

Social Bond Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the following Social Bond Preliminary Evaluation Results.

JCR Assigned preliminary Social 1 to the Bonds of Gakken Holdings Co., Ltd.

Subject	: Gakken Holdings Co., Ltd. 1st unsecured corporate bonds (with limited inter-bond pari passu rider) (Social bonds)
Type	: Bonds
Issue amount	: JPY 6.0 billion
Interest rate	: To be determined
Date of issuance	: To be determined
Redemption date	: To be determined
Method of repayment	: Bullet
Use of proceeds	: Funds to acquire shares in a company that operates group homes for people with dementia and to invest in the company

<Social Bond Preliminary Evaluation Results>

Overall Evaluation	Social 1
Social Impact Evaluation (Use of Proceeds)	s1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

Based on the belief of founder Hideto Furuoka that "post-war reconstruction is nothing but education," the Gakken Group was established in 1946 as Gakken Co., Ltd. which providing educational services. In April 2004, the company established Gakken Cocofump (now Gakken Cocofump Holdings Co., Ltd.), a nursing care provider, and incorporated medical and welfare to its business. In October 2009, Gakken Co., Ltd. became a holding company and changed name to Gakken Holdings Co., Ltd. with the reorganization of the company. The Company's management policy is "Make inroads in developing the next generation using two growth engines." The two growth engines are

"education" and "medical and welfare" fields. Based on the policy, the Company oversees the Group's overall businesses, including educational services such as cram schools, publishing and selling publications and childcare products, and the operation of housing with services for the elderly and nursing facilities and childcare support facilities such as group homes for the dementia. In the field of education, in particular, new educational methods, such as EdTech and STEAM education, not only cultivate the next generation of human resources who can create value for the future, but also recognize the importance of education to foster humanity that can reach out to greeters and people who have difficulties, and are practicing it at various educational sites. The company also aims to create a society (Gakken Comprehensive Community Care System) in which people can continue to live in recurrent education and communities where they are living until the end of their lives, with an eye toward human life lasts around 100 years.

The subject of this evaluation is the Bonds that Gakken Holdings plans to issue. JCR evaluates whether the Bonds is consistent with the Social Bond Principles (SBP) (2018 edition) and SDGs targets. The principles of social bonds are the "principles" voluntarily published by the International Capital Markets Association and are not regulations, and therefore are not binding, but are widely referenced globally at this time. JCR evaluates their conformity with these principles. In addition, the social bond principles emphasize the use of proceeds and their impacts, as well as the alignment of international sustainability goals and national policies. Therefore, the SDGs and social project categorization mappings developed by the Society are used as reference indicators for evaluations.¹

The use of proceeds is planned to be dedicated to the reimbursement of Medical Care Services Company, Inc. (hereafter, MCS), which operates long-term care activities mainly in the eligible care group homes for the elderly with dementia (hereafter, Group homes), and the reimbursement of borrowing and the operational cost of the project (funding for MCS). In Japan, where the number of dementia patients is increasing, enrichment is one of the policy priorities. Also, healthcare facilities for the elderly, including the project, are becoming a social challenge in Japan's rapid aging society in following aspects such as (1) the shortage of medical and nursing homes due to the increase in single elderly households, etc. and (2) providing useful solutions to the shortage of workers and the delay in the social development of women, etc.

As a result of its high importance as a social infrastructure, JCR evaluates that the use of proceeds contributes to "Access to essential services (healthcare)" for the elderly and "socioeconomic advancement and empowerment" for women in the Social Bonds Principle. It also contributes to Goal 3 "Ensure healthy lives and promote well-being for all at all age," Goal 11 "Make cities and human settlements inclusive, safe, resilient and sustainable", Goal 5 "Achieve gender equality and empower all women and girls" and Goal 8 "Promote inclusive and sustainable economic growth, employment and decent work for all" in the Sustainability Development Goals. In the "Specific Measures to Achieve Sustainability Development Goals" established by the Government of Japan, JCR confirmed that these measures are consistent with the "Creation of a society with dynamic engagement of all citizens: Social security that provides reassurance," which is a policy closely related to SDGs Goal 3, etc. It is also evaluated as contributing to the "Principles of Promoting Measures for Dementia (June 18, 2019)." by the Ministry of Health, Labour and Welfare.²

