


Impact Report

 HCM Healthcare & Medical Investment Corporation

 HAM Healthcare Asset Management Co.,Ltd.

Issued in December 2021

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 super-aged 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 & CEO
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, 2020 to October 31, 2021
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 (Ministry of Health, Labour and Welfare), which is the regulatory agency, is implementing various measures.

In addition, in various materials announced by Ministry of Health, Labour 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 Ministry of Health, Labour 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.

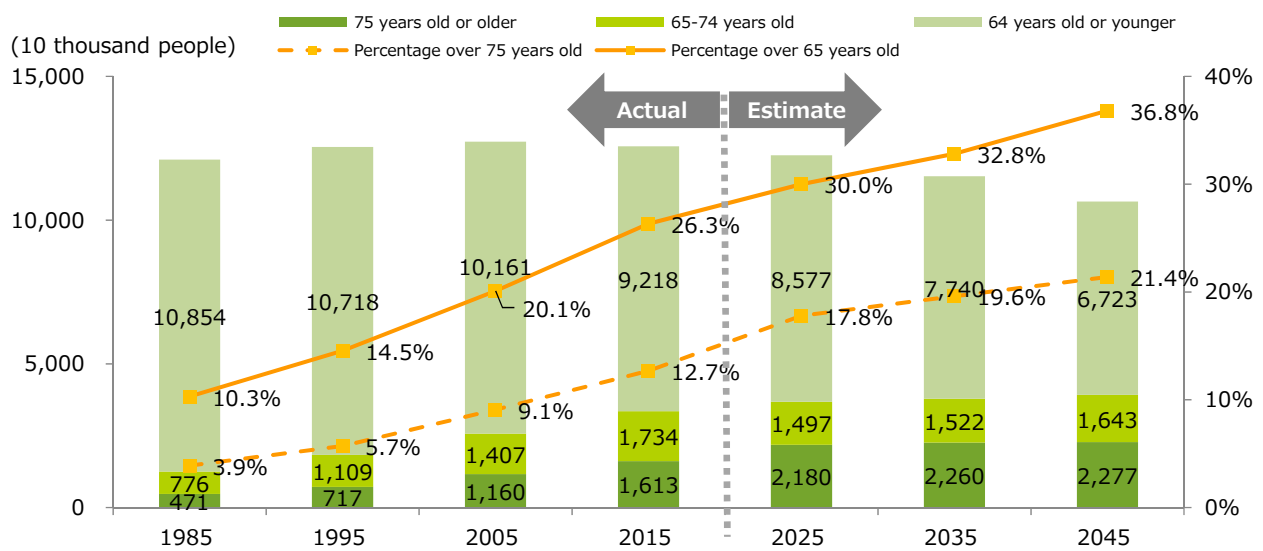
1. Current Status and Issues Surrounding Medical and Nursing Care

Various Issues Derived from Declining Birthrate and Aging Population

Further Progress in Population Decline and Aging

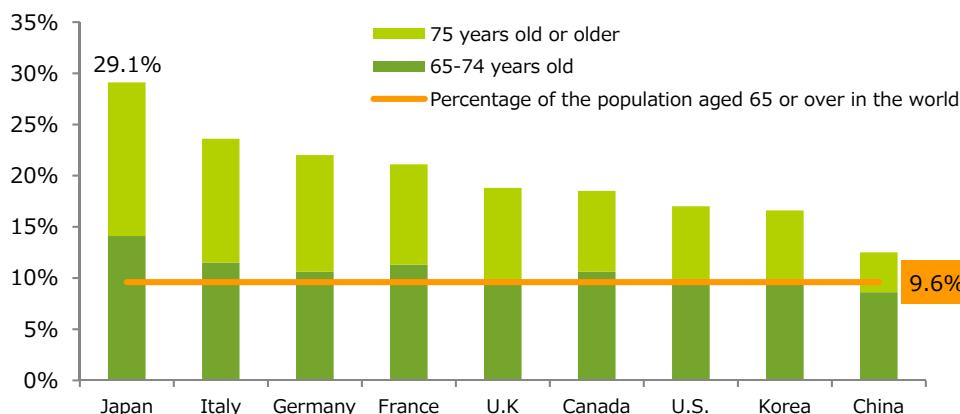
Japan's population of elderly people aged 65 or older is estimated to be 36.4 million (as of September 15, 2021), representing 29.1% of the total population, which makes it the most aged society in the world. Due to the population aged 65 or older growing while the total population is decreasing and the birthrate declining, the aging rate will continue to increase, with the National Institute of Population and Social Security Research's "Population Projection for Japan (2017 Projection)" estimating that it will reach 33.3% in 2036, resulting in a society where one in three citizens are aged 65 years or older. As the proportion of people aged 75 or older in particular continues to rise, the caregiver labor shortage caused by the declining birthrate and the increase in care needs due to the aging of society are starting to have a major impact on the medical and care industries.

[Outlook for Change in Total Population and Aging Rate]



(Source) Created by HAM based on the Ministry of Internal Affairs and Communications Statistics Bureau 2015 Census and the National Institute of Population and Social Security Research's "Population Projection for Japan (2017 Projection)"

[Comparison of the Percentage of Elderly Population in Major Countries (2021)]

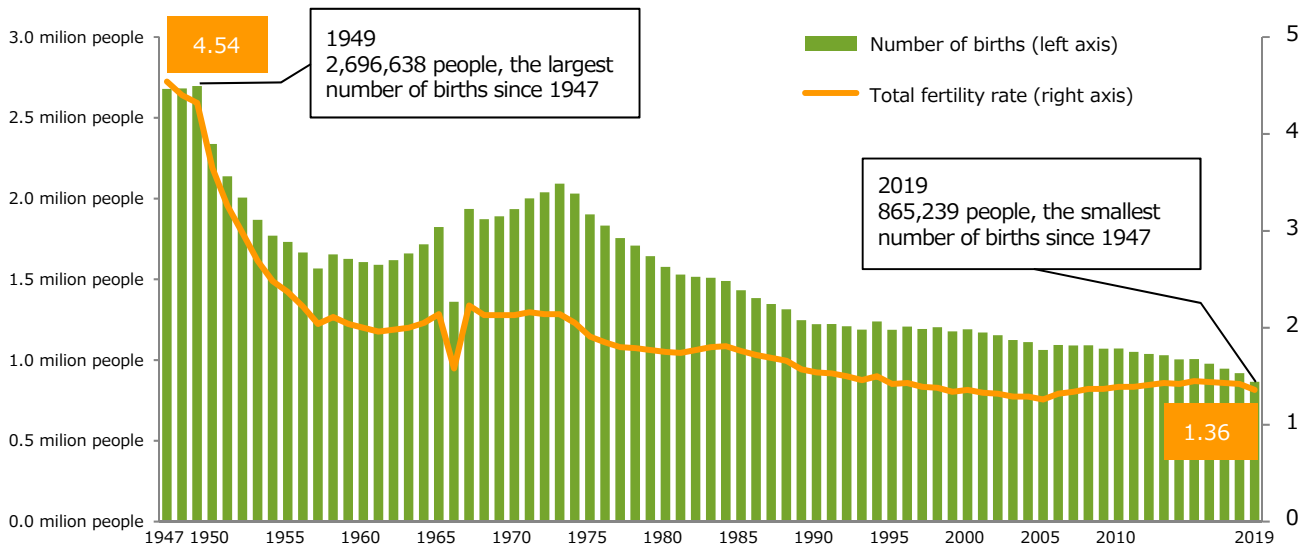


(Source) Website of the Ministry of Internal Affairs and Communications Statistics Bureau, Statistics Topics No. 129, "A Statistical View of Japan's Elderly Population: On the Occasion of Respect-for-the-Aged Day"

1. Current Status and Issues Surrounding Medical and Nursing Care

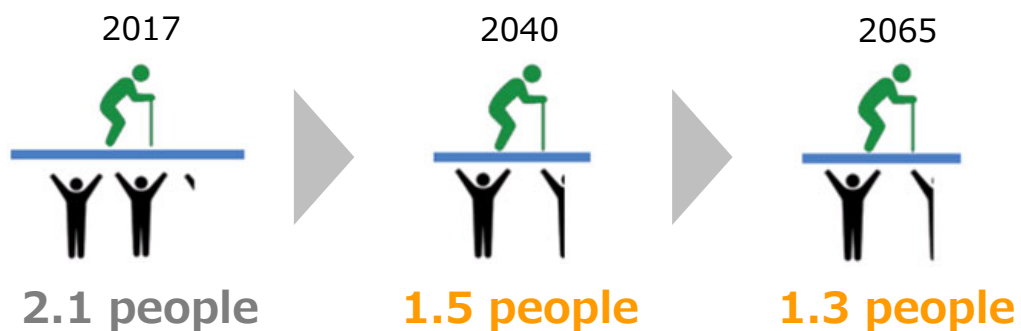
Various Issues Derived from Declining Birthrate and Aging Population

[Change in Number of Births and Birth Rate]



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

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



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

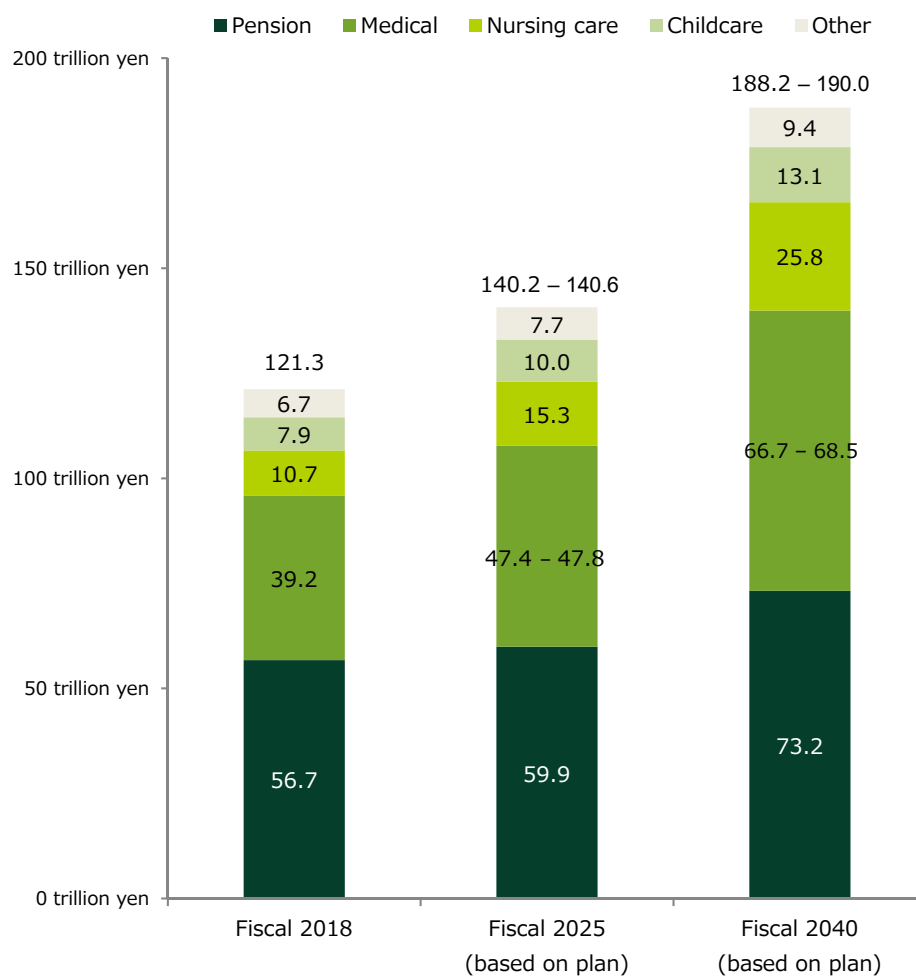
1. Current Status and Issues Surrounding Medical and Nursing Care

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 forecast 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, Labour and Welfare

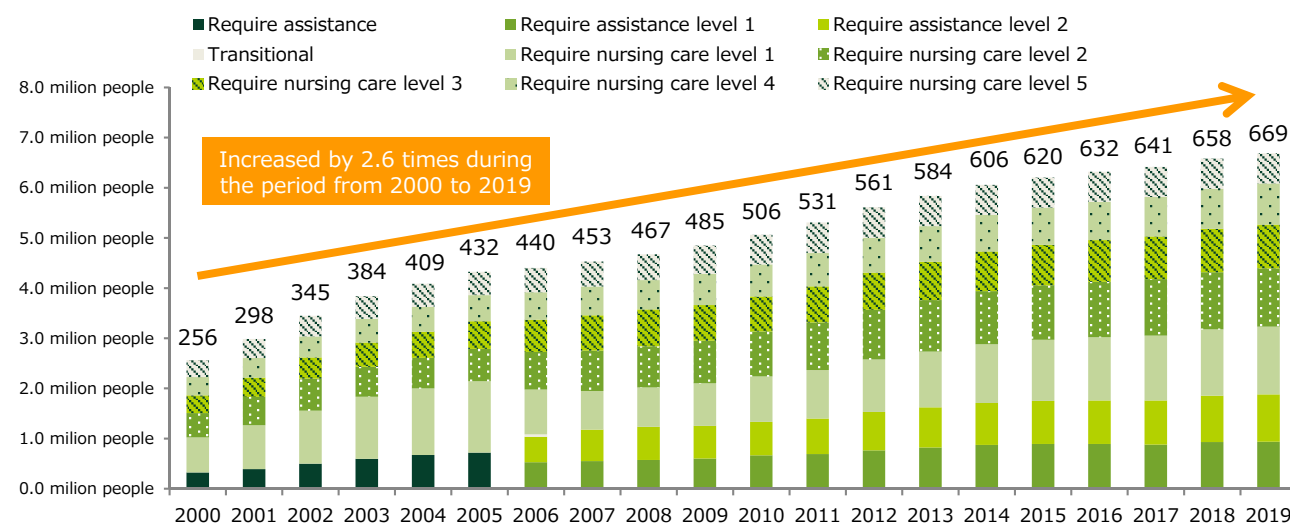
1. Current Status and Issues Surrounding Medical and Nursing Care

Various Issues Derived from Declining Birthrate and Aging Population

- Growing Demand for Nursing Care Services and Change in Medical Services

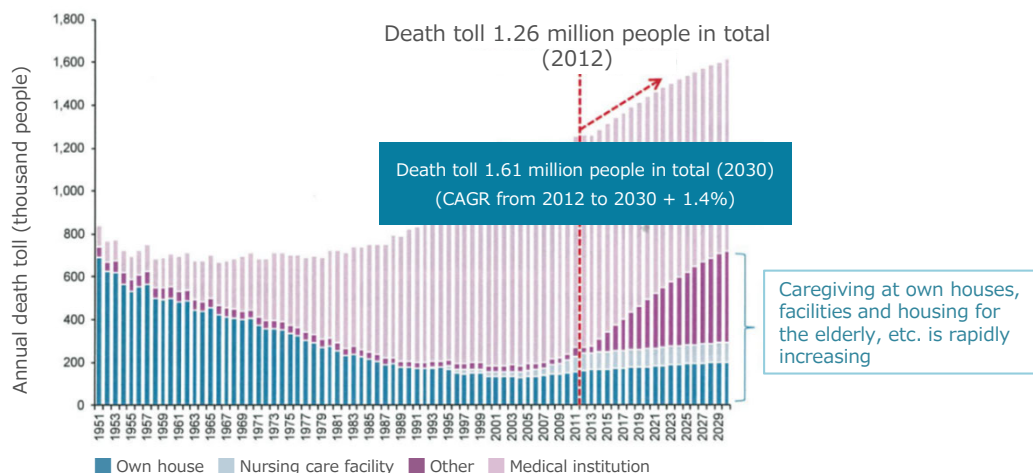
With the aging of the population, it is forecast that the number of people eligible to receive nursing care will continue to increase and that it will become more difficult than ever to take care of members in the same household due to the declining birthrate and change in family structure. In order 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, the role 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 Ministry of Health, Labour and Welfare

Annual Death Toll and Place of Death



(Source) KPMG Healthcare Japan Co., Ltd.

(Note) CAGR (compound average growth rate) is the annual average growth rate obtained using the geometric mean per year based on the growth rate over multiple years.

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

As the population decreases and the aging rate increases, demand for nursing care services is expected to grow. From 2020 through 2040, the number of nursing service users is estimated to grow by 30% at nursing care facilities and 39% for residential services.

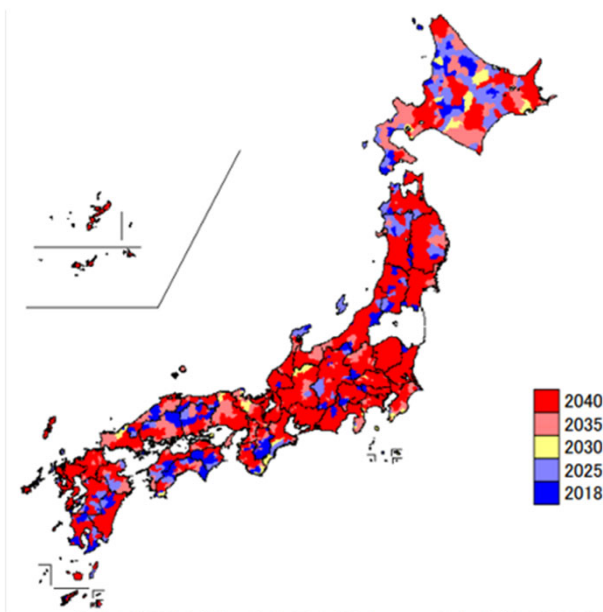
Looking at the rate of increase in the number of users of nursing care services by region, as it is expected that the number will continue to increase until 2040 in many areas (mainly urban areas), the rate of increase in the number of users of nursing care services is increasing mainly in the Tokyo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

[Change in the Number of Nursing Care Service Users]

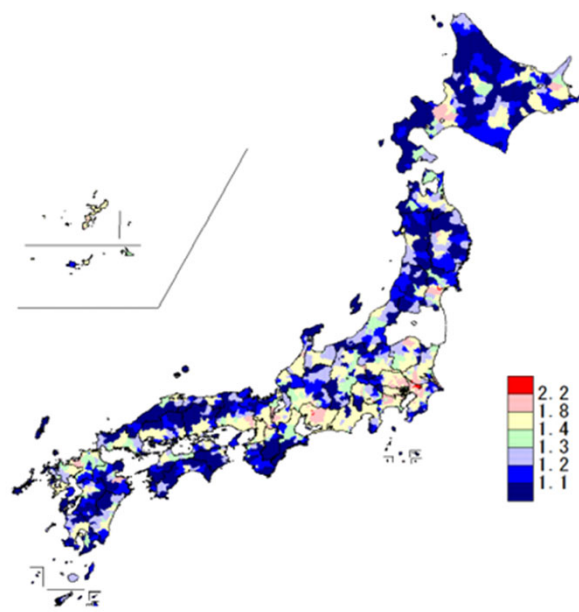
Facility	FY2020 (actual value)	FY2023 (estimated value)	FY2025 (estimated value)	FY2040 (estimated value)
Long-term care welfare facility for the elderly	620,000 people	670,000 people	710,000 people	820,000 people
Long-term care health facility for the elderly	350,000 people	370,000 people	390,000 people	440,000 people
Integrated facility for medical and long-term care	34,000 people	52,000 people	65,000 people	74,000 people
Long-term care medical facility, etc.	17,000 people	10,000 people	—	—
Nursing care facility	1,030,000 people	1,100,000 people	1,160,000 people	1,330,000 people
Daily life long-term nursing care for those admitted to a specified facility	260,000 people	300,000 people	320,000 people	370,000 people
Group home for the elderly with dementia	210,000 people	230,000 people	240,000 people	280,000 people
Residential service	470,000 people	540,000 people	560,000 people	650,000 people

(Source) Ministry of Health, Labour and Welfare, "Aggregate Results for Primary Nursing Care Insurance Fees and Service Projections during the 8th Nursing Care Insurance Business Plan"

