

Second-Party Opinion

Marui Group Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Marui Group Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Access to Essential Services, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Social Bond Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 5, 8, and 10.



PROJECT EVALUATION / SELECTION Marui Group Co., Ltd.'s Financial Department and Co-Creative Investment Department will jointly select candidate projects based on the eligibility criteria defined in the Framework, and the final decision will be made by its Board of Directors. Marui Group Co., Ltd. has in place policies and frameworks for managing environmental and social risks associated with the Eligible Projects. These policies and frameworks are applicable to all allocation decisions made under the Framework. Sustainalytics considers Marui Group Co., Ltd.'s project evaluation and selection process are in line with market practice.



MANAGEMENT OF PROCEEDS Marui Group Co., Ltd.'s Financial Department tracks and monitors the proceeds on a quarterly basis using the Company's internal system. Marui Group Co., Ltd. intends to complete the allocation of proceeds to projects that meet the eligibility criteria within three years after the issuance of social bond. Pending allocation, the Company will manage unallocated proceeds in cash or cash equivalents. Sustainalytics considers Marui Group Co., Ltd.'s management of proceeds is in line with market practice.



REPORTING Marui Group Co., Ltd. intends to report on the allocation of the proceeds and social impact annually on its website or Integrated Report. This disclosure will include the amount of allocated proceeds by project category, the amount of unallocated proceeds, and the statement by managing directors confirming that the proceeds have been allocated to projects that meet eligibility criteria, as well as social impact metrics such as the number of final beneficiaries of microfinance, and the total amount of loans to the final beneficiaries, to the extent feasible. Sustainalytics views Marui Group Co., Ltd.'s allocation and impact reporting as aligned with market practice.

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Introduction

Marui Group Co., Ltd. (“Marui Group”, or the “Company”) is the holding company of a corporate group engaged in business in the areas of retailing and fintech, with 17 subsidiaries and six affiliated companies. In the retailing business, it sells goods including apparel, decorative goods, and food at 23 stores and online shops in Japan. In the fintech business, it offers products and services including credit cards, consumer loans, and rent guarantees. The Company is headquartered in Tokyo, and has a total of about 5,000 employees at the group as a whole (as of end of March 2021).¹

Marui Group has developed the Marui Group Social Bond Framework (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance projects that provide social benefits. The Framework defines eligibility criteria in following areas:

1. Access to Essential Services (financing and financial services)
2. Socioeconomic Advancement and Empowerment (equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

Marui Group engaged Sustainalytics to review the Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the SBP, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.2, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Marui Group to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Marui Group representatives have confirmed (1) they understand it is the sole responsibility of Marui Group to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Marui Group.

¹ Marui Group Co., Ltd., “Company Overview”, at: <https://www.0101maruigroup.co.jp/en/ci/outline.html>

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The Marui Group Social Bond Framework is available in a news release on Marui Group Co., Ltd.’s website (Japanese only), at: https://www.0101maruigroup.co.jp/pdf/settlement/22_0308/22_0308_1.pdf

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Marui Group is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Marui Group has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Marui Group Social Bond Framework

