

————— Social Finance Evaluation by Japan Credit Rating Agency, Ltd. —————

Japan Credit Rating Agency, Ltd. (JCR) publishes the results of Social Finance Evaluation as follows.

JCR Assigned Social 1 (F) to the Social Finance Framework of Healthcare & Medical Investment Corporation

S u b j e c t : Social Finance Framework of Healthcare & Medical Investment Corporation

<Social Finance Framework Evaluation Results>

Overall evaluation	Social 1(F)
Social Impact Evaluation (use of proceeds)	s1(F)
Evaluation on Management, Operation and Transparency	m1(F)

Chapter 1: Evaluation Overview

Healthcare & Medical Investment Corporation (hereinafter, "the Corporation") is a real estate investment corporation specializing in healthcare facilities that was listed on the Tokyo Stock Exchange (real estate investment trust securities market) on March 19, 2015. Sumitomo Mitsui Banking Corporation, NEC Capital Solutions, and SHIP HEALTHCARE HOLDINGS each support the Corporation in the areas of finance, fund management, and nursing care and medical care for the elderly. The Corporation's policy is to achieve stable asset management and medium-to long-term asset growth. In particular, SHIP HEALTHCARE HOLDINGS has set the group mission of "creating an environment for people to protect their lives" as its business domain, and currently it is developing the total pack production business (planning and management consulting, sales and leasing of medical equipment and facilities, construction work, etc., in response to the needs of new construction, relocation, and renovation of medical institutions, etc.), the medical supply business (sales of medical materials and medical equipment, etc.), the life care business (management of nursing homes and group homes, etc., food provision services, and rehabilitation support services), the dispensing pharmacy business (management of dispensing pharmacies), and the healthcare service business (development of medical and welfare services in Japan and overseas).

Healthcare Asset Management Co., Ltd. (hereinafter referred to as the "Asset Management Company") is owned 33.3% by SHIP HEALTHCARE HOLDINGS, 33.3% by NEC Capital Solutions, 5.0% by Sumitomo Mitsui Banking

Corporation, 4.8% by Sumitomo Mitsui Finance & Leasing Co., Ltd. and SMBC Nikko Securities Co., Ltd. and 4.7% by Yoei, Ginsen Co., Ltd, Kobe Tochi Tatemono Co., Ltd., and Muromachi Building Co., Ltd., respectively.

The scope of the evaluation is the social finance framework established by the Asset Management Company to limit the use of proceeds procured by Healthcare & Medical Investment Corporation by means of bonds or loans to invest in social projects which will contribute to social issues. JCR evaluates whether the framework meets the Social Bond Principles (2018 version)¹ and SDGs Objectives. The Social Bond Principles are not a "regulation" but a "principle" published voluntarily by the International Capital Markets Association (hereinafter, "ICMA"). In addition, since there are no other global principles or standards that are used to judge social effects of the social projects realized by the procured funds at the time of this evaluation, the Social Bond Principles and the SDGs and social project classification mappings published by ICMA are used as reference indicators in the assessment, although they do not explicitly cover loans. As stated in the "Recommendations of the ESG Financial Discussion Panel: Aiming to Be an ESG Financial Major Country" published by the Ministry of Environment in July 2018, more active implementation of ESG financing in Japanese financial market is expected in the future.

Under the social finance framework established by the Corporation (hereinafter referred to as the "Framework"), the proceeds will be used for the acquisition or refinancing of real estate and real estate-related securities used in "healthcare facilities" classified as 1. Facilities and housing for the elderly and 2. other nursing, medical, and health-related facilities. The improvement of health care facilities for the elderly is becoming a social issue in Japan's rapidly aging society and are of great importance as social infrastructures to provide useful solutions mainly towards (1) a shortage of medical and nursing care facilities due to an increase in the number of single-person elderly households, etc., and (2) a shortage of workers due to an increase in the number of people leaving their jobs for nursing care, and a delay in women's social advancement, etc.. Based on the above, the purpose of this evaluation is to contribute to the provision of "access to essential services (health care)" for the elder persons and "socioeconomic improvement and empowerment" for women among the classifications of the Social Bond Principles. In addition, JCR evaluates that the Framework contributes to Goal 3 "Health and Welfare for All"; Goal 5 "Achieve Gender Equality"; and Goal 8 "Employment and Economic Growth" among the SDGs Objectives. In the "Specific Measures for Achieving SDGs" established by the Government of Japan, JCR confirmed that these measures are consistent with the "Realization of a Society in which promoting dynamic engagement of all citizens: Social Security Leading to Peace of Mind," which is a policy closely related to SDGs 3, etc.

JCR confirmed the Corporation's awareness of its high social mission, selection criteria that take into consideration not mere investment in facilities but also soft aspects, transparency of the selection process, and the assurance of internal control through quarterly reports to the CFO in the management of procured funds. Reporting is also expected to include a selection and disclosure of funding availability and appropriate key impact indicators. Based on the above, JCR assessed that the proceeds based on this framework has high transparency.

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." Consequently, JCR assigned "Social 1(F)." for the overall evaluation. "Detailed evaluation results are discussed in detail in the next chapter. 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.

¹ ICMA(International Capital Market Association) Social Bonds, in principle, 2018.

