

Social Bond / Social Bond Programme

External Review Form

Section 1. Basic Information

Issuer name:

Healthcare & Medical Investment Corporation

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: *[specify as appropriate]*

Social Finance Framework of Healthcare & Medical Investment Corporation

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

January 17, 2019

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

January 11, 2019

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 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)*

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.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The 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

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

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.

Use of proceeds categories as per SBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

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.

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.

Evaluation and selection

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

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to | <input checked="" type="checkbox"/> In-house assessment |
|---|---|

external advice or verification

- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

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.

Tracking of proceeds:

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

Additional disclosure:

- | | |
|--|---|
| <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 (please specify): |

4. REPORTING

Overall comment on section (if applicable):

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.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Social Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> 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):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
Information published in SDGs Impact Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):*Use of Proceeds, reporting and overall alignment with ICMA's social bond principle*

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 Healthcare & Medical Investment Corporation
<http://hcm3455.co.jp/en/>

JCR's Social Finance Evaluation Methodology
<https://www.jcr.co.jp/en/greenfinance/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Second Party Opinion Certification
 Verification Scoring/Rating
 Other (please specify):

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

January 18, 2019

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

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