

# Impact Report

 **HCM** Healthcare & Medical Investment Corporation

 **HAM** Healthcare Asset Management Co.,Ltd.

# Introduction

## About the Investment Corporation and the Asset Management Company

Healthcare & Medical Investment Corporation (hereinafter, "HCM") is a J-REIT specializing in healthcare facilities listed in March 2015. It is operated by Healthcare Asset Management Co., Ltd. (hereinafter "HAM"), its asset management company invested in by Ship Healthcare Holdings, Inc., NEC Capital Solutions Co., Ltd. and Sumitomo Mitsui Banking Corporation as main sponsors.

HCM seeks to realize a society where all people can live vibrantly and with peace of mind by continuously investing in and stably owning over the long term healthcare facilities, including facilities and housing for the elderly and medical service-related facilities, etc., which must be enhanced and expanded to the aging of society.

[Profile of the Investment Corporation]

Corporate name	Healthcare & Medical Investment Corporation
Representative	Yuji Fujise, Executive Director
Location	3-3 Kanda-Ogawamachi, Chiyoda-ku, Tokyo
Listing date	March 19, 2015
Listed stock exchange	Tokyo Stock Exchange Real Estate Investment Trust Securities Market (Securities Code: 3455)
End of fiscal period	January, July

[Profile of the Asset Management Company]

Corporate name	Healthcare Asset Management Co., Ltd.
Representative	Seiji Yoshioka, President and Representative Director
Location	3-3 Kanda-Ogawamachi, Chiyoda-ku, Tokyo
Establishment date	November 28, 2013
Capital	150 million yen
Shareholders	SHIP HEALTHCARE HOLDINGS INC. (33.3%) NEC Capital Solutions Limited (33.3%) Sumitomo Mitsui Banking Corporation (5.0%) Sumitomo Mitsui Finance and Leasing Company, Limited (4.8%) SMBC Nikko Securities Inc. (4.8%) Yoei Co., Ltd. (4.7%) Ginsen Co., Ltd. (4.7%) Kobe Tochi Tatemono Co., Ltd. (4.7%) Muromachi Building Co., Ltd. (4.7%)
Details of businesses	Investment management business

### ● About Impact Report

In recent years, companies are required to independently solve social and environmental issues, and movements to evaluate the medium- to long-term growth potential of companies based on non-financial information in addition to the conventional evaluation indicators such as performance and financial information are spreading.

HCM also decided to issue impact report once a year, in principle, as the first J-REIT to raise funds through social finance in February 2019. This report shows the status of allocation of the funds and the actions by HCM and HAM, the Asset Management Company, to solve social issues.

Reporting period	From November 1, 2019 to October 31, 2020
Issue period	Once a year in principle (every December)

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# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Recognition of Issues in Japan and Impact on Medical and Nursing Care - Recognition of Issues and Countermeasures -

- "Declining Birthrate and Aging Population" in Japan

One of the major issues in Japan is the "declining birthrate and aging population," and the labor shortage caused by "declining birthrate" is starting to have a significant impact on various industries. On the other hand, "aging population" has already had a significant impact on medical and nursing care, and the government(the Ministry of Health), Labor and Welfare, which is the regulatory agency, is implementing various measures.

In addition, in various materials announced by the Ministry of Health, Labor and Welfare, the keyword "ensuring sustainability of the medical insurance system and nursing care insurance system" which is the basis of universal health insurance is often seen and this is believed to indicate the pressure on Japan's financial aspects caused by the "declining birthrate and aging population."

- Impact on Medical and Nursing Care and Various Measures

Medical and nursing care are controlled by the Ministry of Health, Labor and Welfare, and are promoted together by local governments, medical corporations and nursing care business operators (including social welfare corporations) through the medical insurance system and nursing care insurance system.

Among various measures, the major ones are (1) promotion of "Regional Comprehensive Care System" (promotion of medical and nursing care coordination, realization of a regional symbiotic society) and (2) realization of "Regional Healthcare Vision."

Hereafter, a number of issues arising from the "declining birthrate and aging population" and measures taken by the government and local governments to address these issues as well as specific actions by medical corporations and nursing care business operators (including social welfare corporations) that operate medical and nursing care facilities will be explained.

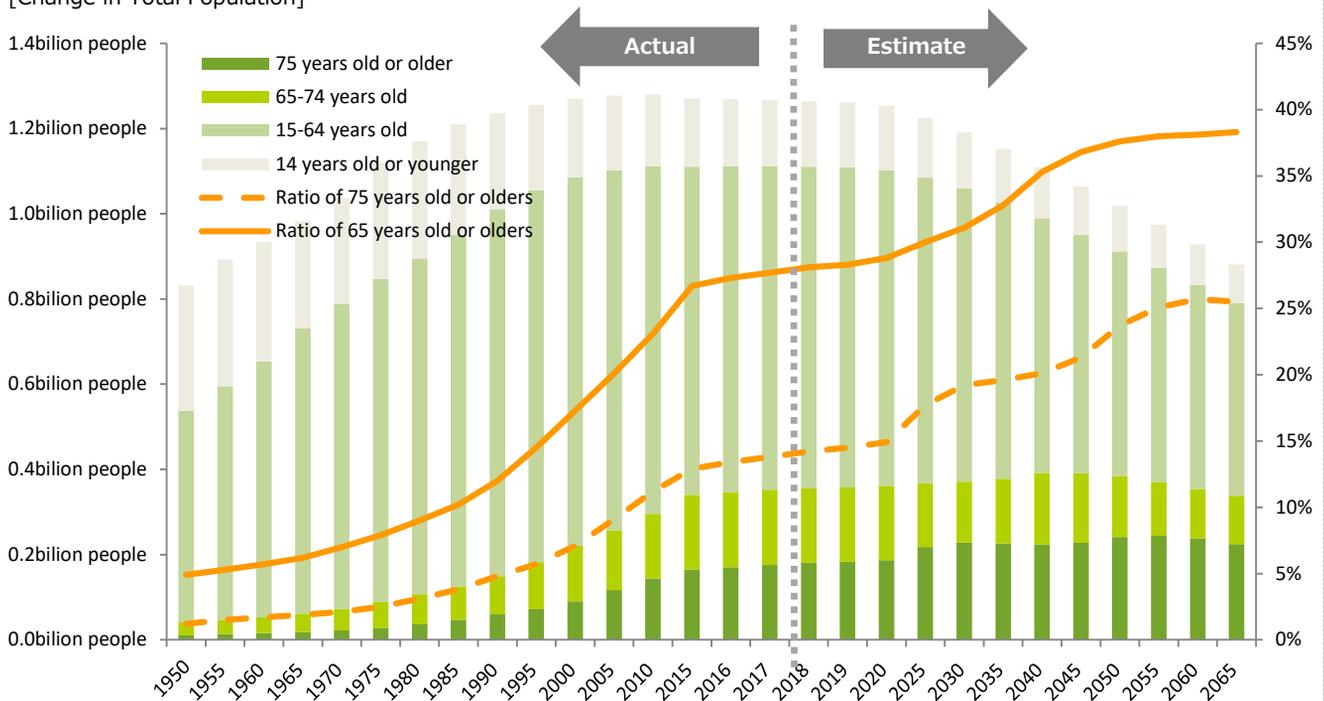
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues Derived from Declining Birthrate and Aging Population

### • Further Progress in Population Decline and Aging

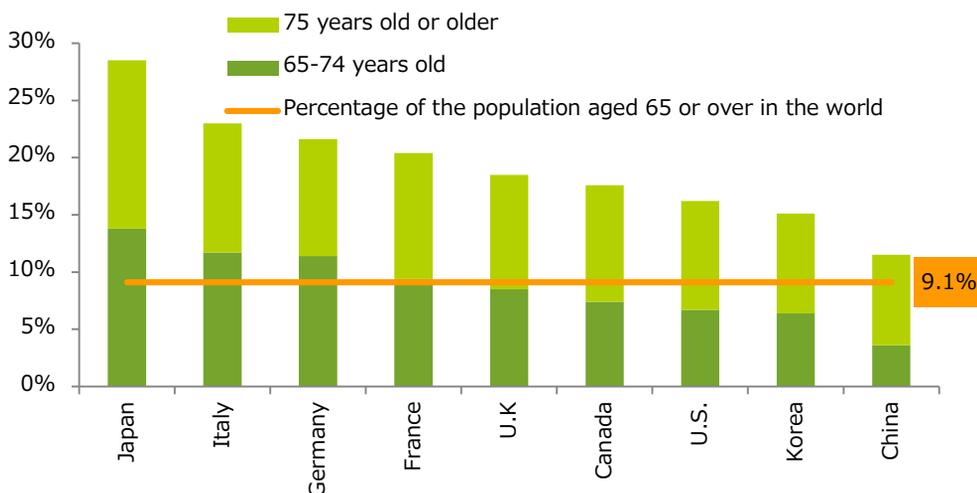
According to the "Population Estimation" of the Ministry of Internal Affairs and Communications, the population aged 65 or over in Japan was 35.92 million as of December 2019, accounting for 28.5% of the total population (aging rate) and showing the highest aging rate in the world. While the total population is decreasing and the birthrate is declining, the aging rate will continue to rise due to the increase in the population aged 65 or over, and the rate is estimated to reach 33.3% in 2036, meaning that a society in which one out of three people are 65 years old or over will arrive. In particular, the percentage of those aged 75 or over continues to increase, and the shortage of laborers due to the declining birthrate and the increase in needs for medical and nursing care due to the aging of population are starting to have a significant impact on the medical and nursing care industry.

[Change in Total Population]



(Source) "Population Estimation" of the Ministry of Internal Affairs and Communications and "Population Projection for Japan (Projection for 2017)" of the National Institute of Population and Social Security Research

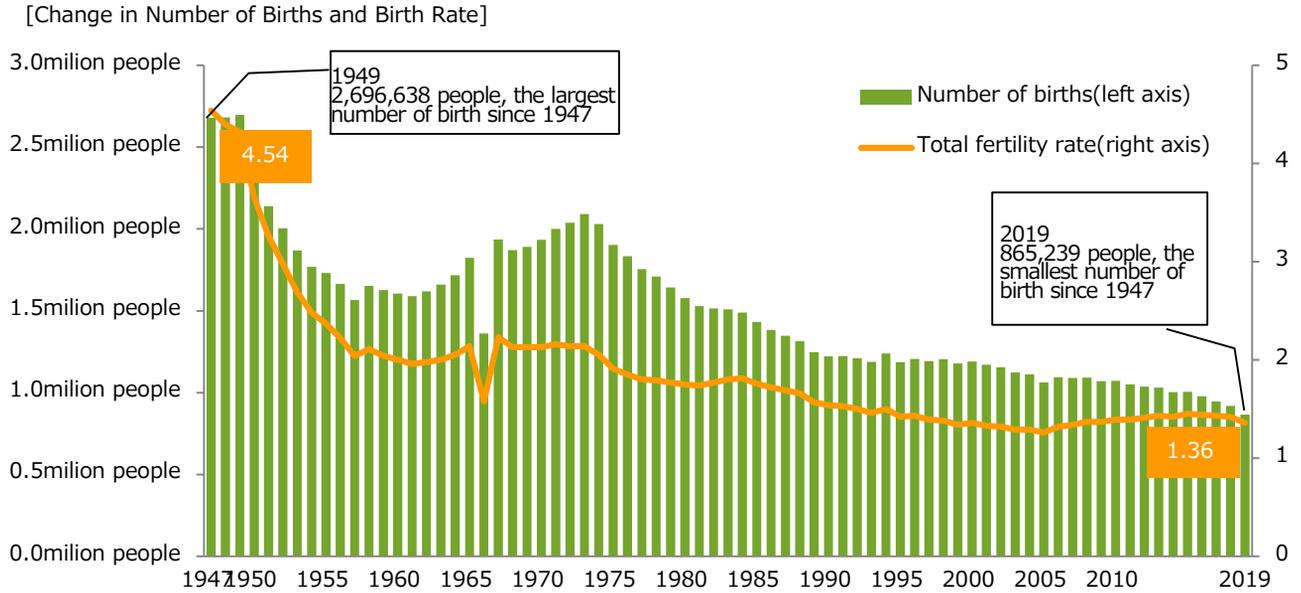
[Comparison of the Percentage of Elderly Population in Major Countries]



(Source) Website of the Statistics Bureau, Ministry of Internal Affairs and Communications

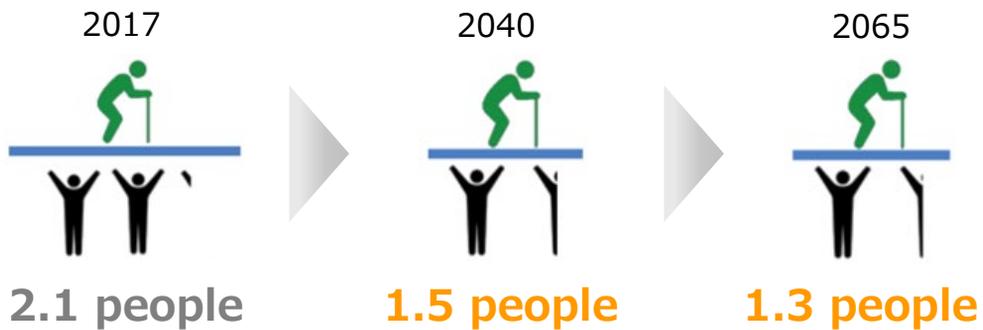
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues Derived from Declining Birthrate and Aging Population



(Source) "Demographic Statistics (2019)" of the Ministry of Health, Labor and Welfare

[Change in the Number of People Aged Between 18 and 64 Supporting the People Aged 65 or Over]



(Source) "Structural Change of Economic Society Until 2050 and Policy Issues" of the Ministry of Economy, Trade and Industry

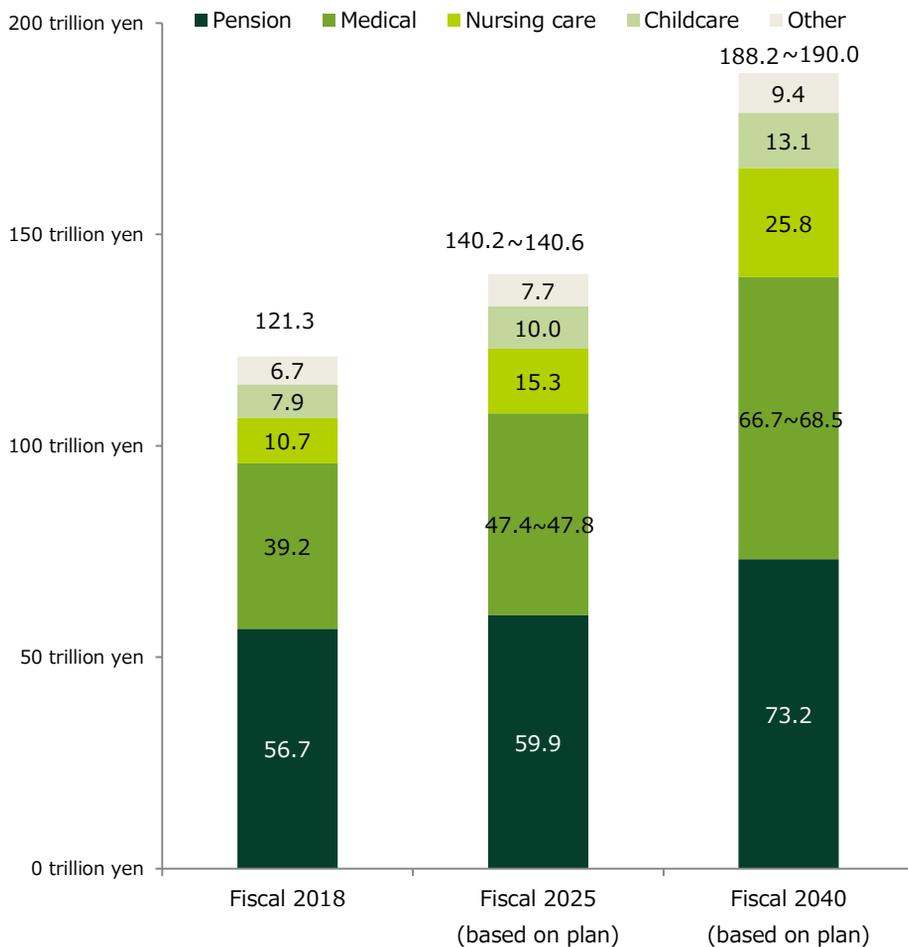
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues Derived from Declining Birthrate and Aging Population

- Further Increase in Social Security Benefits (Medical and Nursing Care)

With the progress in aging population and declining birthrate, social security benefits in Japan are forecasted to increase significantly, which is a major issue.

[Future Outlook for Social Security Benefits Towards 2040]



(Source) "Future Outlook for Social Security Towards 2040" of the Cabinet Secretariat, Cabinet Office, Ministry of Finance, Ministry of Health, Labor and Welfare

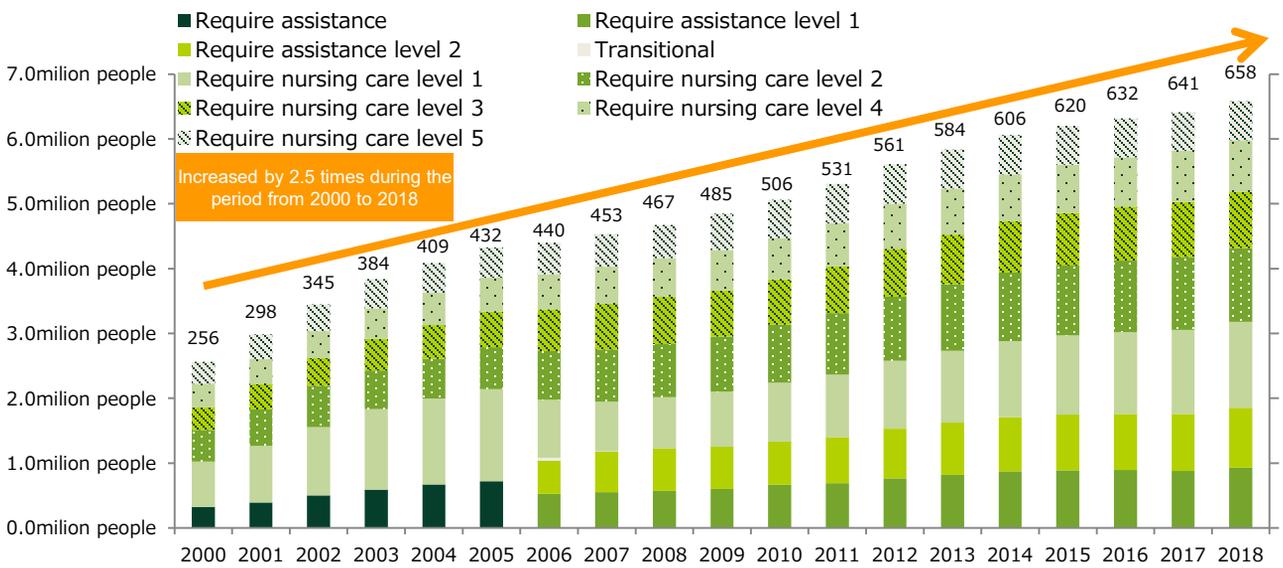
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues Derived from Declining Birthrate and Aging Population

### ● Growing Demand for Nursing Care Services and Change in Medical Services

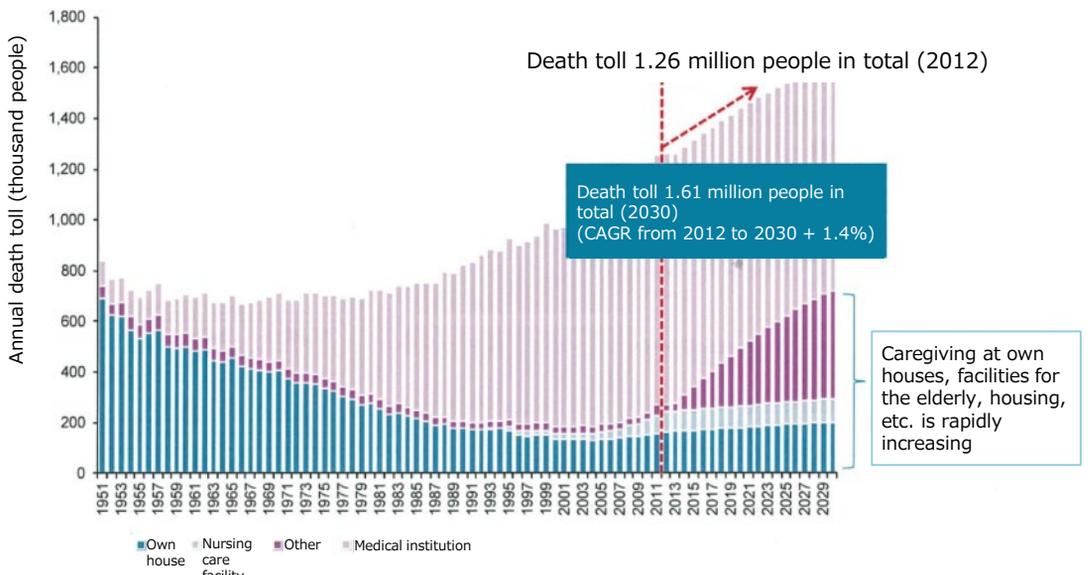
With the aging of the population, it is forecast that the number of people eligible to receive nursing care will continue to increase and that it will become more difficult to take care of members in the same household due to the declining birthrate and change in family structure. In order to respond to the increasing needs for nursing care, it is necessary to secure caregivers and promote the supply of healthcare facilities. It is expected that the number of deaths due to aging will increase and the number of people who spend their final days at homes and facilities for the elderly other than medical institutions will increase rapidly. In the future, roll of facilities for the elderly, etc. by caregivers will be emphasized, and cooperation between medical services (in-home medical care) at homes and facilities for the elderly by medical institutions and institutions related to medical service and nursing care will be required.

[Change in the Number of People Eligible to Receive Nursing Care by Degree of Nursing Care Required]



(Source) "Nursing Care Insurance Business Status Report" of the Ministry of Health, Labor and Welfare

### Annual Death Toll and Place of Death



(Source) KPMG Healthcare Japan Co., Ltd.

# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues Derived from Declining Birthrate and Aging Population

- Growing Demand for Nursing Care Services

Demand for nursing care services is also expected to increase with the decrease in population and the increase in aging rate. From 2017 to 2025, the number of users of each nursing care service is estimated to increase by 22% at nursing care facilities and by 34% for residential services.

