

(REIT) Financial Report for Fiscal Period Ended January 2022

March 18, 2022

REIT Securities Issuer: Healthcare & Medical Investment Corporation (HCM) Stock Exchange Listing: Tokyo Stock Exchange
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 Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended January 2022 (from August 1, 2021, to January 31, 2022)

(1) Management Status (% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Jan. 2022	2,080	0.4	1,072	(0.6)	913	(0.9)	913	(0.9)
Ended Jul. 2021	2,073	0.7	1,078	1.0	922	1.2	921	1.2

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Jan. 2022	2,935	2.8	1.3	43.9
Ended Jul. 2021	2,962	2.8	1.3	44.5

(2) Distributions Status

	Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions (including distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen	%	%
Ended Jan. 2022	3,244	2,936	308	1,008	913	95	100.0	2.8
Ended Jul. 2021	3,266	2,962	304	1,015	921	94	100.0	2.8

(Note 1) Total distributions in excess of earnings of 95 million yen (308 yen per unit) for the fiscal period ended January 2022 is distribution reducing unitholders' capital for tax purposes.

Total distributions in excess of earnings of 94 million yen (304 yen per unit) for the fiscal period ended July 2021 is distribution reducing unitholders' capital for tax purposes.

(Note 2) The ratio of decreasing surplus due to execution of distribution in excess of earnings (distribution reducing unitholders' capital for tax purposes) was 0.003 for the fiscal period ended January 2022 and 0.003 for the fiscal period ended July 2021. The ratio of decreasing surplus is calculated based on Article 23, Paragraph 1, Item (v) of the Order for Enforcement of the Corporation Tax Act.

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended Jan. 2022	68,778	32,867	47.8	105,681
Ended Jul. 2021	68,883	32,964	47.9	105,995

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(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Jan. 2022	1,450	(148)	(1,119)	1,784
Ended Jul. 2021	1,493	(772)	(1,004)	1,602

2. Earnings Forecast for the Fiscal Period Ending July 2022 (from February 1, 2022 to July 31, 2022) and Earnings Forecast for the Fiscal Period Ending January 2023 (from August 1, 2022 to January 31, 2023)

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Distribution per unit (including distribution in excess of earnings)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
Ending Jul. 2022	2,371	14.0	1,259	17.4	1,093	19.7	1,092	19.7	3,040	307	3,347
Ending Jan. 2023	2,419	2.0	1,242	(1.3)	1,070	(2.2)	1,069	(2.2)	2,973	313	3,286

(Reference) Forecast net income per unit (fiscal period ending July 2022) 3,043 yen
Forecast net income per unit (fiscal period ending January 2023) 2,973 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: Yes
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(Note) For details, please refer to "Notes on Changes in Accounting Policies" on page 23.

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including treasury investment units) at end of period

Fiscal period ended January 2022 311,001 units Fiscal period ended July 2021 311,001 units

- ② Number of treasury investment units at end of period

Fiscal period ended January 2022 - units Fiscal period ended July 2021 - units

(Note) For the number of investment units serving as the basis for calculation of net income per unit, please see "Notes on Per Unit Information" on page 32.

* This financial report is exempt from the audit by a certified public accountant or an auditing firm.

* Special note

This forecast is a future prospect determined by HCM based on information currently available and includes many uncertain factors. Actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings), distribution in excess of earnings per unit and distribution per unit (including distribution in excess of earnings) are subject to change due to changes in circumstances. In addition, the forecast is not a guarantee of the amount of distribution and distribution in excess of earnings. For the assumptions underlying the above forecast, please see "Assumptions Underlying Earnings Forecast for Fiscal Period Ending July 2022 and Fiscal Period Ending January 2023" on pages 8 and 9.

