

Second Party Opinion on Sustainability Linked Loan Made by the Hachijuni Bank, Ltd. to St.Cousair Co.,Ltd.

Japan Credit Rating Agency, Ltd. (JCR) submitted the second party opinion on the Sustainability Linked Loan made by the Hachijuni Bank, Ltd. (the lender) to St.Cousair Co., Ltd (the borrower.)

<Executive Summary>

This second party opinion is to confirm that the Sustainability Linked Loan (hereinafter referred to as "this loan") that will be provided by the Hachijuni Bank, Ltd. (hereinafter referred to as "Hachijuni Bank") to St.Cousair Co., Ltd. (hereinafter referred to as "the Company" or "St.Cousair") is aligned with the Sustainability Linked Loan Principles¹ and the Sustainability Linked Loan Guidelines² (hereinafter collectively referred to as "SLLP".) Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR".) as an independent third-party organization, has confirmed the sustainability strategies, key performance indicator (hereinafter referred to as "KPI".) sustainability performance target (hereinafter referred to as "SPT".) characteristics, reporting and verification as for St.Cousair so as to ensure the transparency and objectivity of evaluations recommended in the SLLP.

St.Cousair is a food manufacturing and sales company who sells jam, pasta sauce or wine, headquartered in Iizunacho, Nagano Prefecture with another main brand, Kuze Fuku & Co. whose products include Japanese dishes. St.Cousair originally started as a lodge in Madarao Highland in the northern part of Nagano Prefecture by a married couple owner in 1975 and was founded in 1982 for full-scale manufacturing and sales of the jam provided in the lodge. The Company has listed on the Tokyo Stock Exchange Growth Market in December 2022. St.Cousair, as a food S.P.A., has established unique grocery stores by deploying more than 160 company-owned stores across Japan and handling all processes in-house, from food planning/development, procurement/manufacturing, designing stores to sales.

The corporate slogan is "Lasting Love and Joy at Your Table." St.Cousair has positioned the sustainability initiatives as important management challenges and has identified seven materialities to provide more people with "Love and Joy at Your Table" for a long term through its business activities. In May 2023, the Company established a Sustainability Committee, chaired by President & CEO and is promoting the initiatives to realize both "social sustainability" and "corporate sustainable growth."

St.Cousair has set the following KPI and SPT for this loan.

KPI 1: Reduce waste

SPT 1: Reduce waste by 50 per cent from 2021 (January to December, 2021) by the fiscal year ending March 2030

KPI 2: Increase the ratio of women in management positions

SPT 2: Achieve 30 per cent of the ratio of female managers by fiscal year ending March 2030

JCR has evaluated that the KPI of this loan is strongly associated with the Company's overall business and is of great strategic significance and that the SPT of this loan is ambitious, taking the results in the previous years or scientific benchmarks into account. JCR has confirmed the incentive details in the loan conditions as follows: (i)

¹Asia Pacific Loan Market Association (APLMA,) Loan Market Association (LMA,) Loan Syndications and Trading Association (LSTA.) Sustainability-Linked Loan Principles 2023. (<https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>)

²The Sustainability Linked Loan Guidelines(2022edition) by the Ministry of the Environment (<https://www.env.go.jp/content/000062495.pdf>)

it is set out that an interest rate changes depending upon whether a pre-established SPT is calibrated or not, (ii) the progress of the SPT shall be confirmed several times until the repayment date arrives and (iii) the final sustainability achievement shall be confirmed when the repayment date comes. St.Cousair plans to disclose the KPI performance to the lender after the third-party verification is obtained. In cases where any major change is made on the SPT, JCR will review to confirm whether it is aligned with SLLP or the meaningfulness is continuously maintained at the ambition level originally assumed. St.Cousair, Hachijuni Bank and JCR are to review this loan and to evaluate the achievement of the SPT as well as the impacts developed on St.Cousair and society in the year in which the repayment falls due.

Accordingly, JCR has confirmed that this loan is aligned with SLLP.

*Please refer to the following pages for more details on the opinion.

Second Party Opinion

Evaluation Target: Sustainability Linked Loan

Borrower: St.Cousair Co., Ltd.

Lender: Hachijuni Bank, Ltd.

September 29, 2023

Japan Credit Rating Agency Co., Ltd.

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Summary

This second party opinion is to confirm that the Sustainability Linked Loan (hereinafter referred to as "this loan") that will be provided by the Hachijuni Bank, Ltd. (hereinafter referred to as "Hachijuni Bank") to St.Cousair Co., Ltd. (hereinafter referred to as "the Company" or "St.Cousair") is aligned with the Sustainability Linked Loan Principles¹ and the Sustainability Linked Loan Guidelines² (hereinafter collectively referred to as "SLLP".) Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR"), as an independent third-party organization, has confirmed the sustainability strategies, key performance indicator (hereinafter referred to as "KPI"), sustainability performance target (hereinafter referred to as "SPT"), characteristics, reporting and verification as for St.Cousair so as to ensure the transparency and objectivity of evaluations recommended in the SLLP.

