

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

Japan Credit Rating Agency, Ltd. (JCR) announces Social Bond Evaluation Results as follows.

JCR assigned Social 1 to the Bonds of the National Institution for Academic Degrees and Quality Enhancement of Higher Education

Subject	:	Bond of the 4th University Reform Support and Academic Degree Award Organization
Type	:	General coverage bond
Issue Amount	:	JPY 6.0 billion
Interest Rate	:	0.005%
Issue Date	:	February 28, 2020
Redemption Date	:	March 19, 2025
Method of Repayment	:	Bullet
Use of Proceeds	:	New investment and refinement of funding sourced for a grant project for facility development costs, etc. at a national university-affiliated hospital.

<Social Bond Evaluation Results>

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

Chapter 1: Evaluation Overview

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 this evaluation is the bonds that NIAD-QE plans to issue (the “Bonds”). JCR evaluates whether the Bonds is in line with the Social Bond Principles (SBP) (2018 edition) and SDGs targets. The Social Bond Principles 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. Therefore, JCR confirms 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 objectives and national policies. Therefore, the SDGs and social project categorization mappings developed by the society are used as reference indicators for evaluations.¹

The funds raised through the Bonds 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 and operating 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 regarding the Bonds 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" for the "Social Impact Evaluation (Use of Proceeds)" and "m1" for the “Management, Operation and Transparency Evaluation.” Consequently, JCR assigned "Social 1" for the overall "JCR Social Bond Evaluation." Detailed evaluation results are discussed in the next chapter. The Bonds also fully meet the standards for the requirements of the Social Bond Principles and are consistent with the SDGs Objectives and concrete measures for the SDGs Goals of the Government.

¹ ICMA(International Capital Market Association) Social Bond Principles 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", the highest grade, to "Evaluation Phase 1: Social Impact Evaluation".

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

(1) JCR's key consideration in this factor

In this section, we first confirm that the proceeds are used for social projects that have clear social improvement effects. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative Society and environment impact on the environment. 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>

Funding subject of the grant by the PMDA is limited to the provision of advanced medical care and the cost of purchases of medical facilities for the purpose of acute medical care in the region among the facility development plans for all national university-affiliated hospitals.

The following is a list of the projects that will be used as funding for this bond, out of the FY2019 annexed hospital facility maintenance loan plan stipulated by the Ministry of Education, Culture, Sports, Science and Technology. The PMDA will cover the following total loans by issuing social bonds and borrowing from FILP loans. The rate of new investment and refinance is assumed to be 8: refinance 2.

Name of university	Name of business	Principal use of funding
Asahikawa Medical University	Facilities for university hospitals	A suite of magnetic resonance tomography diagnostic systems, a suite of intracardiac pump catheter controllers for circulatory support, and a suite of cataract surgery support systems
Hirosaki University	Facilities for university hospitals	High-precision magnetic resonance tomography equipment
Tohoku University	Facilities for university hospitals	Radiological imaging systems; Magnetic resonance tomography systems; Intraoperative MRI surgical systems
Akita University	Facilities for university hospitals	Comprehensive Clinical Laboratory System
University of Tokyo	Facilities for university hospitals	Electronic endoscopy system for medical diagnosis and treatment, monitoring system for surgery department, and a set of radiological examination systems, etc.
Toyama University	Facilities for university hospitals	Cardiovascular X-ray diagnostic and therapeutic system and ultrasonic diagnostic system
Kanazawa University	Facilities for university hospitals	Magnetic resonance and X-ray computed tomography system
Yamanashi University	Facilities for university hospitals	A set of tele-manipulated endoscopic surgical systems
Hamamatsu University School of Medicine	Facilities for university hospitals	A suite of high-dose-rate brachytherapy devices, a suite of perioperative versus external circulation systems, and a suite of holmium laser devices