[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, Labour 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

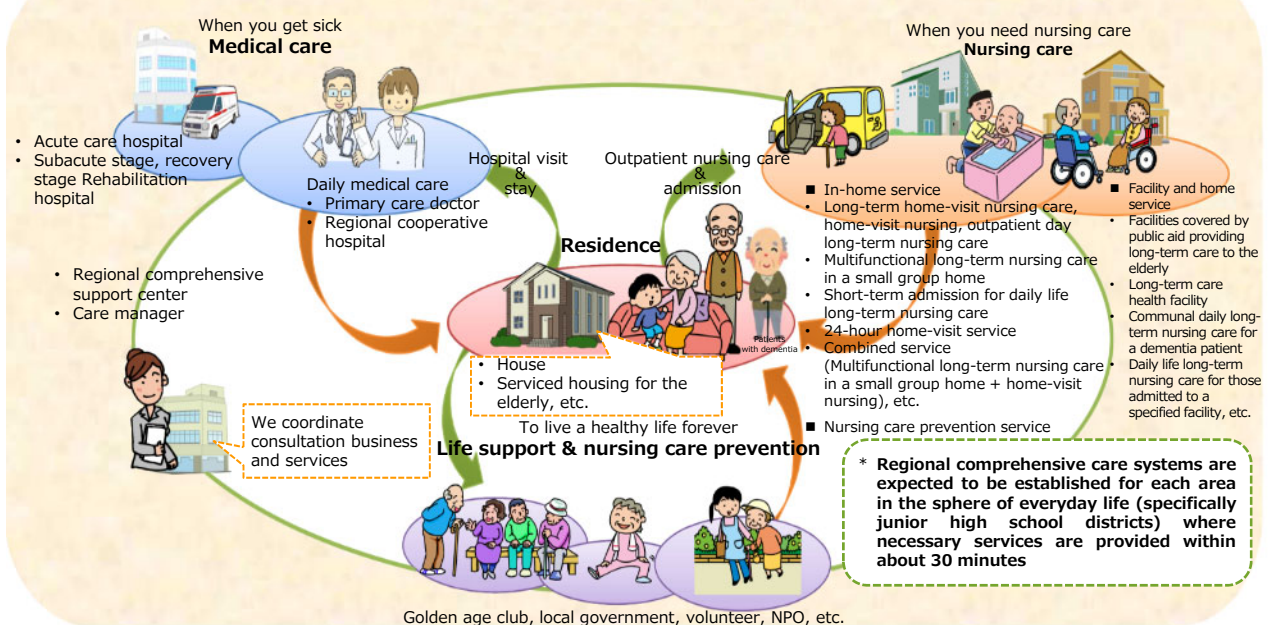
With the further increase in demand for medical and nursing care after 2025 when the baby boomers will be 75 or older, the government (Ministry of Health, Labour and Welfare) is promoting the construction of a regional comprehensive care system that integrally provides housing, medical service, nursing 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, Labour and Welfare

1. Current Status and Issues Surrounding Medical and Nursing Care

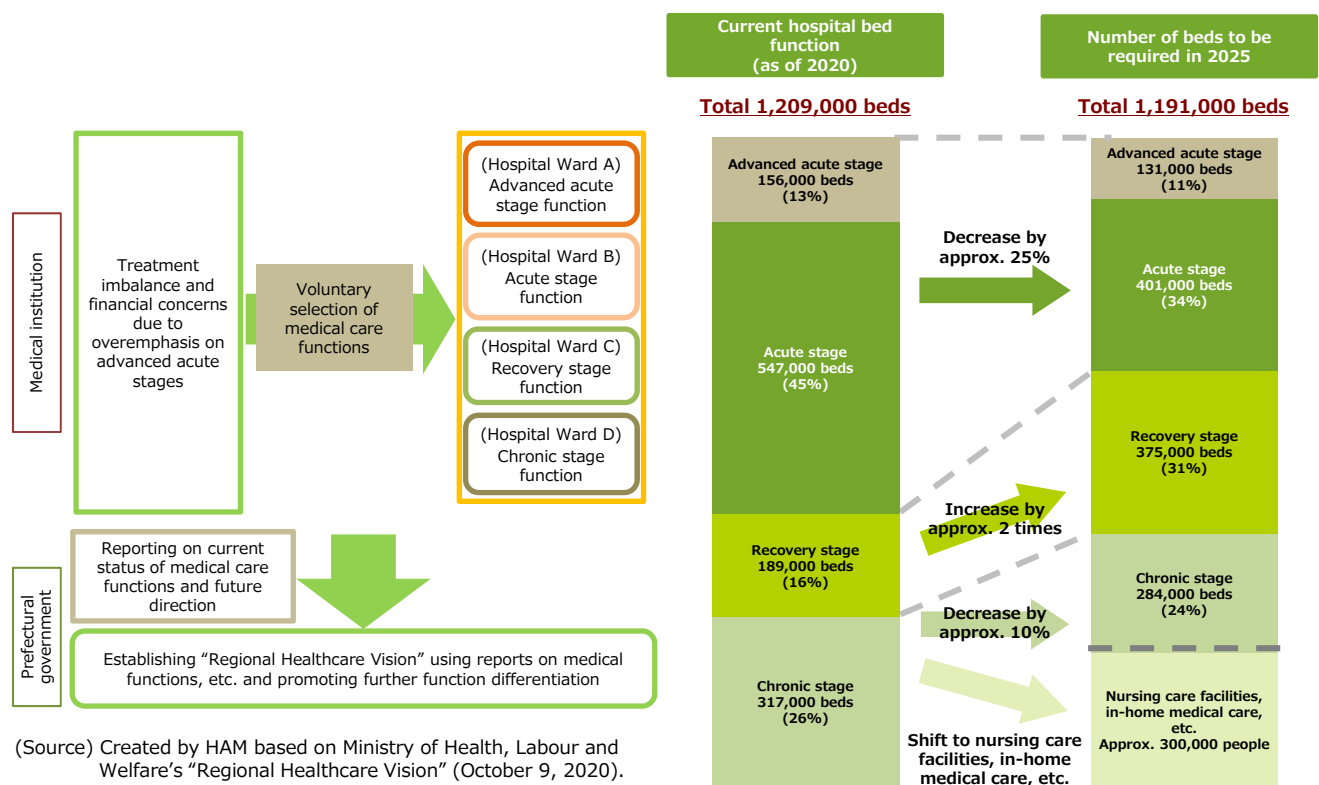
Actions by the Government and Local Governments

- 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).

Regional Healthcare Vision is an initiative 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 by local medical staff.

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



(Source) “Current Hospital Bed Function (as of 2020)” created by HAM based on a document entitled “About the 2020 Hospital Bed Function Report,” which was created by Ministry of Health, Labour and Welfare based on a 2020 hospital bed usage report; “Number of Beds to Be Required in 2025” created by HAM based on Ministry of Health, Labour and Welfare’s “Initiatives for Medical/Nursing Care Reform” (June 22, 2017).

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 Ministry of Health, Labour and Welfare, the ratio of quake-resistant hospitals in 2020 remained at 77.3%. 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.

高齢者向け住宅等を対象とするヘルスケアリートの活用に係るガイドライン

平成27年6月27日
国土交通省
国土・建設政策局

高齢者向け住宅等を対象とするヘルスケアリートの活用に係るガイドラインの概要 国土交通省

1. 目的

○ 高齢者向け住宅等を対象とするヘルスケアリートの活用に係るガイドラインは、**宅地建物取引業法(昭和27年法律第176号)第50条の2等に基づく取引一任代理等の認可申請等に際して整備すべき組織体制を示すとともに、ヘルスケア施設の取引に際し留意すべき事項を示すことを目的としている。**

2. 概要

○ 対象施設

サービス付き高齢者向け住宅
有料老人ホーム
認知症高齢者グループホーム
※なお、病院については、今後別途検討を行う予定。

○ 適用時期

平成26年7月1日
(既にヘルスケア施設を運用対象としている資産運用会社は平成26年10月1日、当該資産運用会社が新たなヘルスケア施設の取得を行う場合はその取得の日)

○ 資産運用会社が整備すべき組織体制(認可要件)

次のいずれかにより、ヘルスケア施設の事業特性を十分に理解している者を配置又は関与させること。

a. 一定の経験を有する重要な使用人の配置
b. 外部専門家からの助言
c. 投資委員会等への外部専門家の配置 等

○ ヘルスケア施設の取引に際し留意すべき事項

◇ 利用者への配慮事項

・ ヘルスケア施設の仕組みの周知
・ ヘルスケア施設の適切な運営に係る関係法令や通知等の確認、及び行政指導等への対応確保

◇ その他

・ オペレータとの信頼関係の構築及び運営状況の把握
・ 情報の収集及び開示

○ 取引一任代理等の認可申請等における業務方法書への記載事項

◇ 利用者の安心感の確保
◇ ヘルスケア施設の取引等への専門家等の関与方法

病院不動産を対象とするリートに係るガイドライン

平成27年6月26日
国土交通省
国土・建設政策局

病院不動産を対象とするリートに係るガイドラインの概要 国土交通省

1. 目的

○ 病院不動産を対象とするリートに係るガイドラインは、**宅地建物取引業法(昭和27年法律第176号)第50条の2等に基づく取引一任代理等の認可申請等に際して整備すべき組織体制を示すとともに、病院関係者との信頼関係の構築、医療法等の規定及びこれに関連する通知の遵守等を示すことを目的としている。**

2. 概要

○ 対象とする不動産

医療法第1条の5第1項に規定する病院の用に供されている不動産

○ 適用時期

平成27年7月1日

○ 資産運用会社が整備すべき組織体制(認可要件)

次のいずれかにより、専門家を配置又は関与させること。

a. 一定の経験を有する重要な使用人の配置

病院不動産への投資業務、融資業務、デューディリジェンス業務若しくは不動産鑑定評価業務、病院関係者への融資業務若しくはデューディリジェンス業務、又は病院運営業務(以下「病院不動産への投資業務等」という。)の経験等により、医療の事業特性及び地域医療機能を含む医療計画の遵守という病院の事業特性並びに病院関係者以外の者が経営に関与することはできないということ(以下「病院の事業特性等」という。)を十分に理解し、病院関係者と調整を行うことが得る専門的な能力を有する者が重要な使用人として配置された体制であること。

b. 外部専門家からの助言
c. 投資委員会等への外部専門家の配置 等

○ 病院関係者との信頼関係の構築等

◇ 病院関係者との信頼関係の構築
◇ 医療法等の規定及びこれに関連する通知の遵守
◇ 医療法等の規定及びこれに関連する通知の遵守の確認等

a. 事前の確認及び医療法等の規定又はこれに関連する通知の周知のため
資産運用会社の役員並びに投資運用の責任者及び担当者、病院不動産を対象とするリートの活用にあたり、病院関係者が医療法等の規定又はこれに関連する通知を遵守する旨を確認すること。
また、病院不動産の取引に際して、資産運用会社は、病院関係者との信頼関係を構築するため、医療法等の規定又はこれに関連する通知並びに医療計画に適合しているからかでない場合は、国土交通省又は都道府県等(厚生労働省等)に事前に相談すること。

b. 資料不払い等の場合の対応
正当な理由なく病院関係者が資料を支払うことができない等の場合は、資産運用会社は、国土交通省に連絡すること。

○ 取引一任代理等の認可申請等における業務方法書への記載事項

◇ 病院関係者との信頼関係の構築等
◇ 病院不動産の取引等への専門家等の関与方法

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 2.11 million nursing care personnel in fiscal 2019, it is expected that approximately 0.69 million nursing care personnel will be newly required by fiscal 2040.

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 working conditions for 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 for 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)

Appendix 3

Improvement of treatment of nursing care staff	<ul style="list-style-type: none"> ○ Further improved treatment since October 2019, focusing on nursing care staff with experience and skills using a total amount of 200 billion yen (annual), with the aim of achieving a wage level for leader-level nursing care staff that is comparable to other industries * In the revision of nursing compensation in 2021, with a view to securing nursing care personnel, improving their treatment, etc., the improvement rate was set at 0.70%, and to further improve treatment, the rules for allocation among nursing personnel were made more flexible <p>(Actual result) Average monthly amount improved by 75,000 yen</p> <table border="1"> <tr> <td>Average monthly amount improved by 18,000 yen</td> <td>(from FY2019)</td> </tr> <tr> <td>Average monthly amount improved by 14,000 yen</td> <td>(from FY2017)</td> </tr> <tr> <td>Average monthly amount improved by 13,000 yen</td> <td>(from FY2015)</td> </tr> <tr> <td>Average monthly amount improved by 6,000 yen</td> <td>(from FY2012)</td> </tr> <tr> <td>Average monthly amount improved by 24,000 yen</td> <td>(from FY2009)</td> </tr> </table>	Average monthly amount improved by 18,000 yen	(from FY2019)	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)
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Average monthly amount improved by 6,000 yen	(from FY2012)										
Average monthly amount improved by 24,000 yen	(from FY2009)										
Securement and training of various personnel	<ul style="list-style-type: none"> ○ 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 ○ Promoting employment activities in the nursing care field using volunteer points ○ <u>Promoting entry of workers from other fields through career consulting, comprehensive vocational training framework for job seekers, workplace visit/experience initiatives for trainees, increased budget for external training, and forgivable loans to people who have completed training to support them while seeking employment</u> ○ <u>Providing new forgivable loans to students attending high schools focused on welfare-related careers to support their studies</u> ○ <u>Developing disaster-prevention leaders at nursing care facilities, etc.</u> 										
Prevention of job separation Promotion of job retention Improvement of productivity	<ul style="list-style-type: none"> ○ Promoting the use of technologies such as nursing care robots and ICT ○ Support of establishment and operation of nursing care facilities and childcare facilities inside offices ○ Supporting reduction of the training course load required for career advancement and securing replacement staff ○ Dissemination of productivity improvement guidelines ○ Establishment of counseling desks and promotion of exchange among young employees ○ Supporting the introduction of online training adapted to life during the pandemic and <u>implementing various work model initiatives, such as nurses who have multiple/secondary jobs</u> 										
Improvement of the attractiveness of the nursing care profession	<ul style="list-style-type: none"> ○ 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 who have finished rearing children and active seniors ○ <u>Providing information about care contest initiatives for the purpose of improving and publicizing the quality of nursing care services</u> 										
Environmental improvement for accepting foreign personnel	<ul style="list-style-type: none"> ○ 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.) ○ <u>Providing comprehensive information to countries from which personnel will be received</u> 										

*Underlined text indicates new initiatives in the 2021 budget

(Source) Ministry of Health, Labour and Welfare, “Number of Nursing Care Personnel Required Based on 8th Nursing Care Insurance Business Plan – Appendix 3: Comprehensive Measures to Secure Nursing Care Personnel (Main Actions)”

1. Current Status and Issues Surrounding Medical and Nursing Care

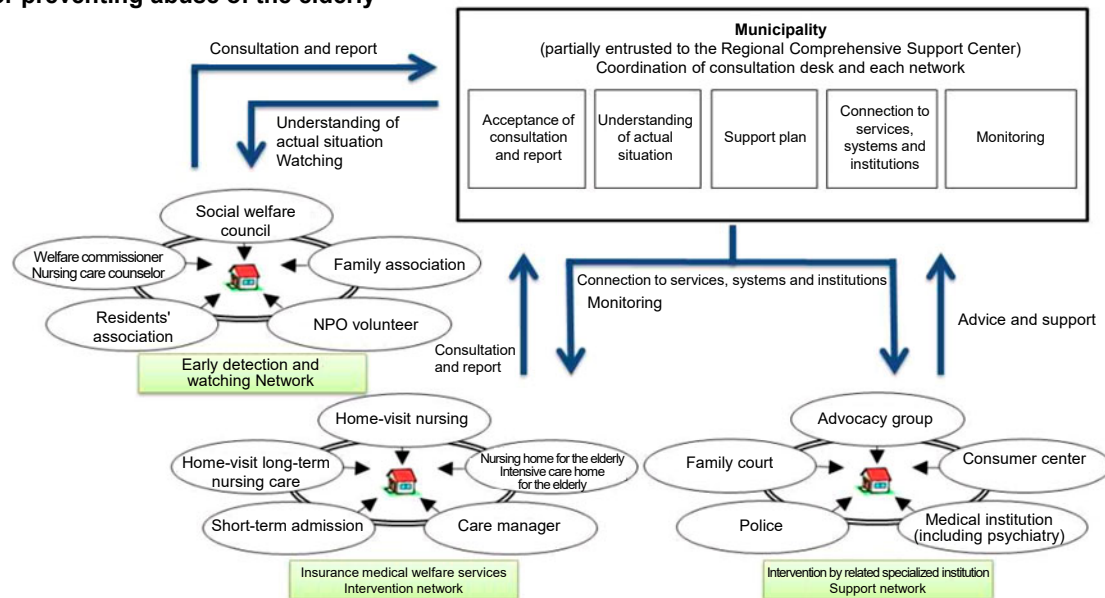
Actions by the Government and Local Governments

• 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 Ministry of Health, Labour and Welfare

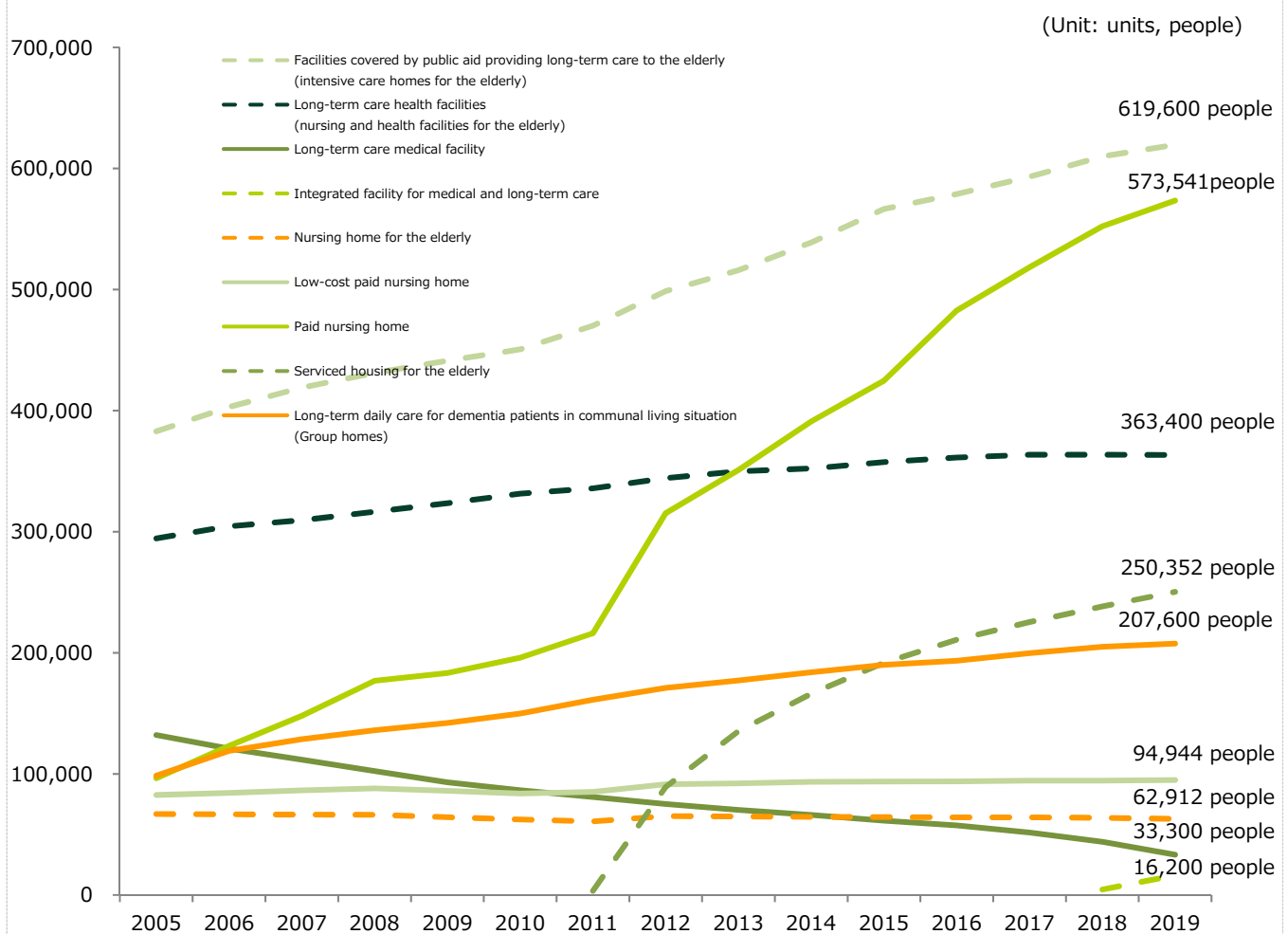
1. Current Status and Issues Surrounding Medical and Nursing Care

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 elderly population, in “Japan 100 Million Total Active Plan” approved by the Cabinet in 2016, the government set a goal of increasing in-home and facility services in order to provide nursing care for an additional 500,000 people by the start of 2020 (compared with fiscal 2015), and further expansion of nursing care facilities, etc. is being undertaken through meetings following up on the plan’s implementation.