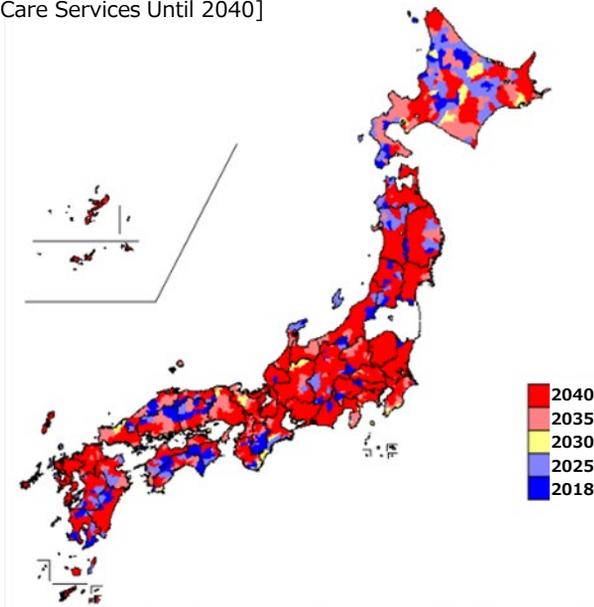
Looking at the rate of increase in the number of users of nursing care services by region, it is expected that the number will continue to increase until 2040 in many areas mainly in urban areas, the rate of increase in the number of users of nursing care services is increasing, mainly in the Tokyo metropolitan, Kinki and Chubu areas.

[Change in the Amount of Nursing Care Services]

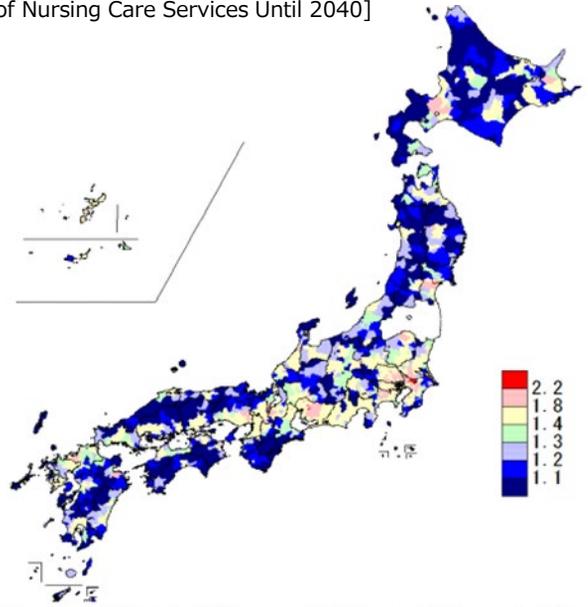
Facility	FY2017 (actual value)	FY2020 (estimated value)	FY2025 (estimated value)
Long-term care welfare facility for the elderly	590,000 people	650,000 people	730,000 people
Long-term care health facility for the elderly	360,000 people	380,000 people	410,000 people
Long-term care medical facility, etc.	50,000 people	55,000 people	64,000 people
Nursing care facility	990,000 people	1,090,000 people	1,210,000 people
Daily life long-term nursing care for those admitted to a specified facility	230,000 people	280,000 people	320,000 people
Group home for the elderly with dementia	200,000 people	220,000 people	250,000 people
Residential service	430,000 people	500,000 people	570,000 people

(Source) "Nursing Care Service Platform and Housing for the Elderly <Reference Material>" of the Health and Welfare Bureau for the Elderly, Ministry of Health, Labor and Welfare

[Years with the Largest Number of Users of Nursing Care Services Until 2040]



[Increase Rate of Users in the Year with the Largest Number of Users of Nursing Care Services Until 2040]



(Source) "Nursing Care Service Platform and Housing for the Elderly <Reference Material>" of the Health and Welfare Bureau for the Elderly, Ministry of Health, Labor and Welfare

# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Actions by the Government and Local Governments

### ● Establishment of Regional Comprehensive Care System

With the further increase in demand for medical and nursing care after 2025 when the baby boomers will be 75 or older, the government (the Ministry of Health), Labor and Welfare is promoting the construction of a regional comprehensive care system that integrally provides housing, medical service, nursing care, prevention and life support to enable the elderly to continue living in familiar areas until the end of their lives to the maximum extent possible with an aim to maintain the dignity of the elderly and support independent life.

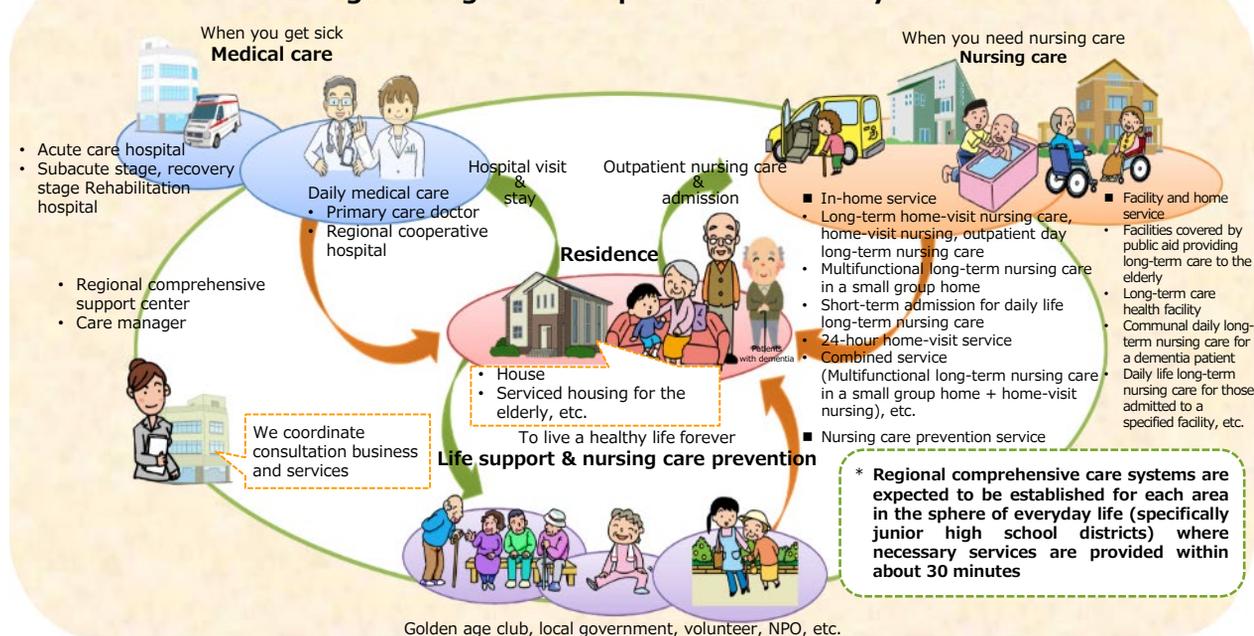
It is believed that the extension of healthy life expectancy and a society that supports the elderly by utilizing not only public services but also the power of the community can be realized with the regional comprehensive care system in accordance with the actual circumstances of each region, leading to the securement of the sustainability of the social security system.

## Regional Comprehensive Care System

- We will establish a **regional comprehensive care system that provides residences, medical care, nursing care, preventative medicine and life support in an integrated manner** to offer an environment where the elderly can continue living in an area they are used to, even after they come to require nursing care, in around 2025 when the baby-boomer generation will be 75 or older.
- Establishment of a regional comprehensive care system is necessary to support the lives in regions where elderly with dementia live as the number of elderly with dementia is expected to increase in the future.
- **There is a large regional difference concerning the progress of aging.** There are, for example, large cities with the overall population remaining flat but the population of people aged 75 years old or older increasing rapidly and rural areas with the population of people aged 75 years old or older increasing slightly although the overall population decreasing.

It is necessary for **municipalities and prefectural governments, which are the insurer, to create a regional comprehensive care system based on autonomy and independence and in accordance with regional characteristics.**

### Image of Regional Comprehensive Care System



Source: Website of Ministry of Health, Labor and Welfare

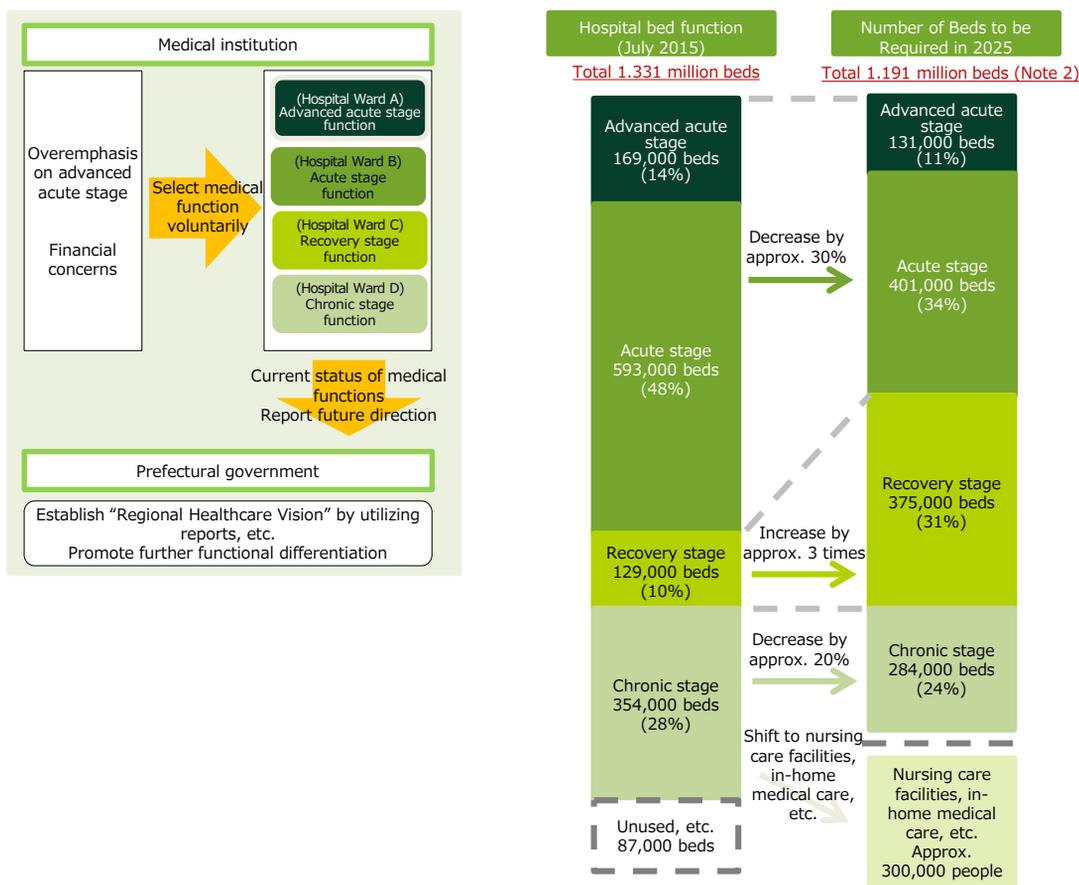
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Actions by the Government and Local Governments

- Establishment of Regional Healthcare Vision and Promotion of Differentiation and Coordination of Medical Functions

There is a need to respond to the increasing and diversifying demand for medical and nursing care services within limited medical resources as well as establish a system that effectively and efficiently provides high-quality and appropriate medical care. The “Regional Healthcare Vision” has been institutionalized by the “Act for Securing Comprehensive Medical and Long-term Care in the Community” aiming to establish a medical care provision system that can even withstand the super-aged society (Note 1).

Regional Healthcare Vision is an action to realize an efficient medical care provision system by estimating the number of beds required in 2025 for each of the four medical functions based on the future population projections and promoting functional differentiation of hospital bed and coordination of hospitals through consultation with local medical staff.



(Source) “Regional Healthcare Vision” and “Initiatives for Medical/Nursing Care Reform” (June 22, 2017) of the Ministry of Health, Labor and Welfare

(Note 1) “Super-aged society” refers to a society in which the population of the elderly aged 65 or over accounts for 21% or more of the total population (aging rate).

(Note 2) Total of Cabinet Secretariat’s estimates (June 2015). Within the range of 1.148 million beds to 1.191 million beds.

# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Actions by the Government and Local Governments

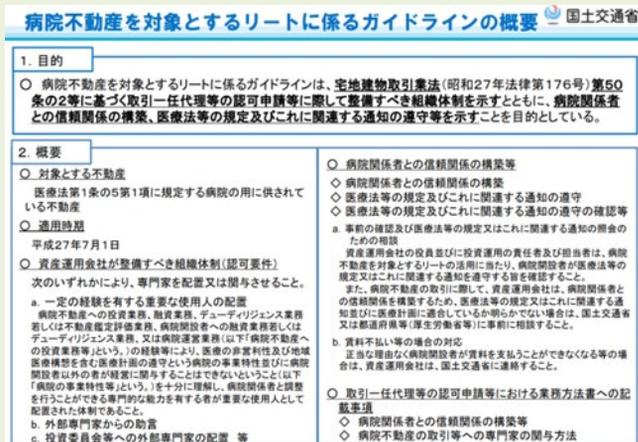
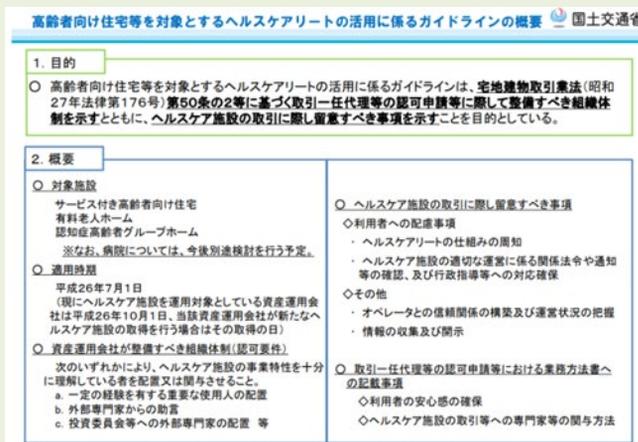
### ● Environmental Improvement for Upgrading and Expanding Healthcare Facilities

In order to respond to the growing demand for medical and nursing care services, upgrading and expansion of healthcare facilities is required, and policies for such actions are being promoted. In addition, according to the "Survey on Seismic Retrofit of Hospitals" by the Ministry of Health, Labor and Welfare, the ratio of quake-resistant hospitals in 2019 remained at 76.0%. Since hospitals are used by an unspecified large number of people everyday and can be a regional base in the event of a disaster, investments in reconstruction, etc. are urgently required to respond to earthquake resistance.

In the "Japan Revitalization Strategy-JAPAN is BACK-" dated June 14, 2013, the government announced its policy to "enact a guideline concerning acquisition and management of housing for the elderly, etc. for the utilization of healthcare REITs with an aim to utilize private fund" as part of urban development to enable the elderly, etc. to walk and live safely.

Following this policy, the Ministry of Land, Infrastructure, Transport and Tourism enacted the "Guideline related to the utilization of healthcare REITs targeting housing for the elderly, etc." on June 27, 2014, and the "Guideline related to REITs targeting hospital real estate" on June 26, 2015, and guidelines for utilizing healthcare REITs were established.

As a measure to spread healthcare REITs, seminars targeting related business operators jointly held by the Financial Services Agency, the Ministry of Land, Infrastructure, Transport and Tourism, the Tokyo Stock Exchange, and the Association For Real Estate Securitization have been held several times a year, and efforts by the public and private sectors are being made.



# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Actions by the Government and Local Governments

### ● Environmental Improvement for Securing Nursing Care Personnel

In order to respond to the increasing demand for nursing care services, securement of caregivers is also a major issue. While there were approximately 1.9 million nursing care personnel in fiscal 2016, it is expected that approximately 550,000 nursing care personnel will be newly required by fiscal 2025.

In order to respond to the needs for nursing care personnel which are expected to continue increasing in the future, the government will implement measures such as the “improvement of the treatment of nursing care staff,” “securement and training of various personnel,” “prevention of job separation, promotion of job retention and improvement of productivity,” “enhancement of the attractiveness of the nursing care profession” and “environmental improvement for accepting foreign personnel.” The improvement of the treatment of nursing care personnel and improvement of productivity at nursing care sites were also stated in “Japan 100 Million Total Active Plan.”

### Comprehensive measures to secure nursing care personnel (main actions)

	Main measures taken until now	Main measures to be taken in the future
Improvement of treatment of nursing care staff	(Actual result) Average monthly amount improved by 57,000 yen [ Average monthly amount improved by 14,000 yen (from FY2017) Average monthly amount improved by 13,000 yen (from FY2015) Average monthly amount improved by 6,000 yen (from FY2012) Average monthly amount improved by 24,000 yen (from FY2009) ]	◎ Further improved treatment from October 2019 while focusing on nursing care staff with experience and skills with an aim to achieve a wage level comparable to those of other industries for leader-level nursing care staff.
Securement and training of various personnel	○ Support through loan of educational funds for care workers and money for preparation for reemployment ○ Integrated support from holding of introductory training for inexperienced caregivers such as the middle-aged and the elderly to matching after attending training	◎ Holding seminars to promote the entry of healthy elderly people into the nursing care field ◎ Promoting Employment Activities in the Nursing Care Field Using Volunteer Points
Prevention of job separation Promotion of job retention Improvement of productivity	○ Promotion of utilization of nursing care robots and ICT ○ Support of establishment and operation of nursing care facilities and childcare facilities inside offices ○ Support of the reduction of burden in attending training courses for career advancement and securement of alternative staff	◎ Improvement of practical skills through development of leading care staff and team care ◎ Accelerating the use of nursing care robots and ICT ◎ Dissemination of productivity improvement guidelines ◎ Establishment of counseling desks and promotion of exchange among young employees
Improvement of the attractiveness of the nursing care profession	○ Promotion of understanding of nursing care work for students, their parents, career guidance staff, etc. ○ Holding experience-based events to learn about nursing care	◎ Transmission of the attractiveness of nursing care staff to young people, people have finished rearing children and active seniors
Environmental improvement for accepting foreign personnel	○ Support of international students, etc. aiming to become care workers (promotion of loan of educational funds for care workers, consultation and support in daily life, etc.)	◎ Environmental improvement for accepting foreign nursing care personnel with “specific skills,” etc. (PR of nursing care in Japan through on-site briefings, group training for improving nursing skills, support for learning Japanese in nursing care, consultation and support of nursing care business, etc., patrol and visits, etc.)

(Source) “Securement of Nursing Care Personnel and Innovation of Nursing Care Site <Reference Material>” of the Health and Welfare Bureau for the Elderly, Ministry of Health, Labor and Welfare

# 1. Current Status and Issues Surrounding Medical and Nursing Care

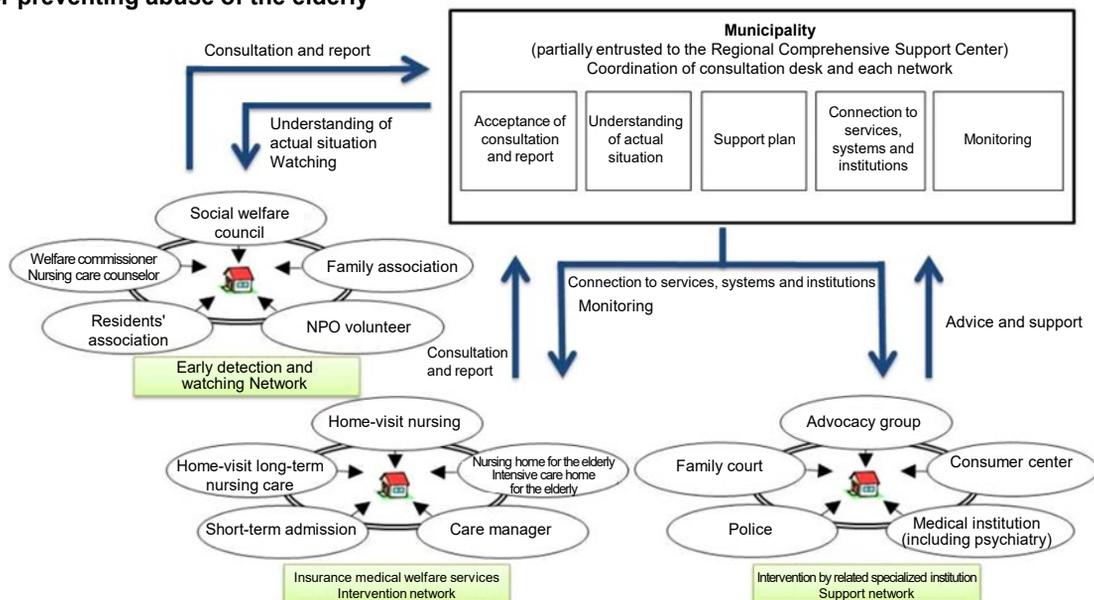
## Actions by the Government and Local Governments

### • Actions for Preventing Abuse of the Elderly

The government and local governments are taking various actions to prevent the abuse of the elderly.

- Construction of network to prevent elderly abuse
- Conducting survey based on the "Act on the Prevention of Elder Abuse, Support for Caregivers of Elderly Persons and Other Related Matters" every year
- Formulation of manual to respond to abuse
- Development of a cooperative system with related institutions and private organizations
- Publicizing of information on support desk and name of cooperators responding to elderly abuse, etc.