Nagoya University	Facilities for university hospitals	Ultrasonography system, IVR-CT system, cardiovascular defect diagnosis system, etc.
Shiga University of Medical Science	Facilities for university hospitals	Radiographic and dialysis systems
Kyoto University	Facilities for university hospitals	Bioinformation monitoring system, comprehensive diagnostic imaging system for nuclear medicine, surgical microscope system for neurosurgery, etc.
Osaka University	Facilities for university hospitals	Suite of PET-CT devices
Kobe University	Facilities for university hospitals	A set of physiological function test diagnosis comprehensive support systems, a set of demographic cardiopulmonary devices, a set of X-ray bone densitometry equipment, etc.
Tokushima University	Facilities for university hospitals	Radiotherapy system
Kagawa University	Facilities for university hospitals	PET/CT systems and whole-body X-ray computed tomography diagnostic devices
Ehime University	Facilities for university hospitals	Digital PET/CT system and clinical laboratory system
Kochi University	Facilities for university hospitals	PET-CT systems
Kyushu University	Facilities for university hospitals	Quality cardiac and defective disease diagnostic systems, high-precision multifunctional surgical systems, advanced medical care support systems, etc.
Nagasaki University	Facilities for university hospitals	A suite of surgical microscope systems, a suite of specimen transport systems, a suite of IVR-enabled biplane defect construction systems, etc.
Kumamoto University	Facilities for university hospitals	Diagnostic imaging systems, X-ray cardiology diagnostics systems
Miyazaki University	Facilities for university hospitals	X-ray investment imaging devices, endoscopic surgery-support robotic systems, surgical video recording systems, etc.
Kagoshima University	Facilities for university hospitals	A suite of X-ray IVR systems, a suite of integrated diagnostic imaging support systems, a suite of ICU perioperative patient management systems, and a suite of image information network systems

a. On the social benefits of the projects

- i. The eligible projects in this 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.**

(1) Outline of National University Hospital

National university corporations were established on April 1, 2004 in accordance with the National University Corporation Law (Law No. 112 of 2003) in order to respond to the demands of the people for education and research of universities and to improve the level of higher education and academic research in Japan and achieve balanced development. Until then, each national university was established by the Ministry of Education, Culture, Sports, Science and Technology under the Act on Establishment of National Schools (Act No. 150 of 1949, abolished in 2004).

Currently, 42 national university corporations out of 86 national university corporations have and operate university-affiliated hospitals. In accordance with Article 39 of the Standards for Establishment of Universities (1956, Ministry of Education, Culture, Sports, Science and Technology, No. 28), attached hospitals are established at universities with medical or dental faculties or affiliated research institutes as necessary facilities for education and research of such faculties. A total of 45 hospitals have been established at 42 national universities.

(2) Functions and Roles of National University Hospitals

Reflecting the recent changes in social conditions, the functions and roles of the national university hospitals are required to change greatly; i.e., i) a need to change medical policy focusing more on the issues of declining birthrate and aging population (a shift from a hospital-based to a community-based system that reconstructs the medical care system by providing medical care specializing in specific functions and dividing the roles of outpatient medical care), ii) a change in the structure of patients due to an increase in the number of elderly and seriously affected patients due to a super-aging society, and iii) a strengthening of the disaster prevention function such as the occasion of earthquakes. In light of changes in the medical and dental environments in Japan, changes in the international competitive environment, and other factors, the following five functions and roles are requested for national university hospitals, which can be said to be of great social significance.

Social Significance 1: [Medical Care] Provision of Advanced Medical Care and Role as a Core Hospital in the Region

Advanced medical care refers to medical care or other medical treatment using advanced medical technology stipulated by the Minister of Health, Labour and Welfare. It is required to evaluate whether or not it should be covered by insurance benefits from the viewpoint of ensuring the efficient provision of appropriate medical care. The treatment of advanced medicine is often mainly used for cancer treatment, and new and advanced treatment techniques are constantly being developed for cancer treatment. As of January 2020, there are 87 technical designated by the Ministry of Health, Labour and Welfare as advanced medicine. As advanced medical technology is required for the implementation of advanced medical care, the facilities standards of medical institutions enabling the implementation of such technology are finely defined for each technology.