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories for social bond use of proceeds – Access to Essential Services, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the SBP as project categories that have positive social impact. Please see Section 3 for Sustainalytics' assessment on the social impact of the use of proceeds.
 - Marui Group intend to provide the proceeds of social bonds in the form of loans to its partner companies,^{5,6} Gojo and Company, Inc. ("Gojo") and Crowd Credit, Inc. ("Crowd Credit"), which are engaged in micro financing business such as loans to individuals and micro, small, and medium enterprises ("MSMEs"). Gojo will lend the proceeds to its partner microfinance institutions⁷ in developing countries in Asia such as India and those institutions will extend loans to individuals and MSMEs. Crowd Credit will pool the proceeds into its "Mexico Female Entrepreneur Support Fund" and allocate them to its partner microfinance institution⁸ in Mexico. The institution will extend loans to individuals and MSMEs, especially to female business owners and entrepreneurs. In this category, Sustainalytics positively views the following points.
 - Loans to individuals (e.g. unsecured personal loans): it is market expectation that the following three criteria are met; (i) clearly defined target segment such as "low income individuals or households with lack of access to financial services", (ii) level of lending interest rate is relatively low in the market segment (e.g., lower than the legal rate, or equivalent to or lower than competitors), (iii) "Responsible lending practices" in place to prevent borrower to incur excessive debt liabilities. Sustainalytics is of the opinion that the allocation of proceeds to loans to individuals are aligned with the market practice as Gojo and Crowd Credit both meet the abovementioned three criteria as described below.
 - Each of Gojo's partner microfinance institutions is primarily targeting low-income individuals or households⁹ (mainly female) who are operating MSMEs in rural areas. Crowd Credit's partner microfinance institution is primarily

⁵ Marui Group Co., Ltd., "Accelerating the Realization of Financial Inclusion: Providing Financial Services to All - Additional Investment in Gojo and Company, Inc." (Japanese only), at: https://www.0101maruigroup.co.jp/pdf/settlement/20_1217/20_1217_1.pdf

⁶ Crowd Credit, Inc., "Crowd Credit, a lending crowdfunding service, raises funds from Marui Group and others, closes first round" (Japanese only), at: <https://crowdcredit.jp/info/detail/364/>

⁷ Of the partners of Gojo and Company, Inc. (<https://gojo.co/partner-companies-jp>), seven companies excluding Microfinance Delta International (MIFIDA) in Myanmar are candidates for allocation of proceeds of the social bond (as of February 2022).

⁸ Itaca Capital, S.A.P.I. de C.V., SOFOM, E.N.R. : <https://www.avanzatunegocio.com/>

⁹ Customers living below the \$5.5-per-day international poverty line set by the World Bank account for about 70% (as of September 2021).

targeting low-income female business owners with limited access to bank loans.

- Sustainalytics confirmed that each of Gojo's partner microfinance institutions is providing lending rates below the statutory maximum interest rate in the country where it operates in, and Crowd Credit's partner microfinance institution is providing loan interests equivalent to or lower than competitors that provide similar loans in Mexico.
- Marui Group has stated to Sustainalytics that Gojo and Crowd Credit's partner microfinance institutions avoid predatory lending by complying with regulations set by the regulatory authorities in the countries where they operate, and/or giving audits, instructions, and trainings in accordance with the Client Protection Standards¹⁰ for the microfinance industry and the Universal Standards for Social and Environmental Performance Management.¹¹
 - Loans to MSMEs: Gojo and Crowd Credit's partner microfinance institutions intend to provide MSMEs loans in the developing countries where they operate. Sustainalytics considers that the intent to improve access to financial services for MSMEs in developing countries such as India and Mexico will have social impact and is aligned with the market practice. In addition, considering the importance of female empowerment in developing countries, Sustainalytics positively views that Marui Group also intends to allocate its social bond proceeds to loans to female business owners and entrepreneurs.
 - Marui Group has set exclusionary criteria and committed that it will not allocate the proceeds to loans for businesses that mainly engages in dealings of tobacco, weapons, palm oil, or fossil fuel as well as businesses that involve child labor or labor in poor conditions.
- Project Evaluation and Selection:
 - Marui Group's Financial Department and Co-Creative Investment Department will jointly select candidate projects based on the eligibility criteria defined in the Framework, and the final decision will be made by the Company's Board of Directors.
 - The Company has in place policies and frameworks for managing environmental and social risks associated with the Eligible Projects. These policies and frameworks are applicable to all allocation decisions made under the Framework. Sustainalytics considers that the Company's processes for managing environmental and social risks to be adequate. For more details, please see Section 2.
 - Based on the clear delineation of responsibility for project evaluation and selection, Sustainalytics views that the processes are in line with market practice.
- Management of Proceeds:
 - The Financial Department tracks and monitors the proceeds on a quarterly basis using the Company's internal system called "Cash Management System".
 - Marui Group intends to complete the allocation of proceeds to projects that meet the eligibility criteria within three years after the issuance of social bond. Pending allocation, the Company will manage unallocated proceeds in cash or cash equivalents.
 - Based on the Company's policy regarding management of the proceeds and management method for unallocated proceeds, Sustainalytics views this process to be in line with market practice.
- Reporting:
 - Marui Group intends to report on the allocation of the proceeds annually on its website or Integrated Report until the full allocation of social bond proceeds. Allocation Reporting will include the amount of allocated proceeds by project category, amount of unallocated proceeds, and the statement by managing directors confirming that the proceeds have been allocated to projects that meet eligibility criteria.