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1. Management Status

(1) Management Status

① Overview of the Current Fiscal Period

(a) Brief History of HCM

Healthcare & Medical Investment Corporation (hereinafter, “HCM”) was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the “Investment Trust Act”) with Healthcare Asset Management Co., Ltd. (hereinafter, the “Asset Management Company” or “HAM”) as the organizer on December 9, 2014. HCM was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter, the “Tokyo Stock Exchange”) on March 19, 2015 (securities code: 3455).

The total number of investment units issued and outstanding as of the end of the fiscal period ended January 2022 (August 1, 2021 to January 31, 2022) (hereinafter, the “14th fiscal period” or the “current fiscal period”) stands at 311,001 units.

(b) Investment Environment and Performance

a. Investment Environment

HCM was established against the background of a social situation in which expansion and enhancement of nursing care services and medical services by healthcare facilities has become an urgent issue at a time when the population that bears nursing care continues to shrink while aging advances at the fastest rate among developed nations and the number and percentage of the elderly among the total population is expected to remain on the rise for the time being.

The government has also set a target in “Housing Life Basic Plan (nationwide plan)” to increase the ratio of housing supply for the elderly to 4% in 2030 from 2.5% in 2018.

HCM invests in and owns healthcare facilities, for which social demand is growing, in a stable manner to promote appropriate maintenance/management and new supply of such facilities. By doing so, HCM seeks to realize a society where all people can live vibrantly and with peace of mind, as well as to secure stable income and to achieve steady growth of its portfolio.

b. Performance

During the current fiscal period, HCM made no acquisition or transfer of assets.

As of the end of the current fiscal period, HCM owns 37 properties with a total leasable area of 187,918.74 m², and the operational rate stands at 100.0%.

The Japanese economy is expected to remain in a severe situation for some time given the spread of the coronavirus disease 2019 (COVID-19). Uncertainty still continues in the real estate market, especially around retail facilities and hotels. However, COVID-19 has had no negative impact on the performance of HCM as of the end of the current fiscal period, as HCM has generally concluded long-term and fixed-rent lease agreements with the operators of the healthcare facilities it owns. Moreover, there has been no rent reduction/exemption or deferment of rent payment with the tenants. Nevertheless, it is unpredictable whether COVID-19 will spread further, and close attention must continue to be paid to how the situation will evolve going forward.

(c) Overview of Financing

HCM upholds stable financial management as its basic policy for securing stable income and maintaining and enhancing asset value over the medium to long term.

In the current fiscal period, HCM refinanced 7,000 million yen in loans due for repayment on January 31, 2022.

As a result, unitholders’ capital (net) (Note) at the end of the current fiscal period stands at 31,964 million yen, the total number of investment units issued and outstanding at 311,001 units, and total interest-bearing liabilities at 33,150 million yen.

(Note) The figure indicates the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital. The amount does not take into account the change in unitholders' capital in line with the implementation of distribution in excess of earnings of reserve for temporary difference adjustments.

As of the end of the current fiscal period, the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV") is 48.2%.

HCM's rating as of January 31, 2022 is as follows.

Rating Agency	Rating Category	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A (single-A)	Positive

(d) Overview of Business Performance and Distributions

As a result of the management described above, for the current fiscal period, operating revenue stood at 2,080 million yen, operating income at 1,072 million yen, ordinary income at 913 million yen and net income at 913 million yen.

In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Following this policy, HCM has decided that it shall distribute 913,098,936 yen as the distribution of earnings, which is roughly the entire amount arrived at after deducting reversal of reserve for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item (30) of the Calculation Rules for Investment Corporations) from profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Accordingly, distribution of earnings per unit was 2,936 yen.

Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis as a rule. During the current fiscal period, HCM decided to distribute 95,788,308 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. Accordingly, distribution in excess of earnings per unit (of other distribution in excess of earnings) came to 308 yen.

As a result, distribution per unit came to 3,244 yen.

(Note 1) Distribution in excess of earnings is distributed up to the amount equivalent to 20% of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay said distribution, sufficiently taking into consideration the amount of capital expenditure necessary for maintaining and improving the competitiveness of HCM's assets under management, the financial position of HCM and other factors.