[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 Ministry of Health, Labour and Welfare, “Information Provision System of serviced housing for the elderly” on the website of the Senior Housing Association.

(Note) The number of users is shown for facilities covered by public aid providing long-term care to the elderly, Long-term care health facilities, long-term care medical facility and long-term daily care for dementia patients in communal living situation (Group homes).

1. Current Status and Issues Surrounding Medical and Nursing Care

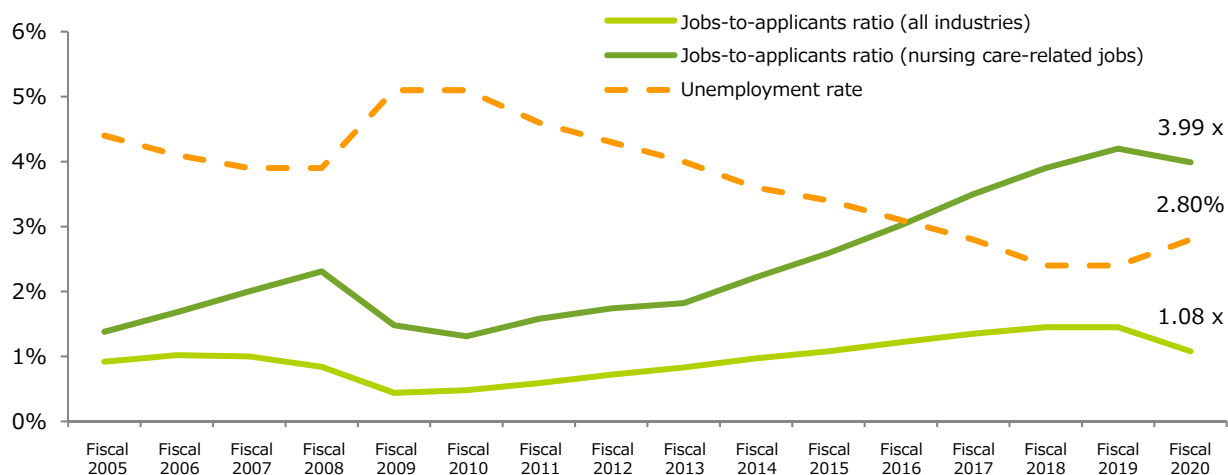
Various Issues in Nursing Care

● Personnel Shortage in the Nursing Care Industry

In fiscal 2020, the jobs-to-applicants ratio for nursing care-related occupations was 3.99 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 human resources rose to 60.8% in 2020.

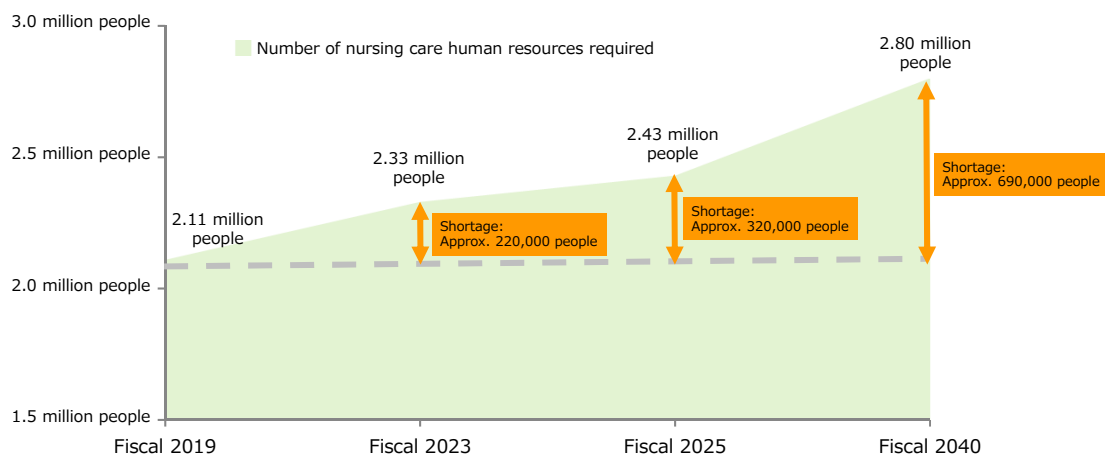
Based on information such as the projected volume of nursing care services in the 8th Nursing Care Insurance Business Plan, the number of required nursing care personnel, as estimated by prefectural governments, will be approximately 2.33 million in fiscal 2023, 2.43 million in fiscal 2025, and 2.8 million in fiscal 2040, so there is an urgent need to secure nursing care human resources.

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



(Source) Ministry of Health, Labour and Welfare, "Job Placement Service Statistics," and Ministry of Internal Affairs and Communications, "Labor Force Survey"

[Needs for Nursing Care Human Resources Towards 2040]



(Source) Ministry of Health, Labour and Welfare, "Number of Nursing Care Personnel Required Based on 8th Nursing Care Insurance Business Plan – Appendix 1"

1. Current Status and Issues Surrounding Medical and Nursing Care

Various Issues in Nursing Care

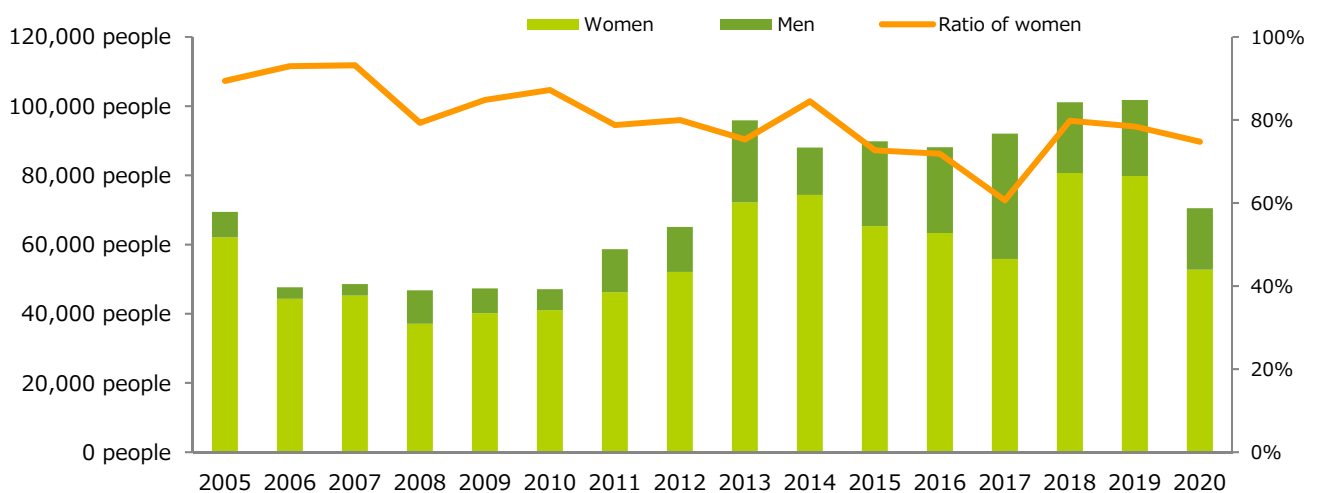
- Issue of Job Separation Due to Nursing Care

In Japan, the 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.

In a survey of people who have experienced leaving their job to provide nursing care for someone, more than half of the respondents indicated that care/support provision prompted them to quit their job because it was difficult to balance their job and care/support provision at their workplace. (Note 1) In relation to this, although the number decreased from around 100,000 people in 2019, the number of people who left their jobs for the reason of providing nursing care or assistance was approximately 70,000 in 2020.

The issue of job separation due to nursing care is further exacerbating the labor shortage problem in Japan, where the population continues to decline, and there is concern about the adverse effect on the economy. The Ministry of Economy, Trade and Industry estimates the loss of added value to the overall economy associated with workers leaving their jobs to provide nursing care to be around 650 billion yen per year. (Note 2) In addition, more than 70% of those leaving their jobs to provide nursing care are female, which represents a significant barrier to promoting the social advancement of women.

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



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

(Note 1) NTT Data Institute of Management Consulting, Inc., "Report on Research Study to Understand Current Conditions Relating to Balancing Work and Nursing Care in 2018"

(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

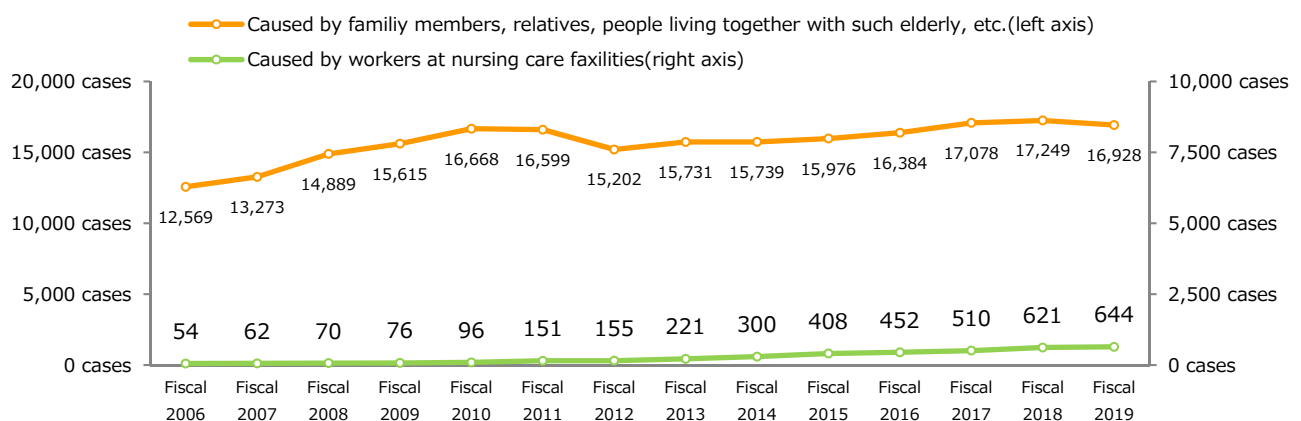
- Abuse of the Elderly in Nursing Care

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 Ministry of Health, Labour and Welfare, the second-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, “organizational climate, poor relations between staff, management systems, etc. that foster abuse” 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 human resources, 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]

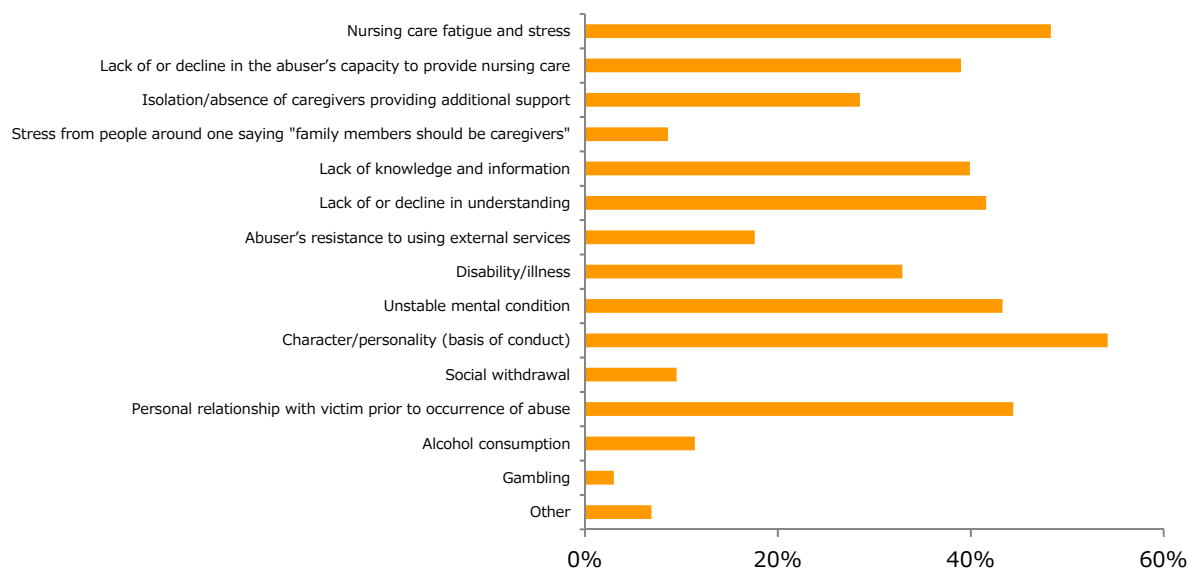


(Source) “Survey Results on the Status of Response Based on the “Act on the Prevention of Elder Abuse, Support for Caregivers of Elderly Persons and Other Related Matters” in Fiscal 2019” of Ministry of Health, Labour and Welfare

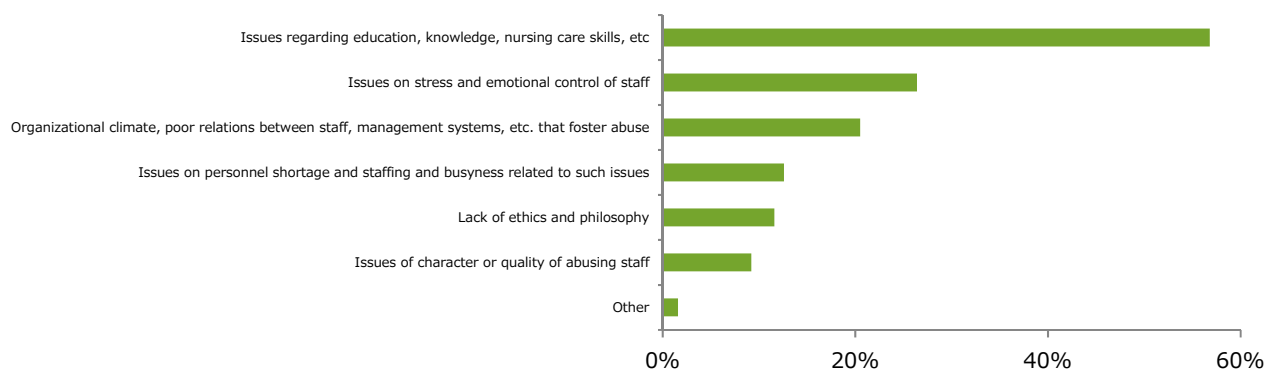
1. Current Status and Issues Surrounding Medical and Nursing Care

Various Issues in Nursing Care

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



[Factors of Abuse at Nursing Care Facilities (multiple responses allowed)]



(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 2019" of Ministry of Health, Labour and Welfare

1. Current Status and Issues Surrounding Medical and Nursing Care

Nursing Care Fee Revision

● Overview of Nursing Care Fee Revision in Fiscal 2021

Nursing care fees which are revised every 3 years, were revised in FY 2021. This was the first revision of nursing care fees under the COVID-19 pandemic.

Revision rate : +0.70%
(0.05% of it is special evaluations for dealing with COVID-19 (Until the end of September 2021))

This is the second consecutive positive revision. Based on the following perspectives, the allocation focus on independence support and innovation at the nursing care site.

Major viewpoints of the revision	3.Promotion of actions for independence support and prevention of severity
1.Strengthening responsiveness to infectious diseases and disasters	4.Securing nursing care personnel and innovation nursing care place
2.Promotion of comprehensive community care system	5.Ensuring the stability and sustainability of the system

● Changes Made by Recent Revisions

Revision period (FY)	Major points upon revision	Revision rate
2009	<ul style="list-style-type: none"> ● Securement of personnel by nursing care business operators and improvement of working conditions ● Cooperation with medical services and enhanced care for people with dementia ● Provision of efficient services and securement of new services 	3.00%
2012	<ul style="list-style-type: none"> ● Improvement of in-home services and more focused efforts on facilities ● Improvement and increased focus of efforts on services to support independent living ● Cooperation between medical services and nursing care services, and division of functions ● Securement of nursing personnel and evaluation of service quality 	1.20%
2014 (temporary)	<ul style="list-style-type: none"> ● Response to consumption tax hike (8%) 	0.63%
2015	<ul style="list-style-type: none"> ● Further strengthening of response to people requiring moderate to severe level of nursing care and the elderly with dementia ● Promotion of measures to secure nursing personnel ● Improvement in evaluation of services and establishment of efficient service provision system 	△2.27%
2017 (temporary)	<ul style="list-style-type: none"> ● Improvement of working conditions for nursing personnel 	1.14%
2018	<ul style="list-style-type: none"> ● Promote regional comprehensive care system ● Realize high-quality nursing care services that contribute to supporting unassisted living and preventing of increase in severity ● Secure various human resources and improve productivity ● Secure stability and sustainability of the system through making nursing care services more appropriate and Focused 	0.54%
2021	<ul style="list-style-type: none"> ● Strengthening responsiveness to infectious diseases and disasters ● Promotion of comprehensive community care system ● Promotion of actions for independence support and prevention of severity ● Securing nursing care personnel and innovation nursing care place ● Ensuring the stability and sustainability of the system 	0.70% (Note)

(Note) 0.05% of it is special evaluations for dealing with COVID-19 (Until the end of September 2021)

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

We seek to realize 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 super-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 and hospital personnel, the 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 a super-aged society and establishment of governance system.

HAM Website / Basic Policy on ESG

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

- ESG Promotion System

HAM designates the chief officer and executive officers on sustainability as follows.

