

Third party opinions on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank to J. Front Retailing Co., Ltd.

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinions to Positive Impact Finance provided by Sumitomo Mitsui Trust Bank to J. Front Retailing Co., Ltd.

<Executive Summary>

This Third-Party Opinion examines the suitability of Sumitomo Mitsui Trust Bank, Limited. ("SMTB") to the Positive Impact Finance Principles ("PIF") and the PIF Model Framework which allow borrower not to limit the use of proceeds established by the United Nations Environmental Programme Finance Initiative ("UNEP FI") for the PIF implemented by J. Front Retailing Co., Ltd. ("JFR") by SMTB to JFR. To ensure the transparency and objectivity which are recommended in Principle 4 of PIF, Japan Credit Rating Agency, Ltd. ("JCR"), as an independent third-party organization, reviewed (1) the Positive Impact Assessment Framework and rationality of the established Impact Indicators prepared by JFR which procures funds through the PIF, and (2) the compliance of the PIF Principles for the structuring of PIF products prepared by SMTB.

(1) Framework and Impact Indicators for Positive Impact Assessment of Fuji Oil Group Headquarters

JFR has been continuing its business activities since its founding with the emphasis on customer first under the company credo of "Sengi-Kori"("Service before profit"). JFR places "Together with People, Communities, and the Environment" at the core of its sustainability policy, aiming to create value for stakeholders and contribute to the creation of a sustainable society by solving social issues through its business activities. Furthermore, in promoting sustainability activities, JFR actively engages in dialogue not only with its own group companies, but also with its business partners in an effort to improve sustainability throughout the entire value chain.

JCR confirmed that to ensure sustainability in the conduct of its business activities, JFR has a system in place to ensure that sufficient information and value are shared between management and employees, as well as between upstream and downstream customers in the value chain. JFR identifies comprehensive positive risks and negative risks for the extraction of risks and materiality, and reviews these risks annually. These efforts are consistent with the philosophy of the PIF Principles for holistic impact analyses in the three areas of SDGs: Environmental, Social, and Economic. In this finance, the materiality extracted from the above holistic analysis was set as the impact category. Therefore, JCR evaluated that the selection of impact centers and impact categories is appropriate, and themes that contribute to the solution of important environmental and social issues have been extracted.

JCR confirmed the appropriateness of holistic impact analyses and the identified individual impacts in accordance with the confirmation items set out in the UNEP FI's Model Framework ("Framework"). As a result, JCR evaluates that JFR's the impact analysis is a reasonable result by using this framework.

(2) Compliance of SMTB's PIF Principles for Private Finance Initiatives

Regarding the SMTB's PIF evaluation framework, we confirmed the appropriateness of SMTB's product origination, internal regulations and systems, and the appropriateness of the PIF evaluation procedures in line with the PIF Principles. As a result, JCR confirmed that all items met the requirements.

*For more details, please see the third party opinion report attached below.

Third-Party Opinions

On

Positive Impact Finance (PIF) Evaluation Report for J. Front Retailing Co., Ltd.
produced by Sumitomo Mitsui Trust Bank, Limited

December 26, 2019

Japan Credit Rating Agency, Ltd.

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Executive Summary

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(1) Framework and Impact Indicators for Positive Impact Assessment of JFR

JFR has been continuing its business activities since its founding with the emphasis on customer first under the company credo of "Sengi-Kori" ("Service before profit"). JFR places "Together with People, Communities, and the Environment" at the core of its sustainability policy, aiming to create value for stakeholders and contribute to the creation of a sustainable society by solving social issues through its business activities. Furthermore, in promoting sustainability activities, JFR actively engages in dialogue not only with its own group companies, but also with its business partners in an effort to improve sustainability throughout the entire value chain.

JCR confirmed that to ensure sustainability in the conduct of its business activities, JFR has a system in place to ensure that sufficient information and value are shared between management and employees, as well as between upstream and downstream customers in the value chain. JFR identifies comprehensive positive risks and negative risks for the extraction of risks and materiality, and reviews these risks annually. These efforts are consistent with the philosophy of the PIF Principles for holistic impact analyses in the three areas of SDGs: Environmental, Social, and Economic. In this finance, the materiality extracted from the above holistic analysis was set as the impact category. Therefore, JCR evaluated that the selection of impact centers and impact categories is appropriate, and themes that contribute to the solution of important environmental and social issues have been extracted.

JCR confirmed the appropriateness of holistic impact analyses and the identified individual impacts in accordance with the confirmation items set out in the UNEP FI's Model Framework ("Framework"). As a result, JCR evaluates that JFR's the impact analysis is a reasonable result by using this framework.

(2) Compliance of SMTB's PIF Principles for Positive Impact Finance

Regarding the SMTB's PIF evaluation framework, we confirmed the appropriateness of SMTB's product origination, internal regulations and systems, and the appropriateness of the PIF evaluation

procedures in line with the PIF Principles. As a result, JCR confirmed that all items met the requirements.

I. Positioning and Purpose of the Third-Party Opinions

JCR conducted third-party review of PIF conducted by SMTB to JFR in accordance with the PIF principles formulated by UNEP FI and the PIF Model Framework, which does not specify the use of the funds. PIF refers to the operation of the financial institution that implements and monitors loans after identifying and evaluating the positive impacts (PIs) of its corporate activities, with the aim of promoting corporate activities aimed at achieving the SDG's goals through screening and evaluation as a financial institution, and thereby contributing to the realization of a sustainable society.

The PIF Principles consist of four principles. Principle 1 is to identify and address positive or negative impacts on the three pillars of SDGs (environmental, social and economic); Principle 2 is to create an assessment framework that includes adequate processes, methodologies, and evaluation tools in the implementation of PIF; Principle 3 is to ensure the transparency of the evaluation and monitoring processes and positive impacts of projects that measure positive impacts; and Principle 4 is to ensure that positive impact products are evaluated internally or by third parties.

In order to ensure the transparency and objectivity of the evaluation as recommended in Principle 4 of the PIF, JCR, as an independent third party organization, aims to review the Positive Impact Assessment Framework prepared by JFR, which procures funds through the PIF, the rationality of the established Impact Indicators, and the compliance of the PIF's product origination prepared by SMTB with the PIF Principles

II. Subject Matter of Third-Party Opinion

The report covers PIF with unspecified use of funds, which SMTB and JFR concluded on December 25, 2019.

JCR provides third-party opinions to JFR who receives PIF and SMTB, a lender of PIF.