However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to the said amount is judged to be inappropriate based on the economic environment surrounding HCM, trends of the real estate market and leasing market, status of HCM's assets under management and financial conditions.

(Note 2) Under the rules of The Investment Trusts Association, Japan (hereinafter, "The Investment Trusts Association"), closed-end investment corporations are allowed to conduct distribution in excess of earnings up to an amount equivalent to 60% of the depreciation recorded on the last day of the accounting period.

② Outlook for the Next Fiscal Period

(a) Investment Environment

In Japan, while the number of elderly households is increasing, the population that bears nursing care is on the decline, and provision of nursing care services and medical services at external facilities for a certain percentage of elderly households is inevitably needed. The expansion of the supply of healthcare facilities, especially facilities and housing for the elderly, is required in response to the expanding demand for nursing care and medical services.

While nursing care in the same household is forecast to be more difficult than ever before due to super aging and change of family structure, new development and expansion of healthcare facilities is required to respond to the growing demand for nursing care and medical services, and measures to achieve them are being promoted.

In “Japan Revitalization Strategy -JAPAN is BACK-” dated June 14, 2013, the Headquarters for Japan's Economic Revitalization announced a policy to “enact a guideline concerning acquisition and management of properties including housing for the elderly to promote the utilization of healthcare REITs in an effort to utilize private funds” 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, as well as indicated the points to be noted in transactions of healthcare facilities such as the positioning of key executives with certain experience. With the enactment of these guidelines, it is believed that opportunities for operators to utilize healthcare REITs will increase.

In addition, the “Housing Life Basic Plan (nationwide plan)” decided by the cabinet on March 19, 2021, set a performance indicator, which calls for increasing the ratio of housing for the elderly to the elderly population from 2.5% in 2018 to 4% in 2030, based on the goal of “formation of communities and building of cities where various generations supporting each other and the elderly can live with good health and peace of mind.”

Note that fiscal 2021 was the year when nursing care fees were revised, as revision occurs once every three years. This becomes the first revision of nursing care fees since the outbreak of the COVID-19 pandemic.

Regarding the environment surrounding Medical service-related facilities, etc., social welfare costs are escalate to increase alongside Japan’s aging population, and demand for medical and long-term care services is expected to increase ahead of 2025, when the baby boomer generation will be 75 years old or older. Meanwhile, there are significant regional variances in the growth of the elderly population. To address these issues, studies and actions are underway to establish a regional comprehensive care system through a review of the medical care system and to realize a regional healthcare vision (Note 1).

In Japan, under a regional comprehensive care system, work is underway to build an integrated framework of residences, medical care, nursing care, preventative medicine and lifestyle support suitable for each region so that the elderly can continue to live to the end of their lives in the area they are used to in the way they would like, even after they come to require nursing care.

The government has further classified the functions of beds in medical institutions in line with the conditions of patients, aiming to provide appropriate medical service to all patients at an appropriate location in order to effectively utilize limited medical resources, and enacted systemic reforms in healthcare systems, such as establishing guidelines (March 2015) for planning a community healthcare vision in prefectures. Prefectures have formulated the community healthcare vision for the purpose of realizing a system encouraging the effective and efficient allocation of resources commensurate with the medical functions in each of the national government-designated regions, and providing a higher quality of medical services in beds appropriate for the condition of patients, from acute to convalescent and chronic phases, for each disease. The community healthcare vision is designed to estimate and stipulate medical demand (number of patients) and required number of beds in 2025 for each medical function in each area of the vision (secondary medical area) in order to promote functional differentiation and cooperation between hospitals. Presently, prefectural governments and healthcare professionals are working together via regional healthcare vision councils and other channels to realize this vision.

