

January 11, 2019

REIT Securities Issuer

Healthcare & Medical Investment Corporation (HCM)

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(Securities Code: 3455)

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**Notice Concerning Borrowing of Funds, Loan Prepayment and
Obtainment of JCR Social Loan Evaluation**

We would like to announce that Healthcare & Medical Investment Corporation (hereinafter, “HCM”) decided today on borrowing of funds (hereinafter, “Borrowing”) and loan prepayment as follows.

In addition, we would like to announce that HCM decided, of the Borrowing, Borrowing 1 presented below under I.1.(1) is to be the first financing through “Social Loans” in Japan for which Japan Credit Rating Agency, Ltd. (JCR) has provided JCR Social Loan Evaluation.

For an overview of Social Loans and the system of JCR Social Loan Evaluation, please see “6. Overview of Social Finance and the system of JCR Social Finance Evaluation” presented later in this document.

Details

I. Overview of the Borrowing

1. Details of borrowing (planned)

(1) Borrowing 1

Type	Lender	Planned amount (Note 2) [of which, planned amount of SDGs Social Loans]	Interest rate (Note 3)	Drawdown date	Borrowing method	Repayment date	Repayment method	Security
Short-term	Sumitomo Mitsui Banking Corporation	1,000 million yen [1,000 million yen]	Base interest rate (JBA 1-month JPY TIBOR) + 0.25% (Note 5)	Feb. 1, 2019	Borrowing based on the individual term loan agreement as of Jan. 30, 2019 with the left as a lender	Jan. 31, 2020	Lump-sum repayment on principal repayment date	Unsecured not guaranteed
Long-term	Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger (Note 4)	3,000 million yen [1,000 million yen]	Fixed interest rate (Note 6)			Jan. 31, 2022		
		4,000 million yen [1,000 million yen]	Base interest rate (JBA 1-month JPY TIBOR) + 0.35% (Note 5) (Note 7)			Jan. 31, 2023		

Reminder: This press release is intended to publicly announce borrowing of funds, loan prepayment and obtainment of JCR Social Loan Evaluation of the Investment Corporation, and is not prepared for the purpose of investment solicitation. When investing, prospective investors are advised to make a judgment on their own after reading the prospectus for issuance of new investment units and secondary offering as well as its amendments prepared by the Investment Corporation.

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		5,750 million yen [2,550 million yen]	Base interest rate (JBA 1-month JPY TIBOR) + 0.45% (Note 5) (Note 7)			Jan. 31, 2024		
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- (Note 1) Borrowing 1 is subject to certain conditions, such as conclusion of a loan agreement of content to the abovementioned lender's reasonable satisfaction and fulfillment of all the separately set preconditions to the lending. In addition, as Social Finance, Borrowing 1's use of proceeds is to be limited to projects that contribute to achievement of the Sustainable Development Goals (SDGs), which are universal goals and targets that involve the entire world. For details, please see "6. Overview of Social Finance and the system of JCR Social Finance Evaluation" and "7. Purpose of and background to introduction of SDGs Social Loans" presented later in this document, and the "Supplementary Briefing Material to Press Releases Dated Today" dated today.
- (Note 2) "Planned borrowing amount" is subject to change until the time of the drawdown depending on such factors as the amount of proceeds from the issuance of new investment units by public offering (hereinafter, the "Primary Offering") outlined in "Notice Concerning Issuance and Secondary Offering of New Investment Units" separately announced today.
- (Note 3) Not including loan fees, etc. payable to the lender.
- (Note 4) The loan syndicate consists of Sumitomo Mitsui Banking Corporation (hereinafter, "SMBC"), Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited, Nippon Life Insurance Company, The Nishi-Nippon City Bank, Ltd., Shinkin Central Bank, The Bank of Fukuoka, Ltd., The Hiroshima Bank, Ltd., The Dai-ichi Life Insurance Company, Limited, The 77 Bank, Ltd. and The Gunma Bank, Ltd.
- (Note 5) The date of interest payment will be the last day of every month and the repayment date with February 28, 2019 as the first date of interest payment (whenever the date of interest payment is not a business day, such payment will be made on the next business day; whenever the date of interest payment falls on a day of the next month, such payment will be made on the preceding business day). In principle, the base interest rate applicable to the computation period of interest payable on the date of interest payment will be the one-month Japanese Yen TIBOR released by JBA TIBOR Administration two business days prior to the date of interest payment for the interest computation period immediately preceding said computation period (the drawdown date in the case of the first interest computation period). For the Japanese Yen TIBOR released by JBA TIBOR Administration, please see the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/english/rate/>).
- (Note 6) The interest rate will be determined by the drawdown date based on the agreement with the lender. The interest rate will be announced once determined.
- (Note 7) An interest rate swap agreement is planned to be concluded to, in effect, convert the interest rate into a fixed interest rate. The details of the interest rate swap agreement will be announced at a later date once the interest rate is determined.