National university hospitals have a large number of doctors with advanced functions and advanced technologies that enable them to implement advanced technologies. They are the core hospitals of their respective regions and play an important role as hubs that provide high-quality medical care.

Social Significance 2: [Education] Education and Training of Healthcare People for Future Medical Care

A national university hospital plays an important role as an educational institution that conducts clinical training for medical students and initial and specialized training for doctors after graduation in order to educate and train high-quality healthcare professionals who will be responsible for Japan's future medical care. In addition, the development of quality healthcare professionals at national hospitals in each region is expected to contribute to job creation and regional revitalization in the region.

Social Significance 3: [Research] Contribution to the Development of Clinical Medicine and the

Improvement of the Level of Medical Technology

A national university hospital, as a special function hospital, is responsible for research and development of technologies related to medical treatments that are normally difficult to provide in hospitals other than special function hospitals. It is an infrastructure that causes to the development, evaluation, and research of advanced medical technology such as the causes of intractable diseases, development of new diagnostic methods and treatment methods, and development of new drugs through clinical trials, etc., and it is expected to contribute to the development of clinical medicine and the improvement of medical technology standards through research activities.

Social Significance 4: [Local and Social Contribution] The Last Bastion of Local Health

A national university hospital, as a policy-based medical institution, has been contributing greatly to regional crisis management, such as revitalization of regional medical care, and emergency responses in the event of disasters and emerging infectious diseases, by playing a role as a specially-functioning hospital and by utilizing doctor helicopters centered on the Advanced Emergency and Critical Care Center.

Social Significance 5: [Internationalization] Realization of internationally-class medical care and international leadership

National university hospitals are expected to realize the international standard of medical care and demonstrate the international leadership in medical care, etc., as they shoulder the advanced medical treatment of our country.

<Issues Facing Hospitals of National University and the Importance of Loan Projects from NIAD-QE>

According to the fiscal 2017's financial statements of national universities, aging or erodent facilities and equipment need renovation investment more than the budgeted investment amount year by year. The ordinary income has been increasing mainly by the increase in income from external sources such as research revenue by promoting the cooperation between corporates and academics. In addition, the scale merit and business efforts of hospitals contribute to increase national university hospitals' ordinary revenue. On the other hand, ordinary expenses has also been increasing due to the purchase for expensive medicines and medical kits which are necessary for providing advanced medical care services.

While the new capital investments are needed for responding to future changes, the hospitals are not have enough fund for such investment. As a result, it is necessary to get finance from both the government and private sectors.

The loan from NIAD-QE is limited only to the purchase of medical related equipment of national university hospitals.

- 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.**

b. Consistency with SDGs goals and Targets

With reference to ICMA's SDGs mappings, JCR assessed that JCR would contribute to the following SDGs targets and targets.... It was also confirmed that it is consistent with the SDGs Action Plan 2018, which the Government of Japan has set as its SDGs targets.



Objective 3: Good health and well-health

Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development.

Target 3.3.

By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

Target 3.4.

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.





Objective 4: Quality education

Obtaining a quality education is the foundation to improving people's lives and sustainable development.

Target 4.3.

By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

It was also confirmed that this social project is consistent with the following items in SDGs Expansion Action Plan 2019, which the Japanese government has set as its SDGs objective.