Gakken Holdings identifies social issues related to the residential and nursing care facilities of the elderly as important issues. In addition to the education business, which the company has been focusing on since its foundation, the elderly housing with services operated by Cocofump, the business of group homes run by MCS, the Group addresses structuring a comprehensive community care system as a priority management issue. JCR also confirmed that appropriate selection criteria and risk management methods have been established for projects for which funds are to be used, that the departments in charge and management are appropriately involved in the selection process,

¹ ICMA(International Capital Market Association) Social Bond Principles 2018.

² Dementia is defined as a situation in which a decline in the cognitive functions such as memory and thinking is caused by the degenerative disease of the brain or the vascular failure of the brain, and the daily life has been obstructed for more than 6 months.

and that the tracking and management of funding management has been clearly defined. Reporting is scheduled to include the funding status and the selection and disclosure of appropriate key impact indicators. From the above, JCR evaluates that the management system for the use of proceeds is appropriate and that the items to be reported to investors and to be disclosed are transparent.

As a result, based on the JCR social finance evaluation methodology, JCR assigned "s1" for the preliminary evaluation of "Social Impact Evaluation (Use of Proceeds)" and "m1" for the preliminary evaluation of "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Social 1" for the overall preliminary evaluation. Detailed evaluation results are discussed in detail in the next chapter. The bonds fully meet the standards for the requirements of the Social Bond Principles and are consistent with the SDGs Goals and specific measures for the SDGs Goals of the Government.

Chapter 2: Current Status of the project on each evaluation factor and JCR's evaluations

Evaluation Phase 1: Social Impact Evaluation

JCR assigns "s1", the highest grade, to "Evaluation Phase 1: Social Impact Evaluation".

Rationale: 100% of the proceeds are eligible as a social project.

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the proceeds will be allocated to social projects that have a clear social improvement effect. Next, JCR assesses whether an internal department/division which is exclusively in charge of environmental or social issues or a third party prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have adverse social and environment impact. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR's evaluation

<Overview of Use of Proceeds>

Gakken Holdings define its eligible project categories and target populations as follows.

Eligible Projects

Funds for the acquisition and operation expense of a company that owns group homes, fee-paying nursing homes for the elderly, and city-type low-cost nursing homes for the elderly to provide in-home nursing and in-home nursing support services for the elderly with dementia.

The businesses segments of the acquired Medical Care Service Co., Ltd. (MCS) are as follows

Facilities type	Number of facilities
Group Homes	270
Living facilities with nursing care services for elderly	10
Small-scale multi-functional in-home nursing care	12
Day Service Center	1
low-cost urban nursing homes	9
In-home long-term care support offices	2
Overseas	4 in China

(As of January, 2020)

Target population

- Family members who care people with dementia and elderly nursing care
- Dementia patients
- The elderly requiring care

<JCR's valuation of the Bonds>

a. Social Benefits of Projects

- i. **The purpose of the Bonds is to refinance investments, new investments, and operating expenses in companies (MCS) that operate nursing care facilities for the elderly, etc. that contribute to the improvement of problems caused by the rapidly aging society, which is a serious social problem in Japan. In particular, the Group Home business, which is the core business of MCS, is a facility that**

greatly contributes to the mental and physical care of dementia patients, which is increasing both in Japan and overseas, and to the prevention of deterioration of their condition. JCR believes that this facility has a high social significance. It also contributes to the promotion of specific measures in Japan related to SDGs goals and the Outline for the Promotion of Dementia Measures established by the Ministry of Health, Labour and Welfare.