<Evaluation items related to JFR>

1. Establishment of a governance system for sustainability initiatives and promotion
2. Appropriateness of holistic impact analysis (Zoom-Out) and individual impact specification (Zoom-In)
3. Validity and accuracy of key performance indicators (KPIs)
4. Appropriateness of the content and methods of monitoring impact indicators
5. Use of the PIF Framework

<Evaluation items related to SMTB>

1. Whether the bank's product (PIFs) complies with UNEP FI PIF Principles and related guidelines (including whether processes and product origination methods are appropriate and whether they are defined in internal documents) or not.
2. Whether SMTB appropriately evaluates the positive impact framework created by the JFR.

III. Positive Impact Assessment of JFR

In this section, JCR reviews whether the impact analysis has been performed in accordance with the procedures that conform to the UNEP FI model framework when establishing a PIF for JFR, and whether it is appropriate to identify the impact, as well as the degree of impact (i) diversity, (ii) effectiveness, (iii) efficiency, (iv) magnification, and (v) additionality of the impact extracted as monitoring indicators.

1. Evaluation of the Governance Structure for Sustainability Initiatives and Promotion

1-1. Summary of JFR

JFR's core businesses are the department store, Parco, and real estate business. In the department store business, JFR operates 16 Daimaru and Matsuzakaya stores nationwide. In the Parco business, JFR operates 18 Parco shopping centers and has other group companies to expand its multi-retailer business.

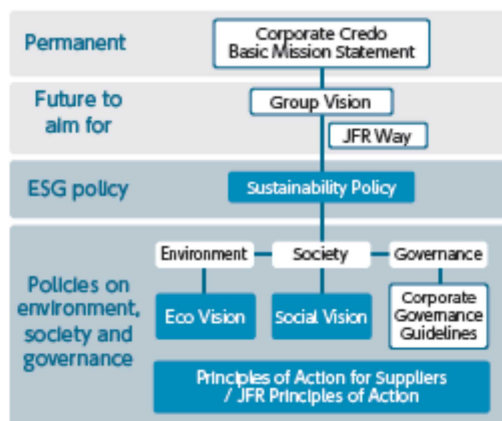
In addition, as a "Multi Service Retailer" that pushed forward with its idea as a multi-retailer, JFR is focusing on expanding its real estate business, which has an "Urban Dominant Strategy", and is working to expand into new business areas. As a result, JFR has opened new facilities such as GINZA SIX and Ueno Frontier Tower.

1-2. JFR's Sustainability Initiatives

(2) Sustainability Initiatives at JFR

1. Sustainability policy

Under the Group Vision, JFR formulates a Sustainability Policy, which presents concepts as a framework of the Policy, and formulates individual policies related to ESG, "Eco Vision", "Social Vision", and "Corporate Governance Guidelines." In putting these into practice, JFR have established the "JFR Principles of Action," which governs JFR's owing group companies, and the "Principles of Action for Suppliers," which requires JFR's business partners to conduct ESG activities in accordance with JFR's policies, and have formulated specific measures. Based on these systematically defined policies, JFR is striving to carry out sustainability activities throughout the entire supply chain, including JFR's owing companies, suppliers and customers, and to achieve positive effects on society and the environment.



(Source: J. Front Retailing Integrated Report 2019)

The supply chain structure envisaged by JFR is as follows.



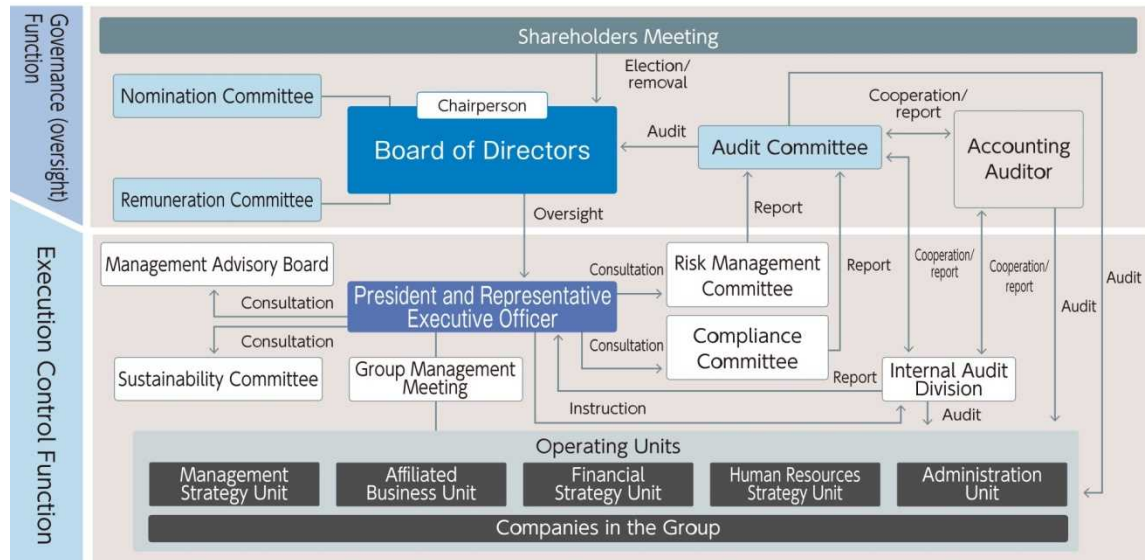
(Source: J. Front Retailing Integrated Report 2019)

2. Sustainability System and Management

JFR has established the Sustainability Committee as an advisory committee under the direct control of the President and Representative Executive Officer in order to promote sustainability management across the entire Group by responding to important ESG issues. The purpose of the Sustainability Committee is to promote the resolution of social issues through the business activities of the entire group. It is chaired by the President and Representative Executive Officer, and is composed of JFR's General Manager of Business Administration Division and the presidents of group operating companies.

While the Sustainability Committee formulates action plans and monitors results, the supervisory board receives reports on the content discussed by the Sustainability Committee and discusses and oversees long-term ESG objectives and the progress of initiatives. The first Sustainability Committee meeting was held in March 2019, and the second meeting was held in September 2019 (and subsequently will be held once every six months). The details of deliberations are reported to the Board of Directors.

(J. Front Retailings Corporate Governance)



(Source: J. Front Retailing Website)

(3) Information Disclosure

JFR discloses information on sustainability in its integrated reports and other publications, as well as on its website. In addition to publishing an integrated report to provide a brief overview of sustainability management, JFR discloses detailed data on specific sustainability activities, objectives, and progress on its website. <https://www.j-front-retailing.com/sustainability/sustainability.php>

Since FY2018, JFR has been holding an annual ESG briefing, providing opportunities for the company to explain about ESG directly and to hold dialogues with investors. JFR confirmed in an interview with JFR that it plans to publish a "Sustainability Report" in February 2020.