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

Evaluation Phase 1: Social Impact Evaluation

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

Rationale: 100% of the proceeds in the Framework is 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 workaroud 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

<The Framework for the Use of Proceeds>

The Corporation shall invest in real estate and real estate-backed securities for the following "Healthcare Facilities" with its principal use: "Healthcare facilities" shall mean "facilities and housing for the elderly," "medical facilities, etc." and "other nursing care, medical care, and health-related facilities," respectively, and shall have the following meanings:

1. "Facilities and Housing for the Elderly"
 - a Nursing homes for the elderly
 - b Serviced housing for the elderly
 - c Group homes for the elderly with dementia
 - d Other facilities and housing for the elderly
2. "Healthcare-related facilities"
 - a Hospitals and clinics
 - b Medical mall where multiple clinics, pharmacies, and other facilities are located
 - c PET Center and Medical Examination Center
 - d Other advanced medical facilities
3. Other nursing care, medical care, and health-related facilities
 - a Facilities capable of providing or providing facilities that are economically or functionally ancillary or related services to the facilities referred to in items 1 and 2 above, or other facilities that are capable of providing or providing services for the purpose of providing nursing care, medical care, or restoration, maintenance or improvement of health
 - b Educational facility to train personnel involved in items 1 and 2 above
 - c Facilities deemed necessary or useful in connection with the investment in real estate, etc. or real estate response securities set forth in item 1 and 2 above

* When used for refinancing, the Corporation shall clarify which expenditures are refinanced and the proportion of new investments and refinancing.

<JCR's Evaluation for the Framework>

a. On the social contribution effects of the project

- i. The projects listed in the Framework which the proceeds are expected to be used for are health care facilities for the elderly that contribute to the improvement of problems arising from the rapid aging

society, which is a serious social issue in Japan, and medical facilities such as hospitals with a view to the comprehensive community care system, as well as educational facilities for the training of nursing care and medical staff essential for the maintenance of medical and healthcare systems. All of these will contribute to specific measures related to Japan's own SDGs goals and the goals of the "Japanese Society in which promotes dynamic engagement of all citizens plan", and social improvements are expected to be made.

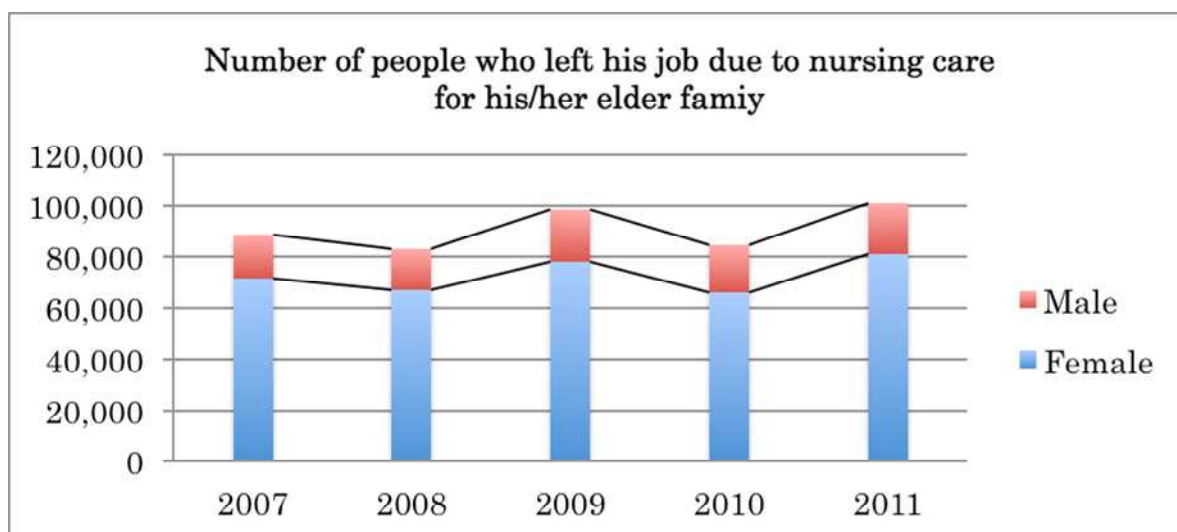
<Social issues where the use of proceeds of the Corporation can contribute to improvement>

- i. Increase in the number of persons waiting for entering into special nursing homes

Japan is currently facing a rapidly aging population with a declining birthrate. The number of the elderly living alone is also increasing, and demand for nursing care facilities is increasing. However, supply has not kept pace. According to a report by the Ministry of Health, Labour and Welfare in March 2017, the number of people waiting for special care at home requiring nursing care of 3 or more was 123,000, accounting for approximately 41.7% of the total number of applicants.

- ii. Increase in the number of people quit the jobs for nursing care for elderly and the high percentage of women in those people

In addition, it is also a serious problem that many people has to quit his/her job due to the burden of nursing care for his/her elder family members. The figure below shows the trends in the number of people quitting their jobs due to nursing care for the elderly announced by the Ministry of Health, Labour and Welfare. Among those, 80% are women, which indicates that this is a major barrier to promoting women's participation in society.