Social Challenge 1: Increasing the number of people with dementia and the need for care

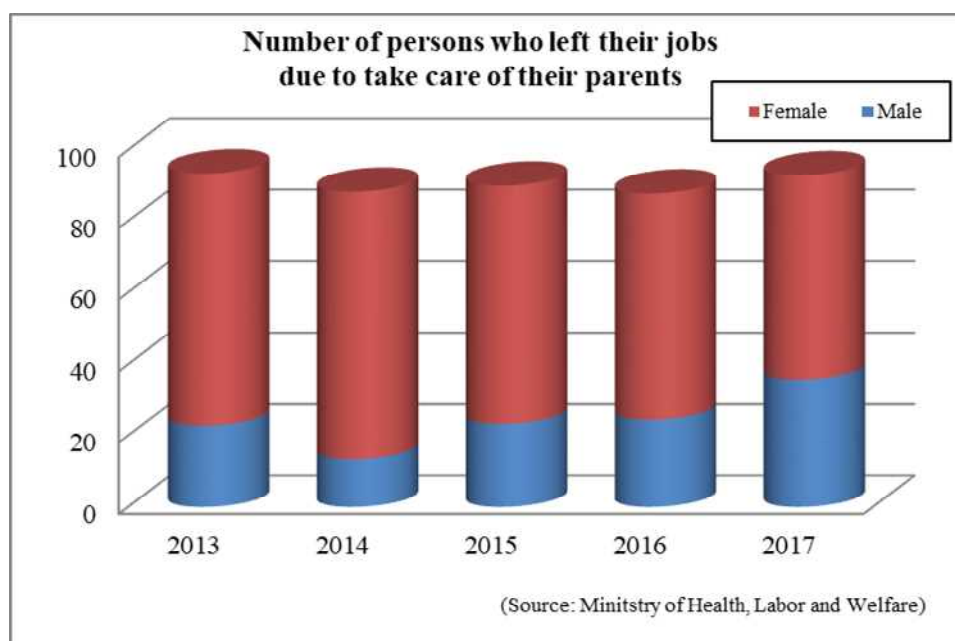
Worldwide, the number of people with dementia is on the rise. The number of patients is projected to increase from 50 million in 2018 to 152 million in 2050 (source: MWLW's white paper of elderly society in December 2017). By region, East Asia had a total of 9.8 million patients with dementia, up from 7.5 million in Western Europe, 5.1 million in South Asia, and 4.8 million in North America. According to the statistical data of the Ministry of Health, Labour and Welfare, the number of dementia patients in Japan was 4.62 million, accounting for 15% of the elderly aged 65 or older. However, according to the future estimates regarding the prevalence of dementia, the number of dementia patients is projected to reach 7 million in 2025, accounting for about 20% of the elderly aged 65 or older.

The Ministry of Health, Labour and Welfare formulated the Outline for the Promotion of Dementia Measures on June 18, 2019, and have been actively tackling this issue. However, efforts to increase the number of dementia patients due to the aging population are not limited to Japan, but are a common global issue. The United Kingdom's National Dementia Strategy and the U.S. National Alzheimer Program are developing national strategies for dementia by governments. The Ministry of Health, Labour and Welfare is positively communicating to each country the model of social efforts in Japan, which has been aging at the fastest pace in the world, and is steadily implementing measures in line with this outline with the aim of realizing a society in which people with dementia can continue to live in good local environment as much as possible. Under this basic philosophy, the Government will promote measures in line with the following five pillars: (1) dissemination awareness and personal dissemination support; (2) prevention; (3) support for medical, care, care services, and caregivers; (4) promotion of easy access for dementia patients; support for people with young dementia; and social participation support; and (5) research and development, industry advance, and international expansion. Group homes are consistent with the implementation of Measures (3).

Despite its high social significance, group homes must meet (1) staffing standards, (2) facility criteria, and (3) operating criteria compared to other care facilities. For example, the establishment requirements must be met, such as the establishment of relatively small-scale units and the establishment of units where opportunities for interaction with families and local residents can be secured so as not to change the circumstances as much as possible. Since each municipality grants approval, the requirements and regulations differ depending on the region. So, it is a long-term care facility that is difficult to develop on a large scale.

Social Challenge 2: Increase in the number of people leaving long-term care and a high proportion of women

In Japan, the number of elderly people leaving the company for care and nursing of the elderly has been hovering around 90,000. The following graph shows trends in the number of people leaving long-term care that are published in the survey on Employment Trends by the Ministry of Health, Labor and Welfare. Looking at the turnover by gender, women account for 70% to 80% (down to 60% in 2017) of the total, indicating that care burden is one of the impediments to promoting women's participation in society.