¹⁰ CERISE, Social Performance Task Force, "Client Protection Standards", at: <https://cerise-spm.org/en/wp-content/uploads/sites/3/2021/06/CP-Standards-English.pdf>

¹¹ Social Performance Task Force, "The Universal Standards for Social and Environmental Performance Management", at: <https://sptf.info/universal-standards-for-spm/universal-standards>

- The Company intends to report on social impact generated by eligible social projects annually on its website or Integrated Report until the full redemption of social bonds. Impact Reporting will include the summary of loans provided by the Company to Gojo and Crowd Credit. In addition, to the extent feasible, the number of final beneficiaries of the loans by the partner financial institutions of Gojo and Crowd Credit, and the total amount of loans to the final beneficiaries will be disclosed. Furthermore, initiatives on improving livelihoods of the final beneficiaries and its households, or initiatives on improving target populations' financial literacy will also be disclosed together with their impacts.
- Based on the frequency and details of disclosure on allocation and impact, Sustainalytics is of the opinion that the Company's reporting is in line with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of Marui Group

Contribution of Framework to Marui Group's sustainability strategy

Marui Group's mission is to "Contribute to co-creating a flourishing and inclusive society that offers happiness to all."¹² To present a roadmap for accomplishing the mission, the Company created and announced "MARUI GROUP's VISION 2050"¹³ in February 2019. In MARUI GROUP's VISION 2050, "financial inclusion" is positioned as one of the three pillars of businesses for realizing its vision. Financial inclusion is also emphasized as part of core themes¹⁴ established in November 2016 from the perspective of inclusion to accomplish its mission. The Company aims to promote financial inclusion by expanding its fintech business in Japan and overseas. Marui Group targets providing financial services to 10 million or more people worldwide by 2050. As medium-term targets, the Company also aims to promote financial inclusion through its investments in ten or more countries by 2025, and twenty or more countries by 2030.¹⁵

In its new Medium-Term Management Plan (FY2021-FY2025) developed and released in May 2021, the Company announced sustainability related targets, which the Company calls "Impact", comprising of three themes; "Work together with future generations to create the future", "Work together to bring happiness to individuals", and "Build a co-creation platform".¹⁶ Marui Group has announced the concept of "Investing for the Future", which intends to achieve the "Impact", while securing profitability. Investment for the Future comprises of the following; (i) co-creative investments through open, external innovation; and (ii) investments in new business through internal innovation. Co-creative investments primarily involve investments in and collaboration with start-up companies that sympathize with the Company's vision. As specific examples, collaboration is being promoted with Gojo and Crowd Credit, which will receive allocation of social bond proceeds. Both companies, which are engaged in microfinance business in developing countries, are Marui Group's partners for achieving its Mission, Vision, and Impact as well as contributing to financial inclusion.

Based on the above, Sustainalytics is of the opinion that the use of proceeds related to microfinance projects including loans to individuals and MSMEs in developing countries under the Framework is aligned with the Company's group-wide sustainability targets and policies, and is expected to support its initiatives and achievement of targets towards realization of financial inclusion.