(2) Borrowing 2

Type	Lender	Planned amount	Interest rate	Drawdown date	Borrowing method	Repayment date	Repayment method	Security
Short-term	Sumitomo Mitsui Banking Corporation	1,000 million yen	Base interest rate (JBA 1-month JPY TIBOR) + 0.25% (Note 2)	Jan. 31, 2019	Borrowing based on the individual term loan agreement as of Jan. 29, 2019 with the left as lender	Jan. 31, 2020	Lump-sum repayment on principal repayment date	Unsecured not guaranteed

- (Note 1) Borrowing 2 is subject to certain conditions, such as conclusion of a loan agreement of content to the abovementioned lender's reasonable satisfaction and fulfillment of all the separately set preconditions to the lending.
- (Note 2) The date of interest payment will be the last day of every month and the repayment date with February 28, 2019 as the first date of interest payment (whenever the date of interest payment is not a business day, such payment will be made on the next business day; whenever the date of interest payment falls on a day of the next month, such payment will be made on the preceding business day). In principle, the base interest rate applicable to the computation period of interest payable on the date of interest payment will be the one-month Japanese Yen TIBOR released by JBA TIBOR Administration two business days prior to the date of interest payment for the interest computation period immediately preceding said computation period (the drawdown date in the case of the first interest computation period). For the Japanese Yen TIBOR released by JBA TIBOR Administration, please see the website of JBA TIBOR Administration (<http://www.jbatibor.or.jp/english/rate/>).

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2. Reason for borrowing

(1) Reason for Borrowing 1

Borrowing of funds to pay a part of the funds for acquisition of the real estate trust beneficiary rights of the eight properties outlined in the “Notice Concerning Acquisition and Leasing of Assets” separately announced today by HCM (“SOMPO CARE La vie Re Hama-Kawasaki,” “Hanakotoba Shin-Yokohama,” “Hanakotoba Shin-Yokohama II,” “Hanakotoba Odawara,” “Verde Minowa,” “Verde Hotaka,” “Sunny Life Kita-Shinagawa” and “SHIP SENRI BUILDING”) (hereinafter, collectively the “To-be-Acquired Assets”) (planned total acquisition price: 22,691 million yen) and acquisition-related expenses, and to prepay the existing loan outlined in “3. Details of prepayment” below (hereinafter, the “Prepayment”).

(Note) For details of the acquisition of properties, please see “Notice Concerning Acquisition and Leasing of Assets” separately announced today by HCM.

(2) Reason for Borrowing 2

Borrowing funds to repay the following existing loan (repayment date: January 31, 2019) (hereinafter referred to as the “Repayment”).

Type	Lender	Borrowing amount	Interest rate	Drawdown date	Repayment date	Repayment method	Security
Short-term	Sumitomo Mitsui Banking Corporation	1,000 million yen	Base interest rate + 0.25%	Mar. 20, 2018	Jan. 31, 2019	Lump-sum repayment on principal repayment date	Unsecured not guaranteed

(Note) For details of the loan, please see “Notice Concerning Borrowing of Funds (Refinancing of Existing Loans)” dated March 14, 2018.

3. Details of prepayment

Type	Lender	Balance before prepayment	Prepayment amount	Balance after prepayment	Planned prepayment date	Drawdown date	Repayment date
Short-term	Sumitomo Mitsui Banking Corporation	1,750 million yen	1,750 million yen	—	Feb. 1, 2019	Oct. 1, 2018	Oct. 1, 2019

(Note 1) No settlement money is required for the Prepayment.

(Note 2) For details of the loan, please see the “Notice Concerning Borrowing of Funds” dated September 14, 2018.

4. Amount, use and planned date of disbursement of funds raised

(1) Amount of funds raised

Borrowing 1: 13,750 million yen in total (planned)

Borrowing 2: 1,000 million yen in total

(2) Specific use of funds raised

Borrowing 1: The funds will be used to pay a part of the funds for acquisition of the To-be-Acquired Assets and acquisition-related expenses, and for the Prepayment.

Borrowing 2: The funds will be used for the Repayment.

(3) Planned date of disbursement

Borrowing 1: February 1, 2019

Borrowing 2: January 31, 2019

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Healthcare & Medical Investment Corporation

5. Status of loans, etc. after execution of Borrowing 1, Borrowing 2, Repayment and Prepayment

(Unit: million yen)

	Before execution	After execution	Change
Short-term loans payable (Note 1)	2,750	2,000	(750)
Current portion of long-term loans payable (Note 1)	—	—	—
Long-term loans payable (Note 1)	19,700	32,450	12,750
Total loans payable	22,450	34,450	12,000
Investment corporation bonds	—	—	—
Total loans payable and investment corporation bonds	22,450	34,450	12,000
Other interest-bearing liabilities	—	—	—
Total interest-bearing liabilities	22,450	34,450	12,000

(Note 1) “Short-term loans payable” refers to loans for which the period from the drawdown date to the repayment date is one year or less. “Current portion of long-term loans payable” refers to the portion of loans for which the period from the drawdown date to the repayment date is over one year that will become due within one year. “Long-term loans payable” refers to the portion of loans for which the period from the drawdown date to the repayment date is over one year that will not become due within one year. “Before execution” is the balance as of today. “After execution” is the amount of the balance as of today after reflecting the changes attributable to execution of Borrowing 1, Borrowing 2, Repayment and Prepayment.