4. Sustainability materiality

(1) Materiality

JFR identified the most important themes as "materiality" from the perspectives of "the environmental/social issues that are meaningful for us to address and can produce results" and "the issues we can tackle using our core businesses." In the specific process, JFR extracted 100 social issues that are thought to have a significant impact on the environment and society, narrowed down them to 25 items with reference to the company's initiatives, various guidelines, and materiality of benchmark companies. After conducting a questionnaire survey of more than 4,000 stakeholders and interviews with management, JFR identified five materialities to be addressed through discussions at the Management Committee and the Board of Directors.

JFR has identified five materiality items: (1) Contribution to a low-carbon society, (2) Management of the entire supply chain, (3) Coexistence with local communities, (4) Promotion of diversity, and (5) Realization of work-life balance.

(2) Materiality and Targets











JFR believes that they can contribute to the achievement of SDGs objectives by setting long-term targets for individual materialities and working toward their realization. The five identified materialities and their long-term objectives are as follows:

Materiality Items	Long-term goal
Contribution to a low-carbon society	<ul style="list-style-type: none"> ● By 2050: Zero CO₂ emissions (Scope 1 and 2: compared to 2017) ● By 2030: 40% reduction of CO₂ emissions (Scope 1 and 2: compared to 2017)
Management of the entire supply chain	<ul style="list-style-type: none"> ● By 2030: 100% dissemination of the Principles of Action for Suppliers ● By 2030: Aim to reduce CO₂ emissions by 40% (Scope 3: Compared to 2017)
Coexistence with local communities	<ul style="list-style-type: none"> ● Mutually cooperate with local communities in using our strong know-how of urban development and revitalizing local communities to create sustainable communities
Promotion of diversity	<ul style="list-style-type: none"> ● Ratio of women in management positions By 2025: 30% By 2030: Aim for 50% ● By 2030: Aim to extend the retirement age to 70 ● By 2030: Ratio of disabled employees: 3.0%
Realization of	<ul style="list-style-type: none"> ● By 2030: Men taking child care leave: 100%

work-life balance	● By 2050: Turnover due to child/family care: 0%
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(3) Initiatives and Achievements related to Materiality

Materiality, long-term goals and actions to be taken by J. Front Retailing Group are as follows.

	Long-term goals	Actions
Contribution to a low-carbon society	<ul style="list-style-type: none"> 2050 Zero CO₂ emissions (Scopes 1 and 2 vs. 2017) 2030 40% reduction of CO₂ emissions (Scopes 1 and 2 vs. 2017) 	<ul style="list-style-type: none"> Replacement with renewable energy Introduction of energy-saving and highly efficient equipment Replacement with LED lighting Replacement of company cars with EVs Replacement with office supplies made from green materials Promotion of paperless operations Response to SBT/TCFD/CDP  
Management of the entire supply chain	<ul style="list-style-type: none"> 2030 100% dissemination of the Principles of Action for Suppliers 2030 Aim to reduce CO₂ emissions by 40% (Scope 3 vs. 2017) 	<ul style="list-style-type: none"> Formulation and dissemination of the Principles of Action for Suppliers Scope 3 CO₂ emissions reduction Replacement with office supplies made from green materials Ecoff Initiative  
Coexistence with local communities	<ul style="list-style-type: none"> Mutually cooperate with local communities in using our strong know-how of urban development and revitalizing local communities to create sustainable communities 	<ul style="list-style-type: none"> Promotion of urban development Store planning for the new main building of the Daimaru Shinsaibashi store and new Shibuya Parco Development of local historic facilities through renovation Expansion of local production for local consumption Expansion of local production for local consumption using nationwide store network Expansion of offering of Japanese unique products Response to disasters BCP plan  
Promotion of diversity	<ul style="list-style-type: none"> Ratio of women in management positions 2025 30% 2030 Aim for 50% 2030 Aim to extend the retirement age to 70 2030 Ratio of disabled employees: 3.0% 	<ul style="list-style-type: none"> Actions for women's empowerment Shortened working hours system for women coming back from child care Improvement of education and provision of information during a leave of absence Women's School, Mother Recruitment for child-raising generation Promotion of senior empowerment Development of job categories and duties, optional working hours, lifting of the ban on second jobs and side jobs for employees aged 60 and older Employment of disabled people Improvement of the work environment of operating companies in the Group Development of new business by a special subsidiary  
Realization of work-life balance	<ul style="list-style-type: none"> 2030 Men taking child care leave: 100% 2050 Turnover due to child/family care: 0% 	<ul style="list-style-type: none"> Expansion of work systems Homeworking, remote working (creation of satellite offices) Minimization of transfer with or without family Use of technologies Use of technologies such as AI and RPA Expansion of work systems and rules Introduction of paid child care leave, improvement of nursing care leave, creation of child care facilities within offices  

(Source: J. Front Retailing Integrated Report 2019)

Results are disclosed in the Integrated Report and Sustainability Data. For environmental data, GHG emissions (Scope 1, Scope 2, and Scope 3), amount of waste disposal, and amount of water consumption are disclosed. In the social sector, data such as the ratio of female employee in management positions, the number of people taking childcare leave, and the ratio of disabled employees.

*https://www.j-front-retailing.com/english/sustainability/sustainability_data.php

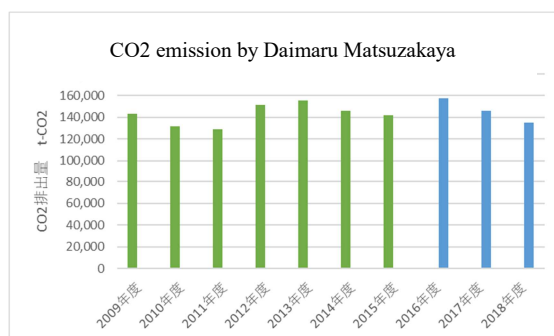
(Integrated Report 2019)

With regard to environmental items, data collection and disclosure have been greatly improved since the launch of Science Based Target (SBT) initiatives. With regard to disclosure of environmental and social items other than GHGs, many items are limited to Daimaru Matsuzakaya Department Store, but information disclosure on materiality items has been enhanced.

1. GHG data

For GHGs emissions related data calculations, which is thought to be of high importance, the performance has improved in data aggregation and management since starting the SBT initiatives. Medium-and long-term GHG emissions reductions can be expected because initiatives to improve energy efficiency and reduce emissions in buildings are being implemented. Scope 1, 2, and energy consumption are guaranteed by a third party, and JCR evaluates that the internal control system has been established.

For reference, examining past trends from the disclosure system for calculating, reporting and disclosing GHG emissions, it can be seen that there has been a downward trend since the earthquake in 2011, and that the management, etc. have been steadily improving since the start of consideration for the induction of SBT.