St.Cousair is a food manufacturing and sales company who sells jam, pasta sauce or wine, headquartered in Iizuna-cho, Nagano Prefecture with another main brand, Kuze Fuku & Co. whose products include Japanese dishes. St.Cousair originally started as a lodge in Madarao Highland in the northern part of Nagano Prefecture by a married couple owner in 1975 and was founded in 1982 for full-scale manufacturing and sales of the jam provided in the lodge. The Company has listed on the Tokyo Stock Exchange Growth Market in December 2022. St.Cousair, as a food S.P.A., has established unique grocery stores by deploying more than 160 company-owned stores across Japan and handling all processes in-house, from food planning/development, procurement/manufacturing, designing stores to sales.

The corporate slogan is "Lasting Love and Joy at Your Table." St.Cousair has positioned the sustainability initiatives as important management challenges and has identified seven materialities to provide more people with "Love and Joy at Your Table" for a long term through its business activities. In May 2023, the Company established a Sustainability Committee, chaired by President & CEO and is promoting the initiatives to realize both "social sustainability" and "corporate sustainable growth."

St.Cousair has set the following KPI and SPT for this loan.

KPI 1: Reduce waste

SPT 1: Reduce waste by 50 per cent from 2021 (January to December, 2021) by the fiscal year ending March 2030

KPI 2: Increase the ratio of women in management positions

SPT 2: Achieve 30 per cent of the ratio of female managers by fiscal year ending March 2030

JCR has evaluated that the KPI of this loan is strongly associated with the Company's overall business and is of great strategic significance and that the SPT of this loan is ambitious, taking the results in the previous years or scientific benchmarks into account. JCR has confirmed the incentive details in the loan conditions as follows: (i) it is set out that an interest rate changes depending upon whether a pre-established SPT is calibrated or not, (ii) the progress of the SPT shall be confirmed several times until the repayment date arrives and (iii) the final sustainability achievement shall be confirmed when the repayment date comes. St.Cousair plans to disclose the KPI performance to the lender

¹Asia Pacific Loan Market Association (APLMA,) Loan Market Association (LMA,) Loan Syndications and Trading Association (LSTA.) Sustainability-Linked Loan Principles 2023. (<https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>)

²The Sustainability Linked Loan Guidelines (2022 edition) by the Ministry of the Environment (<https://www.env.go.jp/content/000062495.pdf>)

after the third-party verification is obtained. In cases where any major change is made on the SPT, JCR will review to confirm whether it is aligned with SLLP or the meaningfulness is continuously maintained at the ambition level originally assumed. St.Cousair, Hachijuni Bank and JCR are to review this loan and to evaluate the achievement of the SPT as well as the impacts developed on St.Cousair and society in the year in which the repayment falls due. Accordingly, JCR has confirmed that this loan is aligned with SLLP.

I. Positioning and Purpose of Second Party Opinion

JCR has evaluated this loan as a third party according to SLLP. The SLL refers to a loan, aiming to help the borrower contribute to realizing sustainable society by establishing the incentives to achieve the ambitious SPT predefined by the borrower. SLLP consists of five core elements: the selection of KPI, calibration of SPT, characteristics of a loan, reporting and verification. The purpose of this second party opinion is JCR, as an independent third-party organization, to confirm that this loan is aligned with the SLLP to ensure the transparency and objectivity of the evaluation recommended in the SLLP.

II. Summary of Second Party Opinion

This second party opinion is an opinion expression for this loan that has conclude an agreement between St.Cousair and Hachijuni Bank on September 29, 2023 and is composed of the following items.

1. Sustainability strategies of St.Cousair
2. Selection of KPI
3. Calibration of SPT
4. Characteristics of the loan
5. Reporting/Verification
6. Conclusions on alignment with the SLLP

III. Alignment with SLLP

1. Sustainability Strategies

St.Cousair headquartered in Iizuna-cho, Nagano Prefecture, is a business company that manufactures and sells jam or wine and operates wineries or restaurants. The Group is formed by St.Cousair and two consolidated subsidiaries and has deployed four brands as follows: St.Cousair mainly sells Western dishes, such as jam, pasta sauce or wine; Kuze Fuku & Co. mostly sells Japanese dishes, including side dishes that accompany rice, fish broth, *miso* (fermented soybean paste) or soy sauce; Kuze Fuku & Sons globally deploys food brands that combine the best aspects of American food culture and Japanese food, respectively, mostly in the United States and MeKEL that sells frozen foods and Asian foods including Japanese foods, which has just opened its first shop in September 2023. Of these, St.Cousair is in charge of domestically deployed three brands: St.Cousair, Kuze Fuku & Co. and MeKEL and sells products through e-commerce or wholesale as well as has 165 stores nationwide (52 company-operated stores and 113 franchise stores) as of September 30, 2023, and St.Cousair is central to the Group.

St.Cousair opened a lodge in Madarao Highland in 1975, and the handmade jam served at the lodge enjoyed high popularity; therefore, it established a corporation in 1982 and has begun to produce and sell jam on a full scale. The Company listed on the Tokyo Stock Exchange Growth Market in December 2022. St.Cousair has established unique grocery stores by handling all processes by itself, including marketing, product planning/development, procurement /manufacturing, store design and sales and has a broader range of customers with four different brand concepts.