### Example of construction of network for preventing abuse of the elderly



(Source) "Basics of Preventing Elderly Abuse" of the Ministry of Health, Labor and Welfare

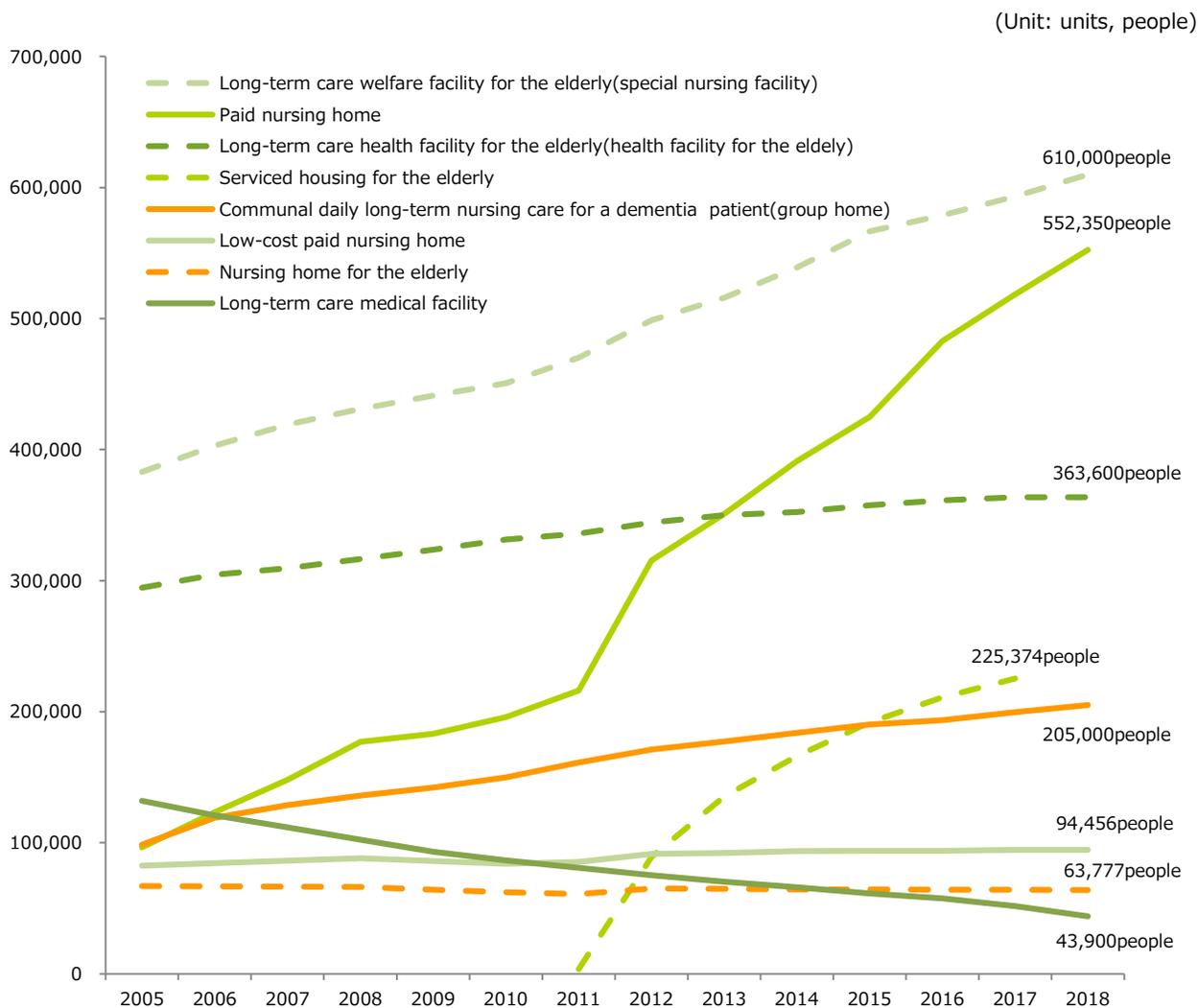
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues in Nursing Care

- Healthcare Facilities Requiring the Promotion of Supply

The number of facilities and housing for the elderly is increasing every year, but with the growing demand for medical and nursing care services due to the increase in the population of the elderly, the government has set a goal to increase in-home and facility services, which responds to the increasing needs for nursing care, for 500,000 people (compared with fiscal 2015) by the early 2020s in the “Japan 100 Million Total Active Plan,” which was approved at the Cabinet meeting in 2016, and further expansion of nursing care facilities, etc. is in progress.

[Capacity and Number of Users of Facilities and Housing for the Elderly]



(Source) Prepared by the Asset Management Company based on the “Statistics on the Actual Status of Nursing Care Benefits, etc.” and “Survey on Social Welfare Facilities, etc.” of the Ministry of Health, Labor and Welfare, “Information Provision System of Residences for Elderly People with Service” on the website of the Senior Housing Association.

(Note) The number of users is shown for long-term care welfare facility for the elderly, long-term care health facility for the elderly, long-term care medical facility and communal daily long-term nursing care for a dementia patient (group homes).

# 1. Current Status and Issues Surrounding Medical and Nursing Care

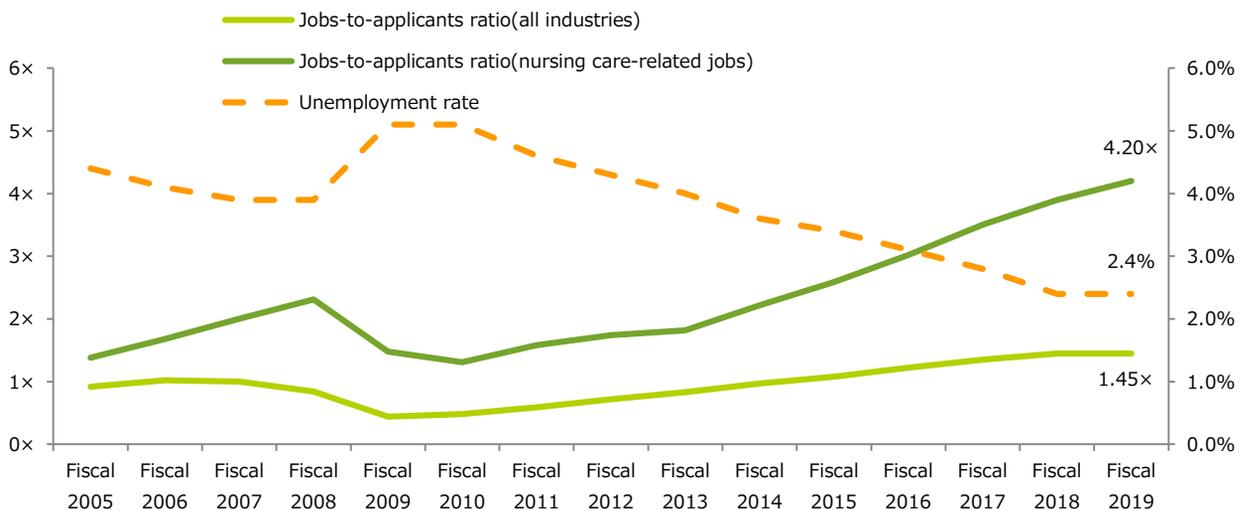
## Various Issues in Nursing Care

- Personnel Shortage in the Nursing Care Industry

In fiscal 2019, the jobs-to-applicants ratio for nursing care-related occupations was 4.20 times, which is higher than that for all occupations, and the gap has been increasing in recent years. According to a survey by the Care Work Foundation, the percentage of offices feeling a shortage of nursing care personnel rose to 65.3% in 2019.

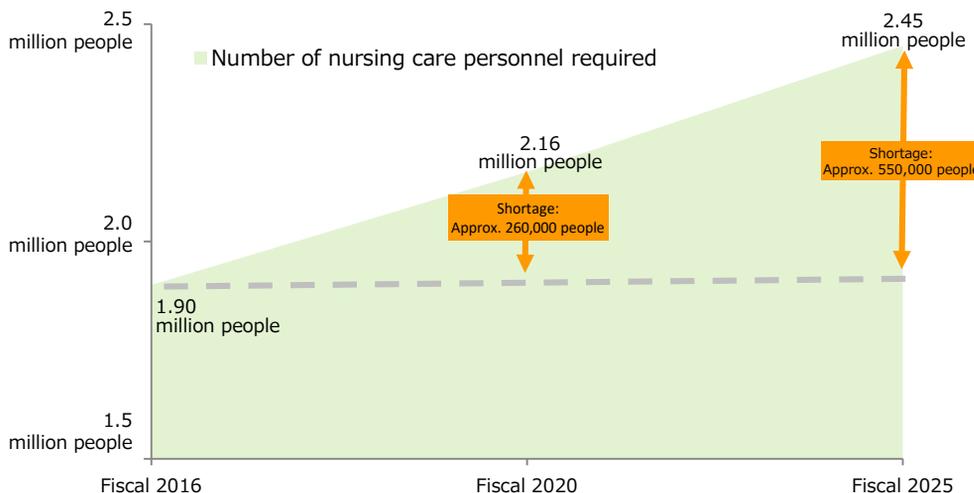
It is expected that approximately 2.16 million nursing care personnel will be required at the end of fiscal 2020 and approximately 2.45 million at the end of fiscal 2025 according to the estimation by the prefectural government based on the expected amount of nursing care services in the nursing care insurance business plan for the 7th fiscal period, and nursing care personnel needs to be secured urgently.

[Jobs-to-Applicants Ratio (All Industries and Nursing Care-Related Occupations) and Unemployment Rate]



(Source) "Securement of Nursing Care Personnel and Innovation of Nursing Care Site (Reference Material)" of the Health and Welfare Bureau for the Elderly, Ministry of Health, Labor and Welfare

[Needs for Nursing Care Personnel Towards 2025]



(Source) "Securement of Nursing Care Personnel and Innovation of Nursing Care Site (Reference Material)" of the Health and Welfare Bureau for the Elderly, Ministry of Health, Labor and Welfare

# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues in Nursing Care

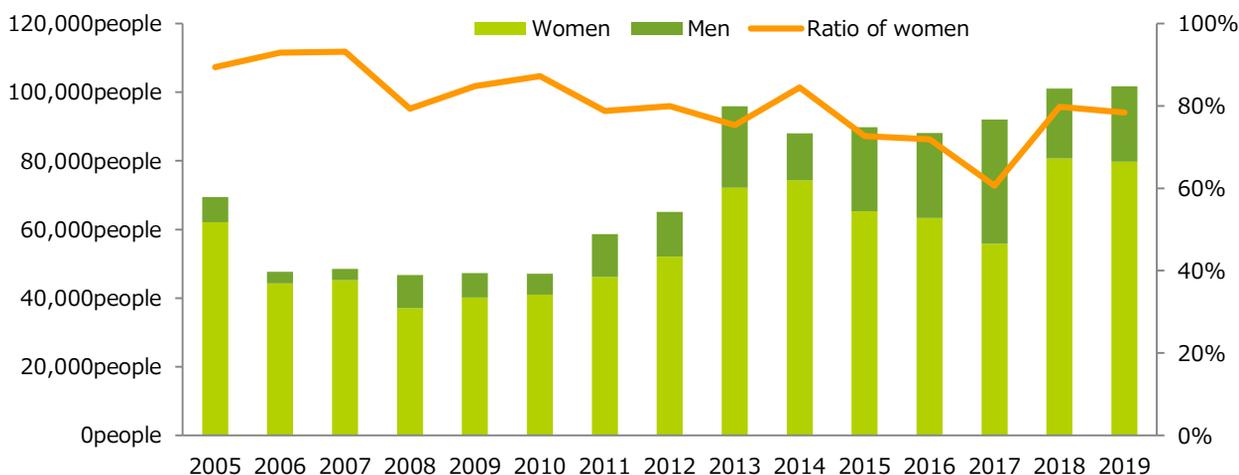
- Issue of Job Separation Due to Nursing Care

In Japan, lifetime non-marriage rate and the percentage of double-income households are increasing, and such numbers are expected to continue increasing in the future. Such change in the family structure is believed to lead to an increase in the number of people engaged in nursing care while working.

Under such circumstances, the number of people who left their jobs to be engaged in nursing care or nursing was approximately 100,000 people in 2019. Furthermore, according to a survey targeting those who had left their jobs during the nursing care period, more than half of them had the intention to continue working, indicating that they were forced to leave their jobs (Note 1).

The issue of job separation due to nursing care is further exacerbating the issue of labor shortage in Japan where the population continues to decline, and there is a concern that it will adversely affect the economy. According to the Ministry of Economy, Trade and Industry, the loss of added value in the entire economy associated with job separation due to nursing care is estimated to be approximately 650 billion yen per year (Note 2). In addition, approximately 80% of those leaving their jobs due to nursing care are women, and such trend has become a major barrier in promoting the social advancement of women.

[Number of People Leaving Jobs for Nursing Care and Nursing]



(Source) "Survey on Employment Trends" of the Ministry of Health, Labor and Welfare

(Note 1) "Research Report for Understanding the Actual Situation of Balancing Work and Nursing Care in Fiscal 2012 (Survey Entrusted by the Ministry of Health, Labor and Welfare in Fiscal 2012)" of Mitsubishi UFJ Research and Consulting Co., Ltd.

(Note 2) "Structural Change of Economic Society Until 2050 and Policy Issues" of the Ministry of Economy, Trade and Industry

# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues in Nursing Care

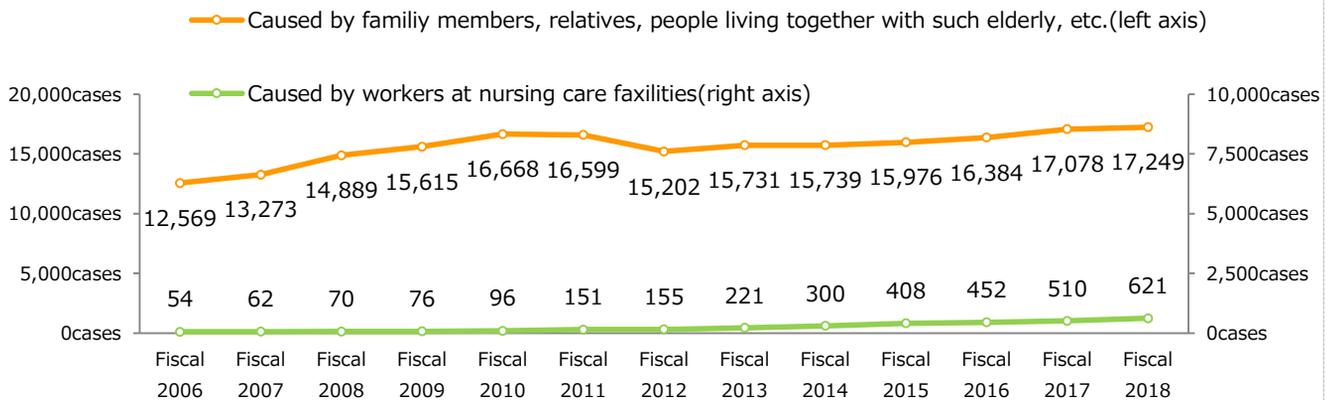
- Abuse of the Elderly in Nursing Care

Abuse of the elderly in nursing care is also a major issue. There are various reasons for abuse, and there are many cases in which abuse is caused by the heavy burden of nursing care, and the reduction of the burden of caregivers is required.

According to a survey by the Ministry of Health, Labor and Welfare, the most common cause of abuse by family members and relatives is "nursing care fatigue and nursing care stress," and there is a need to expand nursing care services responding to the needs for such nursing care. In addition, "issues concerning knowledge and nursing skills" and "shortage of personnel and busyness of work" are cited as factors of abuse by workers at nursing care facilities. There is a need to improve the workplace environment including the securement of sufficient nursing care personnel, improvement of business efficiency, improvement of the knowledge on abuse and nursing care skills of workers at nursing care facilities and in-house training such as anger management.

In response to these circumstances, many nursing care business operators are taking actions such as holding trainings and preparing manuals with an aim to prevent abuse and inappropriate care.

[Change in the Number of Cases of Elderly Abuse]

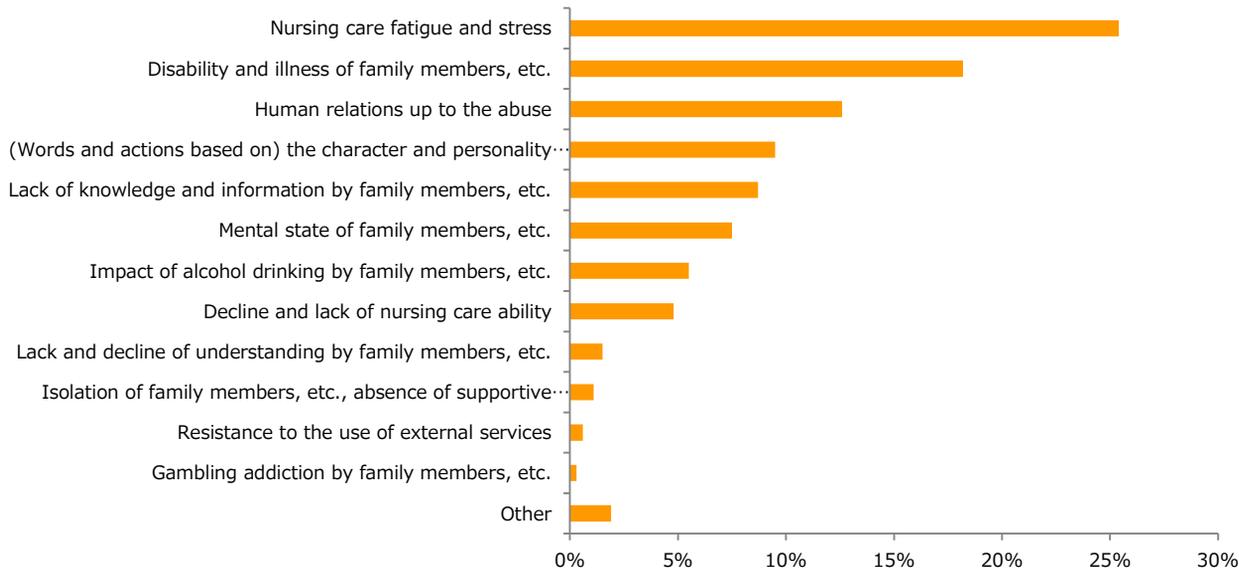


(Source) "Survey Results on the Status of Response Based on the "Act on the Prevention of Elder Abuse, Support for Caregivers of Elderly Persons and Other Related Matters" in Fiscal 2018" of the Ministry of Health, Labor and Welfare

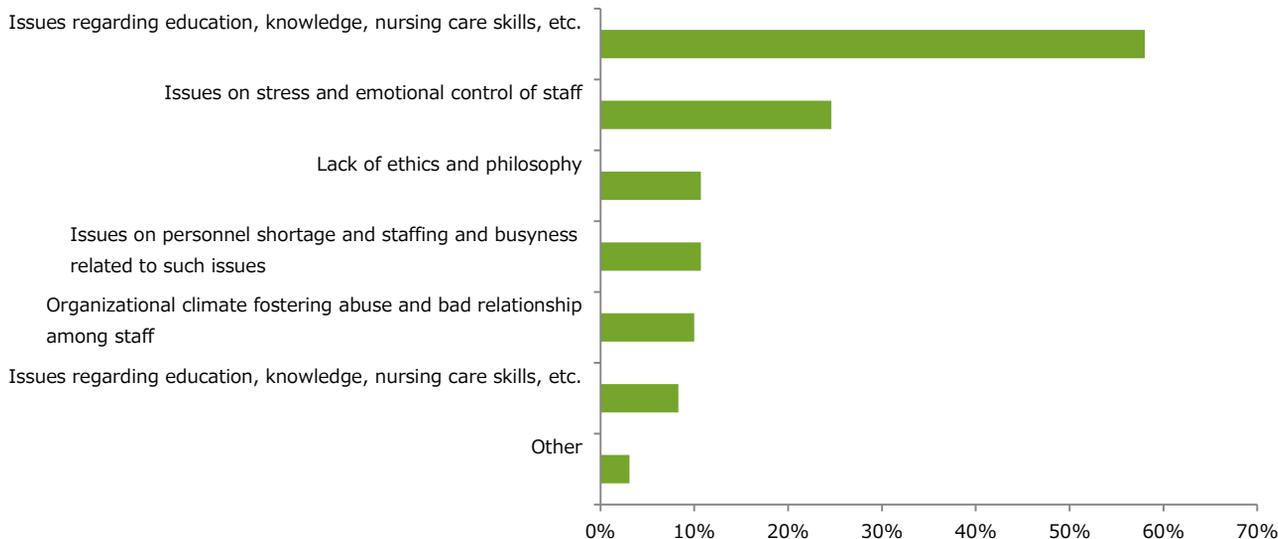
# 1. Current Status and Issues Surrounding Medical and Nursing Care

## Various Issues in Nursing Care

[Factors of Abuse by Family Members, Etc. (Family Members, Etc.)]



[Factors of Abuse at Nursing Care Facilities]



(Source) "Survey Results on the Status of Response Based on the "Act on the Prevention of Elder Abuse, Support for Caregivers of Elderly Persons and Other Related Matters" in Fiscal 2018" of the Ministry of Health, Labor and Welfare

## 2. Investment Philosophy and Impact (Qualitative Targets)

### Investment Philosophy and Impact (Qualitative Targets)

- Realization of a Society Where All People Can Live Vibrantly and with Peace of Mind

HCM aims to serve as a conduit between the nursing care and medical service industries in which social needs are expected to increase and the capital markets, based on the environmental awareness that upgrading and expansion of healthcare facilities is further required in order to respond to the growing demand for medical and nursing care services. In other words, HCM aims to realize a society where all people can live vibrantly and with peace of mind as well as secure stable revenue and achieve steady growth of assets under management by promoting appropriate maintenance and management and new supply of healthcare facilities through stable investment and ownership of healthcare facilities with the keywords of "nursing care," "medical service" and "health."



**Serve as a conduit between the nursing care and medical service industries and the capital markets**

**Develop a portfolio specialized in healthcare facilities, for which demand is expected to grow**

**Promote the supply of healthcare facilities as social infrastructure**

**Realization of a society where all people can live vibrantly and with peace of mind**

### 3. Policy on Actions for SDGs

#### What Are SDGs (Sustainable Development Goals)?

Sustainable Development Goals (SDGs) are international goals from 2016 to 2030 stated in the “2030 Agenda for Sustainable Development” adopted at the United Nations Summit in September 2015 as a successor to the Millennium Development Goals (MDGs) established in 2001. It consists of 17 goals and 169 targets for realizing a sustainable world, and pledges to leave no one behind. SDGs are universal efforts for developed countries and developing countries, Japan is proactively working on it.

## SUSTAINABLE DEVELOPMENT GOALS



### 3. Policy on Actions for SDGs

#### Relationship Between SDGs and ESG

- Enactment of the "Basic Policy on ESG" incorporating the concept of SDGs

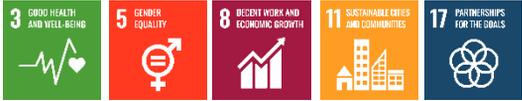
HAM enacted the "Basic Policy on ESG" in September 2018 in order to practice asset management in consideration of Environment, Social and Governance. Upon the enactment of the basic policy, HAM has incorporated the concept of SDGs based on the investment philosophy of HCM.