* The materials from FY2009 (as of the revision of the Energy Conservation Law) to FY2015 are not continuous, since the times from FY2016 onward include estimates based on website disclosure

2. Environmental, social, and governance items other than climate change

For environmental items other than GHGs, data on Daimaru Matsuzakaya Department Store, this has been compiled and disclosed since 2014 while the data on the entire Group has not been disclosed. The performance has been improving. In terms of social items, information disclosure by the Daimaru Matsuzakaya Group, which is equally important, has been disclosed since fiscal 2014, and performance has been improving. Important information disclosure on corporate governance, such as evaluation of the Board of Directors and remuneration for directors, has also progressed.

2. Holistic Impact Analysis and Evaluation of Impact Identification

2-1. Summary of holistic Impact Analysis

In the holistic analysis of the impact of JFR, JCR first holistically examine the factors that will generate the impact from the perspectives of segments, areas, and supply chains on a group-wide

basis.

From a segment perspective, the department store, Parco, and real estate businesses account for about 80% of the company's revenues and operating profit (J.Front Retailing Integrated Report 2019). These three businesses manage and sustainability initiatives under governance with the top concepts of the company policy, group vision, and sustainability policy. Therefore, the impact of these activities is considered as a unitary activity.

FY2018 Net Sales and Operating Income by Segment (Annual Securities Report)

	Department store business	Parco business	Real estate business	Others	Total(*1, *2)
Net Sales (JPY million)	275,441	89,969	16,995	114,823	459,840
%	59.8%	19.4%	3.4%	17.3%	100.0%
Operating Profit (JPY million)	24,194	5,445	4,664	5,867	40,891
%	59.2%	13.3%	11.4%	16.1%	100.0%

*1 Aggregated net sales from each segment does not match with Total because each segment count double in net sales.

*2 Operating profit by each segment does not match with the Total because to adjust with consolidated Financial Statements.

Next, in terms of areas, although there are some businesses that are expanding overseas, the majority of the total revenue derive from domestic sales in Japan, and the areas to be evaluated are limited to Japan.

From a supply chain perspective, JFR's supply chains are broadly divided into three main centers: the upstream (business partners) of the supply chain, which mainly handles procurement and manufacturing; the downstream (customers) of the supply chain, which mainly handles sales, etc. (the JFR Group); and the downstream (customers) of the supply chain, which mainly handles consumption. Each of these centers has an impact on three aspects: the environment, society, and the economy. Potential positive and negative impacts have been identified for each impact center in one of three aspects of sustainable development.

2-2. Evaluation by JCR

JFR's Risk Management Committee, which is chaired by the President and the Representative Executive Officer, and comprises executive officers and other members, identifies risks associated with the company's business activities. JFR identified risks by replacing them with the term "Uncertainty," and recognized 137 risks in FY2019. Ultimately, JFR narrows down the seven risks that it places particular emphasis on, and summarizes the extent of their development, the degree of impact, the positive and negative aspects, and the direction of future responses. The risks are reviewed annually. One of the seven risks that JFR has identified is the risk of growing importance of ESG. To cope with these risks, five materialities have been selected by incorporating the opinions of diverse stakeholders from 100 sustainability items. In this way, JFR conducts a holistic analysis of both the various risks and opportunities that can be assumed and the positive and negative aspects. The fact that JFR has been able to extract objective materiality by reflecting the opinions of stakeholders, rather

than deciding on the sustainability of JFR on its own, is highly evaluated.

Regarding the impact analysis conducted in the financing, JCR confirmed the following holistic impact analysis and the appropriateness of the identified individual impacts, in accordance with the verification items set out in the UNEP FI framework. As a result, JCR verified the appropriateness of the impact analysis of JFR and is considered to be consistent with the PIF Principles and reasonable.

Framework Confirmation Items	JCR Confirmation Results
Consideration of the operating context of the Corporate given its sector and type of activity, including the key relevant sustainability challenges in its operating location/ countries of operation and whether the Corporate's activities contribute to these.	JFR covers all the business segments and supply chains. JFR sets Group's sustainability goals. In extracting materiality, 137 risks were identified for all business activities, 100 sustainability items were extracted and holistically examined. The opinions of stakeholders throughout the supply chain were also reflected.
Consideration of relevant market practices and standards	Regarding GHG emissions, certification has been obtained from third parties for Scope 1 and 2. With regard to resolving social issues, there are several items for which targets are set to a higher level than the general level of the operating companies in Japan, in addition to compliance with related laws and regulations.
Consideration for the Corporate's strategic intent and/or commitments to deliver positive impacts and/or manage negative impacts, as publicly expressed in corporate social responsibility (CSR) reports, integrated reports or other public information	JFR Group regards risk as uncertainty that affects the company's profits and losses in the changing environment, identifies 137 risk items, and identifies seven key risks. The Integrated Report discloses the degree of development, impact, positive and negative aspects of these risks, as well as the direction of future responses. Among the seven important risks, five materiality items are identified, and efforts are made to resolve the issues, as an additional 100 items related to sustainability are identified as ESG responses. In addition, JCR confirmed through hearings that risks are reviewed every year.
Sectors or activities that generate positive impacts, or types of geographical locations or	JFR participates in the following initiatives. United Nations Global Compact (UNGC)

economic entities, are identified using international initiatives, etc.	<p>The Science Based Targets Initiative (SBT) certification acquired</p> <p>Signing of the Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>Japan Climate Initiatives</p> <p>Women's Empowerment Principles</p>
Consideration of engagement in activities that could cause material adverse impacts if not done in a sustainable manner.	<p>As for negative impacts caused by business activities, there is assumed environmental impacts such as GHG emissions. However, emissions are calculated for the scope 1, 2, and 3, and the scope 1, 2 are certified by a third party. Based on an understanding of the current situation, JCR confirmed through interviews with the Integrated Report, the JFR website, and JFR that each business segment and store set their own measures to achieve the reduction targets for the entire Group, and that they are actively working to reduce their environmental impact.</p>
Screening of available information regarding possible controversies to identify possible negative impacts linked to the corporate's activities, and/or apparent contradictions between its disclosures and actual practices	<p>Based on the PIF assessment prepared by SMTB, JCR conducted interviews with JFR to confirm that the disclosure and actual activities are consistent.</p>

3. Assessment of Key Impact Performance (KPIs)

3-1. Setting Individual Impact Indicators

In the process of extracting individual impacts from holistic impacts, in the process of identifying materiality in JFR, stakeholders' opinions are reflected and discussed fully from the management perspective. As a result, the impact assessment identifies the materiality as an individual impact.

In addition, a holistic analysis required by the PIF was performed on the items specified in the impact radar, and the impacts related to the five materialities were identified as the impacts of positive impact finance. JFR and SMTB have identified the impact of the current PIF to monitor the "Scope 3 Initiatives" of business partners (procurement and production processes), the "Scope 1 and 2 Initiatives" of JFR (sales processes), the "Coexistence with Local Communities," "Human Resources Initiatives," and the "Scope 3 Initiatives" of customers (consumption processes). The analysis results

of the identified individual impacts and the current situation by SMTB are as follows.

