

Third-Party Opinions on Sustainability Linked Loans to HOKUTO Corporation Conducted by MUFG Bank, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) provided third-party opinions on the Sustainability Link Loan ("SLL" or the "Loan") conducted by MUFG Bank, Ltd. (MUFG Bank or "lender") to HOKUTO Corporation (Hokuto or the "Company").

<Executive Summary>

This Third-Party Opinion was to confirm the conformity of the Loan extended by MUFG Bank to Hokuto to the Sustainability Linked Loan Principles (SLLPs¹) and the Green Loan and Sustainability Linked Loan Guidelines issued by Ministry of the Environment ("Ministry of the Environment Guidelines") (SLLPs and Ministry of the Environment Guidelines are collectively defined as "SLLP, etc."). In order to ensure the transparency and objectivity of evaluations recommended by SLLPs, JCR, as an independent third-party organization, provided a third-party opinion for the following points:

- (1) Hokuto's Sustainability Strategy and establishment of the Key Performance Indicators (KPIs) and the Sustainability Performance Targets (SPTs)
- (2) The terms of the Loan and the monitoring structure during the Loan period.

(1) Hokuto's Sustainability Strategy and establishment of the KPI and the SPTs

Hokuto has agreed with MUFG Bank to establish the following KPIs and SPTs for the Loan:

KPI (1): Expand sales of mushrooms as healthy foodstuffs (leverage the development of new strains with enhanced functional ingredients and increased awareness of the health effects of mushrooms)
SPT - 1: Global sales volume of the Hokuto Group in FY2025: 90,000 tons (6.5% increase over FY2021)
SPT - 2: Increase the number of subscribers to the kinoko labo, a mushroom fan site (from 55,902 (as of December 2021) to 75,000 (target: as of March 31, 2026))
SPT - 3: Develop a new bunashimeji (brown beech mushroom) strain with enhanced ornithine content
KPI (2): Expansion of bases for introduction of solar power generation
SPT - 4: Increase the number of sites for the introduction of solar power generation in FY2025: 10 sites (from 3 bases (as of December 2021) to 10 bases (target: as of March 31, 2026))
KPI (3): Switch to environmental-related materials and expand sales
SPT - 5: Cumulative sales of environment-related materials at Hokuto Industry Corporation over the three-year period: 2 billion yen
KPI (4): Effective use of used culture media

¹ Loan Market Association(LMA), Asia Pacific Loan Market Association(APLMA) And Loan Syndication and Trading Association(LSTA) established. Revised: May 2021.

SPT - 6: Diversification and sophistication of media use (realization of three new unprecedented uses)
 KPI (5): Realization of health management
 SPT - 7: Obtain certification as a Certified Health and Productivity Management Outstanding Organization²

Hokuto is a manufacturer and seller of edible mushrooms, boasting top-class mushroom production and sales in Japan. In addition to the entire Japan area, the company has bases in Taiwan, the United States, and Malaysia. In addition to its domestic and overseas mushroom business, the company also operates a processed foods business that develops and sells processed foods using mushrooms, and a chemical products business that manufactures and sells packaging materials and agricultural materials.

Hokuto aims to be a company that satisfies everyone involved with Hokuto under the corporate motto of "The Five Satisfactions; Consumer Satisfaction, Client Satisfaction, Community Satisfaction, Shareholder Satisfaction, and Employee Satisfaction." Hokuto believes that the first step toward the future is to increase smiles by valuing not only consumers, but also ties of each one of its stakeholders, including business partners, shareholders, employees, and local communities.

In particular, Hokuto recognizes that global environmental conservation is a major theme that will continue into the future, and has published its environmental policy on its website. Furthermore, based on its corporate motto, which is its company policy, and the management vision, which is the basic guidelines for the Medium-Term Management Plan, Hokuto has positioned "health" and "social responsibility" as the core elements, and established the following SDGs "Four Initiative themes" and their respective priority activities (ESG actions) to realize its goal of "bringing smiles to people's faces in the future."

SDGs Initiative themes	ESG actions
Establish eco-friendly "HOKUTO work"	Undertake initiatives to reduce CO ₂ emissions and plastics, identifying climate change and environmental pollution as business risks. Undertake initiatives to reuse resources to realize a circular society.
Promote healthy lifestyles through mushrooms	Engage in research on the benefits of mushrooms and provide health, security, and safety.
Contribute to society and the community	Make investments and undertake initiatives to revitalize local communities. Provide grants for NPOs aimed at promoting science and undertake initiatives to train human resources.
Create a workplace that makes employees happy	Promote employee health and safety. Promote equal opportunity and labor diversity.

(Source: Hokuto website)

In this loan, Hokuto has set 5 KPIs related to "Promote healthy lifestyles through mushrooms," "Establish eco-friendly 'HOKUTO work'," and "Create a workplace that makes employees happy," which are the themes of its focus on the SDGs initiatives, and has set 7 SPTs based on the company's achievements and other factors. All of the KPIs are of great strategic significance to Hokuto's current and future business.

Hokuto's SPTs have many new initiatives, making it difficult to compare the individual ambitions with those of competitors. However, JCR evaluates Hokuto's target setting as ambitious, based on the evaluation of it as an individual company's growth rate of performance, the impact on the market (degree of impact), and the wide coverage of the company's business and impact areas by setting multiple KPIs.

² The Certified Health and Productivity Management Organization Recognition System is a system under which the Ministry of Economy, Trade and Industry recognizes corporations, such as large enterprises and SMEs, that practice particularly outstanding health management based on initiatives suited to local health issues and health promotion initiatives promoted by the Japan Health Council. https://www.meti.go.jp/policy/mono_info_service/healthcare/kenkoukeiei_yuryouhouzin.html

Based on the above, JCR has evaluated that both the KPIs and SPTs selected in this Loan are significant and ambitious.

(2) The terms of loans and the monitoring system during the loan period

JCR confirmed that the incentives in the loan terms and conditions have been set in a manner satisfactory to both Hokuto and MUFG Bank, that the timing for checking the progress of the SPTs has been set multiple times until maturity, that the number of SPTs achieved is linked to the loan terms and conditions, that interest rates will be reviewed at a predetermined time, and that ultimate degree of achievement of sustainability goals will be checked at the time of maturity. Hokuto will also aggregate KPI performance for the previous fiscal year by the end of May each year, obtain third-party verification at the end of June, and disclosure it to MUFG Bank. Disclosures to confirm the progress of each SPT will be subject to third-party verification either by an external certification body or alternatively. If significant changes to the SPTs occur during the period, JCR will review them to determine whether they will continue to be in compliance with SLLPs and other standards, as well as the level of ambition and meaningfulness, which originally assumed, will be maintained. In the year when the loan matures, three companies, Hokuto, MUFG Bank, and JCR, will review the Loan and assess the status of achievement of the SPT as well as the status of realizing the impact on Hokuto and society.

Based on the above considerations, JCR has confirmed that the Loan to Hokuto, which is the subject of the third-party opinion, conforms to SLLP, etc.

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