

Healthcare & Medical Investment Corporation changed the amount of part of the Social Loans and canceled the short-term social loans – JCR Social Loan Evaluation result of “Social 1” maintained

JCR hereby comments on the announcement of Healthcare and Medical Investment Corporation (Security Code 3455) that the partial changes and cancellation of borrowings announced on January 11, 2019 as Social Loans.

Healthcare and Medical Investment Corporation (hereinafter, “the Corporation”) announced on January 11, 2019 that it planned the following borrowings which would be implemented on February 1, 2019.

(1) Short-term Borrowings 1 billion JPY to be borrowed from Sumitomo Mitsui Banking Corporation

(2) Long-term Borrowings of i) 3 billion JPY, ii) 4 billion JPY and iii) 5.75 billion JPY from syndicates

JCR has assigned “Social 1” for the above four borrowings on January 11, 2019. On January 30, 2019, the Corporation finalized the borrowing condition and the following modification has been made;

(1) Short-term borrowing has been canceled, (2) 3 billion Long-term borrowings has been amended to 2 billion Long-Term borrowings and the interest rate has been determined as 0.45353%.

The reason of such modification is due to the determination of equity funding amount by issuing new investment units. As a result of equity funding, it could reduce the borrowing amount whose use of proceeds are for acquiring 8 real estate beneficiary rights.

JCR has confirmed that the use of proceeds has no change from this amount change and partial cancellation. Therefore, the evaluation results have been maintained as Social 1. As the short-term borrowings are canceled, the social loan evaluation for this borrowing has been vanished.

For more information, please refer to the attached revised evaluation report.

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

Japan Credit Rating Agency, Ltd. (JCR) reflects the changes in amount of one of the long-term loan and cancellation of the short-term loan to the results of Social Loan Evaluation published on January 11, 2019 as follows.

JCR Assigned Social 1 to the Long-term Loan borrowed by Healthcare & Medical Investment Corporation

S u b j e c t	:	The following loans borrowed by Healthcare & Medical Investment Corporation
Classification	:	(1) Long-term loan
L e n d e r s	:	(1) Syndicate arranged by Sumitomo Mitsui Banking Corporation, Ltd.
A m o u n t	:	(1) a. JPY 2 billion、 b. JPY 4 billion、 c. JPY 5.75 billion
Interest Rate	:	(1) a. 0.45353%, b. Benchmark rate+0.35%, c. Benchmark rate +0.45%
Date of the loan agreement	:	January 30, 2019
Date of Disbursement	:	February 1, 2019
Repayment Date	:	(1) January 31, 2022, b. January 31, 2023, c. January 31, 2024
Repayment Method	:	Lump-sum repayment on the due date
Use of Proceeds	:	Acquisition of nursing homes for the elderly and multiple health care facilities with nursing facilities

<Social Loan Evaluation Results>

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

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 subject of the evaluation is the long-term borrowings of the Corporation from Sumitomo Mitsui Banking Corporation and syndicates arranged by Sumitomo Mitsui Banking Corporation. 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 proceeds 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.

The proceeds will be used for the new acquisition of one multiple healthcare facility with both hospital function and nursing care function for elderly and seven living facilities with nursing care services for elderly. 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, as a result, causes of a delay in women's social advancement, etc. Therefore, the expansion of these facilities has an urgent necessity for Japan. Based on the above, JCR evaluates that this projects 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 these social projects will contribute 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 the proceeds are consistent with the "Realization of a Society in which promoting dynamic engagement of all citizens: Social Security Leading to Peace of Mind," one of the policies closely related to SDGs 3, etc.

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

JCR confirmed that the selection criteria of eligible social assets are appropriately defined in its social finance framework. It also confirm that the allocation status of the proceeds is scheduled to disseminated to the investors and that it will be managed by reporting how much the proceeds will be allocated quarterly to CFO, to ensure the internal control system. 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.

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 workaround or mitigation measures, in case of possibility on use of proceeds have adverse social and environment impact. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

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

<Overview of the Use of Proceeds>

The followings are the list of “living facilities with nursing care services for elderly and multiple healthcare facilities with both hospital and nursing care function”, whose acquisition cost will be allocated from the proceeds.