(Source: Ministry of Health, Labour and Welfare)

According to the 2017 Employment Status Survey conducted by the Ministry of Internal Affairs and Communications in July 2018, there were 99,000 people leaving their jobs due to nursing care for the elderly in the year from October 2016 to September 2017, of which 24,000 were men and 75,000 were women, indicating no improvement in the annual number of people leaving their jobs due to nursing care for the elderly and in the fact of high percentage of women.

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

The Corporation plans to allocate the proceeds funded under this framework broadly into two categories. First, the provision of "facilities and housing for the elderly" plays an important role in the rapidly aging

society that Japan is facing. In the "Japan Promoting Dynamic Engagement of All Citizens Plan" approved by the Cabinet in 2018, the new third arrow sets a clear goal of "no one leaves one's job to care for a (sick/ageing) family member" in order to secure "social security that leads to peace of mind" to the working generation, and states that the development of nursing care facilities, including housing with services for the elderly, should be prioritized issues in Japan. In addition, in the Basic Plan for Housing (National Plan), the government has set out a performance indicator to raise the sufficiency rate of housing for the elderly from 2.1% in 2014 to 4% in 2025. JCR considers that the active investment and long-term holding of housing for the elderly by the Corporation supports the stable management of the facilities and contributes to the promotion of new investment to this sector.

Next, regarding "medical-related facilities," the Corporation prioritizes investment in hospital real estate that can play a firm role in the community medical plan, and strengthens investment in hospitals that contribute to strengthening the linkage between medical care and nursing care. In order to provide more effective and efficient medical and long-term care services, the Ministry of Health, Labour and Welfare is promoting the establishment of a comprehensive community care system under the initiative of each local government, through the division of roles between hospitals and hospital beds according to patient needs by 2025 and the strengthening of coordination between medical care and long-term care. JCR considers that the Corporation's efforts are to differentiate functions according to the medical needs of hospitals in the future, such as the integrated community care system promoted by the government, to convert to necessary beds, and to respond to the needs for new ward construction.

Furthermore, considering that 80% of the problems of leaving the jobs due to nursing-care are happened mainly in case of women, it can be expected that the further increase in the number of nursing-care facilities through the initiatives of the Corporation will promote the social advancement of women who had been forced to leave their jobs due to nursing-care. The use of proceeds includes investment in educational facilities that train human resources engaged in nursing care and medical services for elderly people. Consolidation of long-term care workers and improvement of services are indispensable initiatives for the stable operation and improvement of quality of long-term care facilities and are considered to be important investments.

ii. The purpose of proceeds is to provide "access to essential services (health care)" for the elderly and "socioeconomic improvement and empowerment" for women among the eligible social project categories listed in the Social Bond Principles.

Among the categories of the Social Bond Principles, the purpose of this evaluation is to provide "access to essential services (health care)" for the elderly, and to contribute to "socio-economic improvement and empowerment" for women.

b. Consistency with SDGs goals and Targets

Referring to ICMA's SDGs mappings, JCRs assessed it as contributing to the following SDGs objectives and targets:

Objective 3: Good health and well-being



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

Objective 5: Gender Equality



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 decision making in political, economic and public life

Goal 8: Decent work and economic growth



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 these social projects are consistent with the following items among the "The actual measures to achieve SDGs" set by the Government of Japan in order to achieve Japan's SDGs goals.²

Implementation Guideline 2. Promotion of health and longevity

SDGs: 3 (Health), etc., which is considered to be particularly relevant			
Domestic measures			
	Outline of Measures	Target	Indicator
Realization of a society in which promoting dynamic engagement of all citizens: social security leading to peace of mind	With the clear goal of "zero nursing care separation," which allows employees to continue working while caring for family members, we will promote reforms to a social security system that secures the "security" of the working generation, thereby creating a society in which people can use the desired nursing services, engage in nursing care without anxiety, balance nursing care and work, and live with peace of mind by, for example, maintaining their health for a long time.	 	<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>

² Specific measures for the Guidelines for the Implementation of the Sustainable Development Goals (SDGs) established by the Headquarters for the Promotion of the Sustainable Development Goals (SDGs), consisting of the National Ministers of State.

			
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c. Response to Environmental and Social Risks