List of Initiatives to Promote Government SDGs			
Measures to materialize and expand initiatives in eight areas of SDGs Implementation Guidelines			
Outline of measures		Target	Index
1.Promoting the Active Participation of All People	Promotion of next-generation education		Plan determined by the Minister of Education, Culture, Sports, Science and Technology
2. Achieving health and longevity	R&D in the area of medical treatment, including measures against infectious diseases		

c. Response to Environmental and Social Risks

JCR has evaluated that the purpose of this fund will be used for the purchase of medical equipment, and no negative environmental or social risk is anticipated.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

JCR evaluated the Bonds based on the current situation described below and JCR's evaluation on each item. JCR evaluated that the management and operation systems were well established, and that the implementation of the planned projects and the appropriation of funds to be procured would be sufficient. As results, JCR concluded that the evaluation phase 2: Management, Operation and Transparency Evaluation were designated as "m1," which is the top level of this phase.

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 social bond, 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

Policy Structure of NIAD-QE

1. National Policy Targets and Policies Related to NIAD-QE

■ Policy objectives of the Ministry of Education, Culture, Sports, Science and Technology

Policy Goals 4 Advancement of Higher Education with Individuality

Policy Objective 4-1: Improving the Quality of Education and Research at Universities, etc.

Policy Goal 4-2: Development of educational and research infrastructure at universities, etc.

■ Basic Plan for Education Promotion (Cabinet Decision on June 15, 2018)

Target (4) Acquisition of problem-finding and problem-solving skills,

Objectives (8) Fostering human resources that will drive innovation through reforms in graduate school education,

Objectives (10) Promoting Lifelong Learning for the Age of 100 Years in Life,

Target (18) Development of a safe, secure, high-quality educational and research environment, etc.

■ Grand Design of Higher Education for 2040 (Report)

- Looking ahead to the 100th year of life, in order to create a campus where students of various ages and experiences can work together while stimulating each other, higher education institutions will need a system in which they can educate students of diverse age groups with diverse needs, and the importance of recurrent education will increase.
- Prepare for the establishment of a National Information Centre in response to the entry into force of the Regional Covenant on Approval of Public and Educational Qualifications adopted under the UNESCO framework.
- It is important that the quality of Japan's tertiary education be recognized domestically and internationally.

■ National University Management Force Strategy (June 16, 2015 Ministry of Education, Culture,

Sports, Science and Technology)

- In order for national universities to fulfill their roles and advance further reforms in the future, it is necessary for each national university, under the leadership of the president, to establish a responsible management system and to maximize the advantages of incorporation.
- Human Resources Development Revolution Basic Initiative (June 2018, 100-Year Life Initiative Meeting)
 - Universities are the foundation of knowledge, the driving force behind innovation and national competitiveness. As one of the key drivers of the human resources development revolution, university reform must be promoted in a manner suited to the times.

2. Purposes of NIAD-QE

The state of educational and research activities at universities, etc. will be improved by evaluating their educational and research activities, and the education and research environment will be improved by providing the funds necessary for the development, etc. of the facilities of national universities, etc. At the same time, a society in which the results of various learning at the higher education stage are appropriately evaluated will be realized by giving the degree under Article 104, Paragraph 4 of the School Education Act, thereby contributing to the development of higher education in Japan. (Article 3 of NIAD-QE Law)

3. Business of NIAD-QE

<u>Evaluation Business</u> Implementation of high evaluation for fostering international competitiveness (Certification Evaluation, Evaluation of National University Education and Research, etc.)	<u>Degree Graduation Program</u> Base on a variety of learning outcomes Providing opportunities to obtain a degree	<u>Facility/Equipment expense loan and subsidy program</u> For the facilities/equipment expenses of national universities Loans and grants
<u>Quality Assurance Collaboration</u> Collection, organization, and provision of information, and collaboration with universities, etc., and quality assurance institutions in Japan and overseas		
<u>Survey and research</u> Promotion of research and surveys related to quality assurance		

Source: Mid-Term Targets for Business Operations to be Achieved by the National Institute for University Reform Support and Degree Granting on March 1, 2019, Ministry of Education, Culture, Sports, Science and Technology