[Assets to be acquired in February 2019]

- (1) “SHIP Senri Building”, a hospital (Subacute period and chronic period) and living facilities with nursing care for elderly

Characteristics	Completed in 2008, Operator: Medical Corporation “Kyowa-kai”, Green Life Co., Ltd. Number of beds: 400, Number of rooms: 181, Occupancy ratio:100%
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- (2) “Sunny life Kita-Shinagawa”, Living facilities with nursing care for elderly

Characteristics	Completed in 2018, Operator: Kawashima Corporation, Ltd. Number of rooms: 66, Occupancy ratio:100%
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- (3) “SOMPO Care La vie Re Hamakawasaki”, living facility with nursing care for elderly

Characteristics	Completed in 2007, Operator: SOMPO Care, Number of rooms: 58, Occupancy ratio:96.6%
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- (4) “Hanakotoba Shin-Yokohama”, living facility with nursing care for elderly

Characteristics	Completed in 2004, Operator: Proud Life, Number of rooms: 136, Occupancy ratio:100%
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- (5) “Hanakotoba Shin-Yokohama 2”, living facility with nursing care for elderly

Characteristics	Completed in 2007, Operator: Proud Life, Number of rooms: 21, Occupancy ratio:100%
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- (6) “Hanakotoba Odawara”, living facility with nursing care for elderly

Characteristics	Completed in 2009, Operator: Proud Life Number of rooms: 60, Occupancy ratio:100%
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(7) “Verde Minowa”, living facility with nursing care for elderly

Characteristics	Completed in 1974 and 2003, Operator: Verde Number of rooms: 174, Occupancy ratio:100%
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(8) “Verde Hotaka”, living facility with nursing care for elderly

Characteristics	Completed in 1982 and 1989, Operator: Verde Number of beds: 121, Number of rooms: 66, Occupancy ratio:100%
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a. On the social contribution effects of the project

- i. 100% of the proceeds are used to acquire real estate trust beneficiary rights for living facilities with nursing care for elderly and a multi-purpose healthcare facility that combines the functions of a nursing care housings and a hospital. This facility is a healthcare facility for the elderly or a medical facility such as a hospital with a view to a comprehensive community care system. These facilities will contribute to resolve social problems caused by a rapidly aging society. JCR evaluates that all of them is relevant to specific measures related to Japan's own SDGs goals and the targets set in the Japan 100 Million Success Plan, and that they are highly effective in improve the social issues.**

The loan will be used to finance the acquisition of a multi-purpose healthcare facility that combines the functions of living facilities with nursing care for elderly and a hospital. Living facilities with nursing care for elderly with long-term care mean those designated by prefectures as nursing homes for residents of specified facilities. They provide a variety of nursing care services, ranging from "lifestyle assistance" such as providing meals, cleaning, laundry, and shopping, to "physical assistance" such as support for meals, bathing, and excretion. In addition, it is mandatory to (1) assign at least one care worker or nursing staff to three persons requiring nursing care, (2) allow nursing staff to be stationed 24 hours a day, (3) allow at least one nursing staff to be stationed on a daily basis, and (4) establish cooperative medical institutions. Another characteristic is that care managers who create living counselors and nursing care plans are stationed in the home, and they are expected to provide high-quality nursing care. In addition, as long-term care insurance applies to a facility designated as Daily Life Long-Term Care for a Person Admitted to a Specified Facility, it is a facility that can be occupied with pension income because it is covered by long-term care insurance. In addition, the characteristics of the property that the Corporation acquires this time are that the size of the room provided is kept to an appropriate scale, and that it is easy for long-term care workers to see it.

In addition, the Corporation has added a multi-purpose healthcare facility that combines the functions of a hospital and a living facility with nursing care for the elderly to the use of proceeds, and it is aiming to contribute to the comprehensive community care system by strengthening the linkage between medical and nursing care services.

In response to growing demand for long-term care medical services, the Ministry of Land, Infrastructure, Transport and Tourism established the "Guidelines for the Use of Healthcare REITs for Elderly Housing" in June 2014 and the "Guidelines for REITs for Hospital Real Estate" in June 2015, and is promoting the development and expansion of the healthcare market that secures certain standards. In March 2016, the

government set a performance indicator to raise the ratio of housing for the older person to the elderly population from 2.1% in 2014 to 4% by 2025 as one of the objectives of realizing a life in which the elderly can live independently. Healthcare facilities for the elderly are becoming a social issue in Japan's rapidly aging society (1) an increase in single-person elderly households, and (2) a shortage of workers due to an increase in the number of people leaving their jobs for nursing care, as well as a delay in women's social advancement. These facilities are of great importance as social infrastructures that provide useful solutions. In order to contribute to the government's performance indicators, the Corporation actively invests in healthcare facilities for the elderly, and maintains long-term, stable holdings of these facilities while maintaining standards in line with the above guidelines, thereby maintaining and improving the quality of healthcare facilities and providing the market with room for development in new healthcare facilities. JCR considers this to be extremely significant.

From the above, the use of proceeds for this loan is consistent with the social finance framework established by the Corporation and evaluated by JCR, and is considered to be a social project with a high social contribution effect.

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-health



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>

c. Response to Environmental and Social Risks

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

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.