(1) Individual Impact in Scope 1 and 2

✓	Impact category: "Climate Change"
✓	Contents: Reduction of greenhouse gas emissions by Scope 1 and 2 derived from in-house activities
✓	Policy: Continuously reduce energy consumption and emissions based on the Eco Vision.
✓	KPI: Reduce CO ₂ emissions by 40% by 2030 (compared to 2017) Zero CO ₂ emissions by 2050 (compared to 2017)

There is a negative impact on the environment due to the emissions of greenhouse gases from the use of electricity, other energy, and fluorocarbons as utilities in the company's sales process, the use of water, the use of packaging materials based on the provision of products and services, and the generation of food and other waste. JFR has established the "Eco Vision" as a long-term environmental vision, and promotes the concrete challenge based on the five action policies, and JFR tries to reduce the impact of those negative impacts by proper management, disposal, recycling, etc.. JFR is implementing measures to reduce the environmental impact of its activities, products, and services. Since the environmental impact at Daimaru Matsuzakaya Department Store has been steadily decreasing since fiscal 2014, environmental management is functioning effectively, and it can be expected that the negative impact will be reduced in the future.

Climate change is the biggest impact category from the operation of large-scale stores. CO₂ emissions in Japan account for 40% of the total emissions from the construction and operation of buildings, making it the largest environmental issue in the retail sector.

JFR acquired SBT certification in October 2019, and has announced a target of reducing CO₂ emissions of Scopes 1 and 2 by 40% from FY2017 levels by 2030. JFR has also set a long-term goal of achieving zero emissions by 2050. These targets are ambitious compared with the national targets, and can be highly evaluated as progressive targets for achieving the 2°C target. These activities contribute to the achievement of the targets of the SDGs and the Paris Agreement.

As part of the "Efforts to reduce energy consumption and emissions" of the JFR Guidelines for action 1., existing department stores, etc. are switching to renewable energy, introducing energy-saving and highly efficient equipment, and using LED lighting, etc., and these efforts are made with a strong awareness of zero emissions in 2050. In addition, efforts in line with the JFR Guidelines for Action 2 "Response to a Recycling Society," such as switching to environmental materials and installing solar

panels, are also being promoted.

There are also various approaches to new stores and buildings that are conscious of environmentally conscious buildings. The main building of the Daimaru Shinsaibashi store, which opened in September 2019, is scheduled to reduce CO₂ emissions by approximately 7,000t-CO₂ in FY2020 compared to the former main building (FY2015). As a flagship store for promoting ESG, JFR is actively working to contribute to a low-carbon society. For example, all electricity used in the building is renewable energy, and 70 companies owned vehicles are switched to EVs. The new Shibuya PARCO, which opened in November 2019, has been selected by the Ministry of Land, Infrastructure, Transport and Tourism as a "Pioneer Project for Sustainable Buildings, etc. (CO₂ Leadership Project)" in recognition of its efforts to (1) create attractive outdoor spaces such as rooftop plazas and multi-story streets, (2) actively introduce high-efficiency energy systems centered on co-generation systems, and (3) promote the efficient use of energy through digital communications. Regarding the conversion of company owned vehicles to EV cars, the entire group is scheduled to switch to 100% by 2025.

(2) Individual impact in scope 3

- ✓ Impact category:
"Climate Change"
- ✓ Strategy:
Reduce CO₂, waste, and other energy, water, and other utilities generated during the procurement/production/consumption process by disseminating the Principles of Action for Supplier.
- ✓ Policy:
Promote efforts to achieve targets based on the JFR Principles of Action.
- ✓ KPI:
100% penetration of the Principles of Action for Suppliers by 2030
Aiming to reduce Scope 3 emissions by 40% from FY2017 levels by 2030

JFR is promoting efforts to reduce these environmental impacts because of the negative impacts caused by the impact of CO₂ from the use of electricity and energy in the procurement/production and consumption processes, as well as by the discharge of waste. With regard to energy and greenhouse gas emissions, the Eco Vision Action Guidelines state that efforts should be made to continuously reduce energy consumption and greenhouse gas emissions in all supply chains. With regard to the formation of a recycling-oriented society, JFR, together with its customers and business partners, is committed to recycling waste from households, stores, and offices, and is committed to improving the efficiency of its business activities through the reuse of resources and the use of recycled resources.

The Principles of Action for Suppliers have been formulated with the purpose of promoting these principles jointly with stakeholders. By spreading these principles widely, we are working to reduce the negative impact on the entire supply chain. As a specific action to ensure that JFR's Principle of Action for Suppliers is endorsed, as of October 2019, the Principles of action for Suppliers were mailed to the presidents of 8,672 business partners. At Daimaru Matsuzakaya Department Stores, JFR Principle of Action for Suppliers were held simultaneously in Tokyo and Osaka to promote understanding of the Principles of Action. A total of 652 participants from 530 companies participated. JCR also commendable that the company has constructed a new business model based on the concept of the Circular Economy. In order to reduce CO₂ emissions from the incineration of shopping bags and plastic shopping bags, JFR have begun initiatives throughout the entire supply chain, such as switching to paper that incorporates environmental resources.

As in Scope 1 and 2, climate change is the biggest challenge in terms of environmental impact in the supply chain. In FY2017, which was set as the base year of the SBT, Scope 3 emissions accounted for 94% of total supply chain emissions, and the achievement of the Scope 3 emissions reduction target had a significant impact. For Scope 3, the SBT has set an ambitious target of reducing Scope 3 emissions by 40% by 2030 compared to fiscal 2017.

The results of efforts to reduce environmental impacts are disclosed in the Integrated Report and the website, but in fiscal 2018, the results were 1.6% higher than the previous year. The main factor behind this is considered to be the 48.0% year-on-year increase in "the amount of investment in emissions associated with the construction and production of own capital goods." This is considered to be a temporary increase due to the opening of the Daimaru Shinsaibashi store and Shibuya Parco.

At present, the KPI is to ensure that business partners are thoroughly familiar with the Principles of Action for Supplier, but ultimately it is desirable to set a more specific indicator for the supply chain as the KPI. The setting of KPIs for resource circulation is also an issue to be examined. Firstly, I hope that the dissemination of the "JFR Principles of Action for Suppliers" will pave the way for achieving high targets.

(3) Individual Impact of Community Revitalization

- ✓ Impact category:
"culture and tradition," "mobility," "inclusive and healthy economy," "education," "employment," and "human rights."
- ✓ Strategy:
Invigoration of the local economy through coexistence with the local community
- ✓ Policy:
Developing the attractiveness of the entire area centering on stores through an Urban Dominant Strategy (town development) and contributing to the attractiveness of local

customers and local communities.

