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3D Investment Partners Pte.

RE SAPPORO HOLDINGS CO., LTD.

To Our Fellow Shareholders

3D Investment Partners Pte. Ltd. (together with its affiliates, "3D," “we” or “us”) is a Singapore-based independent asset management company that specializes in Japanese equity investments. 3D currently owns approximately 4% of the outstanding shares of Sapporo Holdings Co., Ltd. (“Sapporo” or the “Company”), making us one of the Company’s largest shareholders. We have been an investor in Sapporo since 2021.

We are writing to Sapporo shareholders to outline our views about the significant operational underperformance and governance failings at Sapporo and to invite you to share your own views with us, as we continue our dialogue with the Sapporo board and management

Our Approach to Sapporo Holdings

Sapporo is an iconic Japanese company with recognized global brands. These extremely valuable brands have a strong presence in the Company’s domestic market and also have many fans in overseas markets.

We believe Sapporo can be a great business and create significant corporate value. We have invested in Sapporo in part due to the value of its alcoholic beverages business and the expectation that the potential of those brands would be realized and achieve high profitability and growth. Unfortunately, however, Sapporo has lost its way and the performance of its core alcoholic beverages business has suffered.

Sapporo’s Core Business Has Underperformed

Sapporo’s alcoholic beverages business has been seriously undermanaged and the value of Sapporo’s brands has diminished. Domestically, Sapporo has continued to lose market share to its peers Kirin Holdings Company, Limited (“Kirin”), Asahi Group Holdings, Ltd. (“Asahi”), and Suntory Holdings

Limited ("Suntory") – food and beverage companies that, unlike Sapporo, do not own a real estate business. Sapporo's domestic market share has fallen from 18% 30 years ago to 11% share as of 2018[1]. Sapporo's overseas presence is also limited. 22% of Sapporo's alcoholic beverages business sales are derived from overseas markets, compared to 48% and 28% for Asahi and Kirin, respectively[2]. In the domestic non-beer happoshu and ready-to-drink markets, which have been expanding in the face of a shrinking beer market, Sapporo's market share remains extremely low compared with Kirin, Asahi, and Suntory based on our analysis using POS data from retail stores.

Even more serious is the fact Sapporo management has allowed brand value to dissipate for so many years. The profit margin of the Company's alcoholic beverages business has averaged just 1.0%[3] since 2018 – the lowest among global peer brands[4]. The deep underperformance of Sapporo's alcoholic beverages business is masked to some degree by the Company's real estate business. However, if the operating income from Sapporo's real estate business is excluded, the average operating margin of Sapporo's core businesses (the alcoholic beverages business and the food and beverage business) over the last five years is -1.6%[5]. Capital efficiency has also been poor, with Sapporo's ROA over the last five years of 0.5%[6] again ranking at the bottom of global peer brands[4].

It has been clear that Sapporo's core business has been underperforming for over a decade[7]. However, rather than restructuring the alcoholic beverages business to achieve the margins and returns enjoyed by the Company's global peer brands, Sapporo has used the profits from its real estate business to mask the low profitability in its core business, standing idly by as the alcoholic beverages business continues to deteriorate. Sapporo appears focused on growing its real estate business, in which the Company lacks any competitive advantage, track record or institutional heritage.

We have shared with Sapporo our detailed analysis and proposed initiatives for improving the Company, especially its alcoholic beverages business. We believe these initiatives are readily executable

[1] Calculated based on Beer Market Trend Report (Brewers Association of Japan) and shipments announced by each company; 2018 is the most recent year since Asahi stopped announcing volumes in 2018.

[2] Based on each company's Annual Report and Quarterly Report; Asahi shows sales outside Japan as a percentage of its Japan/Europe/Oceania/Southeast Asia segment; Kirin shows sales of Oceania Adult Beverages as a percentage of its Japan beer and spirits/Oceania Adult Beverages; Sapporo shows sales of Overseas Alcoholic Beverages as a percentage of its Alcoholic Beverages (FY12/2022).

[3] Based on Annual Report and Supplementary Materials for Quarterly Report; FY2018-FY2022 average; FY2018 covers Japanese Alcoholic Beverages, International, and Restaurant segments; FY2019 and later covers Alcoholic Beverages segments.

[4] "Global peer brands" include 22 of the world's top 40 beer producers (2020) listed on stock exchanges (including Sapporo) .

[5] Based on Annual Report and Supplementary Materials for Quarterly Report; FY2018-FY2022 Average

[6] Based on Bloomberg; FY2018-FY2022 average

[7] The operating profit margin, excluding the real estate business, has been hovering around the 1% level for more than a decade. This is an operating profit level in the bottom about 10% of the 192 companies in the BICS Living Essentials Sector.

and represent a superior alternative to the Company's current path of neglecting its core business in favor of concentrating on the real estate business. Unfortunately, we do not believe the Board has seriously considered our input and, in all events, appears unable or unwilling to heed our advice.

The status quo cannot continue. Sapporo must take decisive action improve the profitability of its alcoholic beverage business and maximize the value of its brands.

Our Concerns Regarding the New Medium-Term Management Plan

We have repeatedly communicated our concerns to the Company. In addition, we urged Sapporo to seek input from other shareholders on the right approach to improving the Company's performance ahead of the formulation of its medium-term management plan. To the best of our knowledge, no such systematic outreach to other shareholders took place, and Sapporo's most recent medium-term management plan announced in November fails to address our concerns in two significant ways.