Approach to managing social and environmental risks associated with the projects

While Sustainalytics recognizes that the eligible projects set by Marui Group under the Framework are expected to deliver positive social impact, Sustainalytics is aware that such projects are exposed to environmental and social risks. Major risks include lending to companies engaged in businesses with a negative impact on the environment and society, and increasing inequality through inadequate targeting or excessive lending beyond borrowers' repayment capacity. Marui Group is able to manage and mitigate

¹² Marui Group Co., Ltd., "MARUI GROUP's Co-Creation Philosophy", at: <https://www.0101maruigroup.co.jp/en/ci/action.html>

¹³ Marui Group Co., Ltd., "VISION 2050", at: <https://www.0101maruigroup.co.jp/en/ir/management/vision2050.html>

¹⁴ Marui Group Co., Ltd., "Four Core Themes", at: <https://www.0101maruigroup.co.jp/en/sustainability/themes/>

¹⁵ Marui Group Co., Ltd., "VISION BOOK 2050", at: https://www.0101maruigroup.co.jp/en/sustainability/pdf/s_report/2018/s_report2018_a3.pdf

¹⁶ Marui Group Co., Ltd., "MARUI GROUP's medium-term management plan", at: https://www.0101maruigroup.co.jp/pdf/2021_large_meeting_en.pdf

environmental and social risks associated with the eligible projects through the following processes and policies.

- Marui Group has established the Marui Group Anti-Corruption Policy¹⁷ to commit to fair corporate activities that are compliant with laws and regulations, adherent to social ethics, and free of abuses of authority or position, unethical behavior, and all other forms of corruption, including bribery, inappropriate kickbacks, money laundering, conflicts of interest, bid-rigging, fraud, inappropriate lobbying activities, and political contributions. The Company asks business partners to implement measures for preventing corruption. In relation to the use of the proceeds under the Framework, Gojo has established a policy on anti-money laundering and combating the financing of terrorism (“AML/CFT”) and prohibits lending without know-your-customer (KYC) processes in accordance with local regulations. Crowd Credit complies with related laws and regulations and has established a relevant management framework¹⁸. Its partner, Itaca Capital, has also established AML/CFT policy in accordance with the local regulatory guidelines.
- Within the Framework, Marui Group has committed that the proceeds will not be allocated to projects and businesses primarily engaged in dealing with tobacco, weapons, palm oil, fossil fuel as well as businesses involving child labor and labor in poor conditions to prevent environmental and social risks associated with such businesses and projects.
- With respect to customer segment targeting, each of Gojo’s partner microfinance institutions primarily targets low-income populations (mainly female) who are operating MSMEs in rural areas, and Crowd Credit’s partner microfinance institution primarily targets low-income female business owners with limited access to bank loans. To provide loans to the target customers, Gojo’s partners conduct a review and screening process, including verification of identity through a reference with a credit bureau and confirmation of the use of funds. Crowd Credit’s partner also performs screening of individual/company borrowers from the perspectives of business activities, the existence of the business itself, and income level of the business owner. Particularly for loans to MSMEs, its account manager will visit the shop/location to confirm the identity of the business owner or management.
- With respect to customer protection, each of Gojo’s partners has established a credit policy based on local customers’ financial literacy level and market features of each country where it operates to prevent excessive lending beyond its borrower’s repayment capacity. In addition, the partner institutions follow the seven principles of the Client Protection Standards.¹⁹ Additionally, each of Gojo’s partners provides its employees with training specialized for the Client Protection Standards to improve the quality of customer service and implements a fair personnel system as well as employee satisfaction assessment to ensure that the human rights of its employees are also respected. On the other hand, Crowd Credit’s partner conducts regular trainings for loan officers and financial literacy education program for customers (about 2,800 participants) in addition to customer protection initiatives in the daily loan operations, such as explanation of loan terms and lending decision based on its borrower’s credit limit.
- Regarding human rights, Marui Group has established the Marui Group Human Rights Policy²⁰ and is committed to complying with international standards pertaining to human rights including the International Bill of Human Rights and International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.