<The Framework for Environmental and Social Risks>

<p>1. Characteristics of Investments in Healthcare Facilities and Risks Related to Healthcare Operators</p> <p>i. Risks Related to Healthcare Operators (Operators)</p> <p>a There is a risk that it is impossible to replace the tenant flexibly even if the operation and management by the tenant is not properly carried out, or if a certain change in the tenant occurs, and, as a result, the reputation of the property and the Corporation may be impaired, which in turn may adversely affect the Corporation's earnings and market price. There is a possibility that the transfer of the operator will not be smoothly possible because administrative procedures are necessary for changing the operator, the cooperation of existing operators is necessary for the procedures, and it is not always possible to transfer the hospital bed to the successor operator smoothly.</p> <p>b Regardless of whether or not the Corporation owns a facility, there may be a material adverse effect on the profitability and asset value of the healthcare facilities, and on the earnings of the Corporation if there is a negligence or other breach of duty with regard to the operators of the healthcare facilities owned by the Corporation, in the event of a food poisoning or outbreak, an accident involving a fall of residents, a leak of information about residents, abuse of residents by employees, medical adverse events or other problems, or a flow of adverse information or rumors to operators or facilities, or in the event that such operators are suspended from business, rescinded designations under the Long-Term Care Insurance Act or the Health Insurance Act, or are subject to other administrative dispositions, and if operators face difficulties in maintaining the human and financial foundations necessary for the performance of their operations, the profitability and asset value of the healthcare facilities owned by the Corporation may be seriously hindered.</p> <p>c Even in the event of a shortage or delay in the payment of consideration from the residents, it may not be easy from a humanitarian point of view to immediately cancel the contract and request them to leave the contract. Especially in the event that the tenant is not familiar with the situation or if the residents do not have any relatives or any who takes care of them, it cannot be said that the safety and security of the residents is a top priority. As a result, there is a risk that the earnings, etc. of the Corporation will be adversely affected.</p> <p>d In the event that a resident is found to belong to an anti-social force, the Corporation will seek appropriate responses from the operators of the facilities and housing for the elderly, but if such appropriate responses are not taken, the Corporation's earnings could be adversely affected by additional costs and damage to the reputation of the facilities and housing for the elderly.</p> <p>ii. In response to such risks, the Corporation conducts due diligence prior to the acquisition of properties to investigate the operator's financial base, performance, business operations, and internal control system, and to confirm that it is unlikely that such risks will materialize at the time of the survey. In the event of an adverse impact on the operator's business continuity or reputation, we will give</p>

priority to ensure the safety and security of the residents of healthcare facilities and the users of hospitals, and will closely cooperate with our sponsor, corporate lawyers, regulatory agencies and other parties to consider countermeasures.

2. Risks Related to Hazardous Substances

- i. In the event that industrial waste, dioxins and other hazardous substances are buried on land acquired by the Corporation, the value of such land and buildings may be adversely affected. In addition, if building materials, etc. containing asbestos and other hazardous substances are used or may be used in the building materials, etc. acquired by the Corporation, or if PCBs are stored, the value of the building and its site may be adversely affected depending on the circumstances.
- ii. In response to such risks, the Corporation will investigate geological surveys, land use history, land contamination status, etc., as well as the usage history, usage status, and storage status of hazardous substances such as asbestos and PCBs through due diligence prior to acquisition of properties. In principle, properties that do not detect environmental hazardous substances or do not exceed the soil contamination investigation standards will be the target of investment by the Corporation.

The Asset Management Company believes that what is important when acquiring healthcare facilities is not only the specifications of the location and building, but also the operational capabilities and management stability of the operator, which are indispensable for the sustainability and maintenance and improvement of the asset value of the target facility. For this reason, JCR confirmed that in addition to the normal real estate due diligence, the examination of operators who operate healthcare facilities is conducted in accordance with the "Guidelines on the Utilization of Healthcare REITs for Elderly Housing, etc." established by the Ministry of Land, Infrastructure, Transport and Tourism. In particular, The Asset Management Company has confirmed operators' business results in the past, the balance of payments of facilities, the development of systems, and the history of accidents. If there were any accidents in the past, the Asset Management Company confirmed whether the operators took any measures to prevent recurrence, and whether anti-social forces were not involved in such incidents. When including medical facilities, JCR confirmed that the examination has been conducted in accordance with the "Guidelines for REITs for Hospital Real Estate", established by the Ministry of Land, Infrastructure, Transport and Tourism. Based on the above, JCR judges that environmental and social risks are appropriately avoided.

Evaluation Phase 2: Evaluation on Management, Operational system and Transparency

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

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 objectives to be achieved through the green bond, the criteria for selecting green 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

<The Framework for Objectives to Be Achieved through Social Projects>

The Corporation aims to create a society in which people can live lively in peace by continuously investing in and owns in longer-term healthcare facilities, such as facilities for the elderly, housing, and medical facilities, which are required to be upgraded and expanded in response to the progress of the aging society and stably owning them over the long term.

- The Corporation recognizes the importance of implementing ESG-conscious asset management, such as reducing environmental impact, addressing social issues in an aging society, and establishing a governance system, as well as improving the value of investments, we will cooperate with stakeholders inside and outside the Corporation, including operators, hospitals, sponsors, and officers and employees.

<Excerpts from the Basic ESG Policy of the Asset Management Company>

Initiatives to solve social issues in an aging society: The Company believes that its continued investment in healthcare facilities and stable asset management will help resolve social issues in an aging society. To this end, the Company will cooperate with various stakeholders inside and outside the Company, including investors, operators, hospital staff, sponsors, and officers and employees.

< JCR's Evaluation for the Framework >

JCR evaluates that the objectives described above are consistent with the implementation of each social project selected as the use of proceeds and appropriate target setting.

b. Selection Criteria

<The Framework for Selection Criteria>

The Corporation has stipulated the following social eligibility criteria, DD criteria and investment decision criteria. Healthcare facilities targeted for investment are verified to meet these criteria.

• Investment criteria

When acquiring the eligible social assets, the Corporation will fully consider the characteristics of the assets and the market environment, and fully verify the appropriateness of investment qualification from the viewpoint of the stability of earnings over the medium to long term of the property.

When selecting the eligible social assets, the Asset Management Company conducts detailed investigations (due diligence) of the properties in advance, and then judges the appropriateness of the acquisition in light of the following investment criteria, fully taking into account the diversification of regions and types.