Furthermore, the number of hospitals across Japan is estimated to be about 8,200. However, some of these were built in the 1960s and 1970s and do not meet earthquake-resistance standards amid Japan’s earthquake-prone environment. The earthquake resistance rate of hospitals in Japan is only 77.3% as of an FY2020 survey, compared to more than 95% for paid nursing homes (Note 2) (Note 3). Hospitals are used by an unspecified large number of people every day and can also be used as a community base in case of a disaster. Earthquake resistance is an urgent issue even from the viewpoint of strengthening the national resilience. Therefore, HCM believes that there is a great need among hospitals for funding to rebuild or expand their buildings to make them more earthquake resistant.

In addition to the above, medical corporations are also expected to face needs for capital investment for the enhancement or conversion of medical functions, including multi-use development (Note 4) and reconstruction and expansion of buildings due to earthquake resistance, M&A-driven funding procurement and asset sales. Furthermore, HCM believes, hospitals or medical corporations can use real estate investment corporations as a means of liquidating their needs for the purpose of strengthening financial position, or for a hospital owner's business succession or inheritance or sale of hospital real estate.

The market size of hospital real estate in Japan accounts for a majority of the total healthcare facility real estate market, and the majority of hospital real estate is owned by medical corporations, etc. (Note 5). HCM believes that when hospital real estate is liquidated, it may become a target for investment by real estate investment corporations.

As described above, HCM believes that, amid the funding needs of medical corporations, opportunities for leveraging real estate investment corporations in hospital real estate will expand further as a method for procuring funds related to hospital management and part of strengthening financial positions.

Therefore, the market for healthcare facilities with a particular emphasis on the keywords "nursing care," "medical service" and "health," which HCM sets as acquisition targets, is believed to further expand in the future.

On the other hand, there are growing concerns about economic deterioration due to the spread of COVID-19. However, HCM believes that its income will not be impacted immediately, as the healthcare facilities it owns are, as a rule, operated under long-term lease agreements with fixed rents, and the operating status by the operators and their financial conditions are continuously monitored. Nevertheless, it is unpredictable whether COVID-19 will spread further, and close attention must be paid to how the situation will evolve going forward.

(Note 1) In the section about reorganization of medical and nursing care functions (future vision) of "Promotion of Home Medical and Nursing Care" by the project team for promoting home medical and nursing care as published by the Ministry of Health, Labour and Welfare, it is stated that "a more effective and efficient medical and nursing care service provision system will be built through a role division for hospital and hospital bed functions according to patient needs and by strengthening cooperation among medical institutions and between medical and nursing care services."

(Note 2) According to the Ministry of Health, Labour and Welfare's "Status of Earthquake Resistance of Social Welfare Facilities, Etc. " (released on December 25, 2017), the ratio of earthquake-resistant paid nursing homes is 96.3%.

(Note 3) According to the "Results of the Survey on Seismic Retrofit of Hospitals" (released on July 20, 2021) by the Ministry of Health, Labour and Welfare, the ratio of earthquake-resistant hospitals is 77.3%, of which the ratio was 93.6% for disaster base hospitals and emergency medical care centers. Note that in these surveys, hospitals with buildings constructed before 1981 (before the enforcement of the revised Building Standards Act of 1980) that have not been assessed as resistant to earthquakes are included in calculations as buildings with unknown earthquake resistance.

(Note 4) "Multi-use development" refers to the development of real estate with multiple functions and uses, such as healthcare facilities that combine facilities for the elderly, residences, and medical facilities.

(Note 5) Figures are based on preliminary calculations by KPMG Healthcare Japan Co., Ltd.

(b) Future Management Policy and Challenges to Address

With recognition of the above investment environment, HCM aims to secure stable income and steady growth of the portfolio while seeking to realize a society where all people can live vibrantly and with peace of mind, and manages assets based on the following policies.

a. Asset management policy for properties owned

Healthcare facilities possess a unique property feature in which not only location or specifications of buildings but also the operational capability of the operator and management stability have a large impact on their value as real estate. When HCM acquires a healthcare facility, we aim to secure stable income for the medium to long term by, in principle, concluding a long-term lease agreement with fixed rent with the operator that operates the healthcare facility.