Social Challenge 3: Increase in the number of single-person elderly people

According to the Population Projection by the National Institute of Population and Social Security Research in April 2017, the population aged 75 or older will be approximately 21.8 million in 2025, with one in every five elderly nationwide aged 75 or older. The population aged 65 or older, which was 26% of the total population as of 2015, is projected to reach 30% of the total population, 36.77 million nationwide, and 3.32 million in Tokyo as of 2025. According to the National Institute of Population and Social Security Research's estimated number of households in April 2017, the total number of households with a head age of 65 or older will increase from 19.18 million in 2015 to 22.42 million in 2040, an increase of 3.24 million. The number of households with a head of household aged 75 or older will increase from 8.88 million in 2015 to 12.17 million in 2040, an increase of 3.29 million. As of 2015, 37.9% of households aged 75 or older were single-person households due to unmarried, divorced, apartment, or bereaved households. By 2040, however, it is anticipated that nearly half of these households will be single-person households, accounting for 42.1%. Even among elderly single-person households with no need for long-term care and able to live independently, from the viewpoint of support systems in an emergency and prevention of dying alone, it is important for the super-aged society in the future to develop housing facilities attached to 24-hour management systems and services such as cooperation with external nursing care and medical facilities as necessary.

<Expansion of housing, nursing care, and related facilities for the elderly to address the above social issues>

In April 2004, Gakken established Cocofump Co., Ltd. (now Gakken Cocofump Holdings Co., Ltd.), a provider of medical and welfare services. It aims to implement the Gakken Comprehensive Community Care System, which is designed to provide comprehensive services for everyone from infancy to the elderly. MCS is the largest operator of facilities for people with dementia, and are specializing in the provision of nursing care services in 269 locations throughout Japan. Gakken Holdings is unable to provide services to elderly patients with dementia in its business arms within a short-term due to the establishment of group homes is regulated by the Long-term Care Insurance Law and the Nursing Care Insurance Law, and the requirements for establishment differ among municipalities, which are the subject of detailed licensing, and it is essential to accumulate expertise in nursing care. On the other hand, care for dementia patients, which is increasing year by year, is inevitable for providing comprehensive community care systems. Therefore, Gakken made MCS as its subsidiary recently. Cocofump and MCS under the umbrella of Gakken Holdings are often located in the same area, so it is possible to introduce customers to each other and provide flexible services according to the situation of prospective tenants, and JCR evaluates that the synergy is fully exerted.

- ii. **The funds will be used to provide “Access to essential services (healthcare)” for "dementia patients and the older person requiring care" and "socioeconomic advancement and empowerment" for "women" within the eligible social-bond project categories.**

b. Consistency with SDGs goals and Targets

Referring to ICMA's SDGs mappings, JCR evaluated that it would contribute to the following SDGs goals and targets:



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

Target 3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Specific content:

Group homes, fee-paying nursing homes, and city-type, low-cost nursing homes for the elderly are available to provide in-home care and in-home care support services for the elderly with dementia.



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

Target 11.7. By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

Specific content:

Business development to implement the Gakken Comprehensive Community Care System, one of the key initiatives promoted by the Gakken Group as a whole.

Residence for the Elderly with Dementia.

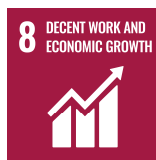
Providing "end-of-life homes" for people suffering from dementia who can continue to live with peace of mind by replacing their homes.

A multi-generation relationship is generated centered on the base, and people can continue to live on their own until the end of their lives.