First, the plan is unambitious. The Company's target operating profit margin, excluding the real estate business, is only approximately 4%[8]. This is well below the 13.1%[9] average operating profit margin of its peer group over the last five years[6]. In addition, the target operating profit margin for the domestic alcoholic beverages business is just 5.7%, which is about half of the 11.3% and 11.5%[10] operating profit margins for Asahi and Kirin's domestic alcoholic beverages businesses. Furthermore, the plan lacks specificity in terms of measures to ensure achievement. Sapporo did not provide indicators that would enable shareholders to assess and understand the progress of the plan on a timely basis. In fact, a number of analysts have questioned whether the plan can in fact be achieved.

Second, in the medium-term management plan, Sapporo has redefined the real estate business as its core business and declared that it intends to focus its investment in that business. We believe that Sapporo's real estate business masks the performance of its underlying operating businesses and allows management to neglect the underperformance and capital inefficiency of the alcoholic beverage business.

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[8] Our estimates based on Medium-Term Management Plan (2023~2026), and Supplementary Materials for Quarterly Report; Estimated operating income targets for FY2026 based on actual operating income in FY2022 for the Alcoholic Beverages and Food and Soft Drinks businesses and the business profit increase and business profit margin in the Medium-Term Management Plan; In estimating the operating income targets, the other segments in FY2022, the and amounts corresponding to adjustments are allocated to each business segment.

[9] Based on Bloomberg; "its peer group" include 21 of the world's top 40 companies in terms of beer production volume listed on stock exchanges (2020, excluding Sapporo); FY2018-FY2022 average; Companies for which FY2022 figures could not be identified were based on averages through FY2021.

[10] Asahi is average of FY2018-FY2021 Alcohol Beverages segment; Kirin is average of FY2019-FY2022 Japan beer and spirits segment.

In our view, Sapporo's attempt to redefine real estate as its core business amounts to a tacit admission of its failure to effectively manage its alcoholic beverages business.

We also believe that Sapporo's strategy to increase net investments aimed at capital gains at this time is a sign of a lack of capital discipline. Sapporo has a poor track record of making successful investments. Sapporo has incurred impairment losses of ¥7.8 billion in Sleeman Breweries, ¥4.7 billion in Sapporo Vietnam, and ¥4.3 billion in Anchor[11]. In the food and beverage business, Sapporo's ¥63.5 billion in capital investments over the past 10 years has translated into cumulative operating losses of ¥16.2 billion[12].

The fact that Sapporo has now decided to reposition real estate as the Company's core business demonstrates that the Company has not learned from its failures. Sapporo does not have any competitive advantage over specialized real estate investment companies and does not appear to have any unique capabilities, institutional knowledge or assets. At this time of global inflation and unpredictable interest rate trends, we believe that the policy of strengthening investment in a field in which Sapporo has neither experience nor competitive superiority is a clear indication of the lack of capital discipline of the Sapporo Board and management.

Sapporo's Board Composition Does Not Address the Company's Challenges and Opportunities

Given its long-term underperformance and the need for significant improvement if the Company is to meet the targets in the medium-term management plan, we had hoped that Sapporo would recognize the need for fresh perspectives on its Board and appoint an outside director candidate with expertise in branded consumer products and beverages businesses. Our hope was misplaced. Sapporo's Board has nominated a candidate, Makio Tanehashi ("Mr. Tanehashi"), the current chairman and representative director of Tokyo Tatemono Co., Ltd., to support the real estate business. We do not believe that Mr. Tanehashi is the right person to help Sapporo achieve its potential in the alcoholic beverages business.

We also have serious concerns regarding Mr. Tanehashi's independence and potential conflicts of interest. Mr. Tanehashi is a former Representative Director and Vice President of Mizuho bank, which is the Company's largest lender. We have serious doubts about Mr. Tanehashi's ability to exercise effective oversight given this potential conflict. We have requested an interview with Mr. Tanehashi to learn more about his qualifications and independence and given him an opportunity to address such concerns, but Sapporo has refused our request without justification.

[11] Based on Annual Report and News Releases

[12] Based on Annual Report and Supplementary Materials for Quarterly Report

Next Steps (Request to Shareholders)

We think that Sapporo's unambitious goals for the alcoholic beverages business and focus on real estate are critical mistakes. We believe that the new medium-term management plan must be reevaluated. We have also long been concerned about the qualifications of the Board, and our concerns have been exacerbated by the Company's new outside independent director candidate. We believe other shareholders likely share these and other concerns.

To that end, we invite our fellow shareholders to share with us their perspectives on the important issues of strategy, capital allocation, business configuration and corporate governance and so forth. As one of Sapporo's largest shareholders, we believe we have a responsibility to take action to maximize the abundant potential we see in Sapporo. We welcome your opinions as we continue to engage in constructive dialogue with Sapporo's Board and management team to enhance corporate value for all shareholders. Should you wish to share your opinions with us, we ask you to contact us at 3DIPartners@3dipartners.com.

We look forward to engaging further and hearing your views about the best path forward to create long term corporate value at Sapporo.

Yours truly,

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