HCM conducts due diligence on the business feasibility of facilities, including analyzing the management and financial conditions of operators, along with real estate due diligence, in order to secure stable revenue over the medium to long term. We also implement continuous monitoring even after the acquisition.

b. Property acquisition policy

HCM may utilize the comprehensive capabilities of its sponsors, including professional know-how and customer base, as well as first refusal rights provided in the support agreements, based on the support agreements which the Asset Management Company has concluded with sponsor companies and such.

Furthermore, the Asset Management Company may, for the purpose of making flexible property acquisition, request sponsors, etc. to temporarily own a property (warehousing) on the premise it be transferred to HCM.

As such, HCM aims to maximize unitholder value over the medium to long term by best utilizing the extensive network and warehousing function of the sponsors, etc. and works for sustainable growth of the asset size.

c. Financial policy

HCM intends to build a stable financial base with an aim to secure stable income over the medium to long term and maximize unitholder value, and conducts financing in consideration of the trends in the financial market.

With stable growth of HCM over the long term in mind, equity financing will be carried out flexibly, taking into consideration a multitude of factors including the timing of the acquisition of newly acquired real estate-related assets and the possibility of utilizing the sponsor's warehousing capabilities, LTV, the timing for the repayment of interest-bearing liabilities and the period remaining until repayment, as well as market conditions, while also considering the dilution of the rights of existing unitholders and the resulting decline, etc. in the trading price of investment units.

As to debt financing, stable and flexible leverage control will be implemented by diversifying repayment dates and setting the upper limit of LTV at 65% (which may, however, exceed 65% temporarily). In addition, a stable bank formation will be established by receiving financial advice from Sumitomo Mitsui Banking Corporation, one of the sponsors, based on the sponsor support agreement concluded between the bank and the Asset Management Company.

(c) Significant Subsequent Events

a. Acquisition of assets

On January 17, 2022, HCM entered into a purchase agreement for the acquisition of trust beneficiary interests in the following 10 real estate properties ("Assets to Be Acquired (Planned) in the 15th Fiscal Period"), and on February 1, 2022, HCM acquired SOMPO CARE La vie Re Kobeikawadani, SOMPO CARE Sompno ie Sayama, Royal Kawaguchi, NOAH GARDEN LEGEND, NOAH GARDEN L Grace and NOAH GARDEN CASA RICH. Acquisition of NOAH GARDEN Season Bell, Heartland Kawaguchi Meiseien, Granda Minamiurawa, and Madoka Minamiurawa is scheduled to be completed on March 30, 2022.

Property number	Property name	Location	(Planned) Acquisition price (Note) (millions of yen)	(Planned) Date of acquisition
Paid nursing home-34	SOMPO CARE La vie Re Kobeikawadani	Kobe-shi, Hyogo	1,288	Feb. 1, 2022
Paid nursing home-35	SOMPO CARE Sompno ie Sayama	Sakai-shi, Osaka	600	Feb. 1, 2022
Paid nursing home-36	Royal Kawaguchi	Kawaguchi-shi, Saitama	1,260	Feb. 1, 2022
Paid nursing home-37	NOAH GARDEN LEGEND	Sapporo-shi, Hokkaido	859	Feb. 1, 2022
Paid nursing home-38	NOAH GARDEN L Grace	Sapporo-shi, Hokkaido	622	Feb. 1, 2022
Paid nursing home-39	NOAH GARDEN Season Bell	Sapporo-shi, Hokkaido	1,350	Mar. 30, 2022
Paid nursing home-40	Heartland Kawaguchi Meiseien	Kawaguchi-shi, Saitama	2,000	Mar. 30, 2022
Paid nursing home-41	Granda Minamiurawa	Kawaguchi-shi, Saitama	1,022	Mar. 30, 2022
Paid nursing home-42	Madoka Minamiurawa	Kawaguchi-shi, Saitama	822	Mar. 30, 2022
Serviced housing for the elderly-3	NOAH GARDEN CASA RICH	Sapporo-shi, Hokkaido	1,619	Feb. 1, 2022
Total	—	—	11,442	—