The standards listed below are limited to the viewpoint of selection and may be invested even if all criteria are not met as a result of a comprehensive review.

(a) Investment Size

In principle, the Corporation invests in properties with an acquisition price per property (excluding consumption tax and brokerage fees) of JPY 500 million or more. However, even for group homes and other small-scale properties that do not meet the above criteria, investments may be made after careful consideration of the profitability of the target property, operators, and geographical characteristics.

(b) Location

In principle, the Corporation will invest in properties with a high degree of superiority after comprehensively examining the following matters.

- ✓ Traffic accesses
- ✓ Superiority of peripheral facilities
- ✓ Qualification of the surrounding environment
- ✓ Future prospects of surrounding areas (demographic and aging rates, supply and demand for healthcare facilities, etc.)
- ✓ Legal and Public Subsidy Systems
- ✓ Status of compatibility with medical plans and community medical plans (status, expertise, superiority, etc. of secondary medical care zone)

(c) Contract Type and Term of Healthcare Facilities

In principle, the Corporation invests in properties for which a fixed and long-term rental agreement is concluded with an operator. However, even for properties with a remaining term of less than 10 years, investment may be made after careful consideration of the possibility that the lease contract may be renewed.

(d) Seismic resistance

In principle, the Corporation will invest in properties with seismic performance equivalent to buildings based on the new seismic standards (Note 1) and a PML (Note 2) value of 20% or less on a non-consolidated basis. However, even in the case of properties that do not meet these criteria, the Company may invest in such properties on an exceptional basis, taking into account the feasibility and cost of earthquake-resistant construction after investment. In addition, for properties with a PML value exceeding 20%, the portfolio PML value is calculated, and if the portfolio PML value exceeds 15%, investments may be made after taking into account the profitability of the subject property after taking into account the insurance of earthquake insurance as a fire insurance and profit insurance rider.

(Note 1) "New Seismic Standards" refers to the seismic standards for buildings, etc. based on the Building Standards Law revised in 1981 (effective June 1, 1981). The same applies hereinafter.

(Note 2) "PML(Probable Maximum Loss)" is the expected maximum loss rate. This is defined as "the amount of physical loss equivalent to the 90% confidence level in the event of an earthquake that causes the greatest loss to the target facility or group of facilities. "In practice, an earthquake with a reproduction period of 475 years is often used, expressed as the ratio of the amount of physical damage (90% confidence level) to the replacement value in the event of the earthquake. The same applies hereinafter.

(e) Environment and Geology

In principle, the investment target of JRF is properties in which environmental hazardous substances are not detected or that do not exceed the standard value for soil contamination investigation (Note). However, even if the investment property exceeds the standard value for soil contamination, if the impact on the surrounding environment, human impact, economic impact, etc. is judged to be extremely low, and it is judged to contribute to the stability of the portfolio's earnings, based on expert opinions, including countermeasures, the Group may consider acquiring the property.

(NOTE) "Standard values for soil contamination surveys" refer to the values specified in the Ordinance for Enforcement of the Soil Contamination Countermeasures Act (Ordinance of the Ministry of the Environment No. 29 of 2002; including subsequent revisions).

(f) Form of Rights

In principle, the Corporation invests in wholly-owned properties. However, for section-owned properties, common properties, etc., investment may be made based on the assumption that the decision-making authority for disposal and management of properties is secured, taking into consideration the stability of earnings, property characteristics, market environment, etc., in a comprehensive manner.

In addition, investment in land leasehold rights under the former Land Lease Act (Act No. 49 of 1921, including subsequent revisions; hereinafter referred to as the "Land Lease Act") or the Land Lease and House Lease Act shall be permitted.

- DD standards

- (a) Due diligence

When the Corporation acquires the investment target property, the Asset Management Company shall conduct a detailed investigation (due diligence) of the property in advance. In order to ensure professional and objective due diligence, the Company obtains engineering reports and market research reports from independent third-party research firms and obtains real estate appraisal reports from independent third-party real estate appraisal firms. In addition, we may use specialized contractors as necessary.

- (b) Business due diligence

When the Corporation acquires the investment target property, the Asset Management Company conducts business due diligence, including checking the operational capability and management stability of the operator of the property, in accordance with the "Guidelines for Utilizing REIT for Promoting the Supply of Healthcare Facilities" established on May 15, 2014 by the Investment Trust Association, Japan, and the "Guidelines for REITs for Hospital Real Estate" established on June 26, 2015 by the Ministry of Land, Infrastructure, Transport and Tourism. In addition, the Asset Management Company compares and confirms the results with third-party evaluations based on market research reports and other documents.

- Investment rule

- Transaction summary

- To confirm the status of the seller
 - To confirm the situation of the operator
 - To confirm trade terms and schedules

- Investment analysis

- To confirm conformity of real estate-related assets with investment criteria
 - Historical performance, appropriateness and future projections of revenues and expenses of real estate-related assets;
 - Verification of future revenues and expenditures based on assumed revenues and expenditures
 - Reliability of performance of the lease

- Portfolio analysis

- Verification of the impact on our portfolio (building age, geographic diversification, NOI, capital expenditures, Repair expenses, etc.)

- Risk-analysis

- To identify risks identified as a result of due diligence and consider countermeasures
 - To confirm risks caused by operators
 - To confirm risks arising from business partners

- Structure Summary

- To confirm the structure of the property acquisition and the contents of the agreement to be concluded, etc.

