estate Divestiture Scheme Comparison Chart

	Continued Ownership of Real Estate Loss of Corporate Value	Capital Gains Taxation In Connection with Divestiture	Real Estate Value Discount at Separation	Value Contribution	Notes Need to Secure Additional Capital for Alcoholic Beverages Business Growth?
Tax-Qualified Spin-Off of Real Estate Holding Corporation	No  (from complete separation)	No  (from tax-qualified spin-off)	No   (if there is sufficient growth potential)	 4x	Necessary (However, borrowing capacity can be increased by placing interest-bearing debt in spun-off entity)
Complete Sale of Individual Properties	No  (from complete separation)	Yes 	No   (if cash flow is stable)	 2x	Unnecessary (Proceeds from real estate sales can be used to fund alcoholic beverages business growth)
Real Estate Holding Corporation Capital Increase with Partial Sale or Transfer of Control	Yes  (from some continued ownership)	Yes 	Limited  (limited investor base)	 1x	Unnecessary (Proceeds from real estate sales can be used to fund alcoholic beverages business growth)
Real Estate Holding Corporation Capital Increase without Transfer of Control		No 	Yes   (fewer investors can invest in minority interest)	 2x	

Best Regards.

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