#### "Basic Policy on ESG / 1. Basic Philosophy"

In order to realize a "society where all people can live vibrantly and with peace of mind," which is the investment philosophy of HCM, HAM aims to contribute to the aged society and maximize unitholder value over the medium to long term through the promotion of provision of healthcare facilities as social infrastructure and construction of a portfolio specializing in healthcare facilities. HAM will collaborate with various in-house/outside stakeholders including operators, hospital personnel, sponsors and executives and employees of HAM in order to practice asset management in consideration of ESG including the reduction of environmental burden, efforts toward resolution of social issues in an aged society and establishment of governance system.

HAM Website / Basic Policy on ESG

<http://www.hcam.co.jp/pdf/esg.pdf>

	Issues that need to be solved	Highly relevant SDGs
Environment (Environment)	<ul style="list-style-type: none"> <li>•Energy conservation and reduction of CO<sub>2</sub> emissions</li> </ul>	
Social (Society)	<ul style="list-style-type: none"> <li>•Elimination of the shortage of supply of housing for the elderly against the elderly population</li> <li>•Prevention of job separation due to nursing care through the promotion of supply of nursing care facilities</li> <li>•Improvement of business efficiency and reduction of work burden for nursing care staff</li> <li>•Prevention of abuse of residents and harassment of facility staff</li> <li>•Response to the deterioration of hospitals and promotion of earthquake resistance</li> <li>•Work-life balance</li> </ul>	
Governance (Governance)	<ul style="list-style-type: none"> <li>•Transparency in decision making</li> <li>•Fair transaction (prevention of conflicts of interest)</li> <li>•Management of various risks (including elimination of antisocial forces)</li> </ul>	

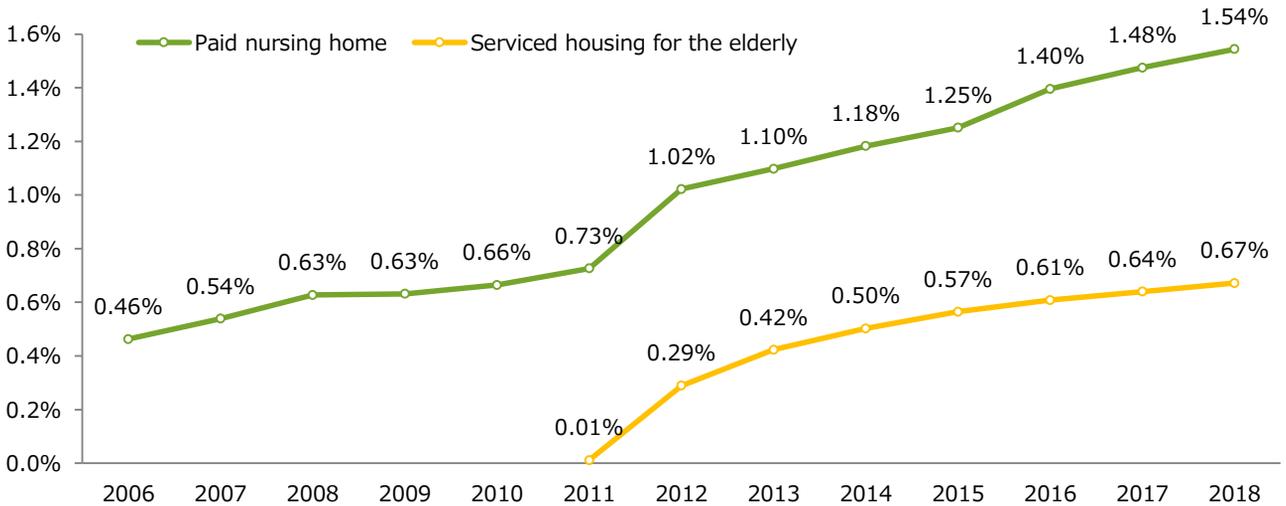
## 4. Outcome Indicators

### Ratio of Housing for the Elderly as a Percentage of the Elderly Population

- Status of Supply of Healthcare Facilities

Although the supply of facilities and housing for the elderly is increasing every year in response to the growing demand for medical and nursing care, the supply rate of paid nursing homes against the elderly population was 1.54% in 2018 and that of serviced housing for the elderly was only 0.67% in 2018.

[Supply Rate of Facilities and Housing for the Elderly Against the Elderly Population (Aged 65 Years or Older)]



(Source) Prepared by the Asset Management Company based on the "Overview of Survey on Social Welfare Facilities, etc." of the Ministry of Health, Labor and Welfare, "Information Provision System of Residences for Elderly People with Service" on the website of the Senior Housing Association, and "Population Estimation" of the Ministry of Internal Affairs and Communications.

## 4. Outcome Indicators

### Change in the Acquisition Amount and Number of Healthcare Facilities in the J-REIT Market

As of the end of October 2020, the total acquisition amount of healthcare facilities was 254,495 million yen and the cumulative number of properties was 140 in the J-REIT market. Of these, the cumulative acquisition amount for HCM was 66,337 million yen (26.1%) and the cumulative number of properties for HCM was 36 (25.7%).

(Unit: million yen, property)

	Acquisition amount of healthcare facilities				Number of healthcare facilities			
	Entire J-REIT market		HCM		Entire J-REIT market		HCM	
	Acquisition price	Cumulative acquisition price	Acquisition price	Cumulative acquisition price	Number of properties acquired	Cumulative number of properties	Number of properties acquired	Cumulative number of properties
2001	0	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	2,865	2,865	0	0	4	4	0	0
2007	5,600	8,465	0	0	4	8	0	0
2008	0	8,465	0	0	0	8	0	0
2009	0	8,465	0	0	0	8	0	0
2010	0	8,465	0	0	0	8	0	0
2011	0	8,465	0	0	0	8	0	0
2012	2,510	10,975	0	0	2	10	0	0
2013	1,980	12,955	0	0	2	12	0	0
2014	28,782	41,737	0	0	20	32	0	0
2015	63,411	105,148	23,683	23,683	40	72	16	16
2016	6,278	111,426	1,338	25,021	5	77	2	18
2017	18,417	129,843	15,483	40,504	10	87	7	25
2018	21,675	151,518	1,686	42,190	11	98	2	27
2019年	38,900	190,418	22,691	64,881	13	111	8	35
January 2020	0	190,418	0	64,881	0	111	0	35
February 2020	0	190,418	0	64,881	0	111	0	35
March 2020	0	190,418	0	64,881	0	111	0	35
April 2020	62,659	253,077	38	64,919	28	139	(Note) 0	35
May 2020	0	253,077	0	64,919	0	139	0	35
June 2020	1,418	254,495	1,418	66,337	1	140	1	36
July 2020	0	254,495	0	66,337	0	140	0	36
August 2020	0	254,495	0	66,337	0	140	0	36
September 2020	0	254,495	0	66,337	0	140	0	36
October 2020	0	254,495	0	66,337	0	140	0	36

(Source) Prepared by the Asset Management Company based on ARES J-REIT Databook (October 2020)

(Note) Verde Hotaka (land) is not included in the number of properties acquired as it is based on the properties already owned.

## 5. Output Indicators (Overview)

### Properties Acquired During the Reporting Period (November 1, 2019-October 31, 2020)

- In April 2020, we acquired Verde Hotaka (Part of the land) (acquisition price: 38 million yen) and Sunny Life Kamakura (acquisition price: 1,418 million yen) in June 2020.

Acquisition date	Property name	Main use	Acquisition price (million yen)
April 1, 2020	Verde Hotaka (Part of the land)	Paid nursing home	38
June 29, 2020	Sunny Life Kamakura	Paid nursing home	1,418
Total			1,456

[Change in Portfolio Status]

End of fiscal period ended July 2019 (9th FP)		▶	End of fiscal period ended July 2020 (11th FP)		Comparison with End of fiscal period ended July 2019 (9th FP)
Number of properties	35		Number of properties	36	+1
Total acquisition price	64.8 billion yen	Total acquisition price	66.3 billion yen	+1.4 billion yen	
Total appraisal value	70.4 billion yen	Total appraisal value	71.8 billion yen	+1.4 billion yen	
Average appraisal NOI yield	5.6%	Average appraisal NOI yield	5.6%	±0%	
Hospital real estate	2 property	Hospital real estate	2 property	±0 property	
Number of operators	12	Number of operators	12	±0	
Operational rate	99.9%	Operational rate	100%	+0.1%	
Average remaining lease term	14.6 years	Average remaining lease term	13.8 years	-0.8 years	

**Paid nursing home**



<b>Name</b>	Sunny Life Kamakura
<b>Location</b>	Kamakura-shi, Kanagawa
<b>Operator</b>	Kawashima Corporation
<b>Appraisal value</b>	1,550 million yen
<b>Acquisition price</b>	1,418 million yen
<b>Appraisal NOI yield</b>	5.3%
<b>Number of rooms/Resident capacity</b>	128 rooms, 128 people

## 5. Output Indicators (Overview)

### Status of Allocation of Social Loan

- Status of Use and Procurement of Funds (From November 1, 2019 to October 31, 2020)

Use of funds		Fund procurement	
Acquisition of healthcare facilities	1.45 billion yen	Public offering	6.4 billion yen
Refinancing	7.7 billion yen	Social loan	2.0 billion yen
Expenses, etc. (Note)	0.15 billion yen	Own funds	9.0 billion yen
<b>Total</b>	<b>9.3 billion yen</b>	<b>Total</b>	<b>9.3 billion yen</b>

(Note) Expenses include research expenses, investment unit issuance expenses, loan fees, etc. associated with property acquisition.

- List of Social Loans

HCM procured 2.0 billion yen of social bond on January 30, 2020, 5.7 billion yen of social loan on January 31, 2020, and allocated the entire amount as funds for refinancing of borrowings associated with the acquisition of trust beneficiary rights for healthcare facilities. In addition, HCM procured 700 million yen of social loan on June 29, 2020, and allocated the entire amount as funds for acquisition of trust beneficiary rights for healthcare facilities.

[List of Social Loans]

Lender	Borrowing amount	Interest rate	Drawdown date	Repayment date	Repayment method	Security
Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger	1.25 billion yen	Fixed interest rate	January 31, 2020	January 31, 2023	Lump-sum repayment on principal repayment date	Unsecured Unguaranteed
	4.45 billion yen	1-month TIBOR+0.45%		January 31, 2025		
Sumitomo Mitsui Banking Corporation	0.7 billion yen	1-month TIBOR+0.25%	June 29, 2020	June 29, 2021	Lump-sum repayment on principal repayment date	Unsecured Unguaranteed

[List of Social Bonds]

Name	Total issue amount	Interest rate	Payment date	Redemption date	Credit rating	Security
Healthcare & Medical Investment Corporation 1st Series Unsecured Investment Corporation Bonds (with pari passu conditions among the specified investment corporation bonds) (Social Bond) (a.k.a.: HCM Social Bond)	2.0 billion yen	0.780%	January 30, 2020	January 30, 2030	A (JCR)	Unsecured Unguaranteed

## 5. Output Indicators (Overview)

### Status of Allocation of Social Loan

[Status of Use and Allocation of Funds]

Use of funds	Allocation ratio	Unallocated amount
Funds for acquisition of healthcare facilities (including trust beneficiary rights)	8.3%	None
Funds for refinancing	91.7%	

[Borrowings for Refinancing]

Lender	Balance	Drawdown date	Refinancing date
Sumitomo Mitsui Banking Corporation	1.0 billion yen	October 1, 2019	January 31, 2020
Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger	3.7 billion yen	February 1, 2017	
	3.0 billion yen	March 21, 2017	

#### Initial use of funds

- Acquisition funds for Bonsejour Yotsugi, Medical Home Bonsejour Itami
- Acquisition funds for Kobe Gakuentoshi Building(Hapine Kobe Gakuentoshi), GreenLife Moriguchi, Hapine Kobe Uozaki Nibankan and Granda Tsuruma-Yamato
- Acquisition funds for Bonsejour Chitose-funabashi, Bonsejour Hino, Bonsejour Musashi-shinjo, Medical Rehabilitation Home Bonsejour Hadanoshibusawa, Medical Rehabilitation Home Bonsejour Komaki, AQUAMARINE Nishinomiyahama, ASHEIM Hikarigaoka, ASHEIM Bunkiyohakusan, SOMPO CARE La vie Re Machidaonaji, SOMPO CARE La vie Re Azamino, GOOD TIME HOME Fudo-mae, SAWAYAKA Tachibanakan, SAWAYAKA Mekarikan, SAWAYAKA Tagawakan, SOMPO CARE Sompno no ie S Awajekimae, SOMPO CARE Sompno no ie S Kobekamisawa

## 6. Specific Actions (HAM)

### Actions to Prevent the Spread of COVID-19

HAM has implemented the following as measures to prevent the spread of COVID-19.

- Introduction of laptops for remote work and implementation of remote work rules  
We have introduced laptops and formulated remote work rules to establish an environment that enables all executives and employees (including temporary staff) to work from home.
- Promotion of staggered commuting times  
We are promoting staggered commuting times with a view to preventing infection among employees who cannot avoid commuting to work and adopting more flexible work styles in line with work-style reforms.
- Distribution of masks and installation of disinfectant dispensers and acrylic partitions
- Rigorous implementation of temperature measurements and physical condition checks for executives and employees
- Rigorous disinfection and ventilation of company premises on a regular basis
- Introduction of teleconferencing system
- Installation of Airness low-concentration ozone generators  
We are striving to prevent infection of employees and visitors by installing Airness low-concentration ozone generators sold by Ship Healthcare Pharmacy East Co., Ltd., a consolidated subsidiary of sponsor company Ship Healthcare Holdings Inc., at the company. Findings from research by universities and specialized institutions have been published indicating that the low-concentration ozone generated by this device is effective in inactivating the COVID-19 coronavirus, and an increasing number of medical corporations and nursing care providers are using subsidies and the like to introduce it as a COVID-19 countermeasure.

[Use of Airness at HAM]



## 6. Specific Actions (HAM)

### Actions Aimed at HAM Executives and Employees

- Career Development Initiatives

In order for employees to improve their professional skills, HAM recommends the acquisition of qualifications that are closely related to our business, such as a Real Estate Notary license or ARES Certified Master license.

The number of employees holding specialized qualifications (including employees on temporary assignment from sponsors, etc.) is shown below.

Number of Employees Holding Qualifications as of the End of October 2020	
Real Estate Notary	9 people
ARES Certified Master	10 people
Chartered Member of the Securities Analysts Association of Japan	2 people
Certified Building Administrator	1 person

- Framework for Ensuring Executives and Employees Are Suitably Motivated

In order to foster and improve self-directed compliance awareness, we hold monthly compliance workshops and rigorously implement customer-oriented business operations (fiduciary duty) for all executives and employees.

	Number of Events
2016 Compliance Workshops	33
2017 Compliance Workshops	25
2018 Compliance Workshops	25
2019 Compliance Workshops	22
2020 Compliance Workshops	10*

\* The figure for 2020 Compliance Workshops is based on the number of meetings held from April 2020 to October 2020.

## 6. Specific Actions (HAM)

### Actions Aimed at HAM Executives and Employees

- Actions Aimed at Securing Human Resources

At HAM, we continue to consider new hires for the purpose of ensuring we have sufficient human resources and to promote the development of an employee-friendly working environment, such as actively encouraging employees to take paid leave (paid leave usage rate in FY2019: 71.1%), with the aim of improving the motivation of employees and executives and retaining them on a long-term basis.

In addition, as part of our human resources strategy, we are working to enhance our asset management operations by accepting highly specialized employees with diverse backgrounds from sponsor companies.

The number of employees temporarily assigned from sponsors as of the end of October 2020 was as follows.

- Ship Healthcare Holdings Inc. (33.3% stake) - 1 person
- NEC Capital Solutions Limited (33.3% stake) - 2 people
- Sumitomo Mitsui Banking Corporation (5.0% stake) - 3 people
- SMBC Nikko Securities Inc. (4.8% stake) - 1 person
- Ginsen Co., Ltd. (4.7% stake) - 1 person

	FY2017	FY2018	FY2019
Total number of executives and employees	14 people	15 people	16 people
(Number of directly hired executives and employees)	7 people	8 people	9 people
(Paid leave usage rate)	43.0%	55.9%	71.1%
(Number of temporarily assigned employees)	7 people	7 people	6 people
Number of new hires	2 people	2 people	2 people
Number of employees leaving the company	0 people	1 person	1 person
Annual turnover rate	0%	6.3%	5.9%

- Introduction of Cumulative Investment System

We have introduced a cumulative investment system that allows directly hired executives and employees to purchase HCM investment units.

It is expected that the introduction of this system will assist executives and employees with asset-building and make them more conscious of improving business performance, which we believe will contribute to the continuous growth of HCM and improved unitholder value.

At present, 7 people are making ongoing investments using this system.

## 6. Specific Actions

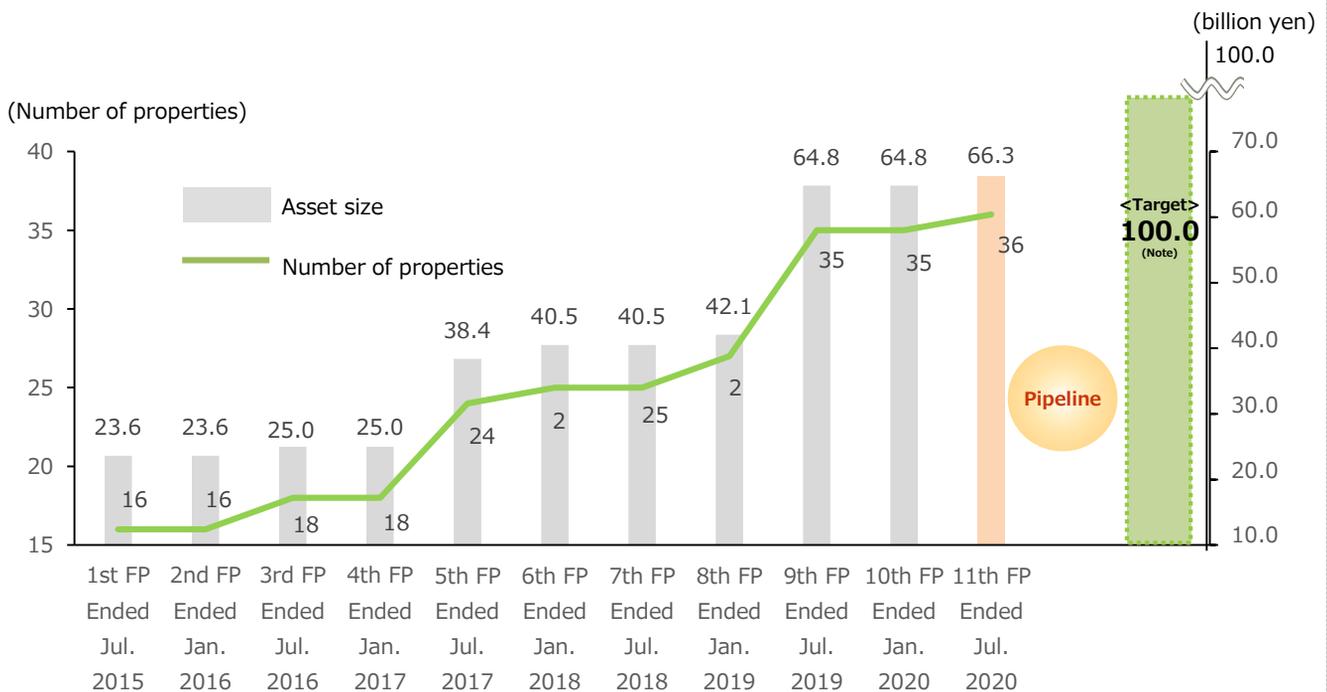
### Resolution of Social Issues in an Aged Society (S)

- Acquisition of Healthcare Facilities [Investment amount: 1,456 million yen]

In the year from November 1, 2019 to October 31, 2020, HCM acquired 2 paid nursing homes with care service (including the land of existing property) and now owns 36 healthcare facilities.

The borrowed portion of the funds for acquisition was procured as social loan based on the SDGs Social Finance Framework established by HCM in January 2019.

[Actual Results on Acquisition of Healthcare Facilities]

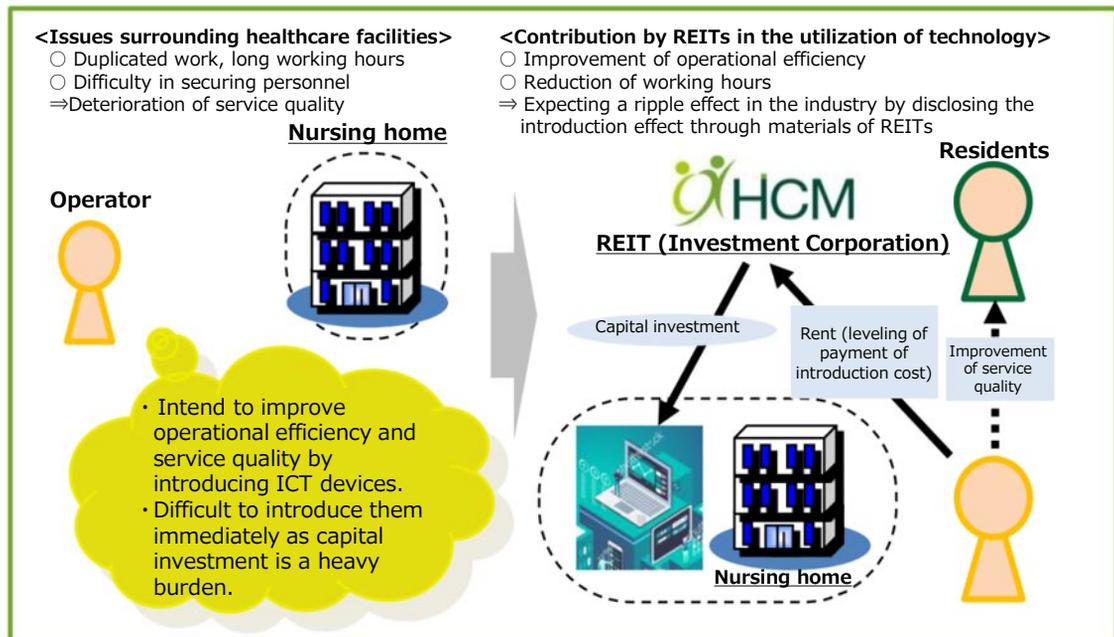


(Note) The target may not be achieved due to future events, market environment and other factors.