ブランド	コンセプト・取扱商品
サンクゼール 	CountryComfort～田舎の豊かさ、心地よさ～ 
久世福商店 	ザ・ジャパニーズ・グルメストア 
Kuze Fuku & Sons 	The Premiumu Japan Brand 
MeKEL 	発見の食倉庫 

Figure 1 Brands and Concepts³

³Source: Prepared by JCR, based on St.Cousair's website and its securities report for the fiscal year ended March 2023

The Group posted 17.86 billion yen of consolidated sales (up 21.5 per cent from the previous quarter) for the fiscal year ended March 2023 by taking various measures, such as price increases in products that result in higher spending per customer or new outlet expansion (11 stores) although the performance was negatively affected by the deterioration in profits, such as increases in raw materials/product procurement prices or depreciating yen. St.Cousair's domestic channels (company-owned outlets, FC, EC and wholesale) account for approximately 94.8 per cent of the sales by sales channel.

Table 1 Sales results by sales channel⁴

Unit: 1,000 yen		
Sales channel	Results for the fiscal year ended March 2023	From the previous quarter (per cent)
Company-owned store	6,547,112	119.9
FC	6,239,748	123.0
EC	1,095,268	120.5
Wholesale	3,060,147	129.7
Global	923,373	253.9
Total	17,865,650	126.1

The corporate slogan is "Lasting Love and Joy at Your Table." St.Cousair is working to help many people realize "Love and Joy at their Tables" and is promoting to protect/nurture the local rich natural environment through food and is proactively working on the environmental preservation to minimize the use of resources and energy unlimitedly through its business activities. The Company is aiming to fulfill its responsibilities for sustainable society, to inherit/develop food culture and to become the firm globally needed and rooted in Nagano, like wine that takes many years to mature. This concept is its action guidelines as well, based on St.Cousair's corporate purposes or the ideal way as a company.

企業としてのあり方 - Base of Our Company -

- * 私たちは、企業目的を果たすために、健全な企業活動を行い、長期に社会貢献できるGood Companyを目指します。
- * あらゆる人々に開かれたオープンな会社であり、経営理念を共有するパートナーたちによって運営される健全な会社を目指します。
- * パートナー、カスタマー、カンパニーの三方共に満足のいく関係を構築することに注力します。
- * 私たちは、次世代に食文化を継承し、豊かな地球環境を手渡す努力を惜しみません。

Figure 2 Corporate purposes and its ideal way as a company⁵

⁴Source: Prepared by JCR based on St.Cousair's securities report for the fiscal year ended March 2023

⁵Source: St.Cousair's website

企業目的 - Core Purpose -

- I. 私たちは、正しい経営活動により、顧客・株主・取引先・パートナー・及び地域社会に信頼される誠実な企業を目指します。
- II. 私たちは、互いの違いを認め合う、豊かな成熟した大人の文化を創造し、居心地のよい楽しい社会の実現に貢献します。
- III. 私たちは、世界中の人々に、おいしく健康で高品質な食をバリューを持って提案し、豊かな食卓と暮らしを楽しむ時間と、人と人が集いつながることのできる場を提供します。

St.Cousair has positioned the sustainability promotion as an important management issue; has identified seven materialities; has addressed respective issues and has set out Vision 2035 as its goal by 2035, aiming to provide more people with Love and Joy at Their Tables for a long period through its business activities. In the Vision 2035, the Company specifically assumes people's lives in the world in 2035 in which it concretely visualizes employees working lively by contributing to revitalizing the local communities while providing products, facing consumers sincerely and exercising strengths with many partners, respectively. St.Cousair is intended to accelerate the sustainability initiatives with stakeholders by publicly indicating the directions pursued by the Company through the Vision 2035.

重点テーマ	取り組み	関連するSDGs
01 リサイクル	ガラス瓶の活用 紙資源・プラスチック資源の利用削減	 
02 カーボンニュートラル	工場での使用電力CO2フリー化	   
03 ウェルビーイング	「職場いきいきアドバンスカンパニー」認証 女性の活躍推進	   
04 地域経済の発展	飯網町産りんごのシードル・蒸留酒づくり 「久世福商店」を通じた地域の食品産業振興支援 全国各県とのパートナーシップ協定	     
05 フードロス低減	食品を「売り切る」取り組み	   
06 環境保護	「サンクゼールの森」における森林保全活動 「アフアの森財団」の支援活動	  
07 格差のない社会	タンザニア支援 母子家庭、ホームレス支援、社会復帰の支援	        

Figure 3 Materialities and initiatives⁶

⁶Source: Created by JCR based on the St.Cousair's website.

St.Cousair established a sustainability committee on May 23, 2023, aiming to incorporate the sustainability initiatives into its business strategies and aiming for both "social sustainability" and "corporate sustainable growth." The sustainability committee is chaired by President & CEO and comprises managers in respective divisions. The committee is, in principle, monthly held to formulate basic policies on sustainability; identify material issues; set the goals and manage the progress; discuss matters on the promotion system and information disclosure and regularly make reports and proposals to the Board of Directors.

2. Selection of KPI

2-1. JCR's Key Consideration in this Factor

JCR will confirm, as for the KPI of this loan, whether it is relevant, core and important in its overall business, whether its current/future operational strategic meanings are of significance, whether it is measurable/quantifiable based on a consistent methodology, whether it can be benchmarking or whether definitions are clarified including the applicable scope or perimeter.

2-2. Overview of KPI Selection and Evaluation by JCR

<Evaluation results>

The KPI of this loan meets all of the conditions required in SLLP.