<JCR's Evaluation on the Framework>

NIAD-QE's business activities are guided by the policy objectives and policies of Japan. The purpose of this bond is to help the Ministry of Education, Culture, Sports, Science and Technology develop the educational and research infrastructure at universities, etc. listed in Policy Target 4-2 of Policy Target 4. JCR believes that the individual loan plans for the development of facilities of NIAD-QE are based on the order of the Minister of Education, Culture, Sports, Science and Technology, and are determined annually in the Ministry's budget. Therefore, JCR believes that the project is a social project that is consistent with the policies of the Ministry of Education, Culture, Sports, Science and Technology. As the necessity of the development of facilities of national university affiliated hospitals has been confirmed by the examination meeting established in the

Ministry and the audit report of the Board of Audit, it is evaluated as necessary funds for the functions and roles of the national university affiliated hospitals.

b. Selection standard

As discussed in Phase 1, JCR assesses that all the selection criteria indicated in Phase 1 are appropriate as criteria for selecting social projects with high social benefits.

c. Processes

<The Framework for Selection process>

1. As for the scope of operations, Article 16, Paragraph 1, Paragraph 2 of the Law Concerning the NIAD-QE, stipulates that "the government shall provide loans to National University Corporations and Inter-University Research Institutions for the funds necessary for the acquisition of land, the establishment or improvement of facilities, or the installation of facilities as stipulated by the Minister of Education, Culture, Sports, Science and Technology."
2. The Ministry of Education, Culture, Sports, Science and Technology determines the borrower to implement the development in accordance with the national government's plans for the improvement of facilities.
3. In accordance with the facility development plan established by the Minister of Education, Culture, Sports, Science and Technology, NIAD-QE will provide loans to the national university corporations and other entities covered by the plan.
4. The national university hospitals were assessed to get loans by NIAD-QE. The assessment items are as follows.
 - Description of Businesses
 - Financial status
 - Collateral capacity
 - Public mission
5. Report to the Minister of Education, Culture, Sports, Science and Technology if the examination finds that there is a problem with lending.

<JCR's Evaluation on the Framework>

The scope of operations of this mechanism is determined by the Minister of Education, Culture, Sports, Science and Technology. In addition, the Ministry of Education, Culture, Sports, Science and Technology determines the facility development plan for the selection of facilities, and because the examination criteria for loans by NIAD-QE are clearly stipulated, the selection criteria and process for the subject projects are evaluated as appropriate.

2. Appropriateness and Transparency of Fund Management

(1) JCR's key consideration in this factor

While it is generally assumed that funds to be procured will be managed in a wide variety of ways depending on the issuer, confirm that funds procured based on this framework are certainly appropriated to social projects, and whether or not mechanisms and internal systems are in place so that the appropriation can be easily tracked and managed.

It also emphasizes evaluating whether funds raised under this framework will be appropriated to social projects at an early stage or how to manage and manage unallocated funds.

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

<The Framework for Fund Management>

The funds raised through bond issuance will be immediately provided to national university corporations for installing equipment of national university hospitals.

[Fund management]

In accordance with the provisions of Article 17 of the Act on the University Reform Support and Degree Granting Organization of Incorporated Administrative Agencies, accounting for facility expense loan projects and facility expense grant projects is organized by setting up a facility maintenance account separately from the general account. A bank account exclusive to the facility maintenance account is held, and the funds of the facility expense loan project and the facility expense grant project are managed by this account. In this account, the funds for the facilities expense grant business are also managed, but the uses of the funds received and withdrawn are strictly managed, and the funds procured from the facilities expense "Loan" project are not allocated for the facilities expense "Grant" project.

[Preparation of books relating to bonds]

Receivables and payables are managed through the ALM (Asset and Liability Management) system and backed up.

[Internal Audit]

Internal audits shall be conducted in accordance with the Internal Audit Rules of the University of Japan Reform Support and Graduate Awarding Organization of Japan, in order to facilitate proper, efficient, and effective business of operations and to ensure proper budget execution and accounting.

