

SOCIAL BOND / SOCIAL BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	The National Institution for Academic Degrees and Quality Enhancement of Higher Education
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Social Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 31, 2020
Publication date of review publication:	January 31, 2020

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|---|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

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

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

On April 1, 2016, National Institution for Academic Degrees and Quality Enhancement of Higher Education (NIAD-QE), was established by merger of National Institution for Academic Degrees and University Evaluation (NIAD-UE) and the Center for National University Finance and Management (CUFM). NIAD-QE was established with the aim of realizing higher education that meets the expectations and trust of society in cooperation with universities, etc., by supporting universities and other organizations' own activities to improve the quality of education and research, and striving to appropriately recognize and evaluate their degree as a result of learning at the higher education stage. In order to achieve these objectives, NIAD-QE conducts evaluation projects, provides loans and grants to facilities and equipment of national university corporations, academic degree programs, quality assurance collaboration, and research related to these projects.

The subject of evaluation is a social finance framework established by NIAD-QE (the "Framework") to limit the use of proceeds of the NIAD-QE bonds or borrowings from fiscal loans to the projects which have higher social benefits. JCR shall assess whether the Framework is in line with the Social Bond Principles (SBP) (2018 edition) and SDGs targets. SBP is the "principles" voluntarily published by the International Capital Markets Association (ICMA) and are not regulations, and therefore are not binding, but are widely referenced globally at this time. Therefore, JCR confirms their conformity with these principles. In addition, SBP emphasize the use of proceeds and their impacts, as well as the alignment of international sustainability objectives and national policies. Therefore, the SDGs and social project categorization mappings developed by the society are used as reference indicators for evaluations.

Under the Framework, funds raised through social finance will be allocated to new investment or refinancing for national university hospitals to finance the installment of equipment for "providing advanced medical care and responding to acute medical care in the region" at the university hospitals. National university hospitals play an important role as hubs for the development of advanced medical technology in Japan and also play an important role as hubs for local medical institutions, and are highly important as social infrastructures that provide useful solutions. Therefore, JCR evaluates that the fund will be used to contribute to the provision of "essential services (education and medical care)" to "university hospital researchers and medical students" within the classification of the principles of social bonds, and "essential services (medical care)" to "patients with diseases or acute diseases requiring advanced medical care in the region." In addition, among SDGs targets, JCR evaluates that it will contribute to Goal 3 "Good Health and Well Health" and Goal 4 "Quality Education." JCR confirmed that the use of proceeds is consistent with Japan's policy on higher education.

NIAD-QE identifies the enhancement of the education and research environment of national universities, etc. and the provision of acute care to local residents as important social issues. The Ministry of Education, Culture, Sports, Science and Technology, the governing agency of NIAD-QE, determines projects for which funds will be used in accordance with eligibility criteria. Regarding the management, operation and transparency system, JCR confirmed that the management of the proceeds is clearly defined and that an appropriate internal control system has been established. With regard to reporting, it is appropriately planned to disseminate key performance indicators (KPIs) and the allocation status of funds. From the above, JCR evaluates that the management system for fund procurement based on the Framework is appropriate and that transparency is ensured in light of the readiness for reporting to investors.

As a result, based on the JCR Social Finance Evaluation Methodology, JCR assigned "s1(F)" for the "Social Impact Evaluation (Use of Proceeds)" and "m1(F)" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Social 1(F)" for the overall "JCR Social Finance Framework Evaluation." The Framework also fully meets the standards for the requirements of the Social Bond Principles and is consistent with the SDGs Objectives and concrete measures for the SDGs Goals of the Government.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

- i The eligible projects in the Framework are loans for the installment of medical equipment, determined by the Minister of Education, Culture, Sports, Science and Technology. National university hospitals play an important social role as hub institutions for regional medical care that respond to advanced medical care in Japan and regional acute medical care. As a result, JCR believes that this project has a high degree of social contribution.
- ii The proceeds will be used to provide "essential services (education)" for "university hospital researchers and medical students" and "essential services (healthcare)" for "patients with illnesses or acute diseases requiring advanced community care" within the eligible social-bond project categories.

Use of proceeds categories as per SBP:

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

If applicable please specify the environmental taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Issuer has a clear environmental goal, project selection criteria and process to determine the proceeds, which are shown in the evaluation report composed by JCR.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

JCR evaluates fund management to be appropriate in light of the fact that funds from the bonds are managed in separate accounts and separate accounts, that fund appropriation is managed in an appropriate manner by an electronic system within the Issuer, that an appropriate internal control system is in place, including internal and external audits, and that there is no particular concern about the operation of unallocated funds.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Social Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

Disclosure regarding predetermined items will be made on the issuer's website. Fund will be appropriated in FY2020.

Even after full allocation, if the status of fund allocation changes, the issuer will disclose regarding the matter.

b. Reporting on society improvement effects

The indicators which the issuer will disclose as output indicator, outcome indicator and impact indicator are appropriate.

The qualitative targets are consistent with Japan's policies on education and medical and JCR evaluates that they are enough to show their social significance.

Use of proceeds reporting:

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (*please specify*):

Information reported:

Allocated amounts

Social Bond financed share of total investment

Other (*please specify*):

frequency:

Annual

Semi-annual

Other (*please specify*):

Impact reporting:

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (*please specify*):

frequency:

Annual

Semi-annual

Other (*please specify*):

Information reported (expected or ex-post):

Number of beneficiaries

Target populations

Other ESG indicators (*please specify*):

Number of debtors of the loans by the Issuer

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify):
Information published in SDGs Impact Report |
| <input type="checkbox"/> Reporting reviewed | |

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

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

Website of the Issuer	https://www.niad.ac.jp/english/
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: January 31, 2020

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

- 1. Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- 3. Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Social Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.