- Finance

- Calculation of required funds and consideration of fund procurement methods
 - Confirmation of consistency with the Corporation's financial policies
 - Analysis of the effect on dividends of the Corporation

< JCR's Evaluation for this framework >

JCR evaluates that all of the selection criteria presented in the evaluation phase 1 for the use of proceeds to be social projects with a high degree of social contribution, as discussed in evaluation phase 1. It is highly transparent that the selection criteria take into account the environmental and social risks considered in the evaluation phase 1, and that the selection criteria are clearly disclosed in the annual securities report. In addition,

the Corporation has built a network of diverse sourcing routes and external experts in order to acquire, maintain, and manage high-quality properties.

c. Process

<The Framework for Selection Process>

1. Decision of investment guidelines, etc.

Pursuant to the Articles of Incorporation of the Corporation, the Asset Management Company shall formulate the investment guidelines, asset management plans, and annual investment management plans, which are the basic investment policies for asset management and management of assets for the Corporation. Decisions on and changes to these investment guidelines are drafted by the Investment Department, Asset Management Department, or Financial Management Department (hereinafter referred to as the "Drafting Department"), and the Compliance Officer reviews and approves the existence of legal compliance problems. If the Compliance Committee is convened, it is deliberated and approved by the Investment Management Committee and finally decided upon approval by the Board of Directors of the Asset Management Company.

2. Project selection participant

The projects to be invested by the proceeds are evaluated and selected by the Asset Management Company's Investment Department, Asset Management Department, Compliance Officer/Compliance Committee, and Investment Committee in accordance with the investment guidelines based on a multifaceted evaluation of their suitability for eligibility criteria and compliance with laws and regulations.

3. Project selection process

i. Property due diligence by the Investment Department

The Investment Department shall select candidate investment assets for acquisition and conduct detailed property due diligence (including building diagnosis surveys, soil contamination surveys, seismic risk surveys, legal surveys, etc., as necessary, in addition to appraisal price surveys) with regard to the assets. Based on the results, the Investment Department shall draft an acquisition plan for the invested assets.

ii. Preparation of appraisal reports in the case that the candidate assets for the acquisition are health care facilities or hospital real estate

In the event that the candidate asset for acquisition is a healthcare facility, the Asset Management Department shall evaluate the feasibility of the relevant asset (including the investigation of the operational capability and management stability of the operator of the relevant asset, as well as the results of tours of the facility and hearings with the facility manager as necessary) and prepare an evaluation report and submit it to the Investment Department. In addition, if the candidate asset for acquisition is a hospital real estate, the Asset Management Department shall assess the feasibility of the relevant asset (including a survey of the business management ability and management stability of the relevant hospital's real estate personnel, as well as the results of tours of the relevant hospital's real estate and hearings with hospital personnel conducted as necessary), confirm the compliance of the hospital proprietor and confirm the conformity with the medical plan, etc., and shall prepare an evaluation report and submit it to the Investment Department. When evaluating the business feasibility of a hospital, confirming the legal compliance of a hospital owner, and confirming the compatibility with the medical plan, advice shall be obtained from outside experts as necessary. In addition, if advised by an external expert, an evaluation report prepared by an external expert may be submitted to the Investment Department in lieu of

an evaluation report prepared by the Asset Management Department.

iii. Approval by Compliance Officers, etc.

The Investment Department must submit the proposed acquisition plan, assessment report, and related materials to the Compliance Officer for review and approve with respect to compliance issues. In addition, if the Compliance Officer determines that it is necessary to submit the proposed plan to the Compliance Committee for consideration of compliance issues, the Compliance Officer shall convene a meeting of the Compliance Committee to deliberate on the existence of compliance issues. The members of the Compliance Committee are the Compliance Officer, Representative Directors, Full-time Directors, and Outside Members (lawyers who are not interested in the Asset Management Company and are appointed by the Board of Directors).

iv. Deliberations and resolutions by the Investment Committee

The Investment Committee confirms that the candidate asset conforms to the Investment Guidelines of the Corporation, etc., and deliberations on whether the acquisition price and the acquisition conditions of the candidate asset is appropriate based on the results of property due diligence and evaluation reports, and makes a resolution including the execution of acquisition and approve of acquisition prices with regard to the candidate asset. This acquisition plan was decided by the resolution of the relevant Investment Committee. The members of the Investment Committee are the representative director, the investment manager, the asset management manager, the financial management manager, the full-time director, the Compliance Officer (who has the obligation of attendance and the right to veto the agenda but does not have voting rights) and the outside committee members (a real estate appraiser who has no interest in the Asset Management Company and has been appointed by the Board of Directors).

v. Report to the Board of Directors of the Asset Management Company and the Corporation

The Investment Department shall, without delay, report to the Board of Directors of the Asset Management Company the acquisition plan and related materials determined after deliberation and resolution by the Investment Committee.

In addition, the Operation Department shall report to the Corporation the acquisition plan and related materials determined after deliberation and resolution by the Investment Committee.

< JCR's Evaluation for the Framework >

JCR evaluates that the selection criteria are operated with validity, as the roles of each organization are clearly divided and the decision-making process passes through a department with specialized knowledge.