✓ KPI:

JFR will realize sustainable and advanced urban development by combining urban development that leverages the assets of the communities in which JFR excel with solutions to environmental issues while cooperating with local communities, government agencies and retailers.

Specific indicators will be examined in line with the materialization of future strategies.

The department store business used to be structured based on its outstanding location as a retail facility in city center and its extensive lineup of products. However, given the dramatic and rapid changes in social conditions such as IT adoption, diversity, internationalization, population decline, and regional disparities, a new perspective of co-existence and co-prosperity with the region has become important. In addition to the management of the existing base, which is one of JFR's strengths, there is a need to shift management toward locals surrounding its sales bases, production locations for consumer goods (supply chains), and locations of customers acquired through inbound tourists and the Internet. As a result, the scope of areas that have an impact is expanding.

"Urban Dominant Strategy" is the core of JFR's growth strategy to build a Win-Win relationship between its own growth through co-existence with the region and the development of various regions. Urban Dominant strategies have impacts on the local environment, society, and economic, and their effects are also evaluated as impacts.

Specifically, it is expected to increase the impact of co-existence and co-prosperity with surrounding commercial facilities, the expansion and improvement of public facilities such as streets and squares in relation to redevelopment and neighborhood development plans, the securing of safety and convenience, the improvement of access to mobility such as underground areas, roads and railways, the promotion of the opening of stores by enterprises locating in remote area and new corporate sector, the promotion of employment, regional economic revitalization, and the incorporation of old and new cultures and traditions.

Based on its "Urban Dominant Strategy," JFR aims to revitalize surrounding areas by leveraging the assets of department stores and Parco that are deployed in major urban areas nationwide (improvement the ability of the entire region to attract customers, improving asset value, and improving asset efficiency). In particular, JFR has positioned the five areas of Shinsaibashi, Kyoto, Kobe, Nagoya, and Ueno as priority districts in the future, and is working to create attractive areas with its stores in the center of the area, such as promoting plans for neighborhood development and creating motivations for visitors in collaboration with local communities.

The new main building of the Daimaru Shinsaibashi store is based on the concept of creating a store "Delight the World. Shinsaibashi, Adored by the World," In order to further strengthen its responsiveness to the wealthy and foreign visitors who are distinguishing characteristics of the

Shinsaibashi store, JFR is promoting store development targeting "all customers who actively enjoy their lives." In luxury goods, cosmetics, and basement food floor and restaurant section, JFR significantly expanded the area and number of brands it operates. It also actively introduced new brands, opening 37 stores for the first time in the Kansai region and opening 370 stores, including 50 new formats. Furthermore, about 65% of the total area is composed of sales floors for fixed-term leases, and the Company has built a hybrid department store business model for the new era that optimally balances the advantages of purchasing buying sales with the advantages of fixed-term leases.

In order to create next-generation commercial spaces, Shibuya Parco has opened Nintendo's first directly managed official shop in Japan, Nintendo TOKYO, and has expanded its experience-oriented content by expanding the number of Parco theaters. In addition, JFR is working to re-propose fashion through a mix of luxury, modal, and street cultures, and to create future-oriented sales spaces using ICTs. In terms of hardware and software, the company is aware of its contributions to local communities. In terms of hardware, JFR aims to create an environment that makes it easier for people to walk around the area by upgrading sidewalks and plazas in the surrounding area. In terms of software, the company aims to revitalize the area by holding events in a wide range of genres, such as outdoor plazas, which are linked to local communities, fashion shows, music, and food events.

In the Nagoya district, a plan for opening a commercial facility to "Nippon Life Sakaemachi Building (tentative name)" and redevelopment of "Nagoya Nishiki 3-chome 25 district" has been started. Plans are underway for commercial facilities and redevelopment that contribute to the vitality and attraction of customers in the Nagoya area, such as incorporating stays, culture, learning, and amusement, and improving convenience by connecting subway facilities and underground facilities.

4. Impact on Human Resources

Positive impact

✓ Impact category:

"Employment" and "Human Rights"

✓ Strategy:

We aim to become a company that embraces and respects diversity as an organization in which diverse cultures, customs, age, gender, persons with disabilities, and others coexist.

We will create a work environment that corresponds to each life stage and realize the happiness of our employees and their families.

Human Resource Development at Each Level

✓ Policy:

To create opportunities for women, senior citizens, and people with disabilities to thrive, conduct human resources management to enhance options for working styles, and resolve personnel issues

JFR aims for the well-being of its employees and their families and the growth of the company by emphasizing the acceptance and respect for diversity. With regard to diversity, JFR is striving to create opportunities for women, seniors, and people with disabilities to play an active role. With regard to work-life balance, JFR is striving to enhance options for working styles that match the life stages of each employee. By respecting employees' diverse values, these activities are expected to promote creative work activities, thereby increasing the efficiency of JFR's businesses and becoming a factor in corporate growth.

With regard to human resources, JFR is promoting initiatives based on the two pillars of "promotion of diversity" and "Realizing work-life balance" identified in the materiality. JFR believes that corporate growth is impossible without the growth of "human resources." With a focus on clarifying policies for dealing with internal and external risks and maximizing the human resources that are essential to growth, we are promoting a human resources strategy aimed at realizing our group vision of "inventing new happiness." In particular, JFR aims to contribute to the creation of a highly competitive corporate group in which each and every employee is committed to independence and challenge, and realizes growth through work, while continuing to create new value through the combination of diverse human resources.

Shift from the conventional job-oriented personnel system to a "human resources-oriented" system that combines a functional system with a job-oriented system. JFR aims to revamp its human resource management system itself, from "hiring" to "assignment and utilization," "training," "evaluation and assessment," "treatment," and "retirement," by appropriately grasping the comprehensive human

resource abilities of each individual, assigning the right person to the right position, developing the right person, and properly evaluating and treating them. JFR is doing initiatives against specific challenges include diversity and inclusion, diversification of working styles, work-life management, equal work and equal pay, and health management.

In addition to these human resources strategies, as initiatives that lead to innovation creation, JFR also conducts "Challenge Cards" and "foreign numerator bonds workshops." In fiscal 2017, the company introduced a "Challenge Card" system as a mechanism to support employees' challenges. Once every six months, employees propose ideas for three categories: sales measures, operational improvements, and new businesses. In addition to announcing particularly outstanding ideas at the JFR Group Invention Awards, it also contributes to actual sales growth by commercializing these ideas. JFR is also promoting initiatives such as the "JFR Women's School," "the Next-Term Management Human Resource Development," and "the Career Building of Employees." In "the Next-Term Management Human Resource Development," the Company has started the JFR Management School (for candidates for next-generation management officers) and the JFR Management School (for candidates for next-generation performance managers), with the aim of early stage developing next-generation leaders. By March 2019, three people who have participated in the JFR Management School had been promoted to executives, and 12 people who have participated in the JFR Management School had been promoted to general managers.