## 6. Specific Actions

### Resolution of Social Issues in an Aged Society (S)

- System Investment Utilizing ICT [Investment amount: 46.5 million yen for 2 properties in total]
  - System utilizing ICT (EGAO link) was introduced at 2 properties owned by HCM.
  - HCM paid 44.6 million yen, the initial cost of capital investment, in a lump sum, while the operator paid for the amount of increase in rent, thereby leveling the payment of introduction cost and realizing early introduction.
- Targeted facilities and amount of capital investment
  - ASHEIM Bunkyoakasan (completed introduction in July 2019, 20.9 million yen)
  - ASHEIM Hikarigaoka (completed introduction in August 2019, 25.6 million yen)

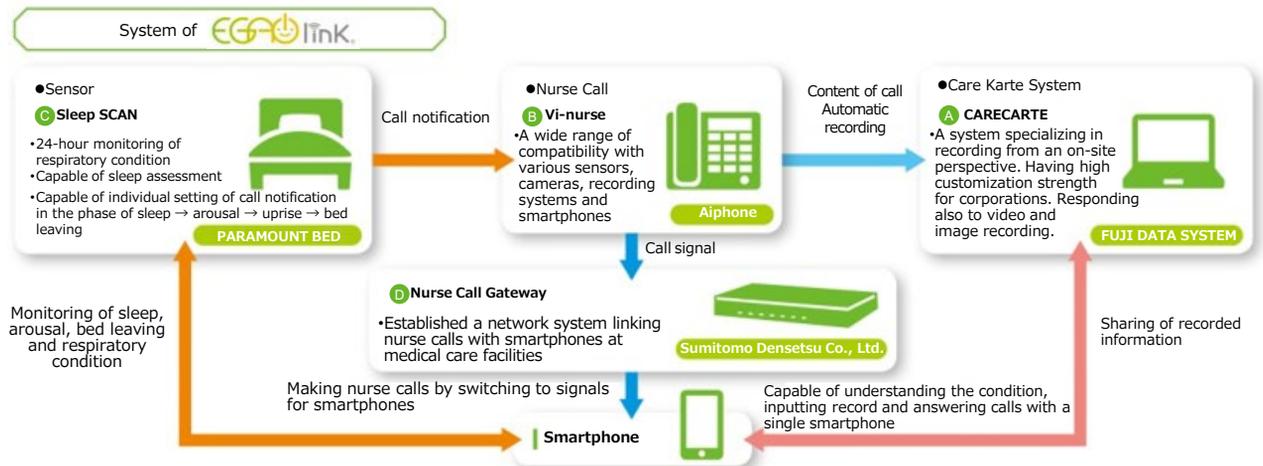


## 6. Specific Actions

### Resolution of Social Issues in an Aged Society (S)

- System of EGAO Link

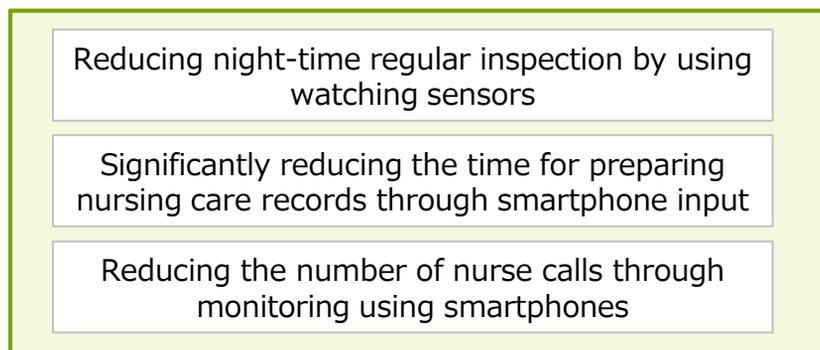
A system enabling understanding of situation, record input and response to calls with smartphones possessed by the staff by linking sleep sensor, nurse call and electronic medical chart with nurse call gateway



(Source) AS PARTNERS Co., Ltd.

- Effect of Introduction of EGAO Link

The quality of nursing care services is expected to improve through the improvement of business efficiency of nursing care staff and the reduction of work burden through ICT investments.



## 6. Specific Actions (HCM)

### Addressing Social Issues Relating to the Super Aged of Society (S)

Effect of Introducing EGAO Link at ASHEIM Bunkyoakusai  
(July 2019 - September 2020)

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#### ■ Reduction of care staff

As of the end of September 2020, the number of persons had been **reduced by 3.5 people/month** and working hours had been reduced by **616 hours/month**.

	July 31, 2019	Sept. 30, 2020	Difference
Number of residents	48 people	43 people	-5 people
Ratio of staff to residents	1.78:1	1.84:1	-0.06
Full-time employees	14.5 people	12.5 people	-2 people
Contract employees	2 people	2 people	0 people
Part-time employees	5.6 people	6.9 people	+1.3 people
Temporary workers	2 people	0 people	-2 people
Nursing staff	2.8 people	2.0 people	-0.8 people
Staff per month	26.9 people	23.4 people	-3.5 people
Total working hours	4,734 hours	4,118 hours	-616 hours

#### ■ Reducing burden of night-shift work for care staff

1. On September 30, 2019, we switched from a system with two night-shift staff and one semi-night-shift staff to a system with two night-shift by **reducing the semi-night shift**, and as of September 30, 2020, we were maintaining the new system.
2. As of September 30, 2020, following the **reducing** of the semi-night shift, **night-shift workers were still able to take two hours of breaks every day**.
3. Regular night inspections were terminated on October 1, 2019, and as of September 30, 2020, **we had received no comments about it from customers or the regulatory authority**.

	July 31, 2019	Sept. 30, 2020	Difference
Number of night shifts	2.5 people	2 people	-0.5 people
Total working hours/month	40 hours	32 hours	-8 hours
Regular rounds	4 times (approx. 4 hours)	0 times	-4 times (-4 hours)

## 6. Specific Actions (HCM)

### Addressing Social Issues Relating to the Super Aged of Society (S)

Effect of Introducing EGAO Link at ASHEIM Bunkyoakusai  
(July 2019 - September 2020)

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#### ■ Improving quality of nursing care services

The number of life rehabilitation sessions (a method for maintaining and improving activities of daily living for the purpose of using residents' residual functions) that was provided **increased by 1,214 sessions**.

In addition, we are working to improve operations with the goal of obtaining two hours per day, or 60 hours per month, to provide individual activities (activities aimed at revitalizing each resident mentally and physically). When EGAO Link was first introduced, individual activities were used 20 hours a month, but as of September 30, 2020, it had **increased by 34 hours**.

	July 31, 2019	Sept. 30, 2020	Difference
Life rehabilitation	608 sessions	1,822 sessions	+1,214 sessions
Individual activities	20 hours	54 hours	+34 hours

#### ■ Summary and future actions

We are making good progress in reducing the number of employees and the burden of night-shift work. In terms of future actions, we will improve polypharmacy (improving the harmful effects of medication by using multiple drugs in combination) by utilizing electronic medical record data, sleep data, etc. in nursing care records.

## 6. Specific Actions (HCM)

### Addressing Social Issues Relating to the Super Aged of Society (S)

Effect of Introducing EGAO Link at ASHEIM Hikarigaoka  
(July 2019 - September 2020)

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#### ■ Reduction of care staff

As of the end of September 2020, the number of persons had been **reduced by 1.9 people/month** and working hours had been reduced by **334 hours/month**.

	July 31, 2019	Sept. 30, 2020	Difference
Number of residents	83 people	84 people	+1 person
Ratio of staff to residents	2.04:1	2.17:1	-0.13
Full-time employees	23.5 people	20.5 people	-3 people
Contract employees	0 people	1 person	+1 people
Part-time employees	11.6 people	13.7 people	+2.1 people
Temporary workers	1 person	0 people	-1 person
Nursing staff	4.4 people	3.4 people	-1 person
Staff per month	40.5 people	38.6 people	-1.9 people
Total working hours	7,128 hours	6,794 hours	-334 hours

#### ■ Reducing burden of night-shift work for care staff

1. On September 30, 2020, we **reduced the semi-night shift** from the system of three night-shift and one semi-night-shift staff that was introduced on July 31, 2019.
2. Following the reduction of the semi-night shift, **night-shift workers are still able to take two hours of breaks every day**.
3. Regular night inspections were terminated on October 1, 2019, and as of September 30, 2020, **we had received no comments about it from customers or the regulatory authority**.

	July 31, 2019	Sept. 30, 2020	Difference
Number of night shifts	3.5 people	3 people	-0.5 people
Total working hours/month	56 hours	48 hours	-8 hours
Regular rounds	4 (approx. 4 hours)	0	-4 (-4 hours)

## 6. Specific Actions (HCM)

### Addressing Social Issues Relating to the Super Aged of Society (S)

Effect of Introducing EGAO Link at ASHEIM Hikarigaoka  
(July 2019 - September 2020)

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#### ■ Improving quality of nursing care services

The number of life rehabilitation sessions (a method for maintaining and improving activities of daily living for the purpose of using residents' residual functions) that was provided **decreased by 376 sessions**.

In addition, we are working to improve operations with the goal of obtaining two hours per day, or 60 hours per month, to provide individual activities (activities aimed at revitalizing each resident mentally and physically). When EGAO Link was first introduced, individual activities were used 56 hours a month, but as of September 30, 2020, it had **increased slightly to 63 hours**.

	July 31, 2019	Sept. 30, 2020	Difference
Life rehabilitation	1,287 sessions	911 sessions	-376 sessions
Individual activities	56 hours	63 hours	+7 hours

Question from HAM:

Why did the number of life rehabilitation sessions decrease?

Answer:

Previously, even activities that residents were able to perform naturally were recognized as life rehabilitation if they were functional training that was useful for maintaining activities of daily living, but starting from this year, emphasis has been placed on improving activities of daily living, and activities that repeated what residents were already capable of doing are no longer recognized as life rehabilitation. The internal standards for recognizing activities as life rehabilitation therefore differ from the previous year. The change in the standards was applied starting this year, and since we were considering functional training methods while taking into account what is possible for individual residents, the response varied depending on each facility.

#### ■ Summary and future actions

We are making good progress in reducing the number of employees and the burden of night-shift work. In terms of future actions, we will improve polypharmacy (improving the harmful effects of medication by using multiple drugs in combination) by utilizing electronic medical record data, sleep data, etc. in nursing care records.

## 6. Specific Actions

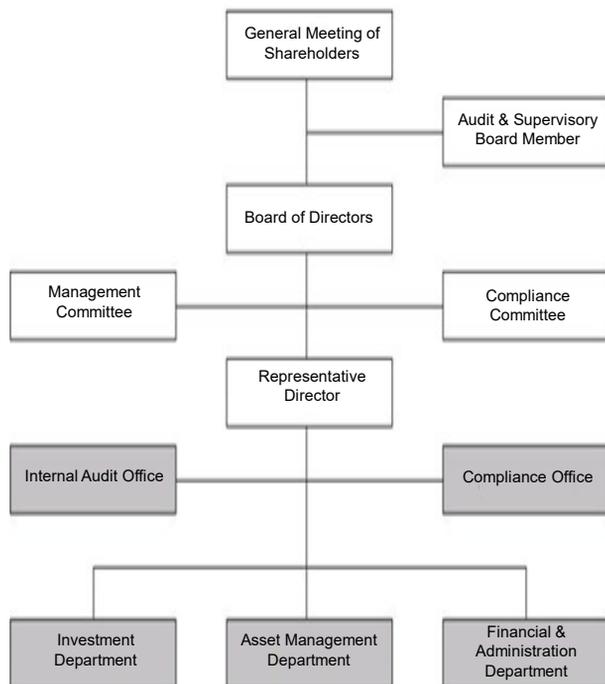
### Establishment of Governance System (G)

- Elimination of concurrent positions of HCM Executive Director and HAM President and Representative Director**  
 Effective November 1, 2020, HAM's representative director was no longer an executive officer of HCM. This will contribute to the prevention of conflicts of interest and the strengthening of corporate governance.
- Establishment of Management System**  
 HCM's asset management is entrusted to its asset management company HAM. HAM is engaged in business under the following management system based on the asset management agreement concluded with HCM. For details, please refer to the "Securities Report for the 9th Fiscal Period"

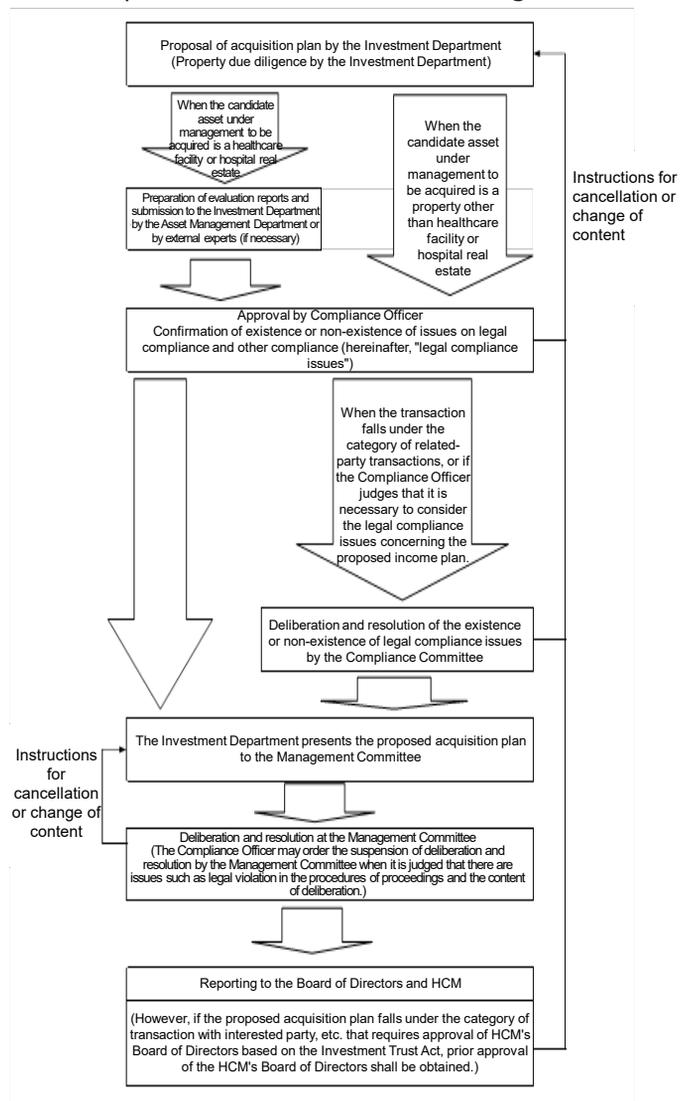
HCM Website / IR Library

<http://www.hcm3455.co.jp/ja/ir/library.html>

#### Organizational Structure (Outline)



#### Decision-Making Flow Concerning Acquisition of Assets Under Management



## 6. Specific Actions

### Establishment of Governance System (G)

- Basic Policy on Customer-Oriented Business Operations

HAM has adopted the “Principles concerning Customer-Oriented Business Conduct” published by the Financial Services Agency of Japan on March 30, 2017, established the “Basic Policy on Customer-Oriented Business Operations”.

HAM has a basic management policy to practice customer-oriented business operation and strengthen autonomous compliance system. These are not contradictory but are truly integrated, and HAM believes that customer-oriented business operation can be realized by achieving both of them.

HAM intends to maximize unitholder value over the medium to long term by seeking to realize a society where all people can live vibrantly and with peace of mind as well as secure stable income and achieve steady growth of the portfolio, and strives to ensure that such operation will be established as a corporate culture.

HAM website/Basic policy on customer-oriented business operations

<http://www.hcam.co.jp/policy/index.html>

- Activities of the Customer-Oriented Committee

In April 2018, HAM established the “Customer-Oriented Committee” as a self-operation organization to promote business operations based on the above basic policy. The committee is composed of HAM's directors and representative members of each department, and is held once a month in principle. The minutes are shared by all officers and employees.

HAM defines "customers," which are the target in the basic policy, not only as unitholders but also as "stakeholders" including facility operators and residents. HAM has four departments, namely the Investment Department, Asset Management Department, Financial & Administration Department and Compliance Office, and each department considers what kind of actions will lead to customer-oriented business operations.

The committee shares the status of efforts at each department and discusses the transmission of information on the company's activities and the provision of appropriate services to customers. Discussions at the committee are returned to each department by the representative members of each department, and such effort is an ongoing and cross-organizational approach. In addition, there have been cases in which they were realized as measures of the company based on the discussions at the committee.

- Case Examples of “Customer-Oriented Business Operation” in Each Department

Items in the basic policy	Relevant departments	Case example
Appropriate management of conflicts of interest	Investment Department	Effort to establish warehousing rules to further strengthen appropriate management system of conflicts of interest
Provision of easy-to-understand important information	Financial & Administration Department	Enhancement of disclosure of materials in English Proactive dissemination of information on ESG/SDGs
Provision of appropriate services to customers	Asset Management Department	Monitoring the effectiveness of ICT investments (EGAO link) contributing to the reduction of the burden of nursing care staff at facilities by HCM
Appropriate motivation framework for employees	The committee (All departments)	Summarized the discussions held at the committee and established the "Basic Policy on ESG"

## 7. Social Finance

### SDGs Social Finance Framework

- What Is Social Finance?

Social Finance refers to finance with issuance of bonds and loans “that raise funds for new and existing projects with positive social outcomes.” Specifically, it is a financing approach where (i) The use of funds is limited to projects with a high degree of contribution to society, (ii) The funds are reliably tracked and managed, and (iii) Transparency is secured through reporting after the fund-raising.

ESG financing 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 the “Recommendation from the High Level Meeting on ESG Finance - Toward becoming a big power in ESG finance-” announced by the Ministry of the Environment on July 27, 2018, promotion of ESG financing that have ESG and SDG contributions as the use of proceeds has been incorporated 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 as well 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.”

- Establishment of SDGs Social Finance Framework

HAM established the SDGs Social Finance Framework limiting the use of funds to investments with a high degree of social contribution when HCM raises funds through borrowings or issuance of bonds as social finance as well as defining the confirmation and management system of the status of allocation of procured funds and reporting system of the effect of social contribution, etc.

The framework limits the use of funds procured from social financing to new investments in healthcare facilities and refinancing. In addition, it also defines the criteria and process of project selection, fund management method, status of allocation of funds and reporting on social outcome.

## 7. Social Finance

### JCR Social Finance Evaluation

- What Is JCR Social Finance Evaluation?

JCR Social Finance Evaluation is an evaluation performed by Japan Credit Rating Agency, Ltd. (hereinafter, "JCR") by confirming that the use of funds are in alignment with the Social Finance components of the principles published by the International Capital Market Association (ICMA) and consistent with the SDGs. In the confirmation and evaluation, the "Social Bond Principles" and "Mapping of SDGs and Social Project Categories" published by ICMA are used as reference indicators in the evaluation, and such include the "Social Finance Framework Evaluation," an evaluation for the framework of fund procurement, "Social Loan Evaluation," an evaluation for borrowings, and "Social Bond Evaluation," an evaluation for bonds.

- Acquisition of First Social Finance Evaluation by a J-REIT

HCM was the first J-REIT to acquire social finance evaluation by JCR for the social finance framework and the social loans through which funds were procured in February 2019 (total of 11.75 billion yen). The impact of HCM's businesses on the society, the management method of the procured funds, the information disclosure system, etc. were highly evaluated, and HCM received the highest evaluation for each item. For details, please refer to the evaluation report on JCR's website.

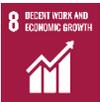
Evaluation item	Result
Social Finance Framework Evaluation	Social1 (F)
Social loan evaluation	Social1

JCR website

<https://www.jcr.co.jp/>

- First issuance of social bond of HCM

When the refinancing in January 2020, HCM issued the Social Bond for the first time with an aim to expand fund procurement methods by the expansion of its investor base which is proactively conducting ESG investment, as well as to improve unitholder value over the medium to long term by contribution to the realization of a sustainable society set in the SDGs.