These selection criteria and the selection and evaluation process will be published in this report to the lender at the time of individual funding.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

While it is usually assumed that funding management methods vary widely by borrower, JCR confirms that the funds raised under the Framework are used for social projects and that arrangements and internal arrangements are in place to facilitate tracking and management of the availability of funds.

JCR also attaches importance to assessing whether funds raised under the Framework 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 Framework for Management of the Proceeds>

- Funds procured under the Framework will be used to (1) finance the purchase of newly acquired healthcare facilities, etc., or (2) refinance funds procured for the acquisition of existing healthcare facilities, etc.
- Funds raised will be deposited into an ordinary deposit account for settlement managed by the Asset Custody Company/Administrative Agent of the Corporation. Funds to be procured shall be transferred by the Asset Management Company to a designated account in advance within a certain period of time after payment. The payment of such funds shall be confirmed by the Financial Management Department of the Asset Management Company.
- The accounting books of the Corporation are prepared by the Administrative Agent and audited by the Accounting Auditor.
- In the event that an unallocated fund exist, such as by selling the subject property after the initial or full allocation of the proceeds, the Asset Management Company will endeavor to immediately use the proceeds for the acquisition of alternative properties or the refinancing of the funds procured for the acquisition of properties.
- Such unallocated funds shall be invested in cash or cash equivalents until the recipient has determined such appropriation.

<JCR's Evaluation for the Framework>

JCR evaluates that fund management is appropriate based on the following considerations: the funds to be procured in the future will be securely allocated to social projects; the funds to be procured will be managed in an appropriate manner within the Asset Management Company; the internal control system is in place; and there are no particular concerns regarding the management of unallocated funds.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates at the point of procurement whether or not the disclosure system to investors before and after procurement based on the Framework is planned in a detailed and effective manner.

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

<The Framework for Reporting >

a. Reporting on the funds allocation

The Corporation reports on the appropriation of funds procured on its website after the implementation of fund procurement based on the Framework. This report is made annually in the SDGs Impact Report until the corresponding funding balance is zero.

b. Reporting on environmental improvement effects

The operation status of properties acquired with funds procured under the Framework is disclosed as follows.

1. Disclosure in the annual securities report

The Corporation discloses the outline of individual real estate assets (property outline, appraisal summary, status of tenants, outline of facilities, etc.) in its annual securities report every six months.

2. Annual Report Disclosures

The following information is disclosed annually in the form of the SDGs Impact Report. The items in the report are as follows: Note that the contents of individual disclosures exclude those which are not permitted by the operator.

- To report on the status of output indicators
- To report on the status of outcome measures
- Efforts by the Corporation for SDGs

In the SDGs initiatives undertaken by the Corporation, not only the facilities subject to the use of proceeds but also the comprehensive initiatives of the Corporation and the Asset Management Company toward SDGs are reported. In this report, the Corporation will work to clarify the effects of the proceeds procured under the Framework, for example by specifying the properties to be used for the proceeds.

<KPIs in SDGs Impact Reports (Key Performance Indicator)>

- Output indicators

Facilities acquired with funds procured under this framework, including:

- Summary of buildings and leases (number of tenants, occupancy rates, etc.)
 - Summary of facilities and housing for the elderly (number of rooms, number of staff, number of tenants, and occupancy rate)
 - Summary of medical-related facilities (number of beds approved, major facility standards, external evaluation (if acquired))
 - Profit and loss of real estate owned (details of property leasing business expenses, NOI)
 - Summary of the operator
 - Real estate appraisal value and appraisal NOI yield as of the end of the term
 - Capital expenditures (planned and performance) for real estate owned
- Outcomes measure
 - Ratio of housing for the elderly to the elderly population (national total)
 - The Corporation plans to measure and disclose trends in the value and number of healthcare facilities acquired in J-REIT.

- Impact (Qualitative Targets)

Realization of a society in which people can live lively in peace

< JCR's Evaluation for this framework >

JCR highly evaluates that the Corporation's Impact Reporting has established indicators sufficient to show the social contribution effects of the current use of proceeds, examines the impacts in three stages, and quantifies and schedules to disclose outcomes to the extent possible. The impact is the essence of the Corporation's management philosophy and is consistent. In addition to qualitative assessments, we also disclose examples of initiatives as supplemental indicators of impact, which is highly regarded for their transparency.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the borrower's management positions environmental issues as a high-priority management issue, whether procurement policies, processes, and social project selection criteria based on the Framework are clearly identified through the establishment of specialized environmental departments or through collaboration with external organizations, etc.

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

Sustainability and ESG Initiatives of Healthcare & Medical Investment Corporation and Healthcare Asset Management Co., Ltd.

The purpose of the Corporation is to "We aim at the social realization that people can live lively in peace. " by continuously investing in healthcare facilities, such as facilities for the elderly, housing, and medical-related facilities, which are expected to see long-term growth in demand along with the progress of the aging society, and stably holding them over the long term.

In addition, the Basic Policy on ESG states that the implementation of asset management that considers ESG, investment as reducing environmental impact, addressing social issues in an aging society, and establishing a governance system, is important for the improvement of such philosophy and unit holder value, and will cooperate with various stakeholders.