St.Cousair has set the following KPI for this loan.

KPI 1: Reduce waste

KPI 2: Increase the ratio of women in management positions

■KPI1: Reduce waste

KPI1 is defined as a reduction rate from 2021 (from January to December 2021,) a base year of the final disposal of waste that refers to the amount of waste generated from the manufacturing process, excluding recycled amounts.

St.Cousair, as a food manufacturing company, has emphasized food waste issues; approximately one-third of the world's food was not eaten and wasted. The Company has set its effort to "sell out" food to reduce food loss and waste as one of the seven materialities.

People are increasingly becoming aware of food loss and waste worldwide. In 2015, the 2030 Agenda for Sustainable Development (hereinafter referred to as "SDG") was adopted by the United Nations General Assembly, and the Target 12.3 "by 2030 halve per capita global food waste at the retail and consumer level, and reduce food loss and waste along production and supply chains including post-harvest losses" of the Goal 12 "Responsible consumption and production" has been clarified as a common international goal.

In Japan, retail stores, such as supermarkets or convenience stores and restaurants have been widespread, making easier to obtain food while edible food is wasted on a day-to-day basis and resulting in a large amount of food loss and waste due to unsold or leftover food in all stages, including production, manufacture, distribution and consumption. The food loss amounts to a total of 5.23 million tons per year, of which 2.79 million tons are business-related food loss and waste caused by food-related business operators, and 2.44 million tons are from household food

loss according to the estimates by the Ministry of Agriculture, Forestry and Fisheries in FY 2021. Of business-related food loss and waste, a ratio of food loss and waste is higher in the food loss and waste during the stages in which consumers in the restaurant industry or food retail industry are directly involved.

Accordingly, various entities, including consumers or business operators, are required to work together to reduce food loss and waste. The basic policy announced in July 2019 set a goal of halving the amount of food loss and waste from food-related business operators and households, respectively by 2030 from FY 2000, based on the 4th Basic Plan for Establishing a Recycling-Oriented Society and the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources (Food Recycling Law.) St.Cousair's efforts to reduce food waste through its business activities are aligned with the direction for which the government aims.