(Note) (Planned) acquisition price does not include acquisition-related expenses, property tax, city planning tax, consumption tax and local consumption tax.

b. Issuance of new investment units

In accordance with the resolutions of the Board of Directors on January 17, 2022, and January 25, 2022, HCM determined to issue 46,190 new investment units through public offering and 2,309 new investment units via third-party allotment with SMBC Nikko Securities Inc. as an allotted party, and to use the proceeds to fund a portion of acquisition for the Assets to Be Acquired (Planned) in the 15th Fiscal Period. Payment for the new investment units by public offering and third-party allotment was completed on February 1, 2022, and March 1, 2022, respectively, with a total payment of 5,843 million yen. As a result, total unitholders' capital amounted to 38,323 million yen and the total number of investment units issued and outstanding was 359,500 units.

Issuance of New Investment Units by Public Offering (Primary Offering)

Number of new investment units issued	: 46,190 units
Issue price (offer price)	: 124,764 yen per unit
Total issue price (total offer price)	: 5,762,849,160 yen
Paid-in amount (issue amount)	: 120,477 yen per unit
Total paid-in amount (total issue amount)	: 5,564,832,630 yen
Payment date	: February 1, 2022 (Tue.)

Issuance of New Investment Units by Third-Party Allotment

Number of new investment units issued	: 2,309 units
Paid-in amount (issue amount)	: 120,477 yen per unit
Total paid-in amount (total issue amount)	: 278,181,393 yen
Payment date	: March 1, 2022 (Tue.)
Allotted party	: SMBC Nikko Securities Inc.

c. Borrowing of funds

HCM decided on January 17, 2022, to borrow funds to allocate to a portion of the acquisition and its related expenses for the Assets to Be Acquired (Planned) in the 15th Fiscal Period. A summary of the borrowings to be made in conjunction with this decision is as follows.

Type	Lender	Borrowing amount	Interest rate (Note 4)	Drawdown date	Borrowing method	Repayment date	Repayment method	Security
Short term	Sumitomo Mitsui Banking Corporation	2 billion yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.25%	March 30, 2022	Borrowings based on the individual term loan agreement as of March 28, 2022, with the company on the left as a lender	March 30, 2023	Lump-sum repayment on principal repayment date	Unsecured and unguaranteed
Long term	Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger (Note 2)	700 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.35% (Note 5) (Note 6)	March 30, 2022	Borrowings based on the individual term loan agreement as of March 28, 2022, with the company on the left as a lender	January 31, 2026		
	Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger (Note 3)	2.8 billion yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.55% (Note 5) (Note 6)			January 31, 2028		

(Note 1) The borrowing is subject to a number of conditions, including the execution of an agreement relating to the loan that is reasonably satisfactory to the lenders mentioned above and the satisfaction of all lending preconditions, which are to be separately determined.

(Note 2) The loan syndicate will consist of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited.

(Note 3) The loan syndicate will consist of Sumitomo Mitsui Banking Corporation, Resona Bank, Limited, Shinkin Central Bank, The Bank of Fukuoka, Ltd., The Dai-ichi Life Insurance Company, Limited, The 77 Bank, Ltd., The Gunma Bank, Ltd. and The Bank of Yokohama, Ltd.

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(Note 4) The first interest payment date is April 30, 2022, and subsequent interest payments will be due on the last day of January, April, July and October of every year thereafter, as well as on the principal repayment date (whenever the date of interest payment is not a business day, such payment will be made on the next business day; whenever the date of interest payment falls on day of the next month, such payment will be made on the last business of the current month). For the Japanese yen TIBOR published by the JBA TIBOR Administration, please refer to the JBA TIBOR Administration's website (<https://www.jbatibor.or.jp/english/rate/>).

(Note 5) Loan fees and other fees paid to lenders are not included.