Actions	Targets of SDGs	Expected effects of social contribution
Continuous investment in healthcare facilities and stable asset management	 3 GOOD HEALTH AND WELL-BEING	<ul style="list-style-type: none"> <li>Elimination of the shortage of housing for the elderly against the elderly population</li> <li>Promotion of earthquake resistance at hospitals</li> <li>Promotion of the shift of hospital functions to realize a sustainable society</li> </ul>
	 5 GENDER EQUALITY	<ul style="list-style-type: none"> <li>Promotion of social advancement of women who were forced to leave their jobs to be engaged in nursing care by promoting the supply of nursing care facilities</li> </ul>
	 8 DECENT WORK AND ECONOMIC GROWTH	<ul style="list-style-type: none"> <li>Reduction of work burden of nursing care staff through ICT system investments in nursing care facilities</li> </ul>

## 7. Social Finance

### List of Borrowings (as of the end of the fiscal period ended July 2020)

Social finance	Lender	Balance (million yen)	Interest rate (%)	Fixed/Variable	Drawdown date	Repayment deadline	Security
-	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank Nippon Life Insurance Resona Bank Shinkin Central Bank Nishi-Nippon City Bank Bank of Fukuoka Mie Bank 77 Bank Dai-ichi Life Insurance Hiroshima Bank	2,000	0.77853	Fixed	March 3, 2017	January 31, 2022	Unsecured and unguaranteed
-	Sumitomo Mitsui Banking Corporation	1,000	0.89375 (Note)	Fixed	March 3, 2017	January 31, 2024	Unsecured and unguaranteed
-	Sumitomo Mitsui Banking Corporation Nippon Life Insurance Resona Bank Shinkin Central Bank Nishi-Nippon City Bank Higashi-Nippon Bank Bank of Fukuoka Mie Bank	3,000	0.78178	Fixed	March 21, 2017	January 31, 2022	Unsecured and unguaranteed
-	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank Nippon Life Insurance Dai-ichi Life Insurance Hiroshima Bank	3,000	0.50090	Fixed	March 20, 2018	January 31, 2021	Unsecured and unguaranteed
-	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank Resona Bank 77 Bank	4,000	0.57650 (Note)	Fixed	March 20, 2018	January 31, 2023	Unsecured and unguaranteed
○	Nippon Life Insurance Hiroshima Bank Dai-ichi Life Insurance	2,000	0.45353	Fixed	February 1, 2019	January 31, 2022	Unsecured and unguaranteed
○	Sumitomo Mitsui Trust Bank Sumitomo Mitsui Banking Corporation Resona Bank Nishi-Nippon City Bank Shinkin Central Bank Bank of Fukuoka The Gunma Bank	4,000	0.41988 (Note)	Fixed	February 1, 2019	January 31, 2023	Unsecured and unguaranteed
○	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank Resona Bank Nishi-Nippon City Bank Shinkin Central Bank Bank of Fukuoka The Gunma Bank 77 Bank	5,750	0.53900 (Note)	Fixed	February 1, 2019	January 31, 2024	Unsecured and unguaranteed
○	Nippon Life Insurance 77 Bank Dai-ichi Life Insurance Hiroshima Bank	1,250	0.42571	Fixed	January 31, 2020	January 31, 2023	Unsecured and unguaranteed
○	Sumitomo Mitsui Trust Bank Resona Bank Sumitomo Mitsui Banking Corporation Shinkin Central Bank Nishi-Nippon City Bank Bank of Fukuoka Mie Bank Higashi-Nippon Bank	4,450	0.54 (Note)	Fixed	January 31, 2020	January 31, 2025	Unsecured and unguaranteed
○	Sumitomo Mitsui Banking Corporation	700	1-monthTIBOR+0.25	Fixed	June 29, 2020	June 29, 2021	Unsecured and unguaranteed

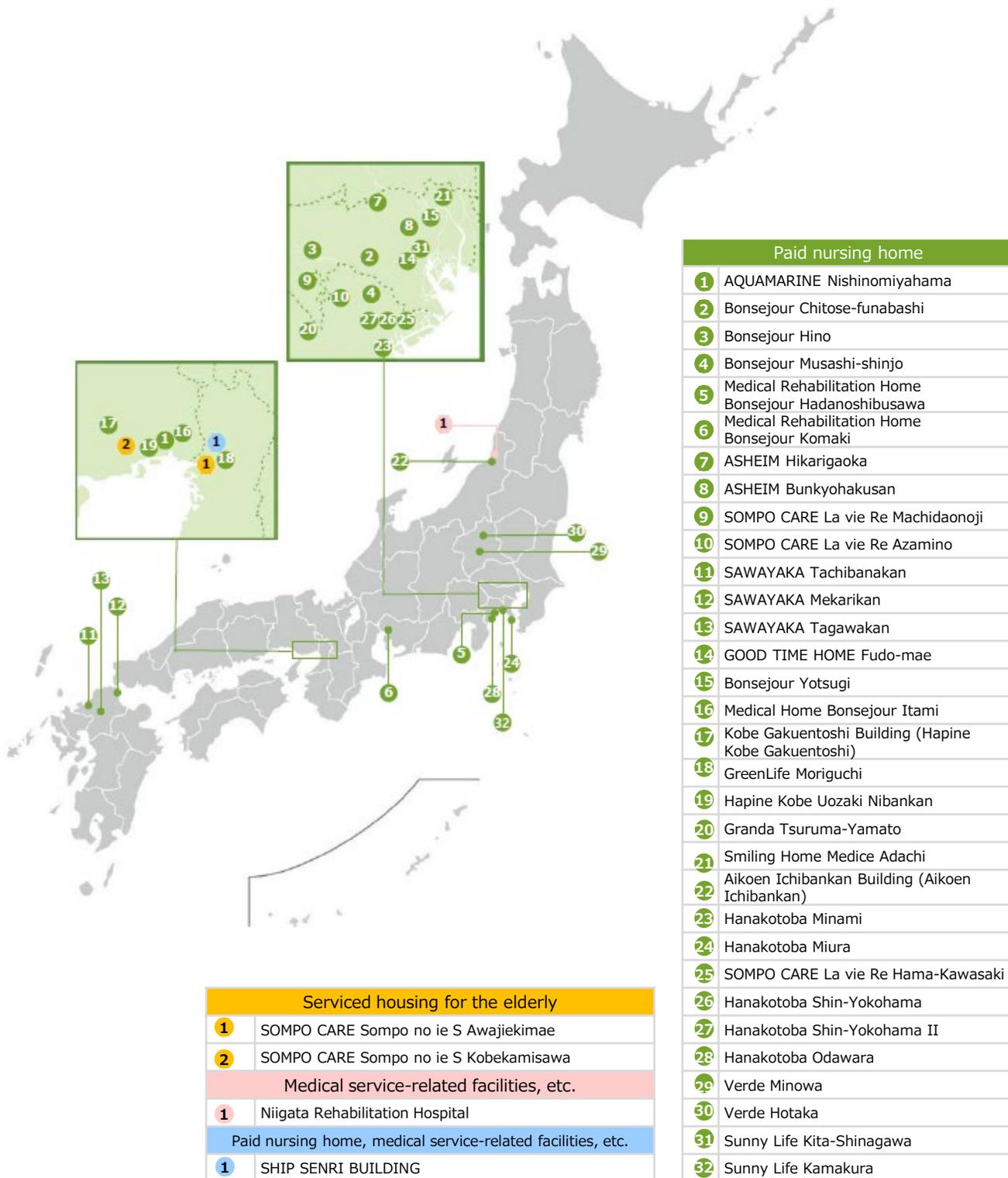
(Note) As for borrowings with variable interest rates, interest rate swap transactions are conducted with an aim to hedge the risk of interest rate increase. Therefore, the interest rate after the interest rate swap (fixing of interest rate) is shown.

### List of investment corporation bond (as of the end of the fiscal period ended July 2020)

Social finance	Name	Balance (million yen)	Interest rate (%)	Payment date	Redemption date	Credit rating	Security
○	Healthcare & Medical Investment Corporation 1st Series Unsecured Investment Corporation Bonds (with pari passu conditions among the specified investment corporation bonds) (Social Bond) (a.k.a.: HCM Social Bond)	2,000	0.780	January 30, 2020	January 30, 2030.	A (JCR)	Unsecured and unguaranteed

## 8. Output Indicators

### Portfolio Map



(Note) As for the output indicators in this report, the data announced as of the end of the fiscal period ended July 2020 (11th fiscal period) is indicated unless otherwise specified.

## 8. Output Indicators

### Summary of Buildings and Their Leasing Status

Property No.	Property name	Structure/ Number of floor (Note 1)	Construction completion (Note 2)	leasable area (m <sup>2</sup> ) (Note 3)	leased area (m <sup>2</sup> ) (Note 4)	No. of tenants (companies) (Note 5)	Occupancy rate (%) (Note 6)
Paid nursing home-1	AQUAMARINE Nishinomiyahama	RC/5F	May 18, 2007	5,274.54	5,274.54	2	100.0
Paid nursing home-2	Bonsejour Chitose-funabashi	RC/B1 6F	March 8, 1988	2,342.17	2,342.17	1	100.0
Paid nursing home-3	Bonsejour Hino	RC/3F	May 2, 1990	1,984.17	1,984.17	1	100.0
Paid nursing home-4	Bonsejour Musashi-shinjo	RC/4F	February 21, 1985	1,710.43	1,710.43	1	100.0
Paid nursing home-5	Medical Rehabilitation Home Bonsejour Hadanoshibusawa	RC/5F	July 17, 1991	3,435.79	3,435.79	1	100.0
Paid nursing home-6	Medical Rehabilitation Home Bonsejour Komaki	SRC RC S/10F	March 13, 1991	8,858.49	8,858.49	1	100.0
Paid nursing home-7	ASHEIM Hikarigaoka	RC/3F	March 6, 2006	3,628.60	3,628.60	1	100.0
Paid nursing home-8	ASHEIM Bunkyoakusan	RC/8F	February 27, 2007	2,507.25	2,507.25	2	100.0
Paid nursing home-9	SOMPO CARE La vie Re Machidaonoji	RC/B1 6F	October 29, 2007	7,720.17	7,720.17	1	100.0
Paid nursing home-10	SOMPO CARE La vie Re Azamino	RC/B1 5F	March 1, 2004	5,789.25	5,789.25	1	100.0
Paid nursing home-11	SAWAYAKA Tachibanakan	RC/B1 6F	October 31, 2005	5,652.94	5,652.94	1	100.0
Paid nursing home-12	SAWAYAKA Mekarikan	RC/4F	November 15, 2005	4,720.46	4,720.46	1	100.0
Paid nursing home-13	SAWAYAKA Tagawakan	RC/3F	January 20, 2006	2,366.20	2,366.20	1	100.0
Paid nursing home-14	GOOD TIME HOME Fudo-mae	RC/B1 5F	Mar. 18, 1992	3,400.20	3,400.20	1	100.0
Paid nursing home-15	Bonsejour Yotsugi	RC/5F	Mar. 28, 1989	1,962.89	1,962.89	1	100.0
Paid nursing home-16	Medical Home Bonsejour Itami	SRC/11F (exclusively-owned portion)	Mar. 3, 1989	2,129.87	2,129.87	1	100.0
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	RC/B1 9F	Jan. 7, 2009	12,636.48	12,636.48	1	100.0
Paid nursing home-18	GreenLife Moriguchi	S RC/9F	Sep. 6, 2006	8,356.85	8,356.85	1	100.0
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	S/B1 4	Mar. 31, 2010	1,772.89	1,772.89	1	100.0
Paid nursing home-20	Granda Tsuruma-Yamato	RC S/5F	Mar. 6, 1998	3,427.08	3,427.08	1	100.0
Paid nursing home-21	Smiling Home Medice Adachi	RC/4F	Nov. 16, 2005	3,870.98	3,870.98	2	100.0
Paid nursing home-22	AIKOEN ICHIBANKAN Building	S/5F	Feb. 4, 2010	4,311.20	4,311.20	4	100.0
Paid nursing home-23	Hanakotoba Minami	RC/7F	Feb. 24, 2010	1,710.68	1,710.68	1	100.0
Paid nursing home-24	Hanakotoba Miura	RC/4F	Jun. 27, 2007	1,959.64	1,959.64	1	100.0
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	RC/4F (exclusively-owned portion)	Mar. 8, 2007	4,060.21	4,060.21	5	100.0
Paid nursing home-26	Hanakotoba Shin-Yokohama	RC/9F	Mar. 15, 2004	5,230.23	5,230.23	1	100.0
Paid nursing home-27	Hanakotoba Shin-Yokohama II	RC/B1 7F	Apr. 25, 2007	1,837.29	1,837.29	1	100.0
Paid nursing home-28	Hanakotoba Odawara	RC/4F	Sep. 16, 2009	2,203.42	2,203.42	1	100.0
Paid nursing home-29	Verde Minowa	①S/5F ②S RC/8F	(1) Nov. 20, 2003 (2) Feb. 28, 1974	11,098.17	11,098.17	1	100.0
Paid nursing home-30	Verde Hotaka	①S SRC/5F ②S/2F	(1) Sep. 29, 1982 (2) Jul. 1, 1989	6,352.86	6,352.86	1	100.0

## 8. Output Indicators

### Summary of Buildings and Their Leasing Status

Property No.	Property name	Structure/ Number of floor (Note 1)	Construction completion (Note 2)	leasable area (m <sup>2</sup> ) (Note 3)	leased area (m <sup>2</sup> ) (Note 4)	No. of tenants (companies) (Note 5)	Occupancy rate (%) (Note 6)
Paid nursing home-31	Sunny Life Kita-Shinagawa	S/3F	Sep. 30, 2018	2,135.54	2,135.54	1	100.0
Paid nursing home-32	Sunny Life Kamakura	S/5F	Sep. 19, 2014	3,817.91	3,817.91	1	100.0
Serviced housing for the elderly-1	SOMPO CARE Sompo no ie S Awajiekimae	RC/12F	Jun. 12, 2009	5,745.15	5,745.15	1	100.0
Serviced housing for the elderly-2	SOMPO CARE Sompo no ie S Kobekamisawa	S/9F	Jun. 11, 2009	4,058.35	4,058.35	1	100.0
Medical service-related facilities, etc.-1	Niigata Rehabilitation Hospital	①RC/3F ②S/5F	(1) Apr. 20, 1990 (2) Feb. 28, 2001	13,476.55	13,476.55	1	100.0
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP SENRI BUILDING	RC/B1 11F	Sep. 5, 2008	24,813.85	24,813.85	1	100.0
Total		-	-	186,358.75	186,358.75	46	100.0

(Note 1) "Structure/ No. of floors" indicates information provided in the real estate registry of the building of each owned asset. "S" refers to steel structure, "RC" refers to reinforced concrete structure, "SRC" refers to steel-reinforced concrete structure, "B" refers to basement floor and "F" refers to floors above ground.

(Note 2) "Construction completion" indicates date of new construction provided in the real estate registry of the building of each owned asset.

(Note 3) "leasable area" indicates the areas based on the lease agreement of each building.

(Note 4) "leased area" indicates the areas, out of the total leasable area, for which actual lease agreements have been concluded and are leased.

(Note 5) "No. of tenants" indicates the number of tenants of each building based on the lease agreements. For the section of healthcare facilities in which the trustee of each owned asset and HCM conclude a lease agreement (master lease agreement) with an aim to have HCM sublease to the master lease company (section of paid nursing home with nursing care for "Smiling Home Medice Adachi"), the master lease company is counted as a tenant, and accordingly indicated as the number of tenants, while the total number of end tenants is indicated for properties subject to pass-through type master lease agreements, in which HCM receives rents paid by end tenants without any change in principle. However, for the sections that are not subject to the lease agreement (master lease agreement) between the trustee and HCM, the number of lessees leasing a building from the trustee is counted as the number of tenants and indicated accordingly.

(Note 6) "Occupancy rate" indicates the total leased area as a percentage of the total leasable area of each owned asset as of July 31, 2020, and is rounded to one decimal place.

## 8. Output Indicators

### Overview of Facilities and Housing for the Elderly

Property No.	Property name	Type of facility	Operator	No. of rooms (rooms) (Note 1)	Capacity (persons) (Note 1)	No. of residents (persons) (Note 1)	Occupancy rate (%) (Note 2)	Preparation date of Property Disclosure Statement of Important Matters (Note 3)
Paid nursing home-1	AQUAMARINE Nishinomiya	Paid nursing home	GREEN LIFE Co., Ltd.	90	100	100	100.0	July 1, 2020
Paid nursing home-2	Bonjour Chitose-funabashi	Paid nursing home	Benesse Style Care Co., Ltd.	42	47	41	87.2	May 1, 2020
Paid nursing home-3	Bonjour Hino	Paid nursing home	Benesse Style Care Co., Ltd.	56	58	56	96.6	May 1, 2020
Paid nursing home-4	Bonjour Musashi-shinjo	Paid nursing home	Benesse Style Care Co., Ltd.	46	49	45	91.8	May 1, 2020
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	Paid nursing home	Benesse Style Care Co., Ltd.	100	101	95	94.1	July 1, 2020
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	Residential type paid nursing home	Benesse Style Care Co., Ltd.	124	165	126	76.4	May 1, 2020
Paid nursing home-7	ASHEIM Hikarigaoka	Paid nursing home	AS PARTNERS Co., Ltd.	83	89	79	88.8	July 1, 2020
Paid nursing home-8	ASHEIM Bunkyo	Paid nursing home	AS PARTNERS Co., Ltd.	50	52	44	84.6	July 1, 2020
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	Paid nursing home	Sompo Care Inc.	163	169	118	69.8	April 1, 2020
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Paid nursing home	Sompo Care Inc.	145	145	122	84.1	July 1, 2020
Paid nursing home-11	SAWAYAKA Tachibanakan	Paid nursing home	Sawayaka Club Co., Ltd.	104	104	101	97.1	July 1, 2020
Paid nursing home-12	SAWAYAKA Mekarikan	Paid nursing home	Sawayaka Club Co., Ltd.	95	95	93	97.9	July 1, 2020
Paid nursing home-13	SAWAYAKA Tagawan	Paid nursing home	Sawayaka Club Co., Ltd.	60	60	59	98.3	June 1, 2020
Paid nursing home-14	GOOD TIME HOME Fudomae	Paid nursing home	JAPAN LIFEDESIGN Inc.	61	67	58	86.6	April 27, 2020
Paid nursing home-15	Bonjour Yotsugi	Paid nursing home	Benesse Style Care Co., Ltd.	61	65	58	89.2	April 1, 2020
Paid nursing home-16	Medical Home Bonjour Itami	Residential type paid nursing home	Benesse Style Care Co., Ltd.	62	64	61	95.3	May 1, 2020
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Paid nursing home	GREEN LIFE Co., Ltd.	131	138	137	99.3	July 1, 2020
Paid nursing home-18	GreenLife Moriguchi	Paid nursing home	GREEN LIFE Co., Ltd.	155	189	189	100.0	July 1, 2020
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Paid nursing home	GREEN LIFE Co., Ltd.	47	47	47	100.0	July 1, 2020
Paid nursing home-20	Granda Tsuruma-Yamato	Paid nursing home	Benesse Style Care Co., Ltd.	73	90	73	81.1	May 1, 2020
Paid nursing home-21	Smiling Home Medice Adachi	Paid nursing home	GREEN LIFE HIGASHI NIHON Co., Ltd.	82	82	79	96.3	June 1, 2020
Paid nursing home-22	AIKOEN ICHIBANKAN Building	Paid nursing home	Medical Corporation AIKOKAI	90	90	90	100.0	July 1, 2020
Paid nursing home-23	Hanakotoba Minami	Paid nursing home	Proud Life Inc.	51	51	50	98.0	July 1, 2020
Paid nursing home-24	Hanakotoba Miura	Paid nursing home	Proud Life Inc.	53	54	54	100.0	July 1, 2020
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	Paid nursing home	Sompo Care Inc.	58	58	51	87.9	July 1, 2020
Paid nursing home-26	Hanakotoba Shin-Yokohama	Paid nursing home	Proud Life Inc.	136	136	129	94.9	July 1, 2020
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Paid nursing home	Proud Life Inc.	29	30	28	93.3	July 1, 2020
Paid nursing home-28	Hanakotoba Odawara	Paid nursing home	Proud Life Inc.	60	65	64	98.5	July 17, 2020
Paid nursing home-29	Verde Minowa	Paid nursing home	Verde Corporation	174	206	191	92.7	July 1, 2020
Paid nursing home-30	Verde Hotaka	Paid nursing home	Verde Corporation	121	174	172	98.9	July 1, 2020
Paid nursing home-31	Sunny Life Kita-Shinagawa	Paid nursing home	Kawashima Corporation	66	66	58	87.9	October 1, 2019
Paid nursing home-32	Sunny Life Kamakura	Paid nursing home	Kawashima Corporation	128	128	126	98.4	October 1, 2019
Serviced housing for the elderly-1	SOMPO CARE Sompo no ie S Awajiekimae	Serviced housing for the elderly	Sompo Care Inc.	137	137	132	96.4	June 1, 2020
Serviced housing for the elderly-2	SOMPO CARE Sompo no ie S Kobekamisawa	Serviced housing for the elderly	Sompo Care Inc.	85	85	75	88.2	June 1, 2020
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP SENRI BUILDING (Note 4)	Hospital Paid nursing home	GREEN LIFE Co., Ltd.	181	200	200	100.0	July 1, 2020
Total		-	-	3,199	3,456	3,201	92.6	-

(Note 1) "No. of rooms," "Capacity" and "No. of residents" indicate figures based on figures stated in Property Disclosure Statement of Important Matters (hereinafter the "Property Disclosure Statement of Important Matters") of the paid nursing home provided by the operators

(Note 2) "Occupancy rate" indicates the rate obtained by dividing the number of residents by capacity, rounded to one decimal place.

(Note 3) "Preparation date of Property Disclosure Statement of Important Matters" indicates the date of application, reference date or preparation date stated on the document.

(Note 4) "SHIP SENRI BUILDING" has a hospital and a paid nursing home, and the overview of the facility concerning the paid nursing home is indicated in the above table.

## 8. Output Indicators

### Overview of Medical Service-Related Facilities, Etc.

Property No.	Medical service-related facilities, etc.-1		
Property name	Niigata Rehabilitation Hospital		
Operator	Medical Corporation AIKOKAI	Date of establishment	June 1990 (Established as Oyama Hospital, the precursor)
Type of facility	Hospital	Authorized number of beds	168 beds (general bed: 108 beds/ convalescent-stage beds: 60 beds)
Subject of medical treatment	Rehabilitation, orthopedic surgery, internal medicine, neurology, dental & dental and oral surgery	Facility certification	Training facility certified by the Japanese Association of Rehabilitation Medicine Training facility certified by Japan Society of Ultrasonics in Medicine specialists
Main facility criteria	Hospitalization fee 2nd floor (48 beds) 3rd floor (60 beds) 4th floor (60 beds)		Hospitalization fee of hospital ward for comprehensive community care 1 Basic hospitalization fee for general hospital ward (local general hospitalization fee 1) Medical management fee for comprehensive community care 1 Hospitalization fee of hospital ward for rehabilitation at recovery stage 1
External evaluation	Hospital certified by Japan Council for Quality Health Care. (Certification number: JC1424-3) 3rdG:Ver.1.1 Added function Rehabilitation function (Certification number: JC1424-R2) Ver.3.0		

Property No.	Complex of paid nursing homes, medical service-related facilities, etc.-1		
Property name	SHIP SENRI BUILDING (Senri-Chuo Hospital) (Note)		
Operator	Kyowakai Medical Corporation	Date of establishment	October 2008
Type of facility	Hospital	Authorized number of beds	400 beds (400 general beds)
Subject of medical treatment	Rehabilitation, orthopedic surgery, cranial nerve surgery, surgery, internal medicine and neurology	Facility certification	Training facility certified by the Japanese Association of Rehabilitation Medicine
Main facility criteria	Hospitalization fee	West 6th floor (25 beds) Hospitalization fee of hospital ward for palliative care West 5th floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee West 4th floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee West 3rd floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee West 2nd floor (50 beds) Hospitalization fee of hospital ward for rehabilitation at recovery stage1	East 6th floor (25 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee East 5th floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee East 4th floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee East 3rd floor (50 beds) Hospitalization fee of hospital ward for rehabilitation at recovery stage1
External evaluation	-		

(Note) "SHIP SENRI BUILDING" has a hospital and a paid nursing home, and the overview of the facility concerning the hospital is indicated in the above table.