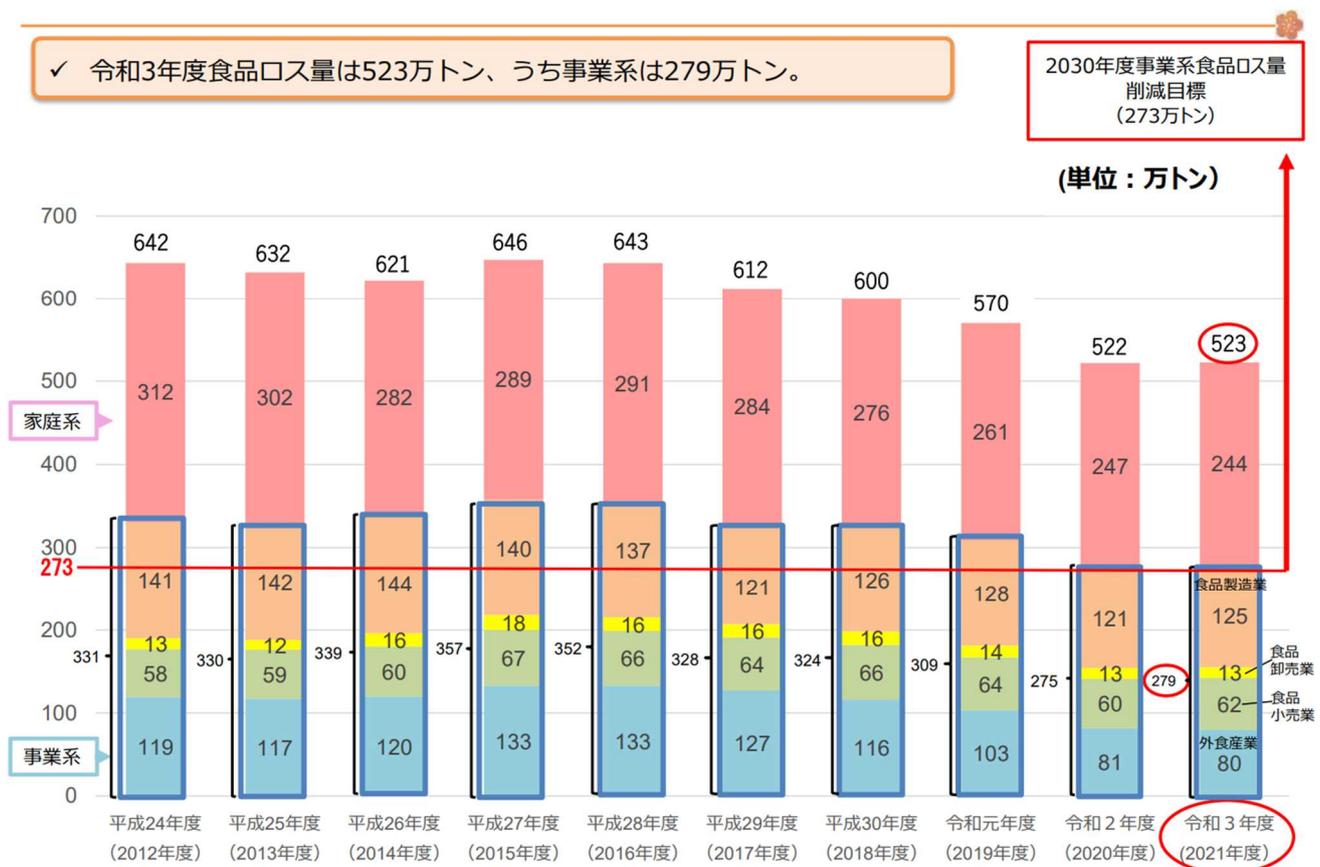


Figure 4 Changes in food loss amount (2012 to 2021)⁷

■KPI2: Increase the ratio of women in management positions

The 5th Basic Plan for Gender Equality, approved by the Cabinet in 2020, states that the efforts toward gender equality will affect Japan's economic growth through the competitive success or failure over securing global human resources or investments, and that the initiatives to enthusiastically tackle the gender equality are needed with a sense of danger to recognize that it is the turning point now whether the well-being of each and every citizen can be improved and whether the sustainable development of the national economy and society can be ensured.

⁷Source: The website of the Ministry of Agriculture, Forestry and Fisheries

The government revised the 2020 target set in 2003, which aimed to achieve at least around 30 per cent of the leadership positions held by women in all sectors in society by 2020 in this plan. The new goal is to create society in which everyone can play an active role without considering their gender and there is no gender bias among people with leadership positions. The further target is to work to increase female managers to around 30 per cent as early as possible in the 2020s as its milestone."

In Nagano Prefecture in which St.Cousair is headquartered, 7.7 per cent of the companies meet the government target of 30 per cent for female managers, which is 1.8 percentage points lower than the national average of 9.5 per cent, 11,503 companies, and by size, there is no large companies that meet the target and 8.8 per cent for small- and medium-sized enterprises and 14.9 per cent for small enterprises.⁸

Nagano Prefecture as "SDGs Future City" has formulated the Nagano Prefecture Comprehensive Five-Year Plan, "Happy Shinshu Creation Plan 3.0" as a plan to look toward and realize the future vision of Nagano Prefecture in 2035. The Prefecture has promoted "Nagano Prefecture SDGs Promotion Company Registration System" for companies headquartered in Nagano Prefecture since many small- and medium-sized enterprises in Nagano do not know where to start or are unaware of the relation between their own initiatives and the SDGs. St.Cousair was registered as a SDG-promoting company in Nagano and has provided information on specific efforts to promote women to play important roles or on the progress of increases in female managers as one of its priority initiatives to raise a ratio of female managers to 30 per cent as one of its priority initiatives.

Women make up approximately 80 per cent of all employees in the Company and full-time female employees account for roughly 50 per cent; however, the female managers remains at 19 per cent. St.Cousair set forth "well-being" as one of its materialities and views human resources as extremely important assets. The Company regards supporting women so as to achieve a balance between family and career and creating environments where women can actively play challenging roles are part of its strategic management. Furthermore, as the clientele base is mostly women for St.Cousair; utilizing human resources with similar attributes to the customer base is effective in increasing loyalty or acquiring new customers, which contribute to enhancing the sustainable corporate value.

As mentioned above, St.Cousair with a business history of 40 years or more in Nagano Prefecture that was listed on the Tokyo Stock Exchange Growth Market in December 2022, is working to increase its female managers to 30 per cent, which has a large impact on the communities and is meaningful in contributing to improving the corporate value over a medium- to long term.

Accordingly, JCR has evaluated that the KPI of this loan is strongly relevant to the Company's overall business and is of strategic significance for increasing the corporate value.

⁸Source: "Opinion Survey of companies in Nagano Prefecture regarding the promotion of women (in 2022)," provided by Teikoku Databank

3. Calibration of SPT

3-1. JCR's Key Consideration in this Factor

JCR will confirm the SPT of this loan as follows: (1) whether it is ambitious, such as representing significant improvements in the selected KPI and exceeding the Business as Usual (hereinafter referred to as "BAU") trajectory, (2) whether it is based on benchmarks, including results in the previous years or peer companies, levels in the industry or science and (3) whether the schedule for achieving the goal is disclosed in this section.

3-2. Overview of SPT Calibration and Evaluation by JCR

<Evaluation results>

The SPT of this loan satisfies all of the conditions in the SLLP.

St.Cousair has calibrated the following SPT for this loan.

SPT 1: Reduce waste by 50 per cent from 2021 (January to December 2021) by the fiscal year ending March 2030

SPT 2: Achieve a 30 per cent of female managers by the fiscal year ending March 2030

*Annual target value is set for SPT 1 and 2, respectively, and the achievement will be confirmed.

i. Comparison with results in the prior years

The results in the previous years for KPI set for this loan are as follows:

Table 2 Results of KPI1 in previous years

KPI1: Waste reduction	2020	2021	2022
Total emissions	36.76t	90.95t	85.64t
Reduction rate	(-)	(+259 per cent)	(-5.8 per cent)

KPI1 was reduced by 5.8 per cent from the previous year due to inventory adjustments in 2022; however, waste is expected to increase hereafter due to business expansion through increases in the stores or brand penetration. The Company is expected to be ambitious, considering that approximately 6.6 per cent reduction is annually required between 2023 and 2030, exceeding the BAU pace to realize SPT 1, given that the result in 2022 is BAU. Waste is likely to increase through operations with the business expansion in the future; therefore, drastic measures are needed to reduce the total amount of waste rather than the waste rate per sale.