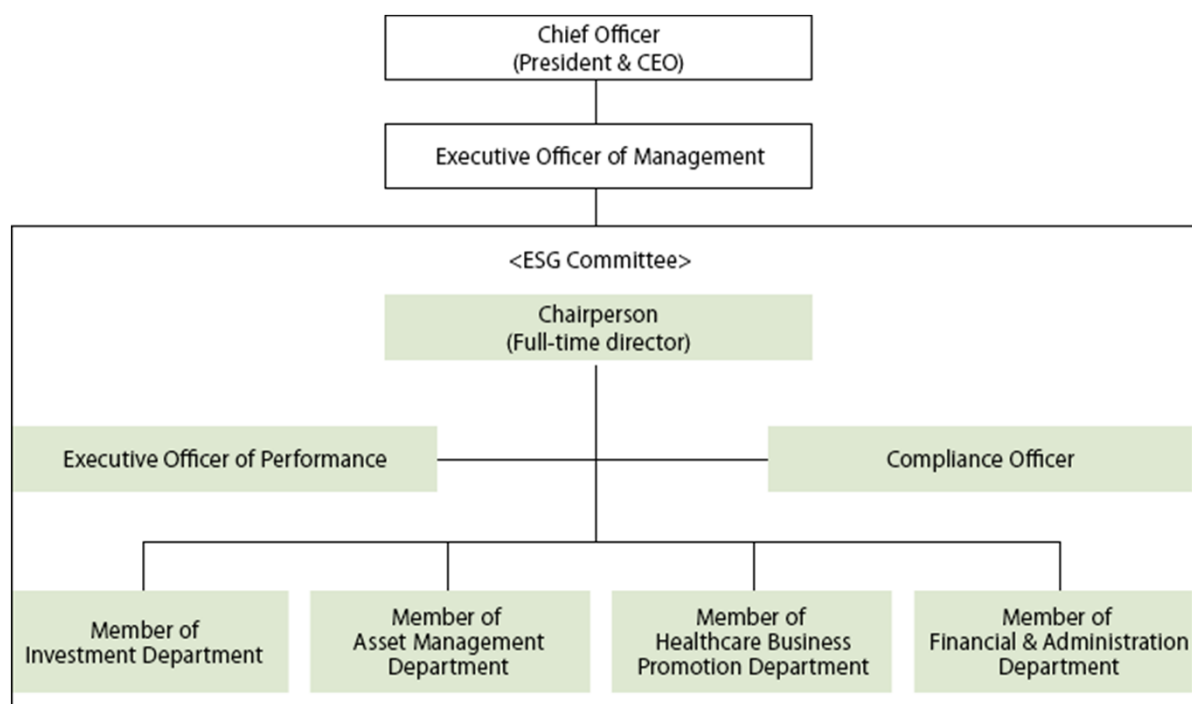
Chief Officer of Sustainability	President & CEO	The Chief Officer of Sustainability puts in place systems for promoting sustainability and supervises the proposal and implementation of various policies, targets and measures
Executive Officer of Sustainability Performance	Head of Asset Management Department	The Executive Officer of Sustainability Performance supervises the planning and implementation of various measures for the promotion of sustainability
Executive Officer of Sustainability Management	Head of Financial & Administration Department	The Executive Officer of Sustainability Management puts in place systems, regulations, etc. for promoting sustainability and supervises the planning and implementation of disclosure measures

Furthermore, HAM has established an ESG Committee which deliberates and drafts various policies, targets and measures regarding sustainability.

3. Policy on Actions for SDGs

Relationship Between SDGs and ESG

➤ Organization Chart (as of December 2021)



➤ ESG Committee

Chairperson	Either a full-time director or the Executive Officer of Performance, designated by the Chief Officer
Members	(1) Full-time director (2) Executive Officer of Performance (3) Member of Asset Management Department (4) Member of Investment Department (5) Member of Financial & Administration Department (6) Member of Healthcare Business Promotion Department (7) Compliance Officer (8) Other person appointed by the Chairperson
Frequency of meeting	At least once a month in principle

- As a general rule, the committee meets at least once every month.
- The Committee reports to the Chief Officer of Sustainability and Executive Officer of Sustainability Management with regard to various policies, targets, measures, etc. at least once every three months.
- The committee reports to the Board of Directors at least once a year on various policies, targets and measures.












3. Policy on Actions for SDGs

Relationship Between SDGs and ESG

➤ Promotion Image (PDCA Cycle)



● Materiality

	Issues that need to be solved	Highly relevant SDGs
Environment	<ul style="list-style-type: none"> Energy conservation and reduction of CO2 emissions 	  
Social	<ul style="list-style-type: none"> Elimination of the shortage of supply of housing for the elderly against the elderly population Prevention of job separation due to nursing care through the promotion of supply of nursing care facilities Improvement of business efficiency and reduction of work burden for nursing care staff Prevention of abuse of residents and harassment of facility staff Response to the deterioration of hospitals and promotion of earthquake resistance Work-life balance, health of staff, etc. 	    
Governance	<ul style="list-style-type: none"> Transparency in decision making Fair transaction (Appropriate management of conflicts of interest) Management of various risks (including elimination of antisocial forces) 	  

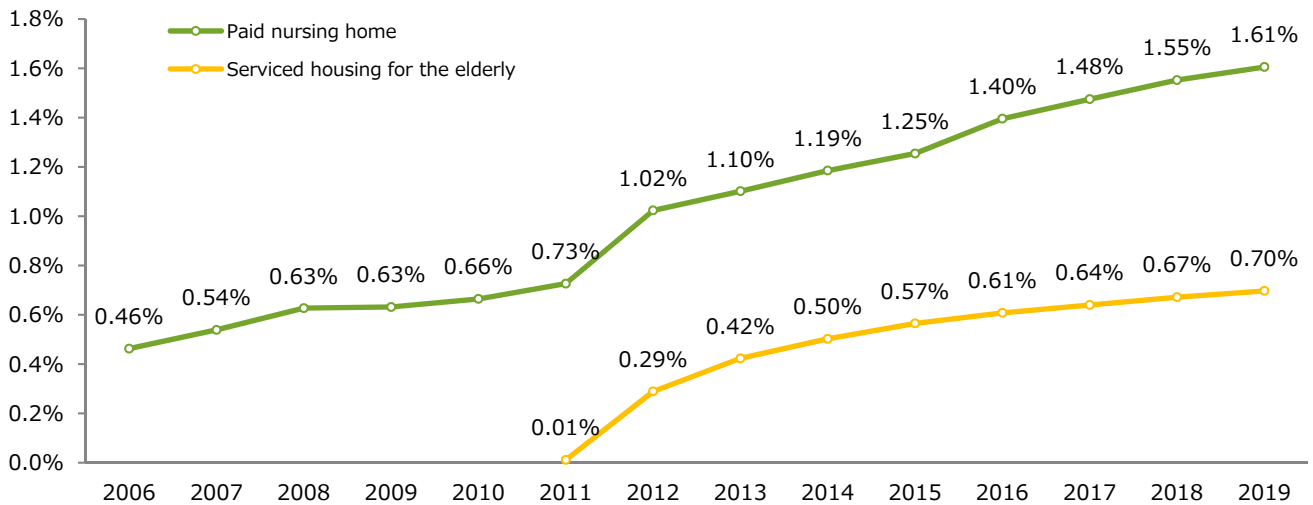
4. Outcome Indicators

Ratio of Housing for the Elderly to 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 service, the supply rate of paid nursing homes against the elderly population was 1.61% in 2019 and that of serviced housing for the elderly was only 0.70% in 2019.

[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 Ministry of Health, Labour and Welfare, "Information Provision System of Serviced housing for the elderly" 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 2021, the total acquisition amount of healthcare facilities was 278,485 million yen and the cumulative number of properties was 153 in the J-REIT market. Of these, the cumulative acquisition amount for HCM was 67,057 million yen (24.1%) and the cumulative number of properties for HCM was 37 (24.2%).

(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	38,900	190,418	22,691	64,881	13	111	8	35
2020	72,820	263,238	1,456	66,337	33	144	(Note) 1	36
January 2021	0	263,238	0	66,337	0	144	0	36
February 2021	0	263,238	0	66,337	0	144	0	36
March 2021	6,769	270,007	720	67,057	3	147	1	37
April 2021	0	270,007	0	67,057	0	147	0	37
May 2021	0	270,007	0	67,057	0	147	0	37
June 2021	1,720	271,727	0	67,057	1	148	0	37
July 2021	0	271,727	0	67,057	0	148	0	37
August 2021	0	271,727	0	67,057	0	148	0	37
September 2021	370	272,097	0	67,057	1	149	0	37
October 2021	6,388	278,485	0	67,057	4	153	0	37

(Source) Prepared by the Asset Management Company based on ARES J-REIT Databook (October 2021)

(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, 2020-October 31, 2021)

- In March 2021, we acquired "Nichii Home Nishikokubunji"(acquisition price:720 million yen).



Name	Nichii Home Nishikokubunji
Location	Kokubunji-shi,Tokyo
Operator	Nichii Carepalace Company
Appraisal value	760 million yen
Acquisition price	720 million yen
Appraisal NOI yield	5.0%
Number of rooms/Resident capacity	46 rooms, 46 people
Acquisition date	March 29, 2021

[Change in Portfolio Status]

End of fiscal period ended July 2020 (11th FP)	
Number of properties	36
Total acquisition price	66.3 billion yen
Total appraisal value	71.8 billion yen
Average appraisal NOI yield	5.6%
Hospital real estate	2 properties
Number of operators	12
Operational rate	100%
Average remaining lease term	13.8 years



End of fiscal period ended July 2021 (13th FP)		Comparison with End of fiscal period ended July 2020 (11th FP)
Number of properties	37	+1
Total acquisition price	67.0 billion yen	+7 billion yen
Total appraisal value	72.5 billion yen	+6 billion yen
Average appraisal NOI yield	5.6%	±0%
Hospital real estate	2 properties	±0 property
Number of operators	13	+1
Operational rate	100%	±0%
Average remaining lease term	12.7 years	-1.1 years

5. Output Indicators (Overview)

Status of Allocation of Social Loan

- Status of Use and Procurement of Funds (From November 1, 2020 to October 31, 2021)

Use of funds		Fund procurement	
Acquisition of healthcare facilities	-	Public offering	3.7 billion yen
Refinancing	3.7 billion yen	Social loan	-
Expenses, etc. (Note)	-	Own funds	-
Total	3.7 billion yen	Total	3.7 billion yen

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

- List of Social Loans and Social Bond (From November 1, 2020 to October 31, 2021)

HCM procured 3.7 billion yen of social loan on January 29, 2021 and allocated the entire amount as funds for refinancing of borrowings associated with the acquisition of trust beneficiary rights for healthcare facilities and Pre-deadline payment.

[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	0.5 billion yen	Fixed interest rate	January 29, 2021	January 31, 2024	Lump-sum repayment on principal repayment date	Unsecured Unguaranteed
Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger	3.2 billion yen	1-month TIBOR+0.45%	January 29, 2021	January 31, 2026	Lump-sum repayment on principal repayment date	Unsecured Unguaranteed

[Status of Use and Allocation of Funds]

Use of funds	Allocation ratio	Unallocated amount
Funds for refinancing and Pre-deadline payment	100%	None

[Borrowings for Refinancing]

Lender	Balance	Drawdown date	Refinancing date
Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger	3.0 billion yen	March 20, 2018	January 29, 2021
Sumitomo Mitsui Banking Corporation	0.7 billion yen	June 29, 2020	

Initial use of funds

- Acquisition funds for AQUAMARINE Nishinomiyahama, ASHEIM Hikarigaoka, ASHEIM Bunkyo Hakusan, 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 Sompō no ie S Awajiekimae, SOMPO CARE Sompō no ie S Kobekamisawa, Bonsejour Yotsugi, Medical Home Bonsejour Itami
- Acquisition funds for Sunny Life Kamakura

6. Initiatives

Environmental Initiatives

- Basic Policy

Reducing the Environmental Burden

HCM strives for energy conservation and reduction of CO2 emissions by improving energy efficiency at its properties and introducing facilities that contribute to energy saving. Also, HCM aims for resource conservation and waste reduction with regard to capital expenditure of its properties and in the formulation and implementation of their repair plans.

- Environmental Performance Targets/Results

Basic Targets:

Item	Target	Results		
		2020 (standard year)	2021 (Note 2)	Rate of change (Note 2)
Energy	To make the total annual energy data capture rate (%) 100% across HCM's real estate portfolio	80.2%	—	—
CO2	To make the total annual GHG emission data capture rate (%) 100% across HCM's real estate portfolio	80.2%	—	—
Water	To make the total annual water consumption data capture rate (%) 100% across HCM's real estate portfolio	74.3%	—	—

(Note 1) The data capture rate is calculated based on floor area

(Note 2) The results and rate of change in 2021 are not shown as they are unsettled as of the date of this document.

Long-term Targets:

Item	Target	Unit	Results		
			2020 (standard year)	2021 (Note 2)	Rate of change (Note 2)
Energy	To achieve a 5% reduction in total annual energy consumption on an intensity basis across HCM's real estate portfolio relative to the baseline year by the target year	Consumption (kWh)	31,628,460	—	—
		Intensity (kWh/m ²)	210	—	—
GHG	To achieve a 5% reduction in total GHG emissions generated by energy consumption on an intensity basis across HCM's real estate portfolio relative to the baseline year by the target year	Emissions (t-CO ₂ e)	11,368	—	—
		Intensity (CO ₂ e/m ²)	0.076	—	—
Water	Not to increase annual water consumption on an intensity basis across HCM's real estate portfolio relative to the baseline year by the target year	Consumption (m ³)	418,711	—	—
		Intensity (m ³ /m ²)	3.0	—	—

(Note) The results and rate of change in 2021 are not shown as they are unsettled as of the date of this document.

6. Initiatives

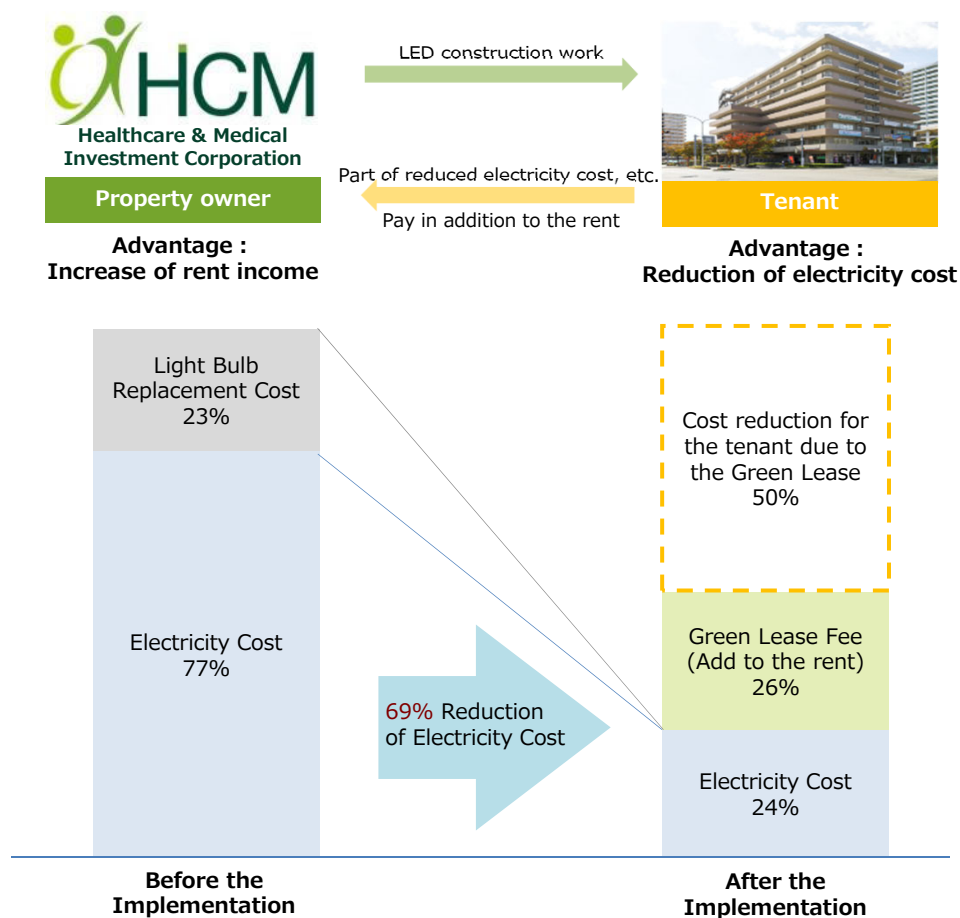
Environmental Initiatives

- Examples of Environmental Initiatives

- Green Lease

HCM introduced the green lease agreement with the tenant that rent a whole building of “Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)” (2021).

This is truly a win-win initiative which enables both HCM and the tenant to receive economic benefits while reducing environmental burden.



- Based on the tenant's lighting equipment usage conditions, which were obtained through interviews, we provisionally calculate that electricity consumption relating to lighting equipment will be reduced by about 69% as a result of performing work to convert the common-area lighting to LEDs.
- Among the benefits that the tenant is expected to receive with LED lighting that has a rated life of 40,000 hours, including reduction of lighting equipment-related electricity fees and reduction of bulb replacement costs, a certain amount will be passed on to HCM in the form of a higher rent in the lease, based on a green lease fee.

Green lease :

Win-win action in which property owner and tenant work together to reduce environmental burdens such as energy saving of real estate and improve the working environment, and both sides can benefit from cost reductions, etc.

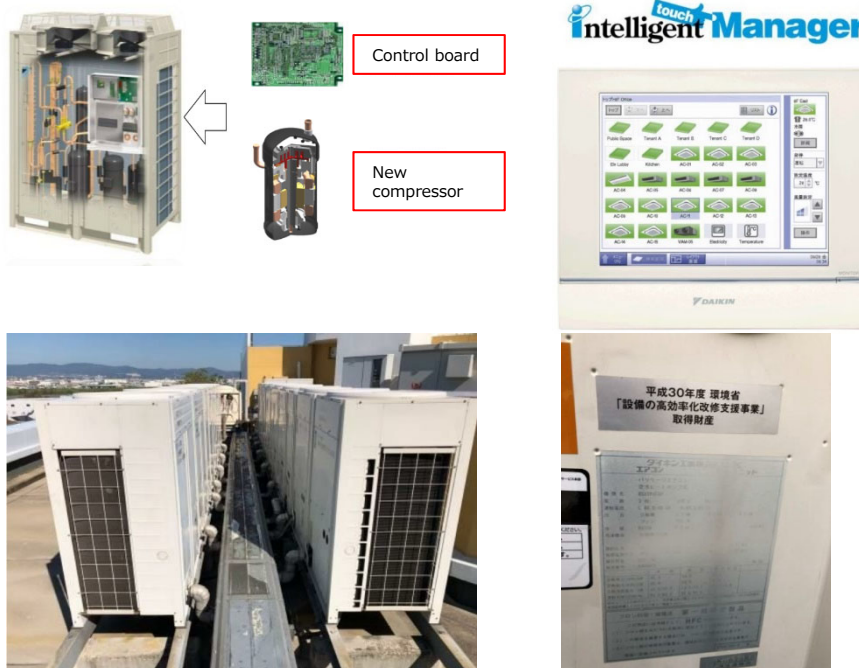
6. Initiatives

Environment Initiatives

➤ Energy Saving Renovation Work

Implemented high-efficiency renovation work for airconditioning equipment at "GreenLife Moriguchi" (2018)

- ✓ Replace the control board and compressor of the outdoor unit of the common area air conditioner with ones with high energy-saving performance.
- ✓ Introduction of high-performance air conditioning management unit (collective management of air conditioning in the building, scheduled operation setting)
- ✓ Utilize national subsidy
→ Investment amount 13.5 million yen
(of which, the subsidy is 6.4 million yen)



6. Initiatives

Social Initiatives

- Basic Policy

Initiatives for Solving the Challenges of an Aged Society

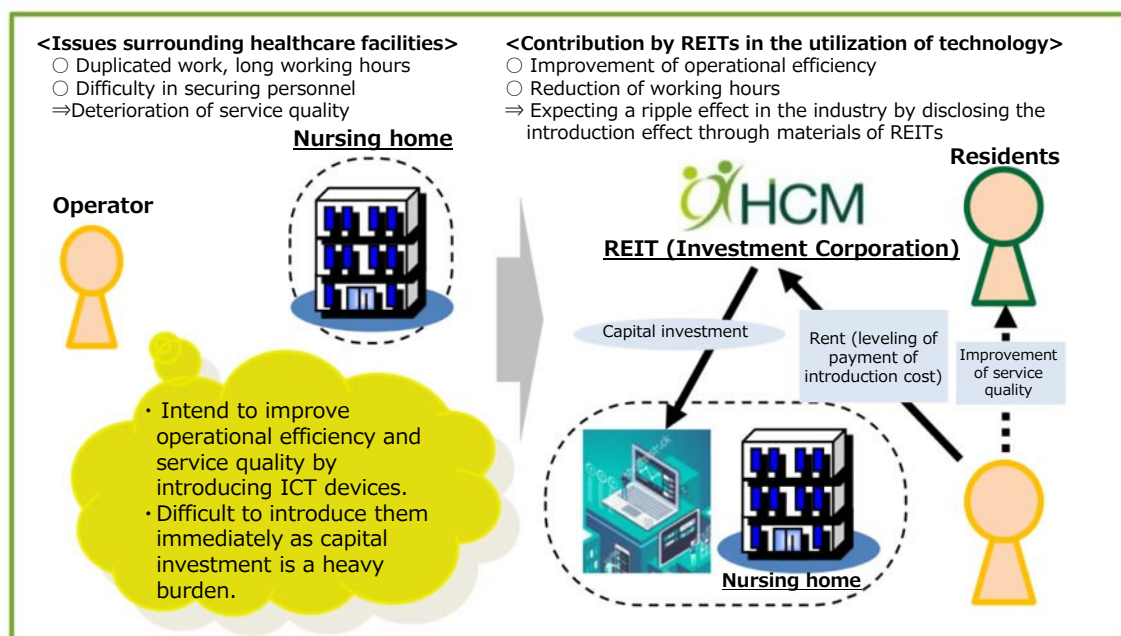
HAM believes that HCM's continuous investment in healthcare facilities and its stable management of assets will help towards solving the social challenges of an aged society. Therefore, we have cooperated with various internal and external stakeholders including unitholders, operators and hospital personnel, the sponsors, executives and employees.