At the beginning of each business year, the audit office manager creates an audit plan that describes the basic policy and overall plan for audits in the relevant year. The audit plan is submitted to the director of NIAD-QE and reported to meetings within NIAD-QE in which section chiefs or higher participate.

The types of audits include routine audits, periodic audits, and ad hoc audits. Daily audits are conducted throughout the year to check accounting vouchers and contracts in accounting procedures. Periodic audits are conducted every fiscal year to verify accounting vouchers and contracts, as well as facility expense loan and issuance in accounting treatment. In addition, bank accounts (deposit passbooks) are checked. Extraordinary audits are conducted when the DICJ deems necessary, but have not taken place since the merger in April 2016.

The audit results are compiled into a report and reported to the director general of NIAD-QE.

[Auditor Audit]

Auditors are audited based on the Audit Rules of the Corporation Administrative Agency's University Reform Support and Academic Degree Granting Organization and the Standards for Implementing Audits of the Incorporated Administrative Agency's University Reform Support and Academic Degree Granting Organization, in order to ensure the appropriate, efficient, and effective business of operations, and to ensure the appropriateness of accounting.

Each fiscal year, the Auditor prepares an audit plan describing the audit policy and the implementation timing and method. The audit plan is submitted to the director of NIAD-QE and reported to meetings

within NIAD-QE in which section chiefs or higher participate.

Types of audits include periodic and ad hoc audits. Periodic audits are conducted mainly by attending various meetings, etc., by receiving deliberations and reports on matters including facility expense loans and granting projects, auditing of operations for which documents and opinions are heard as necessary, and auditing of accounting for which documents are submitted and opinions are heard as necessary. In FY2016, the Loan and Delivery Project for Facilities Expenses was selected as an audit on specific matters in business, and opinions were heard from relevant staff members. Temporary audits are conducted when the auditors deem necessary, but have not been conducted since the merger in April 2016.

The audit results are compiled in a report and reported to the Director-General of NIAD-QE and the Minister of Education, Culture, Sports, Science and Technology.

[External Audit]

There are audits by the Board of Audit, FILP audits by the Financial Bureau of the Ministry of Finance, and accounting audits by accounting auditors.

[Method of Management of Unallocated proceeds]

Funds raised through bond issuance are generally allocated in full to loans and redemptions in the following month (Refunding Bonds), and no unallocated funds are generated.

<JCR's Evaluation on the Framework>

JCR considers that cash management is appropriate given that funds for the Bonds are managed in separate accounts and separate accounts, that the appropriation of funds is managed by an appropriate method using an internal electronic system, that appropriate internal control systems are in place, including internal and external audits, and that there are no particular concerns about the operation 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 the bonds.

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

< Reporting Systems >

a. Reporting on the proceeds allocation

Scheduled to be disclosed on our website. Unallocated funds will be allocated during fiscal 2020.

- Balance of social finance
- Amount appropriated
- Balance of unallocated funds (in cases where unallocated funds are available)
- Total acquisition price of social-grade assets

Even after the allocation has been completed, we plan to disclose any significant changes in the allocation status to the extent that social finance remains.

b. Reporting on society improvement effects

<Output Indicators>

Number of borrowers of facilities improvement loans, total loan amounts, and numbers of equipment installed projects

<Outcome Indicators>

- Status in Advanced Medical Care
- Implementation Status of Organ Transplantation in Brain Death
- Response to policy-based medical care

<Impact (Qualitative Targets)>

- Education and training of healthcare professionals who will be responsible for future medical care
- Contributing to the Development of Clinical Medicine and the Improvement of the Level of Medical Technology
- Provision of high-quality medical care as a core local hospital

<JCR's Evaluation on the Framework>

The setting of impact indicators planned by NIAD-QE is a setting that can quantitatively grasp the effects of both outputs and outcomes. Furthermore, the qualitative targets set as impacts are consistent with Japan's education and medical policies and are sufficient to demonstrate their high social significance.