Table 3 Results of KPI2 in previous years

KPI2: Increase the ratio of women in management positions	2020	2021	2022
	21.6 per cent	20.5 per cent	19.0 per cent

KPI2 has decreased between FY 2020 and FY 2022. Achieving SPT2 requires an annual increase of approximately 1.6 per cent from FY 2023 to FY 2030, and further measures are needed.

Consequently, JCR has evaluated that the SPT of this loan is ambitious in light of the results in the previous years.

ii. Scientific grounds and comparison with other benchmarks

St.Cousair has begun to discuss measures to reduce food loss so as to address to cut food loss and waste toward the achievement of recycling-oriented society when the Company positioned the waste reduction as a materiality in its food manufacturing and sales business as for SPT1. In response to the government's goal of "halving (reducing 50 per cent) the amount of food loss and waste by FY 2030 from FY 2000," St.Cousair set the goal to reduce the amount of food loss by half (50 per cent) from FY 2021 that is the more recent result; therefore, the ambitious level is acceptable. The waste amount has decreased slightly in the 2022 results; however, this is due to inventory adjustments. It is necessary to continue the efforts, including reviewing all of the processes, mainly in product manufacturing so as to achieve SPT; thus, the Company has an ambitious goal.

JCR has evaluated that the level bears comparison with peer companies (supermarkets) in the food retail industry, and that the numerical targets for SPT1 set by St.Cousair are ambitious even by benchmark comparison with them. Regarding SPT2, as mentioned above, the 5th Basic Plan for Gender Equality states to promote the efforts, aiming to increase the female managers to around 30 per cent as early as possible in the 2020s, and achieving a 30 per cent female managerial ratio by 2030 is a highly ambitious goal although it is slower than the government's target, taking the business scale into consideration.

JCR has evaluated that the target of a 30 per cent of female managerial positions by FY 2030 is ambitious since the average percentage of female managers in Nagano Prefecture where St.Cousair is headquartered, is 8.7 per cent, which is 0.7 percentage points lower than the national average of 9.4 per cent.

iii. Initiatives to achieve SPT

St.Cousair plans to address the following initiatives to achieve SPT.

<Specific initiatives to achieve SPT1>

The Company plans to work on reducing food loss and waste from the aspects of reduction, reuse and social contribution in line with the roles and conduct required for food manufacturers and food wholesalers/retailers in the "Basic Policy on Promotion of Food Loss and Waste Reduction" approved by the Cabinet in March 2020 to achieve SPT1.

The goal	FY ending March 2024	FY ending March 2025	FY ending March 2026	FY ending March 2027	FY ending March 2028
Waste reduction rate (from FY 2021)	- 6.0 per cent	- 12.0 per cent	- 18.0 per cent	- 26.0 per cent	- 34.0 per cent

Reduction

St.Cousair has reduced waste by using glass bottles for jam and pasta sauce as containers and reusing them. The Company has gradually switched its packaging materials to reduce the use of paper/plastic resources and has adopted twist cap with safety button instead of paper seals and plastic shrink caps in its factory in Iizuna Town, Nagano Prefecture since 2022. The Company is also expected to reduce polyethylene by approximately 300 kg per year by changing the materials of in-store plastic bags to biomass-mixed materials.

The Company will clearly explain the reasons for discounted sales in outlet stores and will offer products that are cheaper than genuine products and will display the POP of "*Temaedori*," meaning buying items from the front of the shelf (i.e. with an earlier expiration date) to educate consumers in stores nationwide.



Figure 5 Outlet stores and promoting "*Temaedori*"⁹

St.Cousair will identify/verify and resolve the causes of substandard products that happen to be made in the manufacturing process and will maintain manufacturing machinery more often to prevent to accidentally make non-standard products due to machinery malfunction. The Company also plans to clarify the regulations of expiration dates and to reduce waste of raw materials by optimizing the purchase control or inventory management of raw materials.

St.Cousair will set the appropriate number of samples to be stored and will control excessive samples and will simultaneously prevent products to be expired by reviewing the current rules on sample storage. These initiatives will start sequentially from FY 2023 to FY 2025 and will expand toward 2030.

Reuse

St.Cousair presently incinerates substandard jam and their containers as industrial waste. The Company is considering scraping the jam from their containers, separating them into grease and jam and drying them to use as compost in the future. The separation process will be outsourced to local business operators, with the aim of creating local

⁹Source: St.Cousair's website

employment including the physically disabled and contributing to the community through local production for local consumption from production to disposal through composting, for which the feasibility as business will be verified between FY 2023 and FY 2025 and St.Cousair aims to collaboratively work on the efforts with external experts in and after FY 2026.

Social contributions

St.Cousair is addressing to provide single-mother households with economic support and to ensure food security by donating substandard products to children cafeterias. The Company plans to shorten the storage period for the aforementioned sample products by reviewing the storage rules and further promotes to provide children cafeterias with short-dated sample food or substandard products.

<Specific initiatives toward achieving SPT2>

The Company has set forth "recruitment/career development," "education/training" and "work style reform" as a human resource strategy that works with the management strategy for SPT2 and plans to tackle them in two stages between FY 2023 and 2025 and in and after 2026.