6. Initiatives

Social Initiatives

- 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 (2019).
 - 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 Bunkyoakusan (completed introduction in July 2019, 20.9 million yen)
 - ASHEIM Hikarigaoka (completed introduction in August 2019, 25.6 million yen)

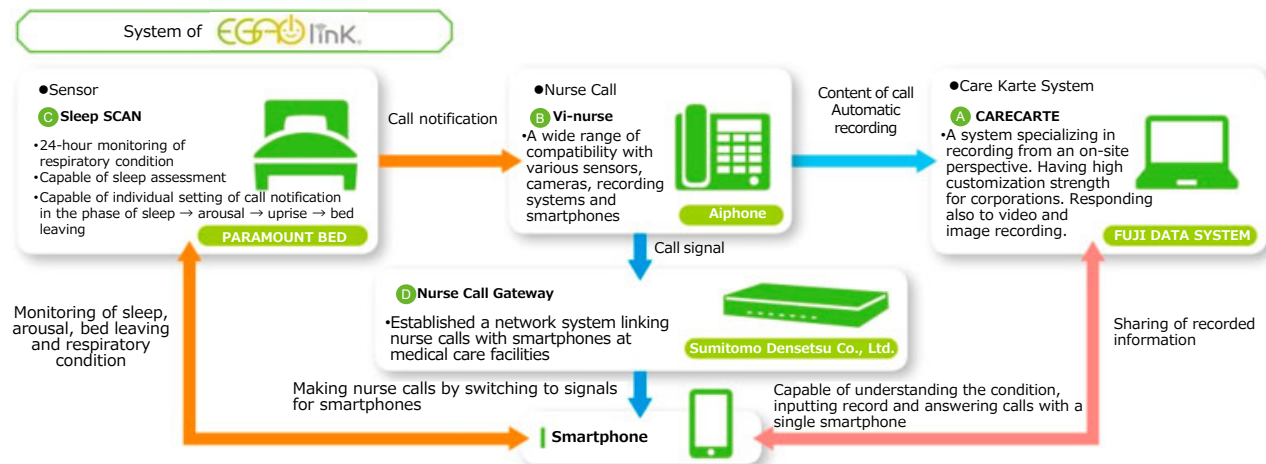


6. Initiatives

Social Initiatives

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.

Reducing night-time regular inspection by using watching sensors

Significantly reducing the time for preparing nursing care records through smartphone input

Reducing the number of nurse calls through monitoring using smartphones

6. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Bunkyoakusan
(July 2019 – September 2021)

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■ Reduction of care staff

As of the end September 2021, the number of persons had been reduced by 3.9 people/month and working hours had been **reduced by 686 hours/month**.

	July 31, 2019	Sept. 30, 2021	Difference
Number of residents	48 people	43 people	-5 people
Ratio of staff to residents	1.78:1	1.86:1	-0.08
Full-time employees	14.5 people	13.5 people	-1 people
Contract employees	2 people	1 people	-1 people
Part-time employees	5.6 people	6.5 people	+0.9 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	23.0 people	-3.9 people
Total working hours	4,734 hours	4,048 hours	-686 hours

■ Reducing burden of night-shift work for care staff

1. We changed from a system with two night-shift positions and one semi-night-shift position by **eliminating the semi-night shift position**, and as of September 30, 2021, we continue to implement this system.
2. As of September 30, 2021, even after eliminating the semi-night shift, night-shift staff were able to **take two hours of break time every day**.
3. Regular night inspections were terminated on October 1, 2019, but as of September 30, 2021, **we had not received any complaints from clients or suggestions from the authorities**.

	July 31, 2019	Sept. 30, 2021	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. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Bunkyo Hakusan
(July 2019 – September 2021)

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■ Improving quality of nursing care services

	July 31, 2019	Sept. 30, 2021	Difference
Life rehabilitation	608 sessions	513 sessions	-95 sessions
Individual activities	20 hours	117 hours	+97 hours
Polypharmacy	7.2 medications	6.1 medications	-1.1 medications
Hospitalization rate	5.2%	7.8%	+2.6

Life Rehabilitation

The number of sessions offered decreased by 95, but this is due to a change in the criteria for recognizing activities as life rehabilitation. In fiscal 2019, additional hours gained through improving operational efficiency with EGAO Link were used to provide life rehabilitation in the form of maintaining residents' residual functions. However, in fiscal 2021, the standards were changed so that only activities that enable residents to improve ADL (i.e., enable them to perform activities they cannot currently perform in daily life) are counted as life rehabilitation.

Thus, while the count itself seems to have decreased, the majority of residents' life rehabilitation sessions are continuing even amid the protracted COVID-19 pandemic.

*Since activities aimed at maintaining use of residual functions, which were considered as life rehabilitation until fiscal 2020, are still being provided but counted separately, hours saved due to EGAO Link are in fact being used for life rehabilitation.

Individual Activities

We have worked to improve operations with the goal of obtaining two hours per day, or 60 hours per month, for the provision of individual activities (activities aimed at revitalizing each resident mentally and physically). When EGAO Link was introduced, the number of hours was 20 per month, but as of September 30, 2021, it had **increased by 97 hours**.

6. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Bunkyo Hakusan
(July 2019 – September 2021)

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Polypharmacy

We have taken steps to improve polypharmacy (harmful effects due to combining multiple medications) by using sleep sensors and a medical records software database.

With a target of 6.0 or less for the average number of medications used, we are promoting optimal use of medications in accordance with residents' health condition in collaboration with partner medical institutions and pharmacies, based on sleep data and medical records data.

As a result, as of September 30, 2021, we have **progressed to within 0.1 medications of the target.**

Hospitalization Rate

As an index measuring the results of the initiatives implemented to date, we have tracked "maintaining and increasing length of stay through improvement of the hospitalization rate."

As of September 30, 2021, the hospitalization rate had increased by 2.6 percentage points, but it was 2.8% in July 2021 and 3.5% in August 2021, so the figure has been trending downward recently.

*The September 2021 result occurred due to circumstances such as hospitalized residents' condition suddenly becoming more serious, leading to their hospital stay being prolonged.

■ Summary/Future Initiatives

In terms of future initiatives, while maintaining our current staffing system and operations, we will strive to deliver science-based care by using data that may be extracted from EGAO Link.

Based on the accumulated data, we will quantitatively identify issues relating to residents' meal, sleep, and activities/exercise, then implement improvements to nursing care services.

6. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Hikarigaoka
(July 2019 – September 2021)

as partners 

■ Reduction of care staff

As of the end of September 2021, the number of persons had been **reduced by 1.8 people per month**, while working hours had been **reduced by 317 hours per month**.

	July 31, 2019	Sept. 30, 2021	Difference
Number of residents	83 people	79 people	-4 person
Ratio of staff to residents	2.04:1	2.04:1	±0
Full-time employees	23.5 people	23.5 people	±0 people
Contract employees	0 people	0 person	±0 people
Part-time employees	11.6 people	12.2 people	+0.6 people
Temporary workers	1 person	0 people	-1 person
Nursing staff	4.4 people	3.0 people	-1.4 person
Staff per month	40.5 people	38.7 people	-1.8 people
Total working hours	7,128 hours	6,811 hours	-317 hours

■ Reducing burden of night-shift work for care staff

1. We changed from a system with three night-shift positions and one semi-night-shift position by **eliminating the semi-night shift position**, and as of September 30, 2021, we continue to implement this system.
2. As of September 30, 2021, even after eliminating the semi-night shift, night-shift staff were able to **take two hours of break time every day**.
3. Regular night inspections were terminated on October 1, 2019, but as of September 30, 2021, **we had not received any complaints from clients or suggestions from the authorities**.

	July 31, 2019	Sept. 30, 2021	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 times (approx. 4 hours)	0 times	-4 times (-4 hours)

6. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Hikarigaoka
(July 2019 – September 2021)

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■ Improving quality of nursing care services

	July 31, 2019	Sept. 30, 2021	Difference
Life rehabilitation	1,287 sessions	129 sessions	-1,158 sessions
Individual activities	56 hours	71 hours	+15 hours
Polypharmacy	7.7 medications	5.7 medications	-2.0 medications
Hospitalization rate	7.1%	2.2%	-4.9

Life Rehabilitation

The number of sessions offered decreased by 1,158, but this is due to a change in the criteria for recognizing activities as life rehabilitation. In fiscal 2019, additional hours gained through improving operational efficiency with EGAO Link were used to provide life rehabilitation in the form of maintaining residents' residual functions. However, in fiscal 2021, the standards were changed, so that only activities that enable residents to improve ADL (i.e., enable them to perform activities they cannot currently perform in daily life) are counted as life rehabilitation.

Thus, while the count itself seems to have decreased, the majority of residents' life rehabilitation sessions are continuing even amid the protracted COVID-19 pandemic.

*Since activities aimed at maintaining use of residual functions, which were considered as life rehabilitation until fiscal 2020, are still being provided but counted separately, hours saved due to EGAO Link are in fact being used for life rehabilitation.

Individual Activities

Our goal is to obtain two hours per day, or 60 hours per month, for the provision of individual activities (activities aimed at revitalizing each resident mentally and physically). When EGAO Link was introduced, the number of hours was 56 per month, but as of September 30, 2021, it had increased by 15 hours.

6. Initiatives

Social Initiatives

Effects of Introducing EGAO Link at ASHEIM Hikarigaoka
(July 2019 – September 2021)

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Polypharmacy

We have taken steps to improve polypharmacy (harmful effects due to combining multiple medications) by using sleep sensors and a medical records software database.

With a target of 6.0 or less for the average number of medications used, we are promoting optimal use of medications in accordance with residents' health condition in collaboration with partner medical institutions and pharmacies, based on sleep data and medical records data.

When EGAO Link was first introduced, the average number of medications was more than 1 over the standard, increasing the risk that harmful effects would occur, but as of September 30, 2021, we have **achieved a result of 0.3 below** the target of 6.0.

Hospitalization Rate

As an index measuring the results of the initiatives implemented to date, we have tracked "maintaining and increasing length of stay through improving the hospitalization rate."

As of September 30, 2021, the hospitalization rate had **decreased by 4.9 percentage points** since the introduction of EGAO Link.

■ Summary/Future Initiatives

In terms of future initiatives, while maintaining our current staffing system and operations, we will strive to deliver science-based care by using data that may be extracted from EGAO Link.

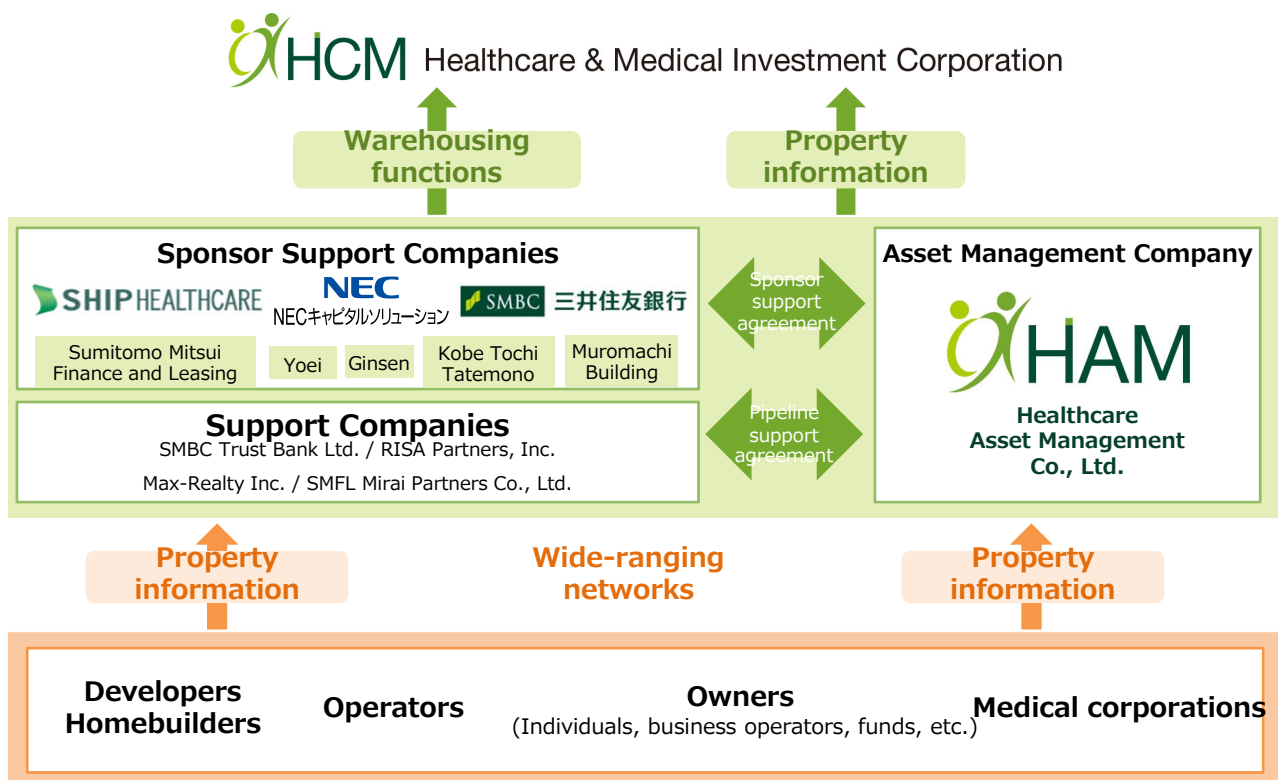
Based on the accumulated data, we will quantitatively identify issues relating to residents' meal, sleep, and activities/exercise, then implement improvements to nursing care services.

6. Initiatives

Social Initiatives

- Initiatives in Collaboration with the Sponsors

We secure opportunities for acquiring prime properties through a system of gathering quality deals and information which utilizes the wide-ranging network of operators, developers, etc. and diversified sponsor support.



6. Initiatives

Social Initiatives

- Actions Aimed at HAM Executives and Employees

- Career Development Initiatives / Framework for Ensuring that Executives and Employees Are Suitably Motivated

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 the sponsors, etc.) is shown below.

Number of Employees Holding Qualifications as of the End of October 2021	
Real Estate Notary	14
ARES Certified Master	10
First-Class Architect	1
Property Manager	1
Certified Building Administrator	1
Small and Medium Enterprise Management Consultant	1
Chartered Member of the Securities Analysts Association of Japan	2
Medical Management Specialist, Second Grade	1

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	(Note 1) 33
2017 Compliance Workshops	25
2018 Compliance Workshops	25
2019 Compliance Workshops	22
2020 Compliance Workshops	22
2021 Compliance Workshops	(Note 2) 13

(Note 1) Participation in external training is included in the number of compliance workshops held in 2016.

(Note 2) The figure for 2021 Compliance Workshops is based on the number of meetings held from April 2021 to October 2021.

6. Initiatives

Social Initiatives

➤ Actions Aimed at Securing Human Resources

At HAM, we continue to consider new hires for the purpose of ensuring that 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 FY2020: 53.3%), 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 the sponsor companies.

➤ Benefits and work-life balance

✓ 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. Moreover, with the aim of promoting investment unit acquisition by employees and thereby enhancing the impact of the system, we began providing financial incentives in April 2021.

✓ Vacation System

HAM provides a vacation system which includes leave for weddings, funerals, pregnancy, childbirth, childcare, sick or injured children and family care.

✓ Health Examinations

Health examinations with items of inspection exceeding the legal requirement are conducted once every year.

➤ Arrangement of the Office Environment

HAM implements the following in an effort to establish an environment that is conducive to the work of employees.

- Introduction of a system of remote working
- Lending of laptops, monitors, etc.
- Installation of multiple low-concentration ozone generators (Airness)
- Installation of large-scale monitors in meeting rooms

6. Initiatives

Social Initiatives

✓ Employee Satisfaction Survey

We conducted a questionnaire survey on employee satisfaction in 2019 through a third-party investigation agency in order to understand employee's perceptions of work as well as the conditions of the workspace and to realize an office environment that is conducive to work. Employees were questioned anonymously on items such as resonance with the corporate philosophy, worthwhileness of work and personal relationship and atmosphere of the workplace. The results of the survey were shared with all employees. We will continue introducing measures that will further increase the satisfaction of employees.

✓ Personnel Data

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of executives and employees *1	15	16	18
(Number of directly hired executives and employees)	8	9	10
(Number of assigned employees)	7	6	8
Number of men / ratio	14/93.3%	15/93.8%	17/94.4%
Number of women / ratio	1/6.7%	1/6.3%	1/5.6%
Number of managers *2	5	5	6
Number of men / ratio	5/100%	5/100%	6/100%
Number of women / ratio	0/0%	0/0%	0/0%
Number of external committee members	2	2	2
Number of men / ratio	0/0%	0/0%	0/0%
Number of women / ratio	2/100%	2/100%	2/100%
Number of new hires	2	2	1
Number of employees leaving the company	1	1	0
Annual turnover rate *3	6.3%	5.9%	0.0%
Average monthly overtime hours	40.1	27.5	25.6
Average employment	2 years and 5 months	3 years and 0 months	3 years and 4 months
Average paid leave acquired / acquisition rate	11.7/55.9%	16.3/71.1%	10.9/53.3%
Health examination/screening rate	100%	100%	100%

*1: Numbers of employees are as of the end of each fiscal year (March 31)

*2: General manager and above

*3: The ratio of employees leaving the company to total employees as of the end of each fiscal period (March 31) are indicated

6. Initiatives

Social Initiatives

- Contribution to Local Communities
 - Employment support for people with disabilities

At “Green Life Moriguchi” and “SHIP Senri Building,” hydroponic cultivation of vegetables is carried out as a job assistance project for people with disabilities.

GreenLife Moriguchi (GREEN LIFE Co., Ltd.)



GREEN FARM Senri Chuo (SHIP HEALTHCARE FOOD Co., Ltd.)



6. Initiatives

Governance Initiatives

- Corporate Governance

- Corporate Governance

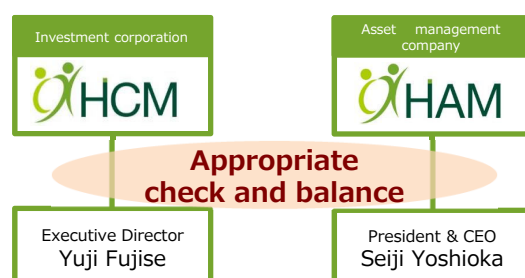
The institutional operation of HCM is conducted by the General Meeting of Unitholders comprised of HCM's unitholders in addition to the Board of Directors comprised of one executive director and two supervisory directors, as well as the accounting auditor.

Directors' compensations are stipulated by the Articles of Incorporation. The maximum compensation for the executive director is 500,000 yen per month per person and the monthly compensation is determined by the Board of Directors. The maximum compensation for the supervisory directors is 500,000 yen per month per person and the monthly compensation is determined by the Board of Directors.