Considering the above, Sustainalytics is of the opinion that Marui Group has in place adequate measures to manage and mitigate risks commonly associated with the eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds categories defined in the Framework by Marui Group are aligned with those recognized by the SBP as projects that provide social impact. Sustainalytics explains how the projects are impactful in the global and local context where they will be implemented.

¹⁷ Marui Group Co., Ltd., “MARUI GROUP Anti-Corruption Policy”, at: <https://www.0101maruigroup.co.jp/en/ci/governance/>

¹⁸ CROWD CREDIT, Inc., “Basic Policy on Anti-Money Laundering and Combating the Financing of Terrorism” (Japanese only), at: <https://crowdcredit.jp/guide/amlcft/>

¹⁹ CERISE, Social Performance Task Force, “Client Protection Standards”, at: <https://cerise-spm.org/en/wp-content/uploads/sites/3/2021/06/CP-Standards-English.pdf>

²⁰ Marui Group Co., Ltd., “MARUI GROUP Human Rights Policy”, at:

<https://www.0101maruigroup.co.jp/en/sustainability/overview/#:~:text=MARUI%20GROUP%20has%20put%20in,risks%20identified%20through%20this%20framework>

Importance of financial inclusion and support for MSMEs in developing countries

According to a report by the World Bank, 1.7 billion adults didn't have a bank account in 2017, with about half of them residing in seven countries: China, India, Pakistan, Indonesia, Nigeria, Mexico, and Bangladesh.²¹ Financial inclusion, which enables more people to access financial services, is one of the factors promoting economic growth in developing countries and is recognized as a method to achieve poverty reduction.²² Particular advantages include preparation against financial risks, savings for education and retirement, and the ability to invest in better economic opportunities.²³ For example, MSMEs, including sole proprietors, account for 40% of GDP in emerging economies. The financial inclusion of MSMEs plays a critical role in enabling further economic development and job creation.²⁴ On the other hand, MSMEs are small-scale and have weak business foundations, making it difficult to secure loans due to credit restrictions. A study by the International Finance Corporation (IFC) covering 128 countries suggested that 65 million entities, or about 40% of the MSMEs have credit constraints.²⁵ Globally, a total of about 5.2 trillion dollars of financial demands are not met every year, and the finance gap is a barrier to growth for MSMEs.

In India, MSMEs play a crucial role in social and economic development. The sector generates the second-largest employment opportunities following the agriculture sector, and MSMEs contributed as the primary driver of business and employment recovery in times of recession.^{26, 27} The 73rd National Sample Survey conducted between 2015 and 2016 estimated 63.3 million MSMEs across India, creating employment for 111 million people.²⁸ 51% of the MSMEs were located in rural areas, providing significant support for economic development and job creation in the regions.²⁹ Meanwhile, MSMEs still do not have sufficient access to financial services, and the potential gap is estimated to reach 418 billion US dollars in India alone.³⁰ The Indian government established the Micro, Small and Medium Enterprises Development Act in 2006 to support the enhancement of the competitiveness of MSMEs, and revised the definition of MSMEs in 2020 to expand the scope of support.³¹ As a similar policy, the Prime Minister announced 12 key initiatives to support the growth, expansion, and promotion of MSMEs across India, prioritizing improved access to credit and markets, technology upgrade, the establishment of a business environment, and improved stability for employees³².

Under the Framework, Marui Group intends to allocate proceeds to microfinance projects such as loans to individuals and MSMEs in developing countries. Sustainalytics is of the opinion that the Company's use of proceeds is expected to support the livelihood of people by promoting financial inclusion in developing countries, and contribute to poverty reduction and economic development by creating jobs through growth of MSMEs.