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

- Target 5.4. Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate**
- Target 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**



Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

- Target 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors**
- Target 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**

In addition, JCR confirmed that this social project is consistent with the following items of the "specific measures to achieve SDGs" set by the Japanese government as SDGs achievement goal, and that it will contribute to realizing the "Policy for the Promotion of Dementia Measures (June 18, 2019)" established by the Ministry of Health, Labour and Welfare.³

Implementation Guideline 2: Promotion of health and longevity

SDGs: Goal 3 (Health), etc., which is considered to be particularly relevant			
Domestic measures			
Outline of the Measures		Target	Indicator
<p>Creation of a society with dynamic engagement of all citizens: Social security that provides reassurance</p>	<p>Upholding the clear target of eliminating cases in which people have no choice but to leave their jobs in order to provide family members with nursing care, reform the social security system to create a society in which people can use desirable nursing care services, provide nursing care without anxieties, balance nursing care with working, and lead long and healthy lives with peace of mind.</p>	 	<p>Index of the "Society in which promoting dynamic engagement of all citizens Plan"</p> <p>i. by the early 2020s Development of nursing care for elderly infrastructure Expansion: 500,000 or more (including approximately 20,000 serviced houses for the elderly)</p> <p>ii. by the early 2020s Eliminate leaving one's job for nursing care of elderly due to the shortage and unavailability of nursing care facilities and services. Eliminate the waiting list of elderly people with three or more degree of requiring long-term care in the facility</p>

³ Specific measures of the Sustainable Development Goals (SDGs) Implementation Guidelines established by the Sustainable Development Goals (SDGs) Promotion Headquarters composed of State Ministers.

c. Response to Environmental and Social Risks

<Gakken Holdings' Initiative to Environmental and Social Risks>

<Improvement of reception and prevention of abuse>

In order to prevent events that directly pose a risk to the continuum of the project, such as abuse and inappropriate care to resident, the Committee for the Improvement of Reception and Prevention of Abuse was established to plan and implement measures. Committees have been established to strengthen monitoring of risks and function of information transmission.

<Human resources shortage>

With the aging of the population, the demand for long-term care services is rapidly increasing, but securing long-term care workers is becoming extremely difficult. Against this backdrop, at our company, implement following measures

- Recruitment

The company has adopted a system that enables it to stably acquire high-quality nursing care workers in-house by recruiting candidates for management positions and introducing employees. It also offers in-house training programs for new nursing care workers and training institutions that enable it to acquire practical training qualifications.

- Establishment

The company holds bimonthly follow-up training for newly recruited staff, improves compensation, strengthens training systems, holds full-time employee interviews by headquarters managers, and reduces the turnover rate of employees hired to ensure opportunities for contact between top management and staff.

Through interviews with Gakken Holdings and MCS, JCR confirmed that the two companies accurately recognize the aforementioned risks and are taking appropriate countermeasures in succession. When problems such as accidents, incidents, and natural disasters occur, MCS reports all cases to the officer in charge of legal affairs and compliance. The executive officer in charge examines the significance of the incident reflecting the past cases, and reports any material incident to Gakken Holdings as soon as possible. The reporting line within the MCS is composed of the unit chief ⇒ group chief ⇒ area manager ⇒ regional supervisor ⇒ director, and the responsibilities at each level are clearly defined. From the viewpoint of the mental care of employees, hotline for employees have been set up inside and outside the company as the all 6,000 MCS employees are striving to maintain a working environment in which they can continue to work without placing too much burden on their mind and body.

As a result, JCR evaluates that environmental and social risks are appropriately avoided.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

JCR assigns "m1", the highest rating on JCR Evaluation Phase 2: Management, Operation and Transparency Evaluation.

Rationale: These projects will be allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

(1) JCR's key consideration in this factor

In this section, JCR confirms that the goals to be achieved through the social finance, the criteria for selecting social projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR's evaluation

a. Goal

Gakken Group established the Group Philosophy of "Providing excitement, satisfaction, peace of mind, and dreams and hopes for tomorrow, with the hope that everyone can live with comfort."

As an issue for realizing "a society where people can continue to live their own lives until the end of their lives," the company needs to accommodate the elderly with dementia, but it recognizes that this is a major issue that the company has not developed its own homes.

By acquiring the target company this time, it will be possible to provide "end-of-life homes" where people suffering from dementia can continue to live comfortably by replacing their homes. By developing and strengthening new businesses for the elderly, it can be one of the roles of the stable continuation of the Gakken Group.