In addition, the Ministry of Education, Culture, Sports, Science and Technology's study group regularly publishes a report on the impact assessment of the development of facilities attached to national universities, and it is highly evaluated that it is highly transparent. (External evaluation examples are shown below.)

- Case study group on the development of facilities attached to national universities (study group on the preparation of case studies on the improvement of facilities attached to national universities of the Ministry of Education, Culture, Sports, Science and Technology)

- National University Hospital Functional Assessment (a report that evaluates the degree of contribution by the five functions of annexed hospitals, published annually by the Standing Committee of the President of the National University Hospital since fiscal 2009)

4. Organization's strategies on addressing Social Issues

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the issuer's management positions social issues as high priority issues for management, and whether the procurement policies and processes based on the framework, criteria for selecting social projects, etc. are clearly positioned 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

Sustainability Initiatives of NIAD-QE

NIAD-QE states that it will contribute to SDGs by supporting the development of higher education in Japan through the following businesses: Academic degree awards, evaluations, facility maintenance support, quality assurance coordination, and survey and research.

■ Providing Degrees

In order to create a society in which the outcomes of a variety of learning at the higher education level are appropriately assessed, a person who is recognized as having the same academic ability as a person who has completed a university's faculty or graduate school is given a degree.

■ Evaluation

In order to contribute to the maintenance and improvement of the quality of educational and research activities by Japanese universities, etc., certification evaluation of universities, technical colleges and law graduate schools, and national university educational and research evaluation are conducted.

■ Facility and equipment assistance

In order to improve the educational and research environment for national university corporations, etc., the government loans and delivers funds necessary for the development of facilities for national university corporations, etc.

■ Quality Assurance Collaboration

It engages in collaborative activities with universities and evaluation corporations, supports the strengthening of the management base of national universities, and conducts projects such as university portrait.

■ International Quality Assurance Collaboration

In order to increase international confidence in Japan's tertiary education, Japan cooperates with quality assurance organizations in other countries and provides information on higher education systems in Japan and overseas through the center for approval information on higher education certification.

■ Survey and research

In order to contribute to the development of higher education in Japan, it is conducting research on the basis of each project and surveys on verification of the project.

NIAD-QE aims at "improving the level of education and research activities at universities, etc. by evaluating the status of education and research activities at universities, etc., improving the educational and research

environment of national universities, etc. by providing loans and subsidies necessary for the development of facilities at national universities, etc., and at the same time, by giving them a degree under Article 104, Paragraph 4 of the School Education Act, to realize a society in which the achievements of diverse learning at the higher education stage are appropriately evaluated, thereby contributing to the development of higher education in Japan."

As confirmed in the Objectives of Evaluation Phase 2, the projects of NIAD-QE are carried out in accordance with Japan's educational and healthcare policies, which are of high social significance, and their contributions to Japan's measures to achieve its SDGs based on these policies are also clear.

The activities of NIAD-QE are regularly evaluated and reviewed by experts established within the Ministry of Education, Culture, Sports, Science and Evaluation and by the Standing Committee of National University Hospital Presidents. It can be said that business activities aimed at resolving social issues have been constructed from a specialized perspective.

■ Evaluation Results

Based on JCR Social Finance Evaluation Methodology, JCR assigned "s1" for the "Social Impact Evaluation (Use of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Social 1" for the overall "JCR Social Bond Evaluation." The Bonds meet 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 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

■ Scope of Subject

Issuer: National Institution for Academic Degrees and Quality Enhancement of Higher Education

[Assignment]

Target	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
4th bonds	JPY 6 billion	February 28, 2020	March 19, 2025	0.005%	JCR Social Bond Evaluation : Social 1 Social Impact Evaluation : s1 Management, Operations and Transparency Evaluation : m1

(Responsible analyst for this evaluation) Atsuko Kajiwarra and Rieko Kikuchi

Important explanation of the Social Bond Evaluation

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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