Furthermore, as employment is forbidden to HCM by the Act on Investment Trusts and Investment Corporations, HCM does not employ any employees but entrusts the management of its assets to the Asset Management Company.

- Separation of Executive Director of HCM and President & CEO of HAM

From November 1, 2020, the system in which President & CEO of HAM concurrently serves as executive director of HCM was dissolved.



- Compensation for the Asset Management Company

Total compensation	
12th fiscal period (ended Jan. 2021)	13th fiscal period (ended Jul. 2021)
200,051 thousand yen	197,621 thousand yen

(Note) Apart from the above, 7,200 thousand yen of asset management fees were generated in the 13th fiscal period (ended Jul. 2021) for property acquisition included in the book value of real estate, etc.

- Compensation for the Auditor

Title	Name	Total compensation	
		12th fiscal period (ended Jan. 2021)	13th fiscal period (ended Jul. 2021)
Accounting auditor	PricewaterhouseCoopers Aarata LLC	7,500 thousand yen	7,500 thousand yen

6. Initiatives

Governance Initiatives

➤ Executive Director and Supervisory Directors

(Criteria and reasons for appointment)

Candidate directors are selected assuming that they are not disqualified by the stipulations of the Investment Trust Act and other laws (Articles 98 and Article 100 of the Investment Trust Act and Article 244 of the Regulation for Enforcement of the Investment Trust Act). The appointment of the following directors was resolved at the General Meeting of Unitholders as per the following reasons.

Title	Name	Reason for assignment	Gender	Status of Attendance in Board of Directors Meetings (Note)
Executive director	Yuji Fujise	With his expertise as a lawyer and ample hands-on experience and insight in the field of finance, Yuji Fujise is believed to be a suitable person to carry out the management of HCM.	Male	10 times / 10 times (100%)
Supervisory director	Yasuo Shida	With his ample hands-on experience and insight in the field of finance as well as track record as a director, etc. in multiple corporations, Yasuo Shida is believed to be a suitable person to supervise the operation of the executive director as one with expertise in law and other fields.	Male	10 times / 10 times (100%)
Supervisory director	Sachihiko Fujimoto	With his hands-on experience and insight as a certified public accountant and certified tax accountant, Sachihiko Fujimoto is believed to be a suitable person to supervise the management of the investment corporation as one with expertise in accounting and taxation.	Male	10 times / 10 times (100%)

(Note) Status of Attendance in Board of Directors Meetings are based on the number of Board of Directors Meetings held from November 2020 to October 2021.

(Compensation of the Executive Director and Supervisory Directors)

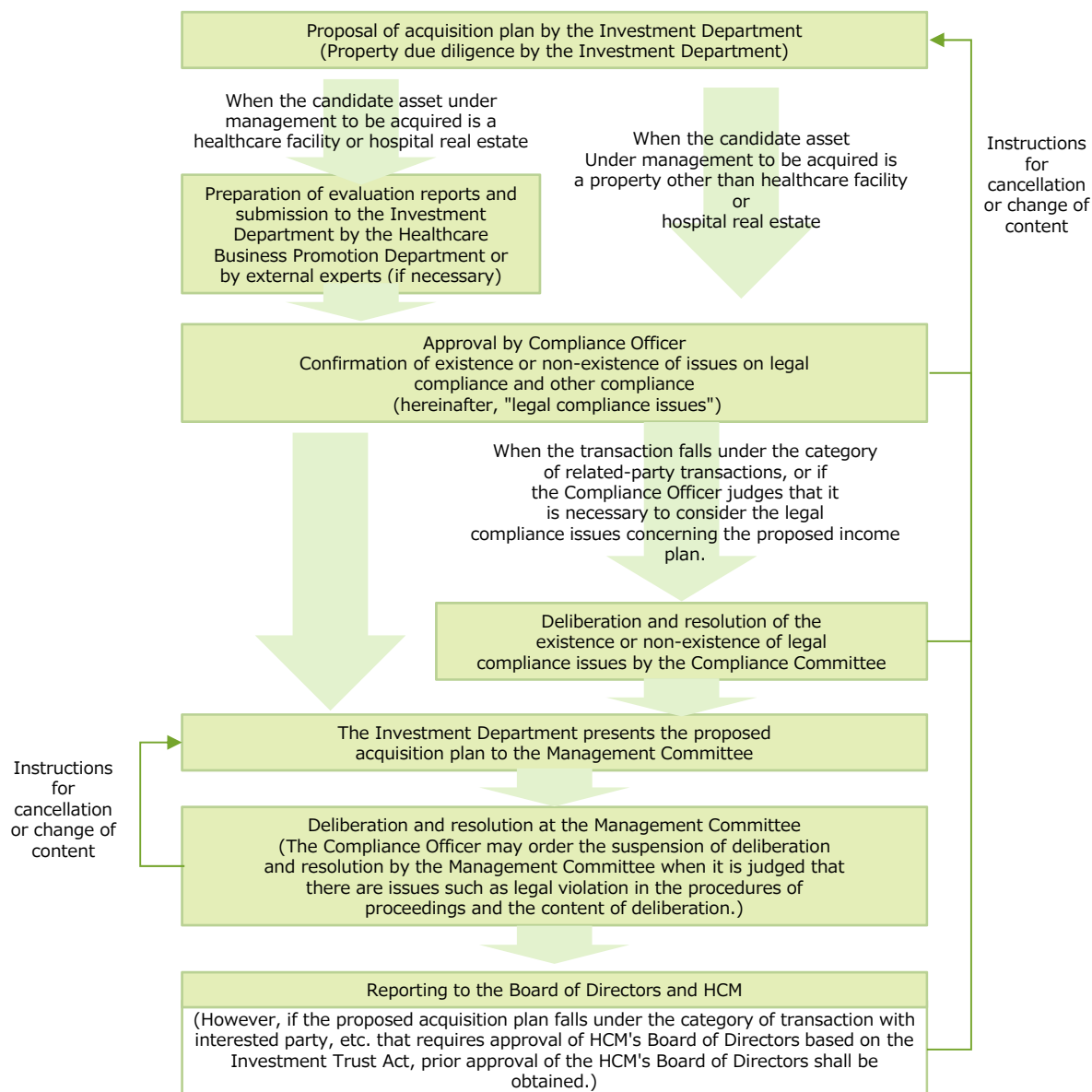
Title	Name	Total compensation	
		12th fiscal period (ended Jan. 2021)	13th fiscal period (ended Jul. 2021)
Executive Director	Seiji Yoshioka (Note)	–	–
Executive Director	Yuji Fujise (Note)	900 thousand yen	1,800 thousand yen
Supervisory Director	Yasuo Shida	3,000 thousand yen	3,000 thousand yen
Supervisory Director	Sachihiko Fujimoto		

(Note) Seiji Yoshioka stepped down from his position as an executive director of HCM on October 31, 2020. In addition, Yuji Fujise was appointed as an executive director of HCM on November 1, 2020.

6. Initiatives

Governance Initiatives

➤ Decision-Making Flow Concerning Acquisition of Assets Under Management



➤ Appropriate Management of Conflicts of Interest

- ✓ Related party is defined in broader terms than interested party, etc. under the Investment Trust Law, and established a system to carry out transactions after conducting rigorous examinations.



- ✓ Fee for property acquisition from related party or property transfer to related party
Acquisition or transfer price × **0.5%** (usually 1.0%) is upper limit

6. Initiatives

Governance Initiatives

➤ External Members of the Management Committee and Compliance Committee

The members of HAM's Management Committee and Compliance Committee are comprised of outside experts selected by the Board of Directors. Checks for conflicts of interest are set in place and the fairness, objectivity and validity of the committees' decision making are ensured. The external members of the Management Committee and Compliance Committee are as follows.

As of October 28,2021

Title	Name	History	
External member of the Management Committee	Mizuho Ogata	October 1976 January 1980 January 1983 July 2000	Joined Okochi Fudosan Kantei Jimusho, K.K. Acquired real estate appraiser certificate Started Ogata Appraisal Office Special member and Chairperson of Appraisal Division of Land Policy Subcommittee, National Land Development Council, Ministry of Land, Infrastructure, Transport and Tourism
		December 2000	Established Ogata Appraisal Corporation Assumes post of Managing Director (current)
		June 2005	Vice Chairperson of Japan Association of Real Estate Appraisers
		April 2007	Chairperson of Tokyo Association of Real Estate Appraisers
		April 2011	Advisor of Tokyo Association of Real Estate Appraisers (current)
		June 2011	Chairperson of Japan Association of Real Estate Appraisers
		May 2014	Chairperson of Land Valuation Council, Tokyo Regional Taxation Bureau
		November 2014	External member of Management Committee, Healthcare Asset Management Co., Ltd. (the Asset Management Company) (current)
External member of the Compliance Committee	Eriko Matsuno	June 2015	Advisor of Japan Association of Real Estate Appraisers (current)
		April 2016	Auditor of Concordia Financial Group, Ltd.
		April 1992	Entered Morgan Stanley Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.)
		April 2000	Certified as attorney (52nd period of Tokyo Bar Association)
		April 2000	Joined Nagashima Ohno & Tsunematsu
		April 2010	Opened Tokyo Jay Law Offices Assumes post of Chief Lawyer (current)
		April 2011	Assumes post of Mediator of Financial Instruments Mediation Assistance Center (current)
		November 2014	External member of Compliance Committee, Healthcare Asset Management Co., Ltd. (the Asset Management Company) (current)
		October 2015	Auditor of WealthNavi Inc. (current)
		June 2019	Manager of Japan Women's Bar Association (current)
		June 2020	External Director of Miraca Holdings Inc. (currently H.U. Group Holdings, Inc.) (current)

6. Initiatives

Governance Initiatives

- Compliance

- Compliance System

HAM, fully cognizant of the significance of the fact that the asset management it conducts with the assets of HCM constitutes the management of the funds of HCM's investors, in order to ensure the development of an appropriate management structure, has set up the Compliance Office as a division responsible for matters pertaining to compliance of HAM, and has appointed a Compliance Officer as an individual responsible for supervising matters pertaining to compliance, thereby ensuring the effectiveness of the function of internal oversight of other departments. The appointment or the dismissal of the Compliance Officer will be processed through the resolution of the Board of Directors.

The Compliance Officer, as the key person responsible for compliance at HAM, is charged with establishing and maintaining the internal compliance structure of the company and raising the level of standards awareness within the company with regard to compliance with all applicable laws and rules. Also, the Compliance Officer will promote awareness of compliance of executives and employees and disseminate compliance through the planning and implementation of compliance trainings for executives and employees. To those ends, the Compliance Officer continually monitors to ensure that all operations conducted for the asset management of HCM by HAM comply with all applicable laws and the Articles of Incorporation of HCM, and exercises supervision over the overall internal compliance environment in daily operations.

In view of the importance of the duties of the Compliance Officer, only a person having adequate investigative and supervisory capacity for ensuring compliance with all applicable laws, regulations and rules will be appointed as the Compliance Officer.

- Formulation and Execution of the Compliance Manual

In order to ensure thorough compliance with laws, etc. (referring to laws, ordinances, regulations and other orders HAM must observe in executing operations, the regulations of the Investment Trusts Association, Japan (the "Investment Trusts Association"), the regulations of the financial instruments exchange to which HCM is listed, the Articles of Incorporation of HCM, the Articles of Incorporation and in-house rules of HAM and the agreements concluded by HAM based on such (including asset management entrustment agreements), etc.), HAM has established the Compliance Rules and the Compliance Manual, has formulated the Compliance Program, which is a concrete practice plan for realizing compliance with laws, etc., and will strive to implement compliance with laws, etc. in accordance with the program.

- Initiatives to Prevent Corruption, Eliminate Anti-Social Forces, and Prevent Money Laundering and Terrorist Funding

HAM has established a system to strictly prohibit and prevent corruption, such as bribery, money laundering, embezzlement, and other violations of the law. This includes the establishment of the Rules on Prevention of Bribery, Reception of Gifts and Rules on Handling of Verifications on Transactions.

As a basic policy for eliminating anti-social forces, HAM stipulates that "it will sever any ties whatsoever with anti-social forces, reject unjust demands from them, engage in no backroom deals with and provide no funds to them, and, if necessary, take legal action against them and adopt a company-wide response to anti-social forces while collaborating with specialized external organizations."

Based on this basic policy, HAM severs all ties with anti-social forces, ensures appropriate management of HAM, and prevents significant harm to stakeholders, including executives and employees, and shareholders, and with the aim of fulfilling HAM's social responsibilities, it has established Regulations for Eliminating Anti-Social Forces and Manual for Eliminating Anti-Social Forces, etc., which stipulate policies and specific procedures for handling their elimination.

Furthermore, it has established a department for handling anti-social forces and a supervisory officer, and through internal compliance training, it aims to comprehensively inform all executives and employees about the policies for eliminating anti-social forces and the methods of handling them.

6. Initiatives

Governance Initiatives

- Establishment of Internal Reporting System

HAM has established a system for consultation and appropriate handling of reports related to violations and other questionable acts or facts in relation to laws and other societal standards and the Compliance Manual (compliance-related information). Both internal and external points of contact are in place.

- Compliance workshops

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.

6. Initiatives

Governance Initiatives

- Risk Management

- Risk Management

With regard to the various risks concerning investment management, HCM observes the rules stipulated in the Investment Trust Act and other related laws and regulations. Also, HAM establishes appropriate company regulations for such risks, sets forth necessary organizational structures and educates executives and employees in order to enhance their mindfulness of compliance, among other measures.

The specific initiatives are as follows.

- A. HCM

HCM is managed by the Board of Directors comprised of one executive director and two supervisory directors. The Board of Directors convenes at least once every three months as necessary to pass resolutions pertaining to matters stipulated by law and HCM's Board of Directors' Rules and report on the status of execution of operations by HAM and executive director of HCM. This system enables supervisory directors that are independent from HAM and interested parties, etc. to supervise the status of execution of operations. Also, the supervisory directors may request reports concerning the operations and financial status of HCM from HAM, the asset custody company, etc. and conduct necessary investigations.

- B. HAM

In order to appropriately manage various risks, HAM has formulated the Risk Management Rules as company regulations, stipulating that significant risks must be reported to the Board of Directors without delay. Additionally, HAM has formulated the Related Party Transaction Rules in order to prevent harm to the interests of HCM, thereby establishing strict rules against conflicts of interest. Regarding compliance, HAM has established the Compliance Regulations and the Compliance Manual to promote thorough legal compliance, has formulated the Compliance Program, which is a concrete practice plan for realizing compliance with laws, etc., and will strive to implement compliance with laws, etc. in accordance with the program.

Furthermore, HAM has formulated the Internal Audit Rules to secure adequacy of operations and promote efficient management, thereby establishing a self-monitoring system.

- Internal Audits

- A. Organization and Details of Internal Audits

The internal audits of HAM are conducted by the Internal Audit Office and Internal Audit Office Manager. Moreover, when the Compliance Officer also occupies the post of Internal Audit Office Manager, the Head of Financial & Administration Department shall have authority over and owe duty for internal audits concerning the operations of the Compliance Officer and Compliance Office.

(The person appointed to the post of Head of Financial & Administration Department shall be one with sufficient knowledge and experience for proper execution of internal audits of the Compliance Officer and Compliance Office.)

The internal audits will target all organizations and divisions and their operations.

The Internal Audit Division formulates an internal audit plan upon understanding the conditions of internal management, risk management, etc. of audited divisions. In principle, internal audits shall be conducted based on the internal audit plan at least once a year (periodic audits). However, audits will also be conducted by special order of the Representative Director (special audits). Special audits shall be prescribed by the Representative Director when it is recognized to be particularly necessary in cases where, during an internal audit plan's target period, facts contrary to the conditions of internal management, risk management, etc. of audited divisions grasped as of the formulation of the internal audit plan come to light.

When internal audits are being conducted, each division must present and explain documents, registers, etc. to the Internal Audit Office and Internal Audit Office Manager as requested and cooperate for the smooth implementation of the audit.

6. Initiatives

Governance Initiatives

B. Remedial Measures Based on Results of Internal Audits

The Internal Audit Office and Internal Audit Office Manager shall notify the audited divisions of the audit results. The Representative Director may issue recommendations for improvement to an audited division in light of the audit results. The audited division shall then prepare an improvement plan and, having effected the improvement, report to the Representative Director and Internal Audit Office Manager with regard to the status of improvement. The Representative Director and Internal Audit Office Manager shall then deliberate the content of the report, thereby confirming the effective functioning of the internal audit.

➤ BCP Measures

In preparation for emergency situations that may occur in the course of management of HCM's assets due primarily to large-scale earthquakes, fires, typhoons, storms, flooding, abnormal weather and other natural disasters, other man-made disasters such as terrorist attacks and cyberattacks, infectious diseases such as novel influenza viruses or damage/disruption of lifelines, HAM has established a Crisis Management Manual for a policy of measures of preparation, ensuring of chain-of-command, prevention of spread of damage and continuation of important operations for the purpose of promptly ensuring the safety of executives and employees, reducing risk and damage, preventing an increase of loss for unitholders and stakeholders, ensuring continuation of important operations and early recovery, etc.

Also, HAM's office, general warehouse, etc. are equipped with three days' worth of emergency food and water for executives and employees and other stockpiles and equipment.

➤ Confirmation of Safety

In order to quickly grasp the situation and safety of executives and employees in a disaster, HAM has introduced a system of confirming safety using the internet and emails as part of the company's crisis management strategy. Safety confirmation trainings are conducted at least once a year. The participation rate in fiscal 2021 was 100%.

7. Social Finance

SDGs Social Finance Framework

JCR Social Finance Framework Evaluation **The highest evaluation Social 1 (F)**

Social bond

Date of issue : January 30, 2020
Amount of issue : 2 billion yen

Period : 10 years
Interest rate : 0.78%

Social loan

Social loan balance: 21.15 billion yen
(As of July 31, 2021) (about 68% of the loan balance)

※ New loans after January 2019 are all social loans.