JCR believes that the current use of proceeds contributes to the Group Philosophy established by Gakken Holdings. In particular, by offering end-of-life houses for dementia patients, it can be said that it is necessary investment for the comprehensive community care system that it aims for, from healthy, independent elderly people to elderly people who need care.

b. Selection standard

The company to be acquired complies with various laws and regulations stipulated by the national and local governments, such as the Elderly Welfare Law and the Long-term Care Insurance Law.

In establishing and operating group homes, it is necessary to comply with the Long-term Care Insurance Law, the Long-term Care Welfare Law, the Basic Law on Dementia, and the guidelines for the operation of group homes in each municipality. It is evaluated that the quality of group homes is secured by compliance with the necessary laws and regulations, and that appropriate selection criteria are established when investing. Through interviews with and document verification with Gakken Holdings and MCS, JCR confirmed that MCS is conducting its business in compliance with various laws and regulations.

c. Processes

1. Project Selection Participants

Projects used for financing are reviewed, evaluated and selected by Financial Strategy Office of Gakken for compliance with eligible criteria.

2. Project selection process

The Board of Directors, which is the decision-making body for the execution of business within the company, approved the project.

JCR evaluates that the selection criteria are operated appropriately because the responsibilities of the departments in charge are clear and the resolutions are made by important committees, including management.

These selection criteria and the process of selection and evaluation will be published to investors in this report.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

While it is usually assumed that management of proceeds methods vary widely by issuers, JCR confirms that the proceeds are used for social projects and whether mechanisms and internal systems are in place to enable easy tracking and management of the allocation of funds.

JCR also attaches importance to assessing whether the proceeds are expected to be used for social projects at an early stage and how funds are managed.

(2) Current status of evaluation targets and JCR's evaluation

- The funds are managed by opening a new account. This Account shall not be used for any other transactions.
- The books are prepared in electronic books on an account-by-account basis.
- Managed by a shared company within the Gakken Group (Fund Management Office, within Accounting Department of Gakken Products Support) and instructed by the Financial Strategy Office of Gakken Holdings to apply for deposits and withdrawals. Only the general manager of the Accounting Department and the general manager of the Fund Management Department have the privilege to deposit and withdraw funds at the Gakken Products Support Accounting Department.
- Tracking management is conducted on a monthly basis. The Financial Strategy Office of Gakken Holdings confirms deposits and withdrawals and balances.
- These books and records will be subject to internal and external audits.
- Until the allocation of the proceeds is determined, the proceeds are managed in cash or cash equivalents.

JCR evaluates that the management of proceeds is appropriate given that fund procurement to be carried out is expected to be allocated for social projects, that fund procurement is managed in an appropriate manner within the company, that an internal control system is in place, and that there are no particular concerns about the management of unallocated funds.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the reporting system to investors before and after the issuance is planned in a detailed and effective manner at the time of the issuance of social finance.

(2) Current status of evaluation targets and JCR's evaluation

a. Reporting on the proceeds allocation

Gakken Holdings plans to disclose the following funding status on its website once a year.

- Outstanding amount of the social bond issue
- Amount appropriated
- Balance of unappropriated funds (in cases where unappropriated funds are available)
- Total acquisition price of social eligible assets

Also, in the event of the sale of the acquired company before the Social Bond is redeemed and the need to be re-appropriated, Gakken plans to disclose the entire amount of the funding annually on our website until the project meets the eligible criteria.

b. Reporting on society improvement effects

<Output Indicators>

① Number of business establishments owned by MCS

(Reference) Results at the time of publication

Total 308 offices (Residential + Dementia Care)

Breakdown: 270 group homes, 10 paid nursing homes with long-term care, 12 small-scale multi-functional in-home nursing homes, 12 other locations, 4 overseas offices (as of January 2020)

② Group home occupancy rate 97.4% (as of August 2019)

<Impact (Qualitative Targets)>

It is said that the supply of houses where elderly people can live with a sense of security will increase in the future, as there are concerns about the increase in isolated deaths and lonely deaths. As a result of these factors, Gakken will contribute not only to the issue of 2025, but also to the social needs of the welfare business for the elderly.