3-2. Evaluation by JCR

The impact (KPI) extracted as a verification monitoring indicator for outputs was examined from the five factors (1) diversity, (2) effectiveness, (3) efficiency, (4) multiplicity, and (5) Additionality presented in the PIF Principles.

1. Diversity: Is there a variety of positive impacts delivered?

For the five materialities, JFR has a long-term vision for measures to reduce the negative side and maximize the positive side. There are five categories identified as impact categories, each with multiple KPIs, and a variety of positive outcomes can be expected. In particular, while it is difficult to measure quantitative effects of the Urban Dominant strategy, it is expected that the secondary effects of regional revitalization will be expected for the region as a whole, resulting in a variety of positive impacts over the long term. However, it is desirable to evaluate its effects each year while confirming the progress of specific activities, since no specific KPI has been set for this item in advance.

2. Effectiveness: Magnitude of the impacts delivered

According to the announcement by the Japan Department Store Association, the nationwide department store sales in January-December 2018 were JPY 5,887.0 billion, and JFR was the second largest in the industry on a sales basis. The impact of JFR's efforts in this sector is considered to be significant. In addition, since the number of suppliers is more than 8,000, it is expected that promoting

the initiatives of Scope 3 through the dissemination of the "JFR Principles of Action for Suppliers" will have the effect of encouraging many affiliated companies to implement measures to mitigate climate change.

In terms of regional revitalization, it is expected to have a variety of positive impacts not only on the development of JFR stores, but also on the three aspects of the surrounding community, economy, and environment, including co-prosperity with surrounding commercial facilities, expansion and improvement of public facilities such as streets and squares in relation to redevelopment and surrounding development plans, ensuring safety and convenience, improving access to mobility such as underground areas, roads and railways, promoting the opening of stores by locating in remote enterprises and new formats, promoting employment, regional economic revitalization, and incorporating new and old cultures and traditions.

3. Efficiency: Scale of impacts delivered relative to amount of funds spent

JFR has established a Sustainability Committee to improve sustainability. In addition to the group-wide management team, the heads of each store and company are actively involved. Human capital investment is also relatively high, given the identification and analysis of risk materiality, third-party certification of GHG emissions, and multiple active involvement in international initiatives. On the other hand, thorough in-house implementation of all risks identification and other tasks, as well as efforts to reduce the environmental impact of each store, have greatly contributed to JFR's cost reduction. In addition, considering that sustainability initiatives such as Urban Dominant strategies play a major role in the development of corporate strategies as a multi-service retailer based on a long-term vision, it is highly likely that a large positive impact will be brought to JFR and society as a whole in the medium to long term.

4. Multiplicity: Degree of leverage of private funds relative to public funds and/or donations

This item is outside the scope of our evaluation for the development of impacts.

5. Additionality: Is there any additional impact?

Are the impacts contributing to SDGs areas where they are unable to achieve or respond poorly?

Is it a major step forward realizing the SDGs goals?

As listed below, among the SDGs 17 goals and 169 targets, individual indicators are expected to have additional impacts on multiple targets and targets.

(1) SDGs Targets and Targets for Scopes 1, 2, and 3



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix

Target 7.3. By 2030, double the global rate of improvement in energy efficiency



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

(2) Targets and SDGs Targets Contributing to the Revitalization of Local Communities



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11. 3

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in in all countries.

Target 11. 6.

By 2030 years, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



Goal 13: Take urgent action to combat climate change and its impacts

Target 13. 1

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

Target 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

(3) SDGs objectives and targets that "human resources" contribute to



Goal 3: Ensure healthy lives and promote well-being for all at all ages

Target 3.7.

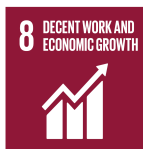
By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes



Goal 5: Achieve gender equality and empower all women and girls

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: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.5.

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Target 8.8.

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

4. Appropriateness of the content and methods of monitoring impact indicators

JFR will disclose the matters listed as KPIs in the Integrated Report, Sustainability Report, website, etc. SMTB shall continuously assess the status of the disclosure and conduct hearings as necessary. In the specific event occurs, SMTB shall strive to hear the situation from JFR and engage in measures as necessary. In order to effectively implement the monitoring actions, positive impact finance agreements requires ongoing, periodic, and timely disclosure of impact-generating activities and KPIs as needed. Based on the above, JCR has evaluated that SMTB's monitoring content and methodologies are appropriate.

5. Use of the PIF Framework

As discussed in detail in Items 1-4 above, JFR conducts positive impact assessments in accordance with the framework of the Positive Impact Financial Principles. Therefore, JCR evaluates that the PIF framework is fully utilized.

IV. Sumitomo Mitsui Trust Bank's Private Finance Initiative (PIF) product origination and framework

Regarding the Sumitomo Mitsui Trust Bank's PIF assessment framework, JCR checked the appropriateness of product origination, the state of internal regulations and systems, and the appropriateness of the PIF assessment procedures. As a result of confirming consistency with the PIF principles by the following items, JCR confirmed that all items met the requirements.

1. Principle 1 Definition

Principle	JCR confirmation results
Positive impact financial is finance which serves to Positive Impact Business.	This is regarded as a positive impact finance undertaken by Sumitomo Mitsui Trust Bank to support positive impact business.
Potential negative impacts in any of the three dimensions of sustainable development (economic, environmental, and social) are properly identified and mitigated, with positive contributions in at least one of them.	Of the five materialities identified by the JFR, the individual impacts to be monitored in this financing have been confirmed to have positive impacts on three aspects: environmental, economic, and social sustainability. Negative aspects are also identified and mitigated. However, no clear agreement has been reached between the borrower and the lender as to what would have been a positive impact on setting the KPI for the impact of regional revitalization. When it is difficult to set quantitative KPIs, it is desirable to confirm the progress of the activities planned to be carried out each year, and to continue discussions between the two on the effects that will be realized in the long term.
Positive Impact Finance is a direct response to the financial challenges of the Sustainable Development Goals (SDGs) by holistically assessing the challenges of sustainability.	The relevance to the SDGs is clarified by the issuer and is a response that can directly contribute to the goals and objectives.
This principle applies to all categories of financial instruments and to the activities that support them.	This is a loan that supports the overall business activities of JFR by Sumitomo Mitsui Trust Bank.
Positive impact financial is not sectoral.	Sumitomo Mitsui Trust Bank has examined the overall business activities of JFR, and found the

	materiality identified by JFR reflecting the opinions of various stakeholders, as well as its positive impact.
The Positive Impact Principles recognize the interrelatedness of sustainability issues and assess both the positive and the negative impacts not only in a single field but also globally.	JFR analysis focuses on the positive and negative aspects of the impact, and for those items that are currently potentially negative, it is set to maximize the positive aspects, including the positive aspects, and the activity targets that attempt to improve them so as to bring about a positive impact.