In particular, as an initiative to resolve social issues in an aging society, the following policies are set out with a focus on cooperation with stakeholders. (excerpted from ESG basic policy)

- Efforts with Operators and Hospitals
 - Building close relationships of trust through dialogue
 - Consideration of safety and security for users of health care facilities and the environment
 - Publication of initiatives by operators and hospital staff to improve the working environment in healthcare facilities
- Initiatives with Sponsors
 - Stable asset management utilizing the expertise of the sponsor and the expansion of assets under management over the medium to long term
- Efforts with Officers and Employees
 - Raise awareness of ESG among executives and employees through continuous training
- Efforts by Outsourcing Contractors and Other Business Partners
 - Request for understanding and cooperation of ESG initiatives
- Contribution to local society
 - Contributing to the improvement of the sufficiency rate of healthcare facilities in local communities and the realization of community healthcare initiatives

In order to secure good and high-quality management of facilities, cooperation with operators and hospital staff is the most important part of the organization's efforts. At nursing care facilities, ensure nursing care staff is extremely important for stable operation of facilities, and JCR considers that it contributes to stable operation of facilities by promoting capital investment that contributes to human resource development of nursing care staff by operators of nursing care facilities and initiatives to reduce turnover.

In addition, due to its specialty as an investment corporation specializing in healthcare facilities, the Asset Management Department has a healthcare professional as an important employee in the guidelines, and is striving to improve the management and value of properties. External professionals are also actively utilized, utilizing consulting services from the research and consulting departments of the Ship Healthcare Group, which is affiliated with a major auditing firm, a healthcare professional consulting firm, and one of its major sponsors. In addition, it shares expertise on healthcare from the Ship Healthcare Group to management by appointing outside directors, and holds discussions with outside experts on receiving medical care benefits, income and expenditures, and cash flows.

Since the Company and the Asset Management Company are working together as a unified organization to "resolve social issues in an aging society" as the cornerstone of business development, the basic principles and initiatives of the Corporation and the Asset Management Company are considered to contribute greatly to solving issues that are peculiar to Japan, such as the rapid aging of society, an increase in the number of single-person elderly people, a shortage of workers due to nursing care separation, and a delay in the social advancement of women.

■ Assessment 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." Consequently, JCR assigned "Social 1(F)" for the overall evaluation. The Framework also meets the standards for the requirements of the Social Bond Principles and the SDGs Objectives and specific measures for the SDGs Goals of the Government.

[JCR Social Finance Framework Assessment Matrix]

		Management, operation, and transparency				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Social impact evaluation	s1(F)	Social 1(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social 5(F)
	s2(F)	Social 2(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social 5(F)
	s3(F)	Social 3(F)	Social 3(F)	Social 4(F)	Social 5(F)	Not qualified
	s4(F)	Social 4(F)	Social 4(F)	Social 5(F)	Not qualified	Not qualified
	s5(F)	Social 5(F)	Social 5(F)	Not qualified	Not qualified	Not qualified

■ Subject

Issuer: Healthcare & Medical Investment Corporation (Security Code: 3455)

[Assignment]

Target	Evaluation
Social finance framework	JCR Social Finance Evaluation :Social 1(F) Social Impact Evaluation :s1(F) Evaluation on Management, Operation, and Transparency :m1(F)

(Analysts responsible for this evaluation) Atsuko Kajiwara and Rieko Kikuchi

Important explanation of Social Finance Framework Evaluation

1. Assumptions, Significance, and Limitations of JCR Social Finance Framework Evaluation

The JCR Social Finance Framework Evaluation provided by the Japan Credit Rating Agency, Ltd. (JCR) evaluates the policies set out in the social finance framework and presents JCR's overall opinion at this time on the suitability of social projects as defined by JCR and the extent of efforts to ensure management, operation, and transparency regarding the use of funds. Therefore, it is not intended to evaluate the specific degree of social contribution, management and operational system, and transparency of the use of funds for individual bonds or borrows, etc. implemented based on the policy. If social finance evaluations are granted for individual bonds or individual borrowings based on the framework, they need to be evaluated separately. The JCR Social Finance Framework Evaluation does not demonstrate the improvement effect on society of individual bonds or borrows, etc. implemented under this framework, and does not assume responsibility for the improvement effect on society. In principle, JCR does not directly measure the impact of social frameworks funded funding on society, although JCR confirms quantitative and qualitative measures by the issuer or a third party requested by the issuer.

2. Methods used in the conduct of the evaluation

The methodology used to implement this assessment is listed in the Sustainable Finance ESG section of JCR's website (<https://www.jcr.co.jp/>) under the JCR Social Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

The JCR Social Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

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

5. Independence in Evaluation of JCR Social Finance Framework

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

■Disclaimers

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■Glossary

JCR Social Finance Framework Evaluation assesses the extent to which funds procured under this framework will be used for social projects as defined by JCR, and the extent to which such funds will be used for management, operation, and transparency. The evaluations are graded on a five-point scale and are displayed using the Social1(F), Social2(F), Social3(F), Social4(F), and Social5(F) rating symbols in order of rank.

■Sustainable finance of registration as an external assessor of green finance

- Registration of Green Bond Issuance Supporters by the Ministry of the Environment
- ICMA (Registration as an observer of the International Capital Markets Association)

■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 17 g-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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