JCR evaluates that annually disclosing the overall MCS initiatives as an output indicator and disclosing occupancy rates for group homes, which account for the majority of facilities, are appropriate indicators of the social contributions of the companies in which Gakken invests. The anticipated impact is one of the two pillars of our management objectives, consistent with the use of funds raised from the Bonds.

4. Organization's Strategies on Addressing Social Issues

(1) JCR's key consideration in this factor

This section evaluates whether the issuer's management positions social issues as high priority issues for management, and whether the issuer has clearly positioned its procurement policies and processes based on corporate bonds and criteria for selecting social projects by establishing a department that specializes in promoting sustainability, including social issues, or by cooperating with external organizations.

(2) Current status of evaluation targets and JCR's evaluation

The Gakken Group's Initiatives for Sustainability

Gakken Group Charter of Corporate Behavior

- The Gakken Group's corporate philosophy is to "provide excitement, satisfaction, peace of mind, and dreams and hopes for the future." Based on this philosophy, the Group aims to conduct its business activities in education, information, culture, and other fields in response to the values people want around the world.
- As a member of the Gakken Group, we take responsibility and pride in the Gakken brand that we have cultivated over many years, comply with laws and regulations and social ethics, and fulfill our social responsibilities.
- All executives and employees of the Gakken Group will act in accordance with the "Gakken Group Charter of Corporate Behavior" and promote compliance management.

For Customers

Earn the trust of customers through advanced safety and appropriate sales activities for products and services

For Shareholders and Investors

We will disclose management information appropriately and build relationships of trust with shareholders and investors.

For Business Partners

Build fair relationships with all business partners and engage in fair and free market competition.

For Our Employees

Respect human rights and create a corporate culture in which employees can maximize their creativity.

For Society

Fulfilling Our Responsibilities as a Corporate Citizen through Social Contribution Activities and Environmental Protection

Based on the aforementioned corporate charter, the Gakken Group places importance on collaboration with society and continues to contribute to the resolution of various social issues. As a specific measure, the "Gakken Comprehensive Community Care System" concept has been constructed, and various measures for its realization are being developed. In addition to its business activities, the Group engages in a variety of social contribution activities. For example, in MCS, together with Shimadzu Corporation and Shimane University, an intervention program aimed at improving cognitive function is being implemented for people with mild cognitive impairment (MCI), which is called a preliminary force for dementia, based on a fee-based nursing

home business by MCS. In addition, before and after the intervention, fMRI, which Shimane University has been studying for many years, and fNIRS manufactured and sold by Shimadzu Corporation are conducting biomarker measurement and developing methods for evaluating the intervention effects. This research is a highly unique and revolutionary approach in that (1) it verifies the correlation with the cognitive function using two different types to visualize the active portion in the brains, and (2) it cooperates with measurement and medical equipment manufacturers and distributors, statistical analysis companies, nursing care providers, and the experts necessary for the technology development of the dementia prevention of the national university.⁴

In addition, the Company identifies materiality related to SDGs and identifies the following five items.

MATERIALITY Issues and Relationships with Group Businesses

Fostering next-generation human resources who can create value for the future

EdTech education services, STEAM education, Montessori education, training of global human resources, promotion of female employees, etc.

Supporting Healthy Youth Growth

Contributing through educational services to the development of the ability to live (physical education, morals, respect for diversity, communication, etc.) necessary for the growth of self-reliant individuals

Promoting Lifelong Learning in the Age of 100 Years of Life

Provision of education services such as sustainable cram schools and academic laboratories, recurrent education, industry-academia collaboration, social advancement of women, etc.

Support for heartfelt senior life in local communities

Creation of "Gakken Comprehensive Community Care System," etc., to create a community where multi-generations can support each other and live with peace of mind in the community

Solid corporate governance

Compliance with Corporate Governance Guidelines, Thorough Compliance, Strengthening Information Security, etc.

At Gakken Holdings, group company directors in the nursing care business serve concurrently as officers of Holdings, and they utilize their specialized knowledge regarding strategies related to medical services. As for the specific operation of the facilities, JCR confirmed through interviews that the management of MCS, who has a long experience in providing services to patients with dementia and knowledge of related laws and regulations, has established a policy within MCS, and that area managers in each area and center managers with experience have been assigned to each facility, and that they are providing guidance to employees.