Goal	Fiscal year ending March 2024	Fiscal year ending March 2025	Fiscal year ending March 2026	Fiscal year ending March 2027	Fiscal year ending March 2028
Ratio of female managers	20.0 per cent	21.0 per cent	22.0 per cent	24.0 per cent	26.0 per cent

FY 2023 – FY 2025	A) Improve remote work, short-time work and regionally limited work B) Support and recommendation for taking various leaves of absence C) Increases in average annual incomes
In and after FY 2026	Combine internal promotion and intermediate recruitment (in management positions)

St.Cousair plans to increase female candidates for management positions by developing the work environment where both men and women can utilize diverse work styles or various leave systems through the initiatives with the aforementioned A to C from FY2023 to FY2025. The Company additionally plans to have a system in place for individual interviews or follow-up since women's careers are, in general, greatly influenced by life events such as childbirth.

The Company plans to accelerate to promote female managers internally and also through mid-career recruitment and it will increase female managers year by year in and after FY 2026. St.Cousair recognizes that it is essential to change the awareness of managerial personnel so as to promote women, therefore, it plans to address to raise awareness for managerial personnel and create the work environment where many women can work enthusiastically. In cases where a significant change is made in scope or perimeter, the meaningfulness of KPI or the calibration of SPT, JCR will confirm the alignment with SLLP for the change made.

3-3. Impact Evaluation by JCR

JCR has confirmed the degree of increases in positive impacts and the extent of avoidance/management/reduction of negative impacts on the SPT of this loan according to the five elements (diversity, effectiveness, efficiency, multiplication and additionality) of the impact evaluation criteria exemplified in the Positive Impact Finance Principles 4 established by the United Nations Environment Program Finance Initiative (hereinafter referred to as UNEP FI".)

1. Diversity: Will various positive impacts be brought about? (Impacts defined by UNEP FI, business segments, countries/regions or value chains)

The impacts on SPT of this loan broadly fall under the impact areas/topics defined by UNEP FI as shown below:

Society	Personality and human security	Conflict	Modern slavery	Child labor	
		Data privacy	Natural disaster		
	Health/safety				
	Availability, accessibility, affordability and quality of resources and services	Water	Food	Residence	Medical care/hygiene
		Education	Energy	Mode of transport	Information
		Connectivity	Culture/Tradition	Finance	
	Living	Employment	Wage	Social protection	
Equality/Rightness	Gender equality	Ethnic/racial equality	Age discrimination	Other socially vulnerable people	
Social economy	Strong system/peace/stability	Civil liberties		The rule of law	
	Healthy economy	Sector diversity		Prosperity of micro/small and medium enterprises	
	Infrastructure				
	Social and economic convergence				
Natural environment	Climate stability				
	Biodiversity and healthy ecosystems	Waters	Atmosphere	Soil	
		Biological species	Habitat		
Circularity	Resource intensity	Waste			

The SPT of this loan is expected to have impacts on the overall business and value chains in the following stages.



2. Effectiveness: Will large impacts be brought about? (Sales composition ratios of the target project, domestic/overseas market shares or levels of ambition)

The impacts on the market are not necessarily large, taking the size of St.Cousair into account. On the other hand, the influence on the industry in Nagano Prefecture where the Company mainly deploys its business is relatively

large, taking its presence into consideration.

It is expected to have ripple effects on peer companies by disseminating the sustainability initiatives taken by the Company who was listed on the Tokyo Stock Exchange in December 2022 through this loan.

**3. Efficiency: Will large impacts brought about compared with the invested capital?
(Importance in the overall business or strategic significance)**

This loan is expected to have relatively large impacts on the invested capital with the following perspectives.

The SPT to achieve with this loan is all related to "recycling," "well-being" and "reducing food loss and waste" in the materialities set forth by the Company. The efforts by all relevant divisions with the president to realize the goals will contribute to improving the corporate value of the Company as a whole.

4. Multiplication: Will private funds be used to a greater extent than public funds or donations?

The impacts of this loan on SPT are not subject to evaluation.

**5. Additionality: Will additional impacts be brought about?
(Efforts for sustainable development needs with insufficient support or progress toward achieving SDGs)**

The SPT of this loan is expected to have additional impacts on several goals/targets among the 17 goals and 169 targets of the SDGs, as listed below.



Goal 5: Gender Equality

Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



Goal 8: Decent Work and Economic Growth

Target 8.4 Improve progressively through 2030 global resource efficiency in consumption and production, and endeavor to decouple economic growth from environmental degradation in accordance with the 10-year framework of programs on sustainable consumption and production with developed countries taking the lead



Goal 10: Reduced Inequalities

Target 10.2 By 2030 empower and promote the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



Goal 12: Responsible Consumption and Production

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

4. Characteristics of the Loan

4-1. JCR's Key Consideration in this Factor

JCR will confirm, as for the characteristics of this loan, whether the interest rate of this loan will change depending upon whether the pre-established SPT is achieved or not in this sector.

4-2. Overview of Characteristics of the Loan and Evaluation by JCR

<Evaluation results>

The characteristics of this loan satisfy all of the conditions set out in the SLLP.

JCR has confirmed that the interest rate will change depending upon whether the pre-established SPT is achieved or not in the agreement of this loan.