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 concludes 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 Asset Management Company continuously invests in healthcare facilities, such as facilities for the elderly, housing, and medical-related facilities, which are required to be developed and expanded in response to the progress of the aging society, and aims to realize a society in which each and every citizen can live with a sense of security by stably holding them over the long term.

In addition, as a specific action guideline, based on the recognition that implementing ESG-conscious asset management, such as reducing the environmental burden, addressing social issues in an aging society, and establishing a governance system, is important for improving the value of investments and the philosophy, we will cooperate with stakeholders inside and outside the company, such as operators, hospitals, sponsors, and officers and employees, as stipulated in the ESG Basic Policy.

b. Selection Criteria

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

JCR evaluates that all of the selection criteria has 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 Asset Management Company evaluates and selects the projects to be funded through the following 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.
- iv. Deliberations and resolutions by the Investment Committee
- v. Report to the Board of Directors of the Asset Management Company and the Corporation

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

- a. The proceeds from this borrowing will be used to finance the purchase of eight new healthcare facilities.
- b. Funds raised are deposited separately from participating banks of the syndicate in the ordinary deposit account for settlement managed by Sumitomo Mitsui Trust Bank, Ltd., which is the Asset Custody Company of the Investment Corporation/Administrative Agent, after deducting loan fees.
- c. Funds to be procured shall be directed to Sumitomo Mitsui Trust Bank by the Asset Manager in accordance with the Real Estate Trust Beneficial Interest Purchase Agreement and transferred to the

account designated by the Seller on the settlement date. Such payment instructions and payment of funds are checked by the Financial Management Department of the Asset Management Company, and the internal control system is secured by the final verifier as the General Manager of the Financial Management Department. In addition, these forms will be included in the scope of external audits.

- d A variety of documentary evidence is prepared to confirm the payment of funds.
- e It is the Company's policy that any undistributed cash will be invested as cash or cash equivalents.

JCR assesses that fund management is appropriate based on the following considerations: the loan will be securely allocated to social projects, the fund procurement is managed in an appropriate manner within the company, the internal control system is in place, and there are no particular concerns regarding the management of unappropriated 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

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

<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”

In order to measure the realization of the above qualitative impact, the Corporation will introduce some cases of operation of the acquired assets with the theme of SDGs and the Corporations activities.

JCR highly evaluates the fact that the Corporation's Impact Reporting has established a variety of indicators sufficient to show the social contribution effects of the current use of proceeds and schedules to disclose the effects in three stages: output, outcomes, and impact. In addition, the impact is usually expressed as a nation as a whole after several years from investment, and it is difficult to frequently set and measure its effects as a quantitative goal. However, the qualitative target is the management philosophy of the Corporation and is highly consistent. In addition to qualitative evaluations, it is also worth disclosing examples of initiatives as a supplement to the Impact Indicators, which shows their transparency. Until the full repayment of the Borrowing, the Corporation will report on the operation of the property (number of tenants, occupancy rate, real estate rental business cost, and NOI of each property as of the end of the period) once every six months on the securities report, and report on the funding appropriation status and environmental improvement effect on the website once a year. The disclosure period and frequency are also appropriate.

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 Evaluation 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]

Subject	Amount	Disbursement Date	Repayment Date	Interest Rate	Evluation
Long-term borrowings	JPY 2 billion	February 1, 2019	January 31, 2022	0.45353%	Overall evaluation: Social 1 Social Impact: s1 Management, Operation, and Transparency :m1
Long-term borrowings	JPY 4 billion	February 1, 2019	January 31, 2023	Benchmark rate +0.35%	Overall evaluation: Social 1 Social Impact: s1 Management, Operation, and Transparency :m1
Long-term borrowings	JPY 5.75 billion	February 1, 2019	January 31, 2024	Benchmark rate +0.45%	Overall evaluation: Social 1 Social Impact: s1 Management, Operation, and Transparency :m1

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

Important explanation of Social Loan Evaluation

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

The JCR Social Loan Evaluation provided by the Japan Credit Rating Agency, Ltd. (JCR) is a comprehensive expression of JCR's current opinion on the extent to which the use of proceeds from the borrowings, which are subject to evaluation, are allocated to social projects defined by JCR and the extent to which the management, operation and transparency of the use of social loans are ensured.

JCR Social Loan Evaluation assesses the plan or status of the fund allocation at the time of planning or of the disbursement of borrowings and does not guarantee the status of the allocation of proceeds in the future. In addition, JCR Social Loan Evaluation does not prove the social beneficial effect of social loans and is not responsible for their social effects. JCR confirms that the effects of the funds procured from this loan on the social issues are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle, JCR does not directly measure such effects.

2. Methods used in the conduct of this 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 loans

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 Loan 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, Social2, Social3, Social4, and Social5 rating symbols in order of rank.

■Sustainable finance of registration as an external reviewer of green finance and sustainable 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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