Importance of gender equality and female empowerment in developing countries

Gender inequity has become a priority issue for countries and industries in recent years. According to the World Economic Forum's Global Gender Gap Report 2021, the average distance against parity is at 68%, a step back compared to 2020 by 0.6 percentage points.³³ There is also a gender gap in access to financial services, and the ratio of bank account holders worldwide is 72% for men, while 65% for women.³⁴ Among the MSMEs, IFC has estimated that globally, a 300 billion US dollar gap in finance exists for women-owned MSMEs, and

²¹ World Bank, "The Global Findex Database 2017", at: <https://globalfindex.worldbank.org/>

²² Abubakar A.M., Daneji B.A., Muhammed A.I., Chekene I.A.B, "Driving faster financial inclusion in developing nations", at: <http://journals.urau.edu.ng/article/view/201120>

²³ World Bank, "The Global Findex Database 2017", at: <https://globalfindex.worldbank.org/>

²⁴ World Bank, "Small and Medium Enterprises (SMEs) Finance", at: <https://www.worldbank.org/en/topic/sme/finance>

²⁵ International Finance Corporation (IFC), "MSME Finance Gap", at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQ>

²⁶ Government of India, Ministry of Micro, Small and Medium Enterprises "Annual Report 2020-2021", at: <https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%202020-21.pdf>

²⁷ Jeswal, R, "Role of SME in Indian Economy", at: <https://fr.scribd.com/document/192905616/16-Role-of-SME-in-Indian-Economoy-Ruchika-FINCO04>

²⁸ In the cited references, rupees are used in accordance with India's own calculation method. Ten thousand rupees is calculated as 100,000.

²⁹ Government of India, Ministry of Micro, Small and Medium Enterprises "Annual Report 2020-2021", at: <https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%202020-21.pdf>

³⁰ International Finance Corporation (IFC), "MSME Finance Gap", at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQ>

³¹ Government of India, Ministry of Micro, Small and Medium Enterprises "Annual Report 2020-2021", at: <https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%202020-21.pdf>

³² Government of India, Press Information Bureau, Press release "PM launches historic Support and Outreach Initiative for MSME sector", at: <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1551771>

³³ World Economic Forum, "Global Gender Gap Report 2021", at: http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

³⁴ World Bank, "The Global Findex Database 2017", at: <https://globalfindex.worldbank.org/>

more than 70% has inadequate or no access to financial services.³⁵ Recent studies have indicated that increased access to financial services for women and women-owned businesses will help individuals and lead to economic growth and broader women empowerment for the whole society.³⁶

For example, with less than half of Mexican women of working age participating in the labor market, Mexico has the second-lowest rate among all OECD countries.³⁷ In addition, accessing financial services is a significant challenge for female entrepreneurs, resulting in a lack of sufficient capital accumulation and more dependency on her own capital or financial support from her family members than male entrepreneurs, which is one of the most significant issues related to gender inequality. A report estimates the economic effect from resolving the current gender gap in employment in Mexico to be approximately 800 billion US dollars, or 70% of its GDP.³⁸

The Mexican government focuses on equal rights and opportunities for women and the vulnerable and is committed to promoting gender equality in its 2019-2024 National Development Plan.³⁹ In addition, the government focuses on providing training, financial education, and technical assistance to women, companies led by women, and other vulnerable groups with aims to contribute to greater financial inclusion in its National Development Financing Program 2020-2024.⁴⁰ To improve access to financial services, the National Policy for Financial Inclusion 2020-2024 has set the advancement of financial inclusion for vulnerable populations, such as women, immigrants, seniors, indigenous people and rural populations, as one of its primary targets.⁴¹ The government of Mexico is implementing social programs to advance these targets and provide better services for women and the vulnerable.