5. Reporting/Verification

5-1. JCR's Key Consideration in this Factor

JCR will confirm that the latest information on the results of the selected KPI or the information that can determine the ambition level of SPT will be annually disclosed for the reporting set forth in this loan in this section. JCR will also confirm whether independent external verification will be performed for the results of the selected KPI or whether the details of such verification will be disclosed.

5-2. Overview of Reporting/Verification and Evaluation by JCR

<Evaluation results>

The reporting/verification set out in this loan meet all of the conditions indicated in the SLLP.

St.Cousair plans to annually disclose the performance on the KPI of this loan on its website. Simultaneously, the results of KPI will be verified by an external organization, and the details of the verification will also be disclosed. St.Cousair, Hachijuni Bank and JCR will review this loan and will evaluate the impacts developed on St.Cousair and society as well as the progress of the SPT in the year in which the loan is repayable.

6. Conclusion on Alignment with SLLP

Accordingly, JCR has confirmed that this loan is aligned with SLLP.

(Responsible Analyst) Rieko Kikuchi/Yumi Mochizuki

Important Explanation on this Second Party Opinion

1. Assumptions, Significance and Limitation of Second Party Opinion Assigned and Provided by JCR

The second party opinion assigned and provided by Japan Credit Rating Agency (hereinafter referred to as "JCR") is a comprehensive statement of the JCR's current opinion on alignment of the target evaluation with the Sustainability Linked Loan Principles formulated by Asia Pacific Loan Market Association (hereinafter referred to as "APLMA"), Loan Market Association (hereinafter referred to as "LMA") and Loan Syndications and Trading Association (hereinafter referred to as "LSTA") and the Sustainability Linked Loan Guidelines developed by the Ministry of the Environment.

This second party opinion evaluates the plans or circumstance at present, based on information provided by the client and independently collected by JCR and does not guarantee the evaluation on circumstances in the future. This second party opinion does not quantitatively demonstrate positive effects through the Sustainability Linked Loan, and JCR assumes no responsibility for its effects. JCR confirms that the achievement of the sustainability performance target is quantitatively/qualitatively measured by the borrower or a third party requested by the borrower; however, JCR, in principle, does not directly measure it.

2. International Initiatives or Principles Referred in Providing this Second Party Opinion

JCR refers to the following Principles and Guidelines developed by APLMA, LMA, LSTA, the Ministry of the Environment and the United Nations Environment Program Finance Initiative in providing this evaluation.

- Sustainability Linked Loan Principles
- Sustainability Linked Loan Guidelines
- Positive Impact Finance Principles

3. Relation with Conduct on Credit Rating Business

This second party opinion is provided by JCR as its related business and differs from any conduct of credit rating business.

4. Relation with Credit Rating

This evaluation differs from credit rating and is not committed to providing a predetermined credit rating or making available for inspection.

5. Impartiality of JCR

There is neither capital nor personal relations that cause conflicts of interest between this evaluation target and JCR.

■Points to Consider

The information stated in this document was obtained by JCR from the borrower and accurate and reliable sources. However, there may be errors due to artificial, mechanical or other reasons in the said information. Accordingly, JCR neither expresses nor guarantees, regardless of whether or not explicit or implicit, the accuracy, results, rightness, timeliness, completeness, marketability or alignment for any particular purpose of such information, and JCR shall not be liable for any errors or omissions of the information concerned or consequences of such information. Under no circumstances shall JCR be liable for any special, indirect, incidental or consequential damage of any kind, including opportunity loss or monetary loss, arising from any use of such information, regardless of contractual liability, tort liability, unlawful liability or other liability, or whether or not such damage is foreseeable or unforeseeable. This second party opinion does not express any opinion on various risks (credit risks, price volatility risks or market liquidity risks) on the Sustainability Linked Loan that is subject to evaluation. This second party opinion is an overall opinion of JCR at this time and is not a representation of facts and does not constitute a recommendation of any kind regarding risk assessments or decisions to purchase, sell or hold individual bonds, commercial papers or other instruments. This second party opinion may be changed, suspended or withdrawn due to changes in information, a lack of information or other reasons. All rights to this document are reserved by JCR. It is prohibited to duplicate, translate or alter this second party opinion, whether in whole or in part, without permission from JCR.

■Glossary

Second Party Opinion: This report expresses the second party opinion for the alignment with the Sustainability Linked Loan Principles formulated by APLMA, LMA and LSTA for Sustainability Linked Loan from an independent, neutral and impartial standpoint.

■Status of Registration as an External Evaluator of Sustainable Finance

- United Nations Environment Programme, Financial Initiative, Positive Impact Working Group Members
- Registered as an external reviewer of Green Bonds by Ministry of the Environment
- Climate Bonds Initiative Approved Verifier
- ICMA (registered as an observer to the International Capital Markets Association,) Social Bond Principles, Climate Transition Finance Working Group Members

■Status of Registration as a Credit Rating Agency

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR is registered with the following four of the five credit rating classes of Nationally Recognized Statistical Rating Organization ("NRSRO") as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) government/local governments. In cases where disclosure is required based on Section 17g-7(a) of the Securities and Exchange Commission rules, such disclosure will be attached to a news release posted on the JCR's website at <https://www.jcr.co.jp/en/>.

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