● 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/en/>

- 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"> Elimination of the shortage of housing for the elderly against the elderly population Promotion of earthquake resistance at hospitals Promotion of the shift of hospital functions to realize a sustainable society
	 5 GENDER EQUALITY	<ul style="list-style-type: none"> 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
	 8 DECENT WORK AND ECONOMIC GROWTH	<ul style="list-style-type: none"> Reduction of work burden of nursing care staff through ICT system investments in nursing care facilities

7. Social Finance

List of Borrowings (as of the end of the fiscal period ended July 2021)

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 San ju San 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 Nippon Life Insurance Resona Bank Shinkin Central Bank Nishi-Nippon City Bank Higashi-Nippon Bank Bank of Fukuoka San ju San Bank	3,000	0.78178	Fixed	March 21, 2017	January 31, 2022	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 Banking Corporation	1,000	0.89375 (Note)	Fixed	March 3, 2017	January 31, 2024	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
○	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 San ju San Bank Higashi-Nippon Bank	4,450	0.54000 (Note)	Fixed	January 31, 2020	January 31, 2025	Unsecured and unguaranteed
○	Sumitomo Mitsui Banking Corporation	500	0.35000	Fixed	January 29, 2021	January 31, 2024	Unsecured and unguaranteed
○	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank Resona Bank Dai-ichi Life Insurance Hiroshima Bank The Bank of Yokohama	3,200	0.48925 (Note)	Fixed	January 29, 2021	January 31, 2026	Unsecured and unguaranteed

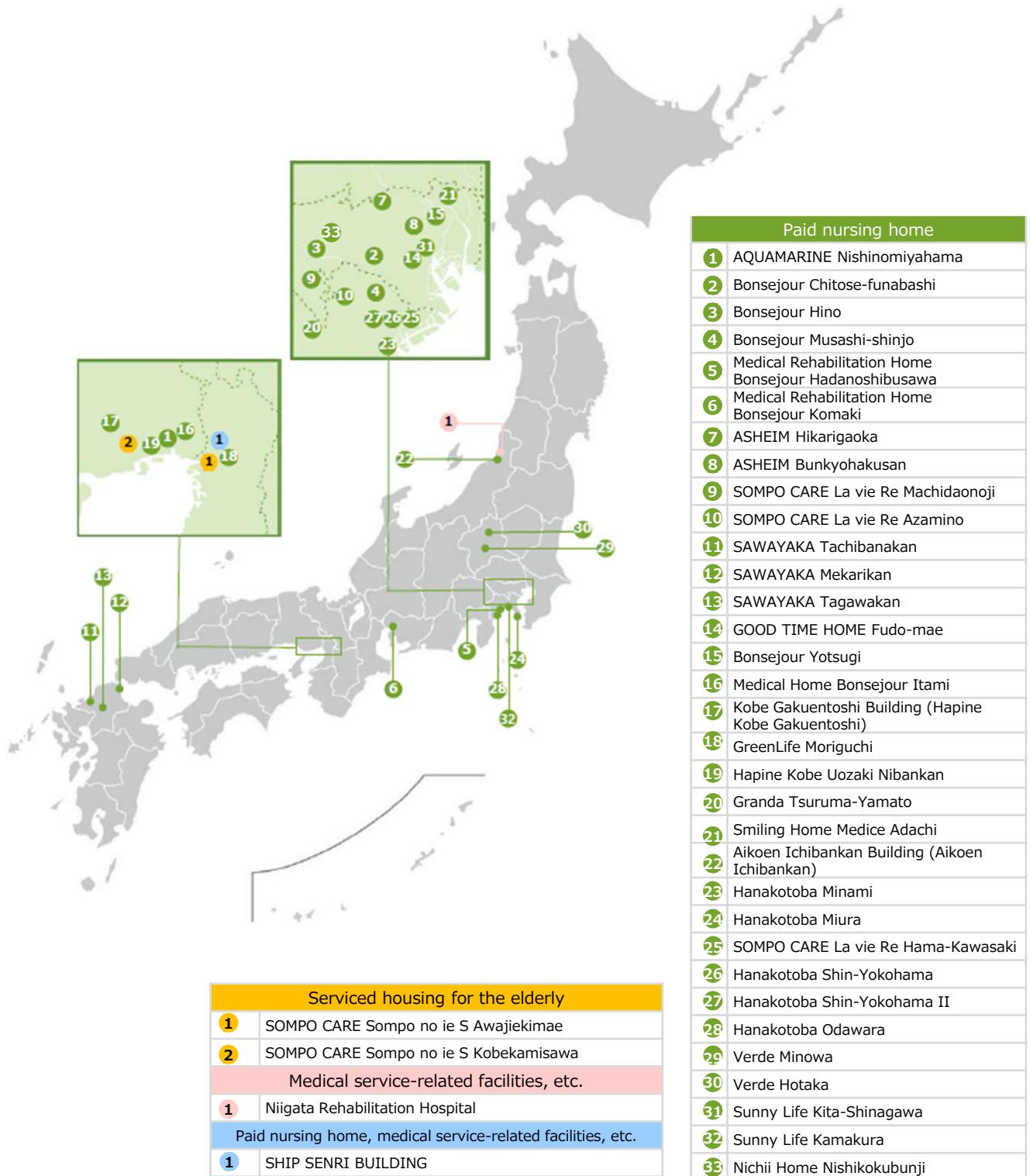
(Note) As for borrowings with variable interest rates, interest rate swap transactions are conducted with an aim to hedge the risk of interest rate increase. Therefore, the interest rate after the interest rate swap (fixing of interest rate) is shown.

List of investment corporation bond (as of the end of the fiscal period ended July 2021)

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 2021 (13th 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 ²) (Note 3)	leased area (m ²) (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	Bonjour Chitose-funabashi	RC/B1 6F	March 8, 1988	2,342.17	2,342.17	1	100.0
Paid nursing home-3	Bonjour Hino	RC/3F	May 2, 1990	1,984.17	1,984.17	1	100.0
Paid nursing home-4	Bonjour Musashi-shinjo	RC/4F	February 21, 1985	1,710.43	1,710.43	1	100.0
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	RC/5F	July 17, 1991	3,435.79	3,435.79	1	100.0
Paid nursing home-6	Medical Rehabilitation Home Bonjour 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 Machidaonaji	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	Bonjour Yotsugi	RC/5F	Mar. 28, 1989	1,962.89	1,962.89	1	100.0
Paid nursing home-16	Medical Home Bonjour 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 ²) (Note 3)	leased area (m ²) (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
Paid nursing home-33	Nichii Home Nishikokubunji	S/3F	Sep. 29, 1990	1,559.99	1,559.99	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		-	-	187,918.74	187,918.74	47	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, 2021, 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 with care service	GREEN LIFE Co., Ltd.	90	100	100	100.0	June 7, 2021
Paid nursing home-2	Bonjour Chitose-funabashi	Paid nursing home with care service	Benesse Style Care Co., Ltd.	42	47	43	91.5	May 1, 2021
Paid nursing home-3	Bonjour Hino	Paid nursing home with care service	Benesse Style Care Co., Ltd.	56	58	50	86.2	May 1, 2021
Paid nursing home-4	Bonjour Musashi-shinjō	Paid nursing home with care service	Benesse Style Care Co., Ltd.	46	49	44	89.8	May 1, 2021
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	Paid nursing home with care service	Benesse Style Care Co., Ltd.	100	101	97	96.0	May 1, 2021
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	Residential type paid nursing home	Benesse Style Care Co., Ltd.	124	165	131	79.4	May 1, 2021
Paid nursing home-7	ASHEIM Hikarigaoka	Paid nursing home with care service	AS PARTNERS Co., Ltd.	83	89	82	92.1	July 1, 2021
Paid nursing home-8	ASHEIM Bunkyoakusan	Paid nursing home with care service	AS PARTNERS Co., Ltd.	50	52	43	82.7	July 1, 2021
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	Paid nursing home with care service	Sompo Care Inc.	163	169	113	66.9	April 1, 2021
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Paid nursing home with care service	Sompo Care Inc.	145	145	122	84.1	April 1, 2021
Paid nursing home-11	SAWAYAKA Tachibananakan	Paid nursing home with care service	Sawayaka Club Co., Ltd.	104	104	104	100.0	April 1, 2021
Paid nursing home-12	SAWAYAKA Mekarikan	Paid nursing home with care service	Sawayaka Club Co., Ltd.	95	95	92	96.8	April 1, 2021
Paid nursing home-13	SAWAYAKA Tagawakan	Paid nursing home with care service	Sawayaka Club Co., Ltd.	60	60	60	100.0	April 1, 2021
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Paid nursing home with care service	JAPAN LIFEDESIGN Inc.	61	67	58	86.6	April 1, 2021
Paid nursing home-15	Bonjour Yotsugi	Paid nursing home with care service	Benesse Style Care Co., Ltd.	61	65	56	86.2	May 1, 2021
Paid nursing home-16	Medical Home Bonjour Itami	Residential type paid nursing home	Benesse Style Care Co., Ltd.	62	64	55	85.9	April 1, 2021
Paid nursing home-17	Kobe Gakuentoshi Building(Hapine Kobe Gakuentoshi)	Paid nursing home with care service	GREEN LIFE Co., Ltd.	131	138	133	96.4	June 10, 2021
Paid nursing home-18	GreenLife Moriguchi	Paid nursing home with care service	GREEN LIFE Co., Ltd.	155	189	189	100.0	April 1, 2021
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Paid nursing home with care service	GREEN LIFE Co., Ltd.	47	47	47	100.0	June 7, 2021
Paid nursing home-20	Granda Tsuruma-Yamato	Paid nursing home with care service	Benesse Style Care Co., Ltd.	73	90	69	76.7	May 1, 2021
Paid nursing home-21	Smiling Home Medice Adachi	Paid nursing home with care service	GREEN LIFE HIGASHI NIHON Co., Ltd.	82	82	75	91.5	June 7, 2021
Paid nursing home-22	AIKON ICHIBANKAN Building	Paid nursing home with care service	Medical Corporation AIKOKAI	90	90	84	93.3	June 1, 2021
Paid nursing home-23	Hanakotoba Minami	Paid nursing home with care service	Proud Life Inc.	51	51	48	94.1	April 1, 2021
Paid nursing home-24	Hanakotoba Miura	Paid nursing home with care service	Proud Life Inc.	53	54	52	96.3	June 1, 2021
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	Paid nursing home with care service	Sompo Care Inc.	58	58	51	87.9	April 1, 2021
Paid nursing home-26	Hanakotoba Shin-Yokohama	Paid nursing home with care service	Proud Life Inc.	136	136	115	84.6	June 1, 2021
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Paid nursing home with care service	Proud Life Inc.	29	30	28	93.3	June 1, 2021
Paid nursing home-28	Hanakotoba Odawara	Paid nursing home with care service	Proud Life Inc.	60	65	61	93.8	April 1, 2021
Paid nursing home-29	Verde Minowa	Paid nursing home with care service	Verde Corporation	174	206	193	93.7	April 1, 2021
Paid nursing home-30	Verde Hotaka	Paid nursing home with care service	Verde Corporation	121	174	170	97.7	April 1, 2021
Paid nursing home-31	Sunny Life Kita-Shinagawa	Paid nursing home with care service	Kawashima Corporation	66	66	65	98.5	November 1, 2020
Paid nursing home-32	Sunny Life Kamakura	Paid nursing home with care service	Kawashima Corporation	128	128	125	97.7	April 26, 2021
Paid nursing home-33	Nichii Home Nishikokubunji	Paid nursing home with care service	Nichii Carepalace Company	46	46	45	97.8	April 1, 2021
Serviced housing for the elderly-1	SOMPO CARE Sompo no ie S Awajikimae	Serviced housing for the elderly	Sompo Care Inc.	137	137	119	86.9	July 1, 2021
Serviced housing for the elderly-2	SOMPO CARE Sompo no ie S Kobekamisawa	Serviced housing for the elderly	Sompo Care Inc.	85	85	71	83.5	April 1, 2021
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	April 1, 2021
Total		-	-	3,245	3,502	3,190	91.1	-

8. Output Indicators

- (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 with care service, and the overview of the facility concerning the paid nursing home is indicated in the above table.

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
Main facility criteria (Hospitalization fee)	2nd floor (48 beds) Hospitalization fee of hospital ward for comprehensive community care 1 3rd floor (60 beds) Basic hospitalization fee for general hospital ward (local general hospitalization fee 1) Medical management fee for comprehensive community care 1 4th floor (60 beds) 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 with care service, 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, 2021 to July 31, 2021										
	Real estate lease business revenue			Real estate lease business expenses							NOI (Note 3)
		Rent revenue	Other revenue		Property tax	Outsourcin g expenses	Repair expenses	Insurance expenses	Depreciation	Other	
AQUAMARINE Nishinomiyahama				25,746	4,271	2,100	2,476	232	16,265	400	57,862
Bonsejour Chitose-funabashi				5,583	1,794	225	-	112	3,048	402	21,405
Bonsejour Hino				5,070	1,240	214	-	85	3,130	400	19,493
Bonsejour Musashi-shinjo				4,103	1,012	167	-	75	2,447	400	16,172
Medical Rehabilitation Home Bonsejour Hadanoshibusawa				8,402	1,816	213	-	154	5,817	400	21,122
Medical Rehabilitation Home Bonsejour Komaki				14,138	4,555	201	-	355	8,627	400	39,618
ASHEIM Hikarigaoka				17,767	3,824	381	2,100	196	10,864	400	38,847
ASHEIM Bunkyoakusan				12,141	2,575	381	-	129	8,653	400	38,700
SOMPO CARE La vie Re Machidaonoji				45,989	5,950	780	202	392	38,264	400	97,275
SOMPO CARE La vie Re Azamino				34,124	4,703	780	1,326	285	26,629	400	77,705
SAWAYAKA Tachibanakan				26,512	2,665	1,140	-	371	21,936	400	47,277
SAWAYAKA Mekarikan				26,049	2,963	1,140	-	273	21,272	400	43,456
SAWAYAKA Tagawakan				9,033	1,109	1,140	630	119	5,634	400	12,285
GOOD TIME HOME Fudo-mae				15,216	3,051	600	404	182	10,579	400	46,362
Bonsejour Yotsugi				4,925	940	223	-	73	3,286	400	20,766
Medical Home Bonsejour Itami				6,520	1,377	371	-	111	4,260	400	13,977
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)				53,353	9,564	900	1,846	579	40,063	400	112,210
GreenLife Moriguchi				36,156	6,920	1,363	2,671	379	24,421	400	108,264
Hapine Kobe Uozaki Nibankan				9,645	1,395	1,200	89	90	6,470	400	24,325
Granda Tsuruma-Yamato				7,412	1,934	618	150	152	4,158	400	26,994
Smiling Home Medice Adachi				16,202	3,279	540	793	177	11,013	400	60,018
AIKOEN ICHIBANKAN Building				8,542	2,554	780	65	112	4,630	400	22,749
Hanakotoba Minami				10,189	1,539	600	2,456	79	5,114	400	25,524
Hanakotoba Miura				8,885	1,549	600	432	88	5,814	400	17,329
SOMPO CARE La vie Re Hama- Kawasaki				18,816	3,433	2,770	472	206	11,533	400	45,068
Hanakotoba Shin-Yokohama				19,191	4,383	900	4,715	249	8,543	400	51,264
Hanakotoba Shin-Yokohama II				5,779	2,499	600	210	92	1,977	400	11,010
Hanakotoba Odawara				8,538	1,366	600	603	99	5,469	400	24,531
Verde Minowa				25,650	5,190	1,020	-	508	18,531	400	56,806
Verde Hotaka				25,001	2,177	1,020	776	249	20,378	400	45,482
Sunny Life Kita-Shinagawa				10,181	2,794	600	-	119	6,265	401	45,584
Sunny Life Kamakura				12,745	2,796	720	-	178	8,650	400	38,804
Nichii Home Nishikokubunji				2,026	-	450	-	61	1,240	273	13,661
SOMPO CARE Sampo no ie S Awajiekimae				27,064	4,911	510	-	290	20,952	400	58,345
SOMPO CARE Sampo no ie S Kobekamisawa				16,838	2,904	510	160	183	12,680	400	36,131
Niigata Rehabilitation Hospital				27,211	9,671	1,030	-	387	15,622	500	78,291
SHIP SENRI BUILDING				80,239	27,500	1,500	-	1,183	49,655	400	341,218
Total	2,073,038	2,062,148	10,889	690,998	142,218	28,893	22,579	8,622	473,904	14,778	1,855,945

(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 yield (%) (Note 4)
				Direct capitalization method		DCF method			Appraisal NOI (millions of yen) (Note 3)	
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate (%)		
Paid nursing home-1	AQUAMARINE Nishinomiyahama	Rich Appraisal Institute Co., Ltd.	2,060	2,070	5.3	2,050	5.0	5.5	117	6.0
Paid nursing home-2	Bonsejour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	993	4.4	966	4.5	4.6	49	5.9
Paid nursing home-3	Bonsejour Hino	The Tanizawa Sogo Appraisal Co., Ltd.	818	832	4.8	812	4.9	5.0	43	6.0
Paid nursing home-4	Bonsejour 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 Bonsejour 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 Bonsejour 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	1,490	1,490	4.8	1,480	4.6	5.0	76	5.5
Paid nursing home-8	ASHEIM Bunkyohakusan	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 Machidaonoji	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	1,520	1,530	5.6	1,500	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	377	380	5.8	374	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	Bonsejour 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 Bonsejour 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.	4,450	4,510	4.7	4,430	4.5	4.9	227	5.2
Paid nursing home-18	GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,400	4,460	4.6	4,370	4.4	4.8	220	5.3
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	974	987	4.7	968	4.5	4.9	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.	2,500	2,540	4.6	2,480	4.7	4.8	120	5.3
Paid nursing home-22	AIKOEN ICHIBANKAN Building	The Tanizawa Sogo Appraisal Co., Ltd.	860	864	5.2	858	5.3	5.4	45	5.8
Paid nursing home-23	Hanakotoba Minami	Japan Real Estate Institute	1,180	1,200	4.6	1,160	4.4	4.8	56	5.2
Paid nursing home-24	Hanakotoba Miura	The Tanizawa Sogo Appraisal Co., Ltd.	668	676	4.8	664	4.9	5.0	35	5.6
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	JLL Morii Valuation & Advisory K.K.	1,810	1,840	4.6	1,780	4.4	4.8	89	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	376	378	5.1	373	4.9	5.3	21	5.8
Paid nursing home-28	Hanakotoba Odawara	The Tanizawa Sogo Appraisal Co., Ltd.	946	961	4.9	940	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.	2,000	2,030	4.4	1,980	4.2	4.6	90	4.9
Paid nursing home-32	Sunny Life Kamakura	The Tanizawa Sogo Appraisal Co., Ltd.	1,580	1,600	4.5	1,570	4.6	4.7	76	5.3
Paid nursing home-33	Nichii Home Nishikokubunji	Daiwa Real Estate Appraisal Co., Ltd.	762	772	4.3	757	4.1	4.5	36	5.0
Serviced housing for the elderly-1	SOMPO CARE Sompō no ie S Awajiekimae	Japan Real Estate Institute	2,170	2,190	5.2	2,140	5.0	5.4	116	6.0
Serviced housing for the elderly-2	SOMPO CARE Sompō no 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	153	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	679	5.2
Total			72,531	73,378	—	71,896	—	—	3,771	5.6

(Note 1) Figures are based on appraisal reports with appraisal date of July 31, 2021.

(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 second fiscal years and 5.0% from the third fiscal year, and for "SHIP SENRI BUILDING," 4.5% for the first to second fiscal years and 4.6% from the third fiscal year.

(Note 3) "Appraisal NOI" indicates net operating income obtained by direct capitalization method stated in real estate appraisal report with July 31, 2021 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

- 12th FP (Ended January 2021) Actual

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
SHIP Senri Building (Toyonaka-shi, Osaka)	Renewal of Entrance and exit system	From: July 2020 To: August 2020	36,103
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of Elevator	From: September 2020 To: November 2020	13,305
Hanakotoba Shin-Yokohama (Yokohama-Shi, Kanagawa)	Renovation of rooftop waterproof	From: November 2020 To: December 2020	12,531
Other real estate, etc.	-	-	132,622
Total			194,563

- 13th FP (Ended July 2021) Actual

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Renovation of rooftop waterproof (East, West and South side of North wing)	From: April 2021 To: July 2021	35,400
ASHEIM Hikarigaoka (Nerima-ku, Tokyo)	Renovation of rooftop waterproof	From: June 2021 To: July 2021	21,600
Hanakotoba Shin-Yokohama II (Yokohama-Shi, Kanagawa)	Renovation of exterior walls	From: October 2020 To: April 2021	17,532
Other real estate, etc.	-	-	92,800
Total			167,332

- 14th FP (Ending January 2022) Plan

Name of real estate, etc.	Purpose	Scheduled period	Estimated construction costs (thousands of yen)		
			Total amount	Payment during 13th FP	Total amount already paid
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Renovation of rooftop waterproof(South wing) and Renovation of exterior walls of machine room and storage room for hazardous materials.	From: October 2021 To: January 2022	30,700	-	-
SOMPO CARE Sompō no ie S Awajiekimae (Osaka-shi, Osaka)	Renovation of exterior walls	From: October 2021 To: January 2022	27,900	-	-
SOMPO CARE Sompō no ie S Kobekamisawa (Kobe-shi, Hyogo)	Renovation of exterior walls	From: October 2021 To: January 2022	21,300	-	-

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
GREEN LIFE Co., Ltd.	3-20-8 Kasuga, Suita-shi, Osaka	Representative Director Nobuyuki Tamai	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 Nobuyuki Tamai	July 2003	50	Consolidated subsidiary of Ship Healthcare Holdings Inc. which is listed on the TSE First Section
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
Kyowakai Medical Corporation	16-5, Chuocho, Kawanishi-shi, Hyogo	Director Toru Kitagawa	August 1982	4,760	-
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
Proud Life Inc.	2-8-4, Kitasaiwai, Nishi-ku, Yokohama-shi, Kanagawa	Representative Director Hiroshi Sonoda	July 2006	3	Consolidated subsidiary of Sony Group Corporation, 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
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
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 110 billion yen (Note 2)
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.
Nichii Carepalace Company	2-9, Kandasurugadai, Chiyoda-ku, Tokyo	Representative Director Yukio Akiyama	June 1964	80	Unlisted company Consolidated subsidiary of NICHIIIGAKKAN CO., LTD.