⁴ Source: Shimadzu Corporation, press release on December 3, 2018
The Shimadzu Corporation, Medical Care Services, ERISA, and Shimane University signed a joint research agreement to develop biomarkers related to cognitive functions.

From the above, JCR confirmed that the issuer's management has positioned the issue of nursing care and the aging society as high priority issues for management. In addition, JCR also confirmed that the procurement policies and processes based on the corporate bonds and the criteria for selecting social projects were clearly positioned in cooperation with the subsidiary that specializes in nursing care services.

■ Evaluation result

Based on JCR Social Finance Evaluation Methodology, JCR assigned "s1" for the preliminary evaluation of "Social Impact Evaluation (Use of Proceeds)" and "m1" for the preliminary evaluation of "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Social 1" for overall "JCR Social bond preliminary Evaluation." The Bonds meets the standards for the requirements of the Social Bond Principles and the SDGs Goals and specific measures for the SDGs Goals of the Government.

[JCR Social Bond Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Social Impact Evaluation	s1	Social 1	Social 2	Social 3	Social 4	Social 5
	s2	Social 2	Social 2	Social 3	Social 4	Social 5
	s3	Social 3	Social 3	Social 4	Social 5	Not qualified
	s4	Social 4	Social 4	Social 5	Not qualified	Not qualified
	s5	Social 5	Social 5	Not qualified	Not qualified	Not qualified

■ Subject

Issuer: Gakken Holdings Co., Ltd. (Security Code: 9470)

[Assignment]

Subject	Preliminary Evaluation
1st unsecured corporate bonds (with limited inter-bond pari passu clause) (Social Bonds)	JCR Social Bond Evaluation :Social 1 Social Impact Evaluation :s1 Management, Operation and Transparency Evaluation :m1

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1. Assumptions, Significance, and Limitations of JCR Social Bond Evaluation

JCR Social Bond Evaluation assigned and provided by Japan Credit Rating Agency, Ltd. (JCR) is the expression of a comprehensive opinion of JCR at this moment concerning both the degree of the proceeds allocated to social projects defined by JCR, and the extent to which management, operation, and transparency initiatives relating to the use of proceeds. This evaluation is JCR's overall opinion at this moment, and it does not perfectly disclose all the efforts taken by the issuer/borrower to ensure the use of proceeds, administration, management of the proceeds and the transparency.

JCR Social Bond Evaluation is to evaluate the allocation plan of the proceeds to social projects at the time of issuing social bonds or planning to issue social bonds and does not guarantee the future actual allocation of the proceeds. JCR does not guarantee the positive impacts on social issues by the social bond nor is liable for the expected impacts. JCR affirms that the social impacts, which will be realized by the allocated proceeds, are calculated quantitatively or qualitatively by the third parties, but in principle, JCR will not calculate them by itself.

2. Methodologies used in the conduct of this evaluation

The methodologies used in this evaluation are disseminated on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en>) as JCR Social Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Social Bond Evaluation is determined and provided by JCR as an ancillary service, which is independent from the activities related to the credit rating business.

4. Relationship with Credit Ratings

This evaluation is not a credit rating, nor promising to provide and disclose a predetermined credit rating.

5. Third Party in Evaluating JCR Social Bond

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■Glossary

JCR Social Bond Evaluation: JCR Social Bond Evaluation evaluates the extent to which funds procured through social bonds are allocated to social projects as defined by JCR, as well as the level of management, operation, and transparency efforts related to the use of funds for the relevant social bonds. Evaluations are performed on a five-point scale, from top to top, using the Social1, the Social2, the Social3, the Social4, and the Social5 valuation symbols.

■Status of registration as an external evaluator for sustainable finance, etc.

- Environment Ministry's Green Bond Issuance Registration
- Members of the Working Group on Social Bonds (ICMA)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles

■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 we are subject to disclosures under Rule 17g-7(a) of the U.S. Securities and Exchange Commission, such disclosures are attached to JCR's website (the news releases appearing on the <https://www.jcr.co.jp/en>)).

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