Marui Group intends to allocate the proceeds to microfinance businesses in Mexico through Crowd Credit. Sustainalytics is of the opinion that the provision of loans using the proceeds is expected to promote financial inclusion in Mexico, support participation of women business owners under a vulnerable situation in economic activities, and contribute to the achievement of relevant goals set by the Mexican government and the realization of a fairer and more equal society.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Marui Group Social Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Access to Essential Services	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new

³⁵ International Finance Corporation (IFC), "Bridging the Gender Gap in Access to Finance", at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/bridging+the+gender+gap+in+access+to+finance#:~:text=IFC%20has%20estimated%20that%20worldwide,no%20access%20to%20financial%20services

³⁶ World Bank, "Mexico Gender Assessment", at: <https://documents1.worldbank.org/curated/en/377311556867098027/pdf/Mexico-Gender-Assessment.pdf>

³⁷ Organisation for Economic Co-operation and Development (OECD), "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", at: <https://www.oecd.org/about/secretary-general/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm>

³⁸ McKinsey & Company, "One Aspiration Two Realities", at: <https://www.mckinsey.com/~media/mckinsey/featured%20insights/americas/one%20aspiration%20two%20realities%20promoting%20gender%20equality%20in%20mexico/one-aspiration-two-realities-promoting-gender-equality-in-mexico.pdf>

³⁹ Secretary of Government, "National Development Plan 2019-2024" (Spanish only), at: https://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019

⁴⁰ Secretary of Government, "National Development Financing Program 2020-2024" (Spanish only), at: http://dof.gob.mx/nota_detalle.php?codigo=5597864&fecha=05/08/2020

⁴¹ Government of Mexico, "National financial inclusion policy" (Spanish only), at: https://www.gob.mx/cms/uploads/attachment/file/557108/PNIF_2020.pdf

		technology and financial services, including microfinance
	10. Reduced inequalities	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
Socioeconomic Advancement and Empowerment	5. Gender equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life
	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

Marui Group has developed the Marui Group Social Bond Framework under which it intends to issue social bonds and use the proceeds to finance projects related to Access to Essential Services, and Socioeconomic Advancement and Empowerment. Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 5, 8 and 10. Additionally, Sustainalytics is of the opinion that Marui Group has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Marui Group is well-positioned to issue social bonds and that the Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

Appendix

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	Marui Group Co., Ltd.
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Marui Group Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 3, 2022
Publication date of review publication: Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds Access to Essential Services, and Socioeconomic Advancement and Empowerment, are aligned with those recognized by the Social Bond Principles 2021 that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 5, 8 and 10.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Marui Group's Financial Department and Co-Creative Investment Department will jointly select candidate projects based on the eligibility criteria defined in the Framework, and the final decision will be made by its Board of Directors. Marui Group Co., Ltd. has in place policies and frameworks for managing environmental and social risks associated with the Eligible Projects. These policies and frameworks are applicable to all allocation decisions made under the Framework. Sustainalytics considers Marui Group's project evaluation and selection process are in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (please specify):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Marui Group's Financial Department tracks and monitors the proceeds on a quarterly basis using the Company's internal system. Marui Group Co., Ltd. intends to complete the allocation of proceeds to projects that meet the eligibility criteria within three years after the issuance of social bond. Pending allocation, the Company will manage unallocated proceeds in cash or cash equivalents. Sustainalytics considers Marui Group's management of proceeds is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section *(if applicable)*:

Marui Group intends to report on the allocation of the proceeds and social impact annually on its website or Integrated Report. This disclosure will include the amount of allocated proceeds by project category, the amount of unallocated proceeds, and the statement by managing directors confirming that the proceeds have been allocated to projects that meet eligibility criteria, as well as social impact metrics such as the number of final beneficiaries of microfinance, and the total amount of loans to the final beneficiaries, to the extent feasible. Sustainalytics views Marui Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts
 Social Bond financed share of total investment
- Other (please specify): Total of unallocated proceeds and the statement by managing directors confirming that proceeds have been allocated for projects that meet eligibility criteria

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries
 Target populations
- Other ESG indicators (*please specify*): Total amount of loans to the final beneficiaries, initiatives on improving livelihoods of the final beneficiaries and its households, or initiatives on improving target populations' financial literacy

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
- Information published in ad hoc documents
 Other (please specify):

The Company's website or integrated report

- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