(Note 1) "Headquarters location," "Representative," "Founded" and "Capital stock or total assets" are based on the information in the registry as of July 1, 2021 (however, Nichii Carepalace Company as of October 11, 2021).

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 2019 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. Keijiro 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 Machidaonoji
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.
12th FP	Sompo Care Inc. Ken Endo, COO and Representative Director Shigeru Ando, CMO, Director and Executive Officer
13th FP	Nichii Carepalace Company Yukio Akiyama, President & Representative Director Osamu Sanno, Director and Executive Officer

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

- Sampo Care Inc.

We are developing personnel who has “caring pride” and transforming the future of nursing care (from the 12th Investment Management Report)

Interview: Mr. Ken Endo, COO and Representative Director, Sampo Care Inc.
Mr. Shigeru Ando, CMO, Director, and Executive Officer, Sampo Care Inc.

— Could you tell us about the history of Sampo Care to date and give us an overview of the company, which is leading the way in the nursing care industry as a member of the Sampo Group?

Mr. Endo

After entering the nursing care business in earnest by acquiring Watami no Kaigo as a subsidiary in December 2015, Sampo acquired Message as a subsidiary in March 2016, and in July 2018, four Group companies merged to form Sampo Care. Today, we are delivering a full lineup of nursing care services across the country, from in-home services to nursing care facilities. For the fiscal period ended March 2020, we had the second-highest sales in the industry and ranked first in terms of the number of residential units for seniors with 26,000 rooms.

— Since your full-scale entry into the nursing care business, where have you most focused your efforts?

Mr. Endo

There is a lot of overlap in expertise between the insurance business and nursing care business, so we have focused our efforts on the human resource development by using expertise we acquired in the insurance business. Following my appointment as representative director, I visited our sites and discovered that, while we spoke about OJT learning, since the staff at each facility were doing shift work, there were time periods when the training supervisor was absent and training was not being delivered adequately. Therefore, in April 2016, we opened SOMPO Care University, the first such initiative in the industry, which enables personnel to learn in an environment similar to our facilities. Based on medium- to long-term career plans, we are providing ongoing skills development and creating job satisfaction while also proactively introducing cutting-edge technologies with the aim of improving users' QOL, reducing staff workloads, and increasing operational efficiency. We take pride in our current approach, with people talking about “Sampo Care education.” We have introduced a half-year training program for newly hired personnel who are recent graduates. It's the first of its kind in the industry. We're also striving to improve working conditions for personnel, including part-time workers, which has led to significant improvement in the turnover rate and a significant increase in new hires, too, with 380 more employees added this year.

People said that the merger of four companies with different corporate cultures, payroll systems, HR systems, and operations would be impossible, and it was indeed difficult. In the summer of 2017, we created an in-house project, which first formulated our “respecting people” management vision, which was announced in January of the following year. In April, we introduced a regional head office system, which enabled a full lineup of services to be provided under one regional manager, whereas previously there had been managers for each company. By creating the vision first, then making preparations aimed at integrating the HR systems and other systems, we were able to complete the merger in July.

— You use the slogan “transforming the future of nursing care.” Can you tell us what that means?

Mr. Endo

I have served as a representative director of an industry association, the Japanese Council of Daily Life Long-Term Care Service Facilities, for three years. The scale of the nursing care market is large at 12 trillion yen, but due to the declining birthrate and aging of society, in the next 10 years the supply-demand gap between demand for nursing care and the number of people working in the field will widen at a faster rate, leading to a challenging situation. What's more, a characteristic of this industry is that there is a remarkably large number of small-scale operators. Accordingly, “transforming the future of nursing care” expresses our company's approach of realizing a better future for nursing care by endeavoring to achieve more forward-looking, outside-the-box organizational operation, introducing next-generation technologies, creating an environment that entrusts AI with whatever tasks it can handle and allows people to concentrate on what they alone can do, advocating evidence-based regulatory easing, and so forth. At the Future Care Lab in Japan, which was launched in 2019, we are constantly conducting tests with the aim of finding practical applications for around 50 new technologies.

— Could you tell us about the phrase “caring pride,” which is familiar from your advertising?

Mr. Endo

While engaging in dialogue with employees who are recent graduates, when we asked them how they would respond if asked “What kind of work is nursing care?”, many of them said they would respond by saying “we support the daily life of users.” When we said, “What about going one step further and responding that ‘our work is to add color to the final stage of users' lives?’”, everyone agreed with that. A generous spirit is indispensable to say such, in addition to a high level of expertise, and we have made efforts to position this as “caring pride.” In the 2020 fiscal year, we introduced a system that certifies personnel who embody pride in nursing care as Caring Pride Masters. Nationwide, 12 people have been selected. Going forward, we will certify more Caring Pride Masters, with the aim of being able to say that we're putting caring pride into practice across the company.

9. Actions of Each Operator

— Tell us about the CMO's role and your real estate strategy.

Mr. Ando

CMO is a new position with responsibility for monitoring the needs of the industry and elderly people, developing real estate strategy, and handling new business such as the solutions business from a market-oriented perspective to resolve issues.

Among the approximately 430 facilities that we operate, we have master leases for over 400, and since 2020, the leases have been expiring on a dozen buildings per year. Generally, we renew the leases, but if the building is aging, there are cases where we seek to improve profitability by rebuilding it or purchasing it. To date, we have invested around 12 billion yen by rebuilding six facilities and purchasing four.

In terms of our future growth strategy, we are pursuing new development in major cities across Japan. In keeping with the Sampo Group's slogan, "A theme park for security, health and wellbeing," we are not just operating facilities but also making efforts to create added value for the purpose of sustainable urban development, such as interacting and collaborating with communities, providing opportunities for elderly people to be socially engaged, and making use of leading-edge ICT, including the use of real data. In Hongodai, Yokohama City, and Izumi Ward, Sendai City, we are pursuing urban development in partnership with major developers.

Mr. Endo

Following the merger of the four companies, until now we have prioritized the implementation of an internal control environment and held off on new investment and new facilities, but in December 2020, we acquired Tokyo Tatemono Senior Life Support, which has enabled us to supplement our facilities with the high-end market in the Tokyo area. We view M&A as a key option in terms of our growth strategy.

— Could you tell us about your involvement with the REIT and your expectations?

Mr. Ando

At present, HCM owns five of our facilities. In addition to quickly taking care of repairs and regularly monitoring the facilities, the fact that the REIT owns some of our facilities improves the strength of our brand, so it plays a significant role. In order to address the national issue of supporting the supply of healthcare facilities from a financial perspective, REITs with personnel who have knowledge and experience in the medical and nursing care fields are essential. As the sole REIT specializing in healthcare facilities, HCM is helping to stimulate the industry. Going forward, we hope that the REIT will support our growth strategy not just at existing facilities but also by eventually becoming the owner of new facilities that we develop.

— Finally, what message do you have for unitholders?

Mr. Endo

In a market where there is uncertainty surrounding some asset types owned by REITs due to the pandemic, HCM focuses on investing in nursing care, which continues to grow due to soaring demand, and we ask unitholders to support us through stable, long-term investment in HCM.

Mr. Ando

We hope that unitholders will feel there is social value—in the sense of supporting Japan's nursing care industry—in investing in HCM, which is an expert in terms of selecting operators.

SOMPO CARE La vie Re Machidaonoji



SOMPO CARE La vie Re Azamino



SOMPO CARE La vie Re Hama-Kawasaki



SOMPO CARE Sampo no ie S Awajiekimae



SOMPO CARE Sampo no ie S Kobekamisawa



9. Actions of Each Operator

Feature: Interview

● Nichii Carepalace Company

Employees' embracing of our philosophy leads to customers' heartfelt smiles and happiness. Having improved employee satisfaction by pursuing resident-oriented services, its future vision is to develop senior homes that are seen by the community as an indispensable part of the local infrastructure. (from the 13th Investment Management Report)

Interview: Mr. Yukio Akiyama, President & Representative Director, Nichii Carepalace Company
Mr. Osamu Sanno, Director & Executive Officer, Nichii Carepalace Company

— Could you tell us about the history of Nichii Carepalace, which has been leading the nursing care industry since its early days, and the extent of its business?

Mr. Akiyama

In 1983, Nihon Silver Service, the predecessor of our company, opened an old folks' home in Shuzenji, Shizuoka Prefecture. Those were the days before the term "paid nursing home" was used. After that, following the creation of the nursing insurance system in 2000, our business grew significantly. In 2007, we became part of the Nichii Group, operating assisted-living homes, primarily in the Tokyo metropolitan area, as a wholly owned subsidiary. At present, we operate 75 assisted-living homes, totaling about 4,900 rooms, with round-the-clock nursing staff and 6 serviced housing for the elderly, totaling about 230 units, where support can be received when necessary.

— What is your management philosophy when it comes to operating nursing care facilities?

Mr. Akiyama

Besides the company motto and management philosophy of the Nichii Group, we have our own service philosophy, which is that we "aim to bring smiles and happiness to our customers." As a key element in achieving this, we have also established five guiding principles, and we devote efforts to instilling our philosophy by reciting them aloud together.

— In your nursing care business, why do you emphasize the instilling of your philosophy?

Mr. Akiyama

At nursing care facilities, staff are often unsure about decisions or forced to make decisions quickly. At those times, our service philosophy and guiding principles are one of the criteria that can be used for making decisions. For example, one of the guiding principles is to "respect clients' individuality and support autonomous living." When it comes to the services they offer, our staff can ask themselves a clear question: "Does the service I'm providing right now really respect the client's individuality?" It's possible that the significance of our philosophy's existence will fade over time, but we bring it back into focus and enhance staff's understanding of it by conducting regular training.

— At Nichii Carepalace, you also devote effort to human resource development. Could you tell us about some specific initiatives?

Mr. Akiyama

One key initiative is the Platinum Caregiver program we introduced, which is unique to our company. Staff who have acquired four qualifications (certified care worker, preventive care exercise instructor, authorized specified conduct practitioner, and specialized dementia care provider) are defined as Platinum Caregivers. As professionals with experience, skills, and knowledge of nursing, they benefit from increased bonuses and career advancement opportunities.

Mr. Sanno

In our in-house newsletter, we publish articles about staff who have acquired Platinum Caregiver status and staff who have received training for various qualifications. This has a knock-on effect on other staff who read them: they react by thinking "I want to do that too" or "that would be helpful in providing on-site care," leading to their setting new career targets and accumulating expertise.

Mr. Akiyama

We also have staff members who possess specialized qualifications as occupational therapists or physical therapists available at our 52 nursing homes (as of August 2021). I think one of our strengths is that our nurses are able to support clients' independence and focus on specialized rehabilitation by working with professional staff like these.

— There are various kinds of events held at each home.

Mr. Akiyama

There are some activities that can't be conducted as we like it because of the pandemic, but we hold various activities, both large and small, that cater to residents' interests, such as concerts held at the Tokyo Opera City Concert Hall in Tokyo's Shinjuku Ward in collaboration with the Tokyo Philharmonic Orchestra or exhibitions of artwork created by our clients. Our residents include many people who used to teach calligraphy or English conversation, and these people volunteer as instructors. Some of our homes are also involved in initiatives that create spaces for community interaction with elementary schoolchildren or kindergarteners. Offering a comprehensive program of events and activities helps to give elderly people more purpose and improves their QOL, and it makes staff members' work more rewarding.

9. Actions of Each Operator

— You are also involved in SDG-related initiatives. Could you tell us about those?

Mr. Sanno

As an SDG-related initiative, we launched a volunteer-driven project in July last year. It focuses on five goals among the SDGs, including the third goal, “Good Health and Well-Being,” which is deeply connected to our business. Among these, we had previously pursued initiatives relating to the fifth goal, “Gender Equality.” Out of our 3,000 employees, around 60% are female. Our company is intent on providing a work environment that firmly encourages women to have children. As a result, female employees’ childcare leave usage rate is 100%; not only that, but male employees used 66% of their paternity leave days last year. The number of female employees obtaining management-level positions is increasing, too. The ratio of women who return to work after taking childcare leave is high, at 95% last year. We also have our own system that enables employees to work reduced hours, which they can use until their child enters grade 4.

— I see you provide employees with a high-quality work environment.

Mr. Akiyama

We conduct an employee satisfaction survey, and up until about 10 years ago, the top reason for leaving the company was “work environment.” In recent years, however, “family” or “physical reasons” have become the top reasons for leaving, and “work environment” has dropped to fourth or fifth place, which I feel is a remarkable decrease.

— Tell us about your involvement with the REIT and about Nichii Home Nishikokubunji, which is owned by HCM

Mr. Akiyama

Being owned by the REIT provides us with peace of mind, and it further enhances the brand’s value and peace of mind for the families of our residents as well. Nichii Home Nishikokubunji is a spacious building close to the station that occupies a large lot. It is especially popular among our facilities, with the occupation rate always at 100%.

— What can you tell us about your future business development and initiatives?

Mr. Akiyama

With disasters occurring frequently in recent years, we formulated our own specific BCP (business continuity plan), the Life Preservation Plan (LPP), the year after Great East Japan Earthquake. The plan establishes three steps in the event of a disaster: “self-help” to ensure one’s own survival, followed by “mutual aid” in collaboration with community residents, then “co-operation” by acting in concert with local governments for our joint benefit. At present, we are ensuring power to keep people alive by installing solar panels at our homes, providing home oxygen, phlegm aspirators, and the like, and at 10 locations (as of August 2021), as an example of “co-operation,” we have signed disaster-prevention agreements with local governments to supply water for daily use via wells on the premises and set up facilities to accommodate people affected by a disaster. Rather than being facilities that receive support, we believe it is our social mission to protect the lives and lifestyles of both our residents and people in the surrounding community.

In terms of future business development, we plan to open three to five new paid nursing homes with care service, which is our core business, each year. At the same time, given the projected future of Japanese society, we believe it will be necessary to develop serviced housing for the elderly as housing to which single elderly people can move.

What’s more, with regard to future actions, we intend to devote more effort to the services we’re providing at homes, including end-of-life care. Lately, people have been referring to QOD (quality of death), which means being able to enjoy your final days. In the nursing care industry, around 50% of clients are reported to be end-of-life clients, but at our company, we’re providing end-of-life care to almost 70% of our clients. Our aim is to operate facilities that can offer residents peace of mind at the end of their life.

— Finally, what message do you have for unitholders?

Mr. Akiyama

In Japan, which is on the way to becoming a super-aged society unlike any seen before in the world, demand for nursing care facilities will grow further. At the same time, there is still likely plenty of room for growth in the healthcare REIT market. I hope that unitholders will consider our future business performance and the size of the market.



Nichii Home Nishikokubunji

9. Actions of Each Operator

Case Examples

HAM treats operators with respect and takes an interest in them, and it strives to collect information about each company's actions through communication in its day-to-day business and conducting interviews. Here, we introduce some of this information, based mainly on what each company has disclosed.

- Actions for Human Resource Development

HAM has confirmed that each company is engaged in human resource development, including the prevention of abuse and inappropriate care, through the preparation of numerous manuals and other documents and training activities, such as company-wide training that brings together managers and leaders from various facilities, training at each facility, etc. Some operators have made their expertise publicly available.

[Sompo Care Inc.]

As a leading company supporting the aged society, the company has started offering "Humanitude® Introductory Open Training" to all employees

https://www.sompocare.com/attachment/topic/1496/news_0907.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/>

The result of Benesse's practical experience of operating senior homes for 20 years, this method introduces 65 tips for creating an environment where the elderly can live more comfortably.

Kaigo Antenna: a general information site for nursing care staff

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

This site makes expertise and knowledge cultivated during more than 20 years of senior home operation publicly available for free. Content from Benesse's methods, guidelines, training and development textbooks, etc., which was previously for internal use only and is likely to be helpful to many people, has been revised and published in online versions.

[Nichii Carepalace Company]

Received an Award of Excellence at the 2021 Assisted-Living Home Research Summit

<http://www.nichii-carepalace.co.jp/news/detail/20211006-004354.html>

- Actions to Improve Business Efficiency

[AS PARTNERS Co., Ltd.]

Uploaded a video of a discussion with BONX, a company that makes smartphone-connected earpieces, entitled "DX at Nursing Sites."

https://as-heim.com/lp/with-bonx/?_ga=2.231088473.718647460.1637801448-1065634786.1585186162

[Benesse Style Care Co., Ltd.]

Selected by the Japan Agency for Medical Research and Development (AMED) as a business promoting the development of robotic nursing care devices, etc. (development grant)

https://kaigo.benesse-stylecare.co.jp/saved_data/pdf/topic/732/file_20210930104145750883.pdf

9. Actions of Each Operator

Case Examples

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

Low salary levels are said to be one of the causes of the shortage of nursing care personnel. Governments and individual companies are striving to address this. HAM collects information on the status of efforts to acquire the “allowance to improve working conditions for nursing staff” and “allowance to improve specific working conditions for nursing staff,” which are also indicated in nursing homes’ disclosure statements, and on initiatives to improve the treatment of staff at each company.

[Benesse Style Care Co., Ltd.]

Improved working conditions for nursing care staff and revised personnel system

For full-time certified care workers (nationwide) who have been with the company for at least 10 years, 84% of those in leadership positions earn 5 million yen or more annually while 97% of typical employees in non-leadership positions earn 4.4 million yen or more annually.

https://kaigo.benesse-style-care.co.jp/saved_data/pdf/topic/155/file_20190910112225573143.pdf

[Nichii Carepalace Company]

About improved working conditions for nursing care staff, etc.

<https://www.nichii-home.jp/recruit/news/detail/20190919-003301.html>

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

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

Actively recruiting technical intern trainees from abroad

<https://www.shiphd.co.jp/blog/irs/d20a343b36704984cececddc588fc7b5f3409101.pdf>

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

Establishment of joint venture in Indonesia and opening of vocational school

http://www.uchiyama-gr.jp/ir/upload_file/tdnrelease/6059_20180219474383_P01_.pdf

Sawayaka Club accepted workers from abroad with specific skills for the first time

http://www.uchiyama-gr.jp/upload_file/m001-/ut2111.pdf

- Actions Related to Dementia and Cognitive Decline

[Sompo Care Inc.]

Conducted dementia awareness survey

Using World Alzheimer’s Day as an opportunity to talk about dementia with loved ones

https://www.sompo-hd.com/-/media/hd/files/news/2021/20210917_1.pdf?la=ja-JP

[Medical Corporation AIKOKAI (Niigata Rehabilitation Hospital)]

Started offering a simple cognitive test, Atama no Kenko Check®, in November for the first time in Niigata

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

9. Actions of Each Operator

Case Examples

- Actions to Prevent the Spread of COVID-19 Infections

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 infections at the facilities we own.

Each operator is implementing measures to prevent infection and limit the spread of infection while working to improve the satisfaction of residents and families in an environment adapted to living with the pandemic.

[Ship Healthcare Holdings, Inc.]

Rapid increase in demand due to ozone-based COVID-19 countermeasures

Selling Airness low-concentration ozone generators in a new lineup

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

[Proud Life Inc.]

About prevention of COVID-19 infection

<https://hanakotoba.co.jp/assets/news20211001.pdf>

[Sawayaka Club Co., Ltd.]

Notice regarding partial lifting of restrictions on visits, etc.

http://www.sawayakclub.jp/advert/20210305_2.pdf

[Nichii Carepalace Company]

About response to COVID-19

<http://www.nichii-carepalace.co.jp/news/news20211028.pdf>

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