(Note 2) The above is the plan as of today. The actual amount of borrowing, etc. of Borrowing 1 is subject to change until the time of the final drawdown depending on such factors as the amount of proceeds from the issuance of new investment units by the Primary Offering and third-party allotment.

6. Overview of Social Finance and the system of JCR Social Finance Evaluation

(1) Overview of Social Finance

Social Finance refers to finance with bonds and loans “that raise funds for new and existing projects with positive social outcomes” according to the “Social Bond Principles” of the International Capital Market Association (ICMA). Specifically, it is a financing approach where (i) The use of proceeds is limited to projects with a high degree of contribution to society, (ii) The proceeds are reliably tracked and managed, and (iii) Transparency is secured through reporting after the issuance. ESG investment is showing signs of spreading to various financing tools rather than just bonds in recent years. There is already encouragement being explicitly made for investment in various financial instruments, such as the “Green Loan Principles” published by the Loan Market Association for green projects. In Japan, promotion of ESG financing that have not only green but also social and SDG contributions as the use of proceeds has been incorporated into the recommendation from the High Level Meeting on ESG Finance published on July 27, 2018 as follows:

“We understand that a strategic shift toward a decarbonized, sustainable society is exactly the source of Japan’s competitiveness and “new growth,” as both the Paris Agreement and Sustainable Development Goals (SDGs) pursue such a society. Against this backdrop, we have confirmed that it is essential to develop ESG investments, which are being accelerated ahead in direct finance, into those with a larger social impact, and to realize ESG financing in indirect finance through collaborations between regional financial institutions and local governments, etc. with financial institutions’ responses to the global trend in mind...Given Japan’s financial structure centered on indirect finance, encouraging considerations to ESG in loan will also be a key to expansion of sustainable and inclusive ESG finance.”

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(2) Overview of the system of JCR Social Finance Evaluation

JCR evaluates Social Finance by using the “Social Bond Principles” and the mapping of the SDGs and social project categories published by ICMA as reference indicators in the evaluation, and by confirming that the use of proceeds are in alignment with the Social Finance components of the principles published by ICMA and consistent with the SDGs. The system of evaluation is assessment of whether or not there is social contribution in evaluation phase 1, evaluation of the Social Finance’s management and operation system and content of disclosure to investors in evaluation phase 2, and assignment of an overall evaluation in evaluation phase 3. The evaluation may be presented as Social Bond Evaluation or Social Loan Evaluation depending on the subject of the evaluation.

(3) Social Finance Evaluation by JCR

HCM has been assigned “Social 1,” the highest grade of the Social Loan Evaluation, for Borrowing 1 in the first Social Finance Evaluation performed for a J-REIT by JCR (Note 1).

(Note 1) “J-REIT” refers to a real estate investment corporation listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc.

(Note 2) For details of HCM’s Social Loan Evaluation, please see the evaluation report posted on the website of JCR (URL: <https://www.jcr.co.jp/greenfinance/social/>).

7. Purpose of and background to introduction of SDGs Social Loans

HCM will seek to enhance unitholder value from the perspective of SDGs for a sustainable society as is now a globally common view. HCM strives to promote the supply of healthcare facilities as social infrastructure as well as develop a portfolio specialized in healthcare facilities as contribution through business activities to realize “a society where all people can live vibrantly and with peace of mind” that is the philosophy of HCM. Seeking further promotion of initiatives for SDGs led to the decision this time to introduce SDG Social Loans—the first case in Japan—with the support of SMBC.

SDG Social Loans are loans provided by SMBC where the use of proceeds is limited to projects that consider contribution to society. SDG Social Loans are loan instruments for which SMBC has confirmed that projects which fall under the use of proceeds meet the requirements of Social Finance and are consistent with SDGs, not to mention the content of external review, based on the “Social Bond Principles” and “Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals” published by ICMA.

HCM aims to strengthen initiatives for ESG and SDGs through such means as disclosure of interim impact reports.

(Note) For details of SDG Social Loans, please see the website of SMBC (URL: <https://www.smbc.co.jp/news/>).

II. Other items necessary for investors to properly understand and judge the information

For risks concerning repayment of the Borrowing, etc., there is no change to the information contained in “Part II. Reference Information; II. Supplementary Information to Reference Documents; 9. Investment Risks” of the securities registration statement submitted on January 11, 2019.

* This material will be distributed to the Kabuto Club, Press Club of MLIT and Construction Trade Journal Press Club of MLIT.

* Website of HCM: <http://www.hcm3455.co.jp/en/>

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