2. Principle 2 Framework

Principle	JCR confirmation results
To promote the delivery of Positive Impact Finance, entities (banks, investors) need adequate processes, methodologies and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or invested in.	JCR confirmed that SMTB has developed methodologies, methods and tools to identify and monitor positive impacts. With regard to the above points, detailed rules have been established in the operation guidelines, which are effective in ensuring that all staff members are thoroughly informed of the guidelines and consistency in evaluations is maintained. On the other hand, it is believed that more effective PIF can be implemented by examining specific criteria for measuring the positive impact that banks can use as a reference for making loan decisions in the future.
Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies.	JCR confirmed that SMTB has established criteria for holistic impact analysis and identification of individual impacts in line with the Positive Impact Framework. Detailed provisions have been made in the Operational Guidelines in relation to the above points, which are effective in ensuring that staff are thoroughly informed and consistency in evaluations is maintained.
Apply regular ESG risk management before	SMTB uses impact radars published by the

determining Positive Impact eligibility.	<p>UNEP FI as tools for measuring impacts. JCR also confirmed that impact analysis tools currently being developed by UNEP FI are also being considered in the analysis.</p> <p>Taxonomy, international initiatives, etc. are also stipulated as references.</p>
Implement specific processes, criteria and methodologies to monitor the achievement of intended impacts throughout the duration of the financial instrument	JCR confirmed that a contract composed by SMTB is to monitor the progress of the impact until the due date of the finance. In addition, SMTB has established internal rules on the methodologies, standards, and methods for specific verification, and confirmed the appropriateness of these rules.
Allocate and equip staff with relevant mandate and skill sets to enforce the above processes	JCR have confirmed that there are departments and staff within SMTB that have the necessary skills to implement the above process.
Seek Second opinions and/or third party assurances on the implementation of the processes as appropriate	JFR has asked JCR to give a second opinion.
<p>Review and update processes as appropriate on an on-going basis.</p> <p>This can be done simultaneously with existing processes, e.g. during product, project or customer training or periodic reviews.</p>	<p>In accordance with SMTB's internal regulations, the process will be reviewed from time to time and updated as appropriate.</p> <p>In the current assessment, JCR refers to the internal regulations enacted in March 2019.</p>
Can make use of existing and recognized tools, standards and initiatives where applicable (For instance, in the case of project finance, the Equator Principles provide a recognized risk management standard.)	The Indicators used in impact assessments and reference criteria are specified in impact radar.

3. Principle 3 Transparency

Principle	JCR confirmation results
<p>Entities (banks, investors) providing Positive Impact Finance should provide transparency and disclosure on:</p> <p>The activities, projects, programs, and/or entities</p>	<p>Ensuring transparency by obtaining and disclosing third-party opinions.</p> <p>JFR will disclose the matters listed as KPIs in the Integrated Report, Sustainability Report, website,</p>

<p>financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1).</p> <p>The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2).</p> <p>The impacts achieved by the activities, projects, programmes, and/or entities financed (as per Principle 4).</p>	<p>etc. In addition, transparency is ensured since SMTB regularly confirms the status of the achievement of these disclosure items and conducts hearings as necessary.</p>
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4. Principle 4 Evaluation

Principle	JCR confirmation results
<p>The assessment of Positive Impact Finance delivered by entities (banks or investors), should be based on the actual impact achieved.</p>	<p>Sumitomo Mitsui Trust Bank evaluates PIF implementation based on the five factors listed in PIF Principle 4: 1. diversity, 2. effectiveness, 3. efficiency, 4. multiplicity, and 5. additionality.</p> <p>JCR has received sufficient information in expressing third-party opinions on the validity of the evaluation.</p> <p>Among the individual KPIs, the effects of regional revitalization, in particular, are difficult to set quantitative KPIs and specific targets. Therefore, JCR confirmed that JFR will focus on the business development it is aiming for by the repayment deadline and the qualitative effects it generates, and will monitor them.</p>

V. Conclusion

Based on the above considerations, JCR confirmed that the positive impact finance provided to J. Front Retailing Co., Ltd., which is the subject of this third-party opinions, complies with the (1) Positive Impact Financial Principles and the Positive Impact Financial Implementation Guide (Model Framework) stipulated by the United Nations Environment Programme Finance Initiative, and that (2) the financial decision has been made by Sumitomo Mitsui Trust Bank through appropriate valuation procedures.

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-party opinions

The third-party opinion granted and provided by Japan Rating Research Institute (JCR) is a comprehensive opinion of business entities and procurement entities regarding their compliance with the Positive Impact Financial (PIF) Principles formulated by the United Nations Environmental Programme Finance Initiative, and do not fully indicate the extent of the positive impact of the positive impact finance.

This third-party opinion is a statement of opinion on the current plan or status based on information provided by the client, the procurement entity and the business entity, and information independently collected by JCR, and does not guarantee positive results in the future. In addition, this third-party opinion does not quantitatively demonstrate the positive effects of PIFs, and does not represent a commitment to the effects of PIFs. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by a procurement entity or a third party commissioned by a procurement entity with respect to the degree of achievement of the impact indicators set by the Company. However, in principle, JCR does not directly measure the degree of achievement.

2. International initiatives, principles, etc. referenced in the preparation of this third-party opinion

In preparing this opinion, JCR refers to the following principles and guides developed by the United Nations Environment Programme Finance Initiative.

Positive Impact Financial Principles

Positive Impact Finance Model Framework, which does not limit the use of funds

3. Relationship with Acts Related to Credit Rating Business

Providing this third-party opinion is undertaken by JCR as a related activity and does not constitute an activity relating to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

There are no capitals or human relationships that could cause conflicts of interest between the business entity or procurement entity of the PIF and JCR.

■Disclaimers

The information contained in this document has been obtained by JCR from the Business entities or procurement entities and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. This third-party opinion does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to positive impact finance, which is subject to the evaluation. This third-party opinion is a comprehensive statement of opinion at the present time of JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. This third-party opinion may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document are reserved by JCR. No part or all of this document may be reproduced, translated, modified or otherwise altered without the permission of JCR.

■Glossary

Third-Party Opinion: This Report, at the request of the client, provides a third-party opinion on the conformity of the Bank's Positive Impact Financial Assessment Report to the United Nations Environmental Programme Finance Initiative's Positive Impact Finance Principles from an independent, neutral and impartial standpoint.

Business entities: Financial institutions that implement positive impact finance.

Procurement entities: Operating companies, etc. that borrow through positive impact finance for positive impact business.

■Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Financial Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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