## 8. Output Indicators

### Earnings Performance

Unit: thousands of yen

Property name	From February 1, 2020 to July 31, 2020										
	Real estate lease business revenue			Real estate lease business expenses						NOI (Note 3)	
	Rent revenue	Other revenue		Property tax	Outsourcing expenses	Repair expenses	Insurance expenses	Depreciation	Other		
AQUAMARINE Nishinomiyahama				23,803	4,264	2,100	1,220	200	15,616	400	59,156
Bonjour Chitose-funabashi				5,575	1,794	224	-	101	3,048	404	21,448
Bonjour Hino				5,062	1,240	214	-	77	3,130	400	19,520
Bonjour Musashi-shinjo				4,096	1,012	167	-	68	2,447	400	16,224
Medical Rehabilitation Home Bonjour Hadanoshibusawa				8,391	1,820	213	-	139	5,817	400	21,164
Medical Rehabilitation Home Bonjour Komaki				14,115	4,565	201	-	321	8,627	400	39,755
ASHEIM Hikarigaoka				15,614	3,825	381	1,392	147	9,467	400	39,789
ASHEIM Bunkyoakusan				12,145	2,621	381	-	115	8,626	400	38,668
SOMPO CARE La vie Re Machidaonjo				45,723	5,905	780	1,062	347	37,229	400	96,505
SOMPO CARE La vie Re Azamino				32,672	4,742	780	142	252	26,355	400	78,882
SAWAYAKA Tachibanakan				26,429	2,655	1,140	-	320	21,913	400	47,338
SAWAYAKA Mekarikan				25,778	2,970	1,140	-	229	21,039	400	43,494
SAWAYAKA Tagawakan				8,385	1,108	1,140	-	101	5,635	400	12,933
GOOD TIME HOME Fudo-mae				14,469	3,099	600	778	161	9,429	400	45,960
Bonjour Yotsugi				4,947	970	223	-	66	3,286	400	20,761
Medical Home Bonjour Itami				6,509	1,377	371	-	101	4,260	400	14,020
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)				51,138	9,577	900	-	523	39,737	400	114,098
GreenLife Moriguchi		Not disclosed (Note 2)		35,285	6,937	1,363	2,088	343	24,152	400	108,866
Hapine Kobe Uozaki Nibankan				9,546	1,400	1,200	-	81	6,464	400	24,417
Granda Tsuruma-Yamato				7,285	1,938	618	-	137	4,191	400	27,156
Smiling Home Medice Adachi				14,608	3,229	540	260	160	10,019	400	60,618
AIKOEN ICHIBANKAN Building				9,372	2,560	780	900	102	4,630	400	21,918
Hanakotoba Minami				6,727	1,541	600	120	71	3,994	400	27,866
Hanakotoba Miura				6,772	1,541	600	-	81	4,150	400	17,777
SOMPO CARE La vie Re Hama-Kawasaki				18,662	3,416	2,770	680	186	11,207	400	44,904
Hanakotoba Shin-Yokohama				16,049	4,388	900	1,717	225	8,418	400	54,281
Hanakotoba Shin-Yokohama II				5,436	2,499	600	-	83	1,853	400	11,230
Hanakotoba Odawara				8,054	1,356	600	325	89	5,282	400	24,851
Verde Minowa				25,481	5,256	1,020	319	460	18,025	400	56,452
Verde Hotaka				23,954	2,222	1,020	180	225	19,743	563	45,894
Sunny Life Kita-Shinagawa				10,318	2,944	600	-	108	6,265	400	45,446
Sunny Life Kamakura				3,113	-	128	-	29	2,883	72	7,406
SOMPO CARE Sompno ie S Awajiekimae				27,014	4,921	510	-	248	20,934	400	58,378
SOMPO CARE Sompno ie S Kobekamisawa				17,545	2,908	510	955	163	12,608	400	35,353
Niigata Rehabilitation Hospital				26,829	9,849	1,030	-	350	15,099	500	78,149
SHIP SENRI BUILDING				75,492	27,236	1,500	-	1,069	45,286	400	341,595
<b>Total</b>	<b>2,023,819</b>	<b>2,015,035</b>	<b>8,783</b>	<b>652,411</b>	<b>139,701</b>	<b>27,850</b>	<b>12,141</b>	<b>7,495</b>	<b>450,881</b>	<b>14,341</b>	<b>1,822,288</b>

(Note 1) All figures indicated are rounded down to thousand yen.

(Note 2) "Real estate lease business revenue," "rent revenue" and "other revenue" of each property are not disclosed as consent for disclosure has not been obtained from tenants. The total is the sum of amounts received as rent for the fiscal period under review based on the lease agreements.

(Note 3) "NOI" = Real estate lease business revenue - Real estate lease business expenses + depreciation and amortization

## 8. Output Indicators

### Summary of Appraisal Report

Property No.	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
				Direct capitalization method		DCF method				
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate (%)		
Paid nursing home-1	AQUAMARINE Nishinomiya	Rich Appraisal Institute Co., Ltd.	2,140	2,160	5.3	2,130	5.0	5.5	119	6.1
Paid nursing home-2	Bonjour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	993	4.4	966	4.5	4.6	49	5.9
Paid nursing home-3	Bonjour Hino	The Tanizawa Sogo Appraisal Co., Ltd.	818	832	4.8	812	4.9	5.0	43	6.0
Paid nursing home-4	Bonjour Musashi-shinjo	The Tanizawa Sogo Appraisal Co., Ltd.	643	653	5.1	638	5.2	5.3	36	6.2
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	The Tanizawa Sogo Appraisal Co., Ltd.	850	864	5.0	844	5.1	5.2	47	6.4
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	The Tanizawa Sogo Appraisal Co., Ltd.	1,450	1,460	5.5	1,440	5.6	5.7	92	7.3
Paid nursing home-7	ASHEIM Hikarigaoka	Japan Real Estate Institute	1,570	1,580	4.8	1,560	4.6	5.0	76	5.5
Paid nursing home-8	ASHEIM Bunkyo	Japan Real Estate Institute	1,650	1,660	4.4	1,630	4.2	4.6	74	5.1
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	Japan Real Estate Institute	3,780	3,820	4.9	3,740	4.7	5.1	193	5.3
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Japan Real Estate Institute	3,230	3,270	4.6	3,190	4.4	4.8	156	5.1
Paid nursing home-11	SAWAYAKA Tachibanakan	Japan Real Estate Institute	1,530	1,540	5.6	1,510	5.4	5.8	93	6.1
Paid nursing home-12	SAWAYAKA Mekarikan	Japan Real Estate Institute	1,400	1,410	5.7	1,390	5.5	5.9	85	6.2
Paid nursing home-13	SAWAYAKA Tagawakan	Japan Real Estate Institute	380	382	5.8	377	5.6	6.0	25	6.4
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Japan Real Estate Institute	1,950	1,970	4.4	1,920	4.2	4.6	91	5.2
Paid nursing home-15	Bonjour Yotsugi	The Tanizawa Sogo Appraisal Co., Ltd.	886	902	4.7	879	4.8	4.9	48	5.8
Paid nursing home-16	Medical Home Bonjour Itami	The Tanizawa Sogo Appraisal Co., Ltd.	557	566	5.1	553	5.2	5.3	36	7.1
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Daiwa Real Estate Appraisal Co., Ltd.	4,420	4,470	4.7	4,400	4.5	4.9	225	5.2
Paid nursing home-18	GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,400	4,460	4.6	4,380	4.4	4.8	220	5.3
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	995	1,010	4.6	989	4.4	4.8	48	5.2
Paid nursing home-20	Granda Tsuruma-Yamato	The Tanizawa Sogo Appraisal Co., Ltd.	1,060	1,070	4.7	1,050	4.8	4.9	53	5.3
Paid nursing home-21	Smiling Home Medice Adachi	The Tanizawa Sogo Appraisal Co., Ltd.	2,460	2,490	4.7	2,450	4.8	4.9	120	5.3
Paid nursing home-22	AIKOEN ICHIBANKAN Building	The Tanizawa Sogo Appraisal Co., Ltd.	865	866	5.2	864	5.3	5.4	45	5.9
Paid nursing home-23	Hanakotoba Minami	Japan Real Estate Institute	1,190	1,200	4.6	1,170	4.4	4.8	56	5.2
Paid nursing home-24	Hanakotoba Miura	The Tanizawa Sogo Appraisal Co., Ltd.	665	671	4.9	662	5.0	5.1	35	5.7
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	JLL Morii Valuation & Advisory K.K.	1,820	1,850	4.6	1,780	4.4	4.8	90	5.2
Paid nursing home-26	Hanakotoba Shin-Yokohama	Japan Real Estate Institute	2,230	2,260	4.5	2,200	4.3	4.7	109	5.2
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Japan Real Estate Institute	401	403	4.8	399	4.6	5.0	22	5.8
Paid nursing home-28	Hanakotoba Odawara	The Tanizawa Sogo Appraisal Co., Ltd.	948	960	4.9	943	4.8~5.0	5.1	49	5.6
Paid nursing home-29	Verde Minowa	Daiwa Real Estate Appraisal Co., Ltd.	1,700	1,710	5.0	1,690	4.8	5.2	109	6.7
Paid nursing home-30	Verde Hotaka	Daiwa Real Estate Appraisal Co., Ltd.	1,430	1,440	5.4	1,420	5.2	5.6	91	6.9

## 8. Output Indicators

### Summary of Appraisal Report

Property No.	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
				Direct capitalization method		DCF method				
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate (%)		
Paid nursing home-31	Sunny Life Kita-Shinagawa	Daiwa Real Estate Appraisal Co., Ltd.	1,950	1,980	4.5	1,930	4.3	4.7	90	4.9
Paid nursing home-32	Sunny Life Kamakura	The Tanizawa Sogo Appraisal Co., Ltd.	1,550	1,560	4.6	1,540	4.7	4.8	76	5.3
Serviced housing for the elderly-1	SOMPO CARE Sompno ie S Awajiekimae	Japan Real Estate Institute	2,170	2,190	5.2	2,150	5.0	5.4	116	6.0
Serviced housing for the elderly-2	SOMPO CARE Sompno ie S Kobekamisawa	Japan Real Estate Institute	1,340	1,350	5.2	1,320	5.0	5.4	72	6.0
Medical service-related facilities, etc.-1	Niigata Rehabilitation Hospital	Japan Real Estate Institute	2,260	2,270	6.6	2,250	6.4	6.8	152	7.4
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP SENRI BUILDING	The Tanizawa Sogo Appraisal Co., Ltd.	14,200	14,400	4.5	14,100	4.5~4.6	4.7	680	5.2
Total			71,862	72,672	—	71,266	—	—	3,736	5.6

(Note 1) Figures are based on appraisal reports with appraisal date of July 31, 2020.

(Note 2) "Discount rate" represents a yield used to discount net cash flow during an analysis period and terminal value at the end of an analysis period back to present value, and figures used by the respective appraisal organization are shown. For "Hanakotoba Odawara," 4.8% for the first to third fiscal years and 5.0% from the fourth fiscal year, and for "SHIP SENRI BUILDING," 4.5% for the first to third fiscal years and 4.6% from the fourth fiscal year.

(Note 3) "Appraisal NOI" indicates net operating income obtained by direct capitalization method stated in real estate appraisal report with July 31, 2020 as appraisal date, and is rounded down to the nearest million yen. NOI refers to the net operating income before deducting depreciation, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits, etc. to and deducting capital expenditures from NOI. The same shall apply hereinafter in this document.

(Note 4) "Appraisal NOI yield" is calculated by the formula below and rounded down to the first decimal place. In the column of total appraisal NOI yield, the average appraisal NOI yield is shown which is calculated by dividing the total appraisal NOI of the respective asset in trust by the total acquisition price, and rounded down to the first decimal place. Appraisal NOI yield = Appraisal NOI of the respective asset in trust/Acquisition price of respective asset in trust.

## 8. Output Indicators

### Capital Expenditures of Assets Under Management

- 10th FP (Ended January 2020) Actual

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Renovation of rooftop waterproof	From: September 2019 To: November 2019	31,000
ASHEIM Hikarigaoka (Nerima-ku, Tokyo)	Work on nurse call systems and other equipment	From: June 2019 To: August 2019	25,632
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of air conditioners in common areas	From: September 2019 To: October 2019	19,182
Other real estate, etc.	-	-	112,300
Total			188,115

- 11th FP (Ended July 2020) Actual

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Renovation of exterior walls	From: April 2020 To: July 2020	22,000
SHIP Senri Building (Toyonaka-shi, Osaka)	Renewal of storage batteries	From: June 2020 To: June 2020	10,316
SAWAYAKA Mekarikan (Kitakyushu-shi, Fukuoka)	Renewal of air conditioners in common areas	From: June 2020 To: June 2020	7,945
Other real estate, etc.	-	-	42,280
Total			82,542

- 12th FP (Ended January 2021) Plan

Name of real estate, etc.	Purpose	Scheduled period	Estimated construction costs (thousands of yen)		
			Total amount	Payment during 11th FP	Total amount already paid
SHIP Senri Building (Toyonaka-shi, Osaka)	Renewal of security systems	From: April 2020 To: August 2020	36,000	-	-
Kobe Gakuentoshi Building (Kobe-shi, Hyogo)	Renewal of LED lighting	From: November 2020 To: December 2020	30,000	-	-
Hanakotoba Shin-Yokohama	Renovation of exterior walls	From: November 2020 To: December 2020	25,000	-	-

## 8. Output Indicators

### Company Profile of Operators

Operator name	Headquarters location (Note 1)	Representative (Note 1)	Founded (Note 1)	Capital stock or total assets (millions of yen) (Note 1)	Attribute
Sompo Care Inc.	4-12-8 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Representative Director Ken Endo	May 1997	3,925	Consolidated subsidiary of Sompo Holdings, Inc., which is listed on the TSE First Section
Benesse Style Care Co., Ltd.	2-3-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo	Representative Director Shinya Takiyama	September 1995	100	Consolidated subsidiary of Benesse Holdings, Inc., which is listed on the TSE First Section
GREEN LIFE Co., Ltd.	3-20-8 Kasuga, Suitashi, Osaka	Representative Director Koichi Okimoto	May 1994	50	Consolidated subsidiary of Ship Healthcare Holdings Inc. which is listed on the TSE First Section
GREEN LIFE HIGASHI NIHON Co., Ltd.	1-4-16, Yaesu, Chuo-ku, Tokyo	Representative Director Koichi Okimoto	July 2003	50	Consolidated subsidiary of Ship Healthcare Holdings Inc. which is listed on the TSE First Section
Sawayaka Club Co., Ltd.	2-10-10 Kumamoto, Kokurakita-ku, Kitakyushu-shi, Fukuoka	Representative Director Fumiharu Uchiyama	December 2004	200	Consolidated subsidiary of UCHIYAMA HOLDINGS Co., Ltd., which is listed on the TSE First Section
AS PARTNERS Co., Ltd.	2-2, Kanda-surugadai, Chiyoda-ku, Tokyo	Representative Director Takeshi Uemura	November 2004	40	Unlisted company
JAPAN LIFE DESIGN Inc.	1-7-1, Akasaka, Minato-ku, Tokyo	Representative Director Shosetsu Ito	April 2004	340	Unlisted company Capital partnership with Nomura Real Estate Holdings, Inc.
Medical Corporation AIKOKAI	761 Kizaki, Kita-ku, Niigata-shi, Niigata	Director Hiromu Ikeda	November 1993	1,053	A medical corporation which belongs to NSG Group with sales of over 100 billion yen (Note 2)
Proud Life Inc.	2-8-4, Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa	Representative Director Hiroshi Sonoda	July 2006	3	Consolidated subsidiary of Sony Life Care Corporation, a holding company overseeing the nursing care business of Sony Financial Group.
Kyowakai Medical Corporation	16-5, Chucho, Kawanishi-shi, Hyogo	Director Toru Kitagawa	August 1982	3,496	-
Kawashima Corporation	248-2, Higashiinohara, Kimitsu-shi, Chiba	Representative Director Teruo Kawashima	September 1990	50	Unlisted company
Verde Corporation	839-4, Kamishiba, Misatomachi, Takasaki-shi, Gunma	Representative Director Tomoyuki Higuchi	June 1970	30	Unlisted company

(Note 1) "Headquarters location," "Representative," "Founded" and "Capital stock or total assets" are based on the information in the registry as of July 1, 2020.

Only one person is described in the "Representative," "Capital stock or total assets" is rounded off to the nearest million yen.

(Note 2) Indicates the actual figures in fiscal 2018 based on NSG Group's website.

## 9. Actions of Each Operator

### Feature: Interview

HCM has posted featured articles on interviews with operators in its Investment Management Report, which it issues targeting investors, every fiscal period. HCM offered information on a regular basis with the aim to further popularize and expand the healthcare asset market by making features of respective operators and facilities as well as their various efforts widely known to many people.

Interviews posted	
1st FP	GREEN LIFE Co., Ltd. Ms. Kumi Kashiwagi, Facility Manager of AQUAMARINE Nishinomiyahama
2nd FP	Sawayaka Club Co., Ltd. Mr. Hidekazu Tanaka, Fukuoka District Area Manager of Operation Department Mr. Kazuya Yamaguchi, Deputy Facility Manager of SAWAYAKA Tachibanakan
3rd FP	Sompo Care Message Co., Ltd. Mr. Keiji Ishibe, General Manager of Corporate Management and Planning Department Mr. Akira Sakurai, Manager of Sompo no ie S Awajiekimae
4th FP	Benesse Style Care Co., Ltd. Mr. Kazuhiro Takanawa, General Manager of Living Facilities Department Mr. Takayoshi Hasegawa, Home Chief of Granda Tsuruma-Yamato
5th FP	AS PARTNERS Co., Ltd. Mr. Koji Yamamoto, Director, Executive Officer and General Manager of Senior Home Operation Department Mr. Masataka Kitamura, Home Chief of ASHEIM Hikarigaoka
6th FP	Sompo Care Inc. Sompo Care Next Inc. Mr. Isao Yamakawa, Executive Officer Ms. Terumi Ogata, Home Chief of SOMPO CARE La vie Re Machidaonaji
7th FP	AS PARTNERS Co., Ltd. MR. Takeshi Uemura, Representative Director, President and CEO Mr. Ryosuke Nakamoto, General Manager of Senior Home Management Department and Group Leader of Operation Management Group
8th FP	Kyowakai Medical Corporation Mr. Toru Kitagawa, Director
9th FP	Proud Life Inc. Mr. Masaki Kon, Executive Officer and General Manager of Business Department Mr. Nagahito Konno, Head of Hanakotoba Shin-Yokohama
10th FP	Verde Corporation Mr. Tomoyuki Higuchi, CEO Mr. Kenji Okubo, Director and General manager
11th FP	Mr. Fumiharu Uchiyama, President and CEO, Uchiyama Holdings Co., Ltd. and President and CEO, Sawayaka Club Co., Ltd. Mr. Takehiro Yamamoto, Representative Director and Senior Managing Director, Corporate Planning Office, Uchiyama Holdings Co., Ltd., and Managing Director, Sawayaka Club Co., Ltd. Mr. Masahiro Ishimoto, Director and General Manager, Sawayaka Club Co., Ltd.

Japanese version of the past Investment Management Report with interview articles posted can be viewed on the HCM website. Please note that the company names and titles listed above are those at the time of the interview.

HCM Website / IR Library

<http://www.hcm3455.co.jp/ja/ir/library.html>

## 9. Actions of Each Operator

### Feature: Interview

#### ● Verde Hotaka (Verde Corporation)

We must always maintain a sense of gratitude and find reward in our work while contributing to the happiness of our customers and employees, the prosperity of our company and business partners, and the welfare of local communities by striving to improve our services on a daily basis with the attitude of “taking two steps forward for every step back.” (from the 10th Investment Management Report)

Interview: Mr. Tomoyuki Higuchi, CEO, Verde Corporation  
Mr. Kenji Okubo, Director and General Manager, Verde Corporation

- Management that respects the uniqueness of each facility while maintaining a sense of gratitude  
— Could you give us an overview of Verde Corporation?

Mr. Higuchi

Originally, it was an electrical systems company established by my late father in 1970. The nursing care business started with Verde Hotaka, which was established by renovating a former nurses’ dormitory of a hospital that was operated by the company in 1982, and today we operate five paid nursing home facilities in Gunma Prefecture (Takasaki City, Shibukawa City, and Tone District). In November of this year, we’re also planning to open a new facility, Grand Home Shibukawa. The manager of each facility is given discretion to make decisions on day-to-day operations and sales activities, so each facility may be said to strongly reflect the character of its manager.

Mr. Okubo

As a matter of routine, opportunities are provided for facility managers to make timely reports to the head office and to share and exchange opinions with both each other and the president about issues and problems, but fundamentally, each facility makes its own decisions about various activities and events, and they feel both the responsibility and satisfaction of being entrusted with facility management every day.

— What about the group as a whole, which operates the largest nursing care and welfare business in Gunma Prefecture?

Mr. Higuchi

The group consists of the Verde Group, the Hotakakai Group run by my younger brother, and the Takumi Group run by my older sister. While we pursue horizontal cooperation with respect to basic systems, training, and so forth, which are shared across the group, each group operates independently with respect to other areas. Driven by the launch of the paid nursing home business after my father and uncle established Hotaka Hospital (now the affiliated PAZ Group) in Kawaba Village in 1978, the group has steadily expanded. Nowadays, the strength of our group is that we have the internal capacity to provide various solutions that are necessary for the business in which we’re engaged. In order to pursue our business, the fact that we have ties with organizations such as medical institutions and universities is also extremely important.

- The secret to high occupancy rates and a unique approach to attracting customers

— Verde Hotaka and Minowa, which are owned by the REIT, are large facilities with a capacity of 200 people. What is the secret to maintaining high occupancy rates in such facilities, which are difficult to fill even in the Tokyo metropolitan area?

Mr. Higuchi

The five facilities we operate have a total capacity of 538 people (including short-term residents). Residents from Niigata actually account for about 40% of that. To give you a little background, I was originally affiliated with a hospital in Niigata, and while investigating the state of medical and welfare services around Tokamachi City, Uonuma City, and Minami-Uonuma District, which are areas with a lot of snow, I discovered that bed management was not being handled effectively. The underlying reason for this was that there were almost no nursing care facilities in these areas. However, there were various obstacles to bringing people from Niigata into Gunma facilities, but we devised sales activities that resolved them. The people who moved into our facilities had a notably favorable response, and thanks to the spread of word-of-mouth, we arrived at the current situation. The fact that we have established a community of Niigata residents even though we’re located in Gunma is a strength of our facility.

Mr. Okubo

When potential residents come to visit our facility, the fact that there are people they know or recognize from their neighborhood gives them peace of mind, and I think this is one reason why the number of people from Niigata has increased. Compared with other facilities operated by Verde, there are many residents from Niigata at Verde Hotaka and Minowa in particular.

— What about initiatives to secure human resources?

Mr. Higuchi

Securing human resources is one of the major issues in the nursing care industry, and we intend to steadily increase our facilities by drawing on overseas talent in the form of technical interns. Last year, we accepted 10 Chinese technical interns. Bringing in these interns is not straightforward in terms of education and so forth, but I believe it is necessary from the perspective of securing long-term labor, and for our existing staff, it’s a very rewarding experience through which they learn a lot. Compared with people from other countries, a notable characteristic of Chinese people is their superior ability to recognize the kanji required for office work.

## 9. Actions of Each Operator

- Aiming to coexist and prosper with the community and to leverage teamwork at facilities

— Could you describe the characteristics of Verde Hotaka?

Mr. Okubo

It has a capacity of 174 people and 121 rooms, which makes it a large-scale facility within Gunma Prefecture. Currently, it is almost full, maintaining an occupancy rate of 98%. There is abundant greenery near the facility, and given that cars are the main form of transportation in the community, it occupies a favorable location just a 5-minute drive from the nearest highway interchange. Residents' daily life is comfortable, including spacious private rooms as well as shared living rooms and communal facilities and equipment. A characteristic initiative at the facility is our senior care learning events for local junior high school students, which we've been running for about 10 years. We're delighted to have junior high school students interact with residents at the facility every year and discover what senior care really is, and we hope that some of them will come to work for us in the near future. Of course, we actively provide residents with various recreational activities at the facility, such as tea ceremonies and calligraphy.

— What is the appeal for residents and their families?

Mr. Okubo

First of all, we are affiliated with a medical institution called Gunma PAZ Hospital (formerly known as Hotaka Hospital), and if anything happens, a nurse will accompany the resident there, and depending on the situation, make a thorough report to the family, which provides peace of mind from a care perspective. The sight of our residents enjoying a fun, active lifestyle through various recreational activities also likely leads to peace of mind for families, including with regards to receiving value for their money.

— Finally, do you have a message for investors?

Mr. Higuchi

Fundamentally, our first priority is to provide people with good food and a comfortable residence, and we operate a community-based facility where residents believe that Verde will fully take care of their needs, including end-of-life care. In order to continue operating the business in the long term, we also believe that securing labor and customers is essential, and we will therefore continue to pursue initiatives that leverage Verde's distinguishing features.

Mr. Okubo

We will continue to pursue sound management, as we have done up to now, and work to provide investors with peace of mind.

### Verde Hotaka



## 9. Actions of Each Operator

### Feature: Interview

#### ● Sawayaka Club Co., Ltd.

The core of all our business is "creating happiness for people" (from the 11th Investment Management Report)

**Interview:** Mr. Fumiharu Uchiyama, President and CEO, Uchiyama Holdings Co., Ltd. and President and CEO, Sawayaka Club Co., Ltd.  
Mr. Takehiro Yamamoto, Representative Director and Senior Managing Director, Corporate Planning Office, Uchiyama Holdings Co., Ltd., and Managing Director, Sawayaka Club Co., Ltd.  
Mr. Masahiro Ishimoto, Director and General Manager, Sawayaka Club Co., Ltd.

- Giving joy in daily life: a nursing-care business that leverages expertise in hospitality and operations  
— Could you give us an overview of the Uchiyama Group, which will celebrate its 50th anniversary in 2021?

Mr. Uchiyama

The company was founded in 1961, when I inherited my family's rice shop business. In 1971, we established a real estate company, then after the collapse of the bubble economy in 1991, we opened karaoke parlors in buildings, then expanded, predominantly in the Kyushu area, by opening restaurants when the karaoke parlors became vacant. After that, we started a nursing care business in 2003, which was listed on the JASDAQ in April 2012 and on the First Section of the Tokyo Stock Exchange in September 2014. In line with the idea of "creating happiness for people," we're aiming to achieve further growth based on nationwide expansion and greater cross-business synergy, with the nursing care and karaoke parlor/restaurant businesses as our core pillars, by further enhancing the expertise in hospitality and operations that we have developed.

- What prompted you to start the nursing care business in 2003, and what is the synergistic effect with your other businesses?

Mr. Uchiyama

When I was a child, I wanted to make a difference to the world by becoming a doctor, but I gave up on that idea when I took over the family business. After that, the business performed well, and when I thought about my childhood dream again, I realized that providing care for the elderly was something that I could do to make a difference, and I entered the nursing care business in earnest. It's rewarding to operate a nursing care business that is appreciated by residents, their families, and people in the local community. In the real estate business, we made full use of our expertise to develop three core businesses, which led to securing properties in good locations. We then developed our own paid nursing homes and, once the business was on track, actively pursued off-balance activities as well.

Mr. Ishimoto

In terms of synergistic effects, with the spread of the COVID-19 pandemic, I have been reminded of the advantages of operating restaurants and karaoke parlors in our group. While going out and meeting others in person has become difficult, eating and singing karaoke have a role to play in giving joy to people in their daily lives, and these are services that we're able to offer in-house. The tuna-carving demonstrations and catering that we offer at our facilities are especially popular.

- Returning acquired knowledge to the community with the aim of fostering connections between children, youth, and seniors

— You are actively engaged in activities that contribute to society (CSR). Could you tell us about those?

Mr. Uchiyama

Our group's slogan is "Connecting children, youth, and seniors." We're pursuing various initiatives aimed at creating a community where children, youth, and seniors can enjoy spending time together.

Mr. Ishimoto

Specifically, starting with the 2005 Fukuoka earthquake, we have been accepting elderly people affected by natural disasters and so forth at our facilities free of charge. When the Kumamoto earthquake occurred, we accepted more than 30 people impacted by it. Also, in addition to developing an after-school daycare service to support children with disabilities, we have opened two Kodomo Shokudo cafeterias, where children who have to eat alone because both their parents are working can gather and enjoy dining in a lively atmosphere.

- Helping to give residents a purpose in life through the facility's own recreational activities and cutting-edge initiatives based on collaboration with industry, academia, and government

— Could you give us an overview of Sawayaka Club Co., Ltd.?

Mr. Ishimoto

We currently operate 185 offices and 74 paid nursing homes nationwide and maintain a high average occupancy rate of 94.4%. The reasons for choosing Sawayaka Club include its system that facilitates moving in and out, based on reasonable monthly usage fees with no initial fee, and the fact that we help to give residents a sense of purpose, for example by having them play a leading role in recreational activities at the facility.

Mr. Uchiyama

The basic principles of our nursing care business are being compassionate, preserving residents' dignity, and putting the customer first. We're also pursuing development based on highly efficient operations, centering on our paid nursing homes, and our winning rate in public tenders by local governments nationwide is high, with new facilities being opened in Higashikagura Town and Muroran City in Hokkaido at the request of the government.

## 9. Actions of Each Operator

— Could you describe your initiatives at the three facilities owned by HCM (Tachibanakan, Mekarikan, and Tagawakan)?

Mr. Ishimoto

Trips to a hot spring in Beppu Onsen are popular. Participants stay at a hotel attached to a paid nursing home operated by our group. Residents and the family members who accompany them are able to have fun while enjoying peace of mind. I feel that seeing residents' actual circumstances helps family members to understand the daily nursing care situation, which also provides them with peace of mind.

— Could you also tell us about your initiatives involving collaboration with industry, academia, and government?

Mr. Yamamoto

We are pursuing cutting-edge initiatives with various universities. Based on the idea of creating a sense of purpose for elderly people, we worked with Kyushu University to jointly develop an analysis tool called a Life Map, which visualizes residents' present thoughts and future desires, and we are implementing actions with residents' goals in mind. We're very happy that this tool has also allowed family members to discover a side of residents that they didn't know.

Mr. Ishimoto

With Kyushu Dental University, we're promoting initiatives aimed at reducing aspiration pneumonia by enhancing oral care, which is important in nursing care. We have established a new in-house qualification, Certified Sawayaka Oral Care Specialist, and about 1,300 people with the necessary technical background have successfully applied for it. In collaboration with the Kyushu Institute of Technology, we're working on developing a nursing care record app, which is aimed at significantly improving operational efficiency. Reducing the time spent on keeping records is significant because it will allow staff to devote more time to improving the quality of nursing care for residents.

— Finally, do you have a message for investors?

Mr. Uchiyama

It is the generation of elderly people who came before us that made Japan the wonderful place it is today. We remain grateful to them and our goal is to provide them with warm-hearted nursing care support that will fill their lives with joy and purpose.



**Sawayaka Tachibanakan**



**Sawayaka Mekarikan**



**Sawayaka Tagawakan**

## 9. Actions of Each Operator

### Case Examples

HAM treat the operators with respect and curiosity, collecting information on also the actions of each company through communication and hearing in daily business. Here, we introduce some of the information, mainly on what each company has disclosed.

- Actions for Human Resource Development

HAM confirmed that each company is working on human resource development, including prevention of abuse and inappropriate care, by preparing many manuals, etc. and through company-wide training conducted by gathering the persons in charge and leaders of each facility, training conducted at each facility, etc. Some operators have publicly disclosed their know-how.

[Proud Life Inc.]

Conducted practical training for communication care technique "Humanitude®" in-house  
<https://hanakotoba.co.jp/assets/news20190828.pdf>

[Benesse Style Care Co., Ltd.]

"Benesse Method 01," clues to creating an environment that is aligned close to that person's ways  
<https://www.benesse-style-care.co.jp/method01/>

Introduces 65 tips for creating an environment for the elderly to live comfortably, born from the practice of operating Benesse's homes for the elderly for 20 years.

General information site for nursing care staff "Kaigo Antenna"

<https://www.kaigo-antenna.jp/>

Free disclosure to the public of know-how and knowledge cultivated in the over 20 years of operation of homes. From the Benesse method, guidelines, training and development textbooks, etc., which have been kept for internal use only until now, the contents likely to be useful to many people have been re-edited and posted as a web version.

- Actions in the Event of Disaster

[Sawayaka Club Co., Ltd.]

Free Acceptance of Victims of Heavy Rainfall in Southern Kumamoto  
<http://www.sawayakaclub.jp/advert/20200706.pdf>

[AS PARTNERS Co., Ltd.]

Introduction of evacuation equipment "S-CAPE" at all business sites  
<https://as-heim.com/lp/s-cape/>

## 9. Actions of Each Operator

### Case Examples

- Actions to Tackle Shortage of Human Resources in Nursing Care (Improvement of Treatment)

It is said that a low salary level is one of the causes of the shortage of nursing care workers, but the government and each company are trying to cope with it. HAM confirmed that each company is working on improving treatment through the status of acquisition of “nursing care staff treatment improvement addition” and “nursing care staff, etc. specific treatment improvement addition” stated in the property disclosure statement of important matters, interviews and press releases.

[Sompo Care Inc.]

Improved treatment of nursing care staff

- Becoming a more comfortable and rewarding workplace from October 2019 -

[https://www.sompocare.com/attachment/topic/596/shogukaizen\\_20190826.pdf](https://www.sompocare.com/attachment/topic/596/shogukaizen_20190826.pdf)

[Benesse Style Care Co., Ltd.]

Improved treatment of nursing care staff and revised personnel system

For full-time certified care workers who have been with the company for more than 10 years (nationwide), 84% of those in leader positions earn 5 million yen or more annually, 97% of model cases of those in positions other than leader positions earn 4.4 million yen or more annually

[https://kaigo.benesse-style-care.co.jp/saved\\_data/pdf/topic/155/file\\_20190910112225573143.pdf](https://kaigo.benesse-style-care.co.jp/saved_data/pdf/topic/155/file_20190910112225573143.pdf)

[Verde Corporation]

September, 2019 Specific treatment improvement addition

<http://e-verde.co.jp/wordpress/wp-content/uploads/2019/09/ベルジ株式会社-特定処遇改善加算.pdf>

- Actions to Tackle Shortage of Human Resources in Nursing Care (Acceptance of Foreign Technical Interns)

[SHIP HEALTHCARE HOLDINGS, INC. (GREEN LIFE Co., Ltd.)]

Actively recruit foreign technical interns

<https://www.shiphd.co.jp/blog/irs/d20a343b36704984cececdcc588fc7b5f3409101.pdf>

[UCHIYAMA HOLDINGS Co., Ltd. (Sawayaka Club Co., Ltd.)]

Opening of vocational school with establishment of joint venture in Indonesia

[http://www.uchiyama-gr.jp/ir/upload\\_file/tdnrelease/6059\\_20180219474383\\_P01\\_.pdf](http://www.uchiyama-gr.jp/ir/upload_file/tdnrelease/6059_20180219474383_P01_.pdf)

[Verde Corporation]

Accepting 5 Chinese Interns at Verde Minowa

[http://e-verde.co.jp/wordpress/wp-content/uploads/2020/01/みのわだより\\_2020年1月.pdf](http://e-verde.co.jp/wordpress/wp-content/uploads/2020/01/みのわだより_2020年1月.pdf)

- Actions Related to Dementia and Cognitive Decline

[Sompo Care Inc.]

Published “Ninchisho Naruhodo! Book” to deepen understanding of dementia

[https://www.sompocare.com/attachment/topic/604/naruhodobook\\_2019\\_0912.pdf](https://www.sompocare.com/attachment/topic/604/naruhodobook_2019_0912.pdf)

[Medical Corporation AIKOKAI (Niigata Rehabilitation Hospital)]

Simple cognitive function test “Atama no Kenko Check®” started in November, the first time in Niigata Prefecture

<http://www.niigata-reha.jp/news/info/201910152253/>

## 9. Actions of Each Operator

### Case Examples

- Actions to Prevent the Spread of COVID-19 Infection

HAM regularly conducts interviews with operators to verify their infectious disease control measures. We have also established relationships that enable us to receive reports on the status of COVID-19 infection at the facilities we own.

[Sompo Care Inc.]

Response to COVID-19

[https://www.sompocare.com/common/pdf/web\\_news\\_0930.pdf](https://www.sompocare.com/common/pdf/web_news_0930.pdf)

[Green Life Co., Ltd./Green Life Higashi Nihon Co., Ltd.]

Notice on Lifting of Restrictions on Receiving Visitors and Going Out

<http://www.greenlife-inc.co.jp/wp-content/uploads/2020/07/ecedd41463bc7027e71022bbbb976a7a.pdf>

[Ship Healthcare Holdings Inc.]

Rapid Increase in Demand Due to Ozone-Based COVID-19 Countermeasures

Airness Low-Concentration Ozone Generators Sold in New Lineup

<https://www.shiphd.co.jp/blog/d5b41794422a41d951e6b54907ca11f27726b360.pdf>

[Benesse Style Care Co., Ltd.]

COVID-19 Countermeasures: Notice of Partial Change to Restrictions on Receiving Visitors

[https://kaigo.benesse-style-care.co.jp/saved\\_data/pdf/topic/255/file\\_20201026132711095534.pdf](https://kaigo.benesse-style-care.co.jp/saved_data/pdf/topic/255/file_20201026132711095534.pdf)

[Proud Life Inc.]

Prevention of COVID-19 Infection

<https://hanakotoba.co.jp/assets/news20201001.pdf>

[Sawayaka Club Co., Ltd.]

Prevention of COVID-19 Infection

<http://www.sawayakaclub.jp/advert/20200227.pdf>

[Medical Corporation AIKOKAI]

Information on COVID-19 Countermeasures

<https://aiko.or.jp/新型コロナウイルス対策に関するご案内/>

[As Partners Co., Ltd.]

Response to COVID-19

<https://www.as-partners.co.jp/company/20200713.pdf>

## 9. Actions of Each Operator

### Case Examples

[Green Life Co., Ltd./Green Life Higashi Nihon Co., Ltd.]  
Installation of Airness low-concentration ozone generators

Airness low-concentration ozone generators sold by Ship Healthcare Pharmacy East Co., Ltd., a consolidated subsidiary of Ship Healthcare Holdings Inc., which is one of HCM's sponsor companies, have been installed at all facilities.

[HCM-Owned Facility with Airness Installed]

- Aquamarine Nishinomiya
- GreenLife Moriguchi
- Smiling Home Medice Adachi
- Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)
- Hapine Kobe Uozaki Nibankan
- SHIP Senri Building (Welhouse Senri Chuo)

Ozone, which has a strong oxidizing capacity, is used for deodorization and sterilization. In the medical and nursing care fields, it is used as a solution to improve air quality (e.g., odors) out of concern for user habitability and comfort and the occupational safety and health of employees.

Ongoing findings from research by universities and specialized institutions have been published indicating that the ozone generated by this device is effective in inactivating the COVID-19 coronavirus.

[Example of Installing Airness at HCM-Owned Facilities]



Smiling Home Medice Adachi



Aquamarine Nishinomiya

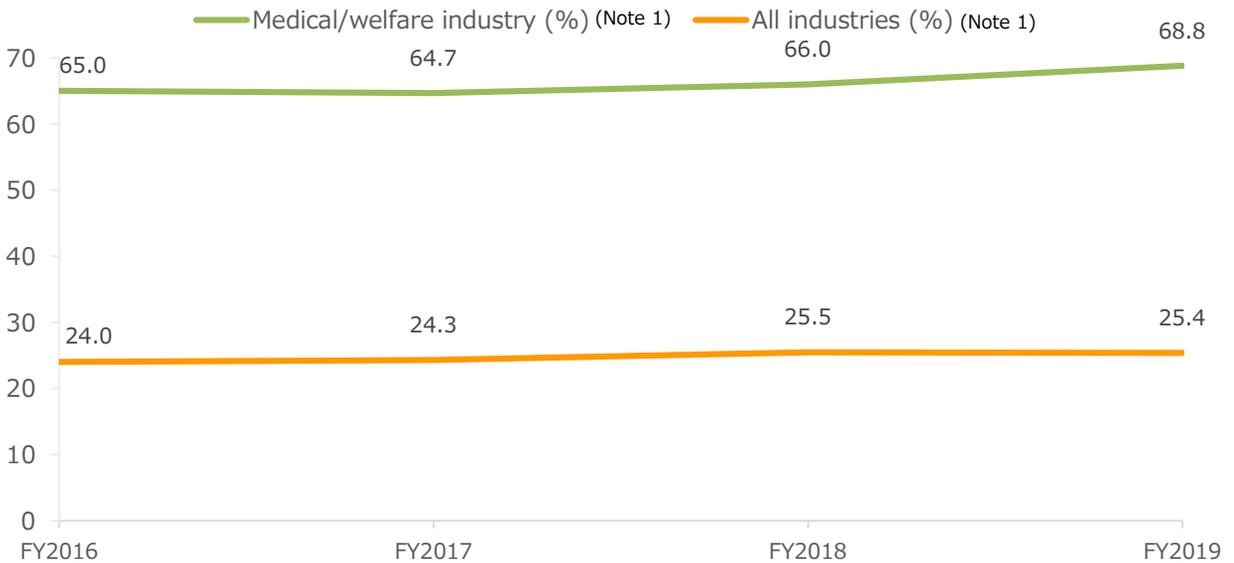
## 9. Actions of Each Operator

### Case Examples

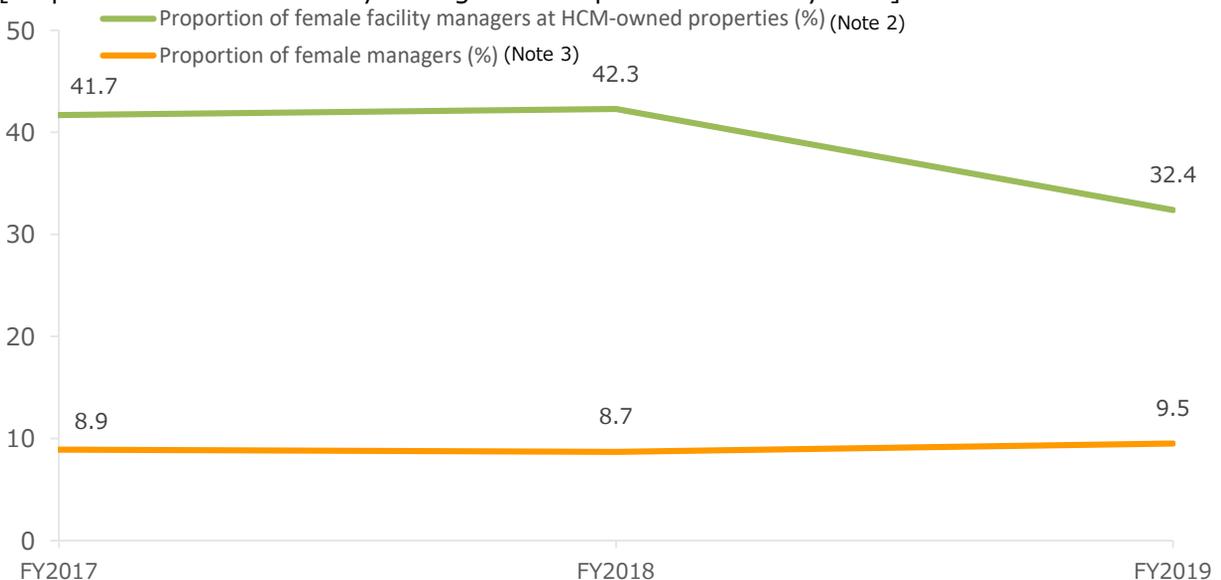
- Efforts to Appoint Female Facility Managers

The government has set a goal of having 30% of leadership positions be filled by women as soon as possible in the 2020s. However, the percentage of women in managerial positions at the section chief level or higher at companies and businesses nationwide is 9.5%, which is still far below the government's target. The ratio of female full-time/regular employees in the medical and welfare industries in FY2019 was 68.8%, but in order to address the shortage of human resources, it is necessary to establish a more women-friendly work environment. The percentage of female facility managers at HCM-owned properties reached 32.4% in FY2019, and women are being actively promoted to managerial positions.

[Proportion of Female Full-Time/Regular Employees]



[Proportion of Female Facility Managers at Properties Owned by HCM]



Source: Ministry of Health, Labor, and Welfare, "Basic Survey of Equal Employment in 2019" and "Survey of Nursing Care Labor Conditions" (2019)

Note 1: Percentage of female full-time/regular employees at companies with 30 or more employees

Note 2: Created based on the disclosure statement of important matters for each facility obtained by the asset management company every fiscal year

Note 3: Percentage of women in positions at the section chief level or higher at companies with 30 or more employees

## Disclaimer

This material contains forward-looking statements including forecasts, outlooks, goals and plans. These statements are based on the information available as of the date when this material is prepared and incorporate certain subjective assumptions about uncertain factors that may affect future results. Accordingly, these statements are inherently not guarantees of future performance and actual results may differ materially.

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