(Note 6) The Company plans to enter into an interest rate swap agreement to effectively establish a fixed interest rate. The details of this agreement will be announced once the interest rate is determined.

(d) Earnings Forecast Outlook

HCM forecasts the following earnings for the fiscal period ending July 2022 (from February 1, 2022 to July 31, 2022) and the fiscal period ending January 2023 (from August 1, 2022 to January 31, 2023). For the assumptions underlying this outlook, please see “Assumptions Underlying Earnings Forecast for Fiscal Period Ending July 2022 and Fiscal Period Ending January 2023” below.

For the fiscal period ending July 2022 (from February 1, 2022 to July 31, 2022) and the fiscal period ending January 2023 (from August 1, 2022 to January 31, 2023), it is assumed that there is no change in the fair value of interest rate swaps, and HCM has no plan to present to conduct distribution in excess of earnings of reserve for temporary difference adjustments.

Fiscal period ending July 2022 (from February 1, 2022, to July 31, 2022)

Operating revenue	2,371 million yen
Operating income	1,259 million yen
Ordinary income	1,093 million yen
Net income	1,092 million yen
Distribution per unit (excluding distribution in excess of earnings)	3,040 yen
Distribution in excess of earnings per unit	307 yen
Distribution per unit (including distribution in excess of earnings)	3,347 yen

Fiscal period ending January 2023 (from August 1, 2022, to January 31, 2023)

Operating revenue	2,419 million yen
Operating income	1,242 million yen
Ordinary income	1,070 million yen
Net income	1,069 million yen
Distribution per unit (excluding distribution in excess of earnings)	2,973 yen
Distribution in excess of earnings per unit	313 yen
Distribution per unit (including distribution in excess of earnings)	3,286 yen

(Note) Please note that actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings), distribution in excess of earnings per unit and distribution per unit (including distribution in excess of earnings) may differ from the forecast figures above as a result of discrepancies from assumptions arising due to additional real estate acquisition or sale in the future, trends in the real estate market, fluctuation of interest rates and changes in other situations surrounding HCM, among other factors. In addition, the forecast is not a guarantee of the amount of distribution or distribution in excess of earnings.

Assumptions Underlying Earnings Forecast for Fiscal Period Ending July 2022 and Fiscal Period Ending January 2023

Item	Assumptions															
Accounting period	<ul style="list-style-type: none">Fiscal period ending July 2022 (15th FP) (from February 1, 2022, to July 31, 2022) (181 days)Fiscal period ending January 2023 (16th FP) (from August 1, 2022, to January 31, 2023) (184 days)															
Assets under management	<ul style="list-style-type: none">It is assumed that, in addition to the trust beneficiary interests in real estate (43 properties in total) owned by HCM as of the date of this document (hereinafter, the “Assets Owned”), the trust beneficiary interests in real estate to be acquired (hereinafter, the “Assets to Be Acquired;” referred to jointly with the Assets Owned as “Assets Under Management”) will be acquired on March 30, 2022. For details on the Assets to Be Acquired, please refer to "Notice Concerning Acquisition and Leasing of Assets" published on January 17, 2022.It is assumed that no changes (acquisition of new properties, disposal of Assets Under Management, etc.) will occur before the end of the fiscal period ending January 2023, except for the acquisition of Assets to Be Acquired.There may actually be changes due to acquisition of new properties, or sale of the Assets Under Management, etc. in the future.															
Operating revenue	<ul style="list-style-type: none">Lease business revenue from Assets Owned are calculated based on the lease agreements for each of the Assets Under Management effective as of the date of this document, tenant trends, market trends, and other factors. Rental business revenue from Assets to Be Acquired are calculated based on information provided by the current owners of said assets, lease agreements for each of these assets effective as of the date of this document, tenant trends, market trends, and other factors.It is assumed that there will be no default or non-payment of rents by tenants.															
Operating expenses	<ul style="list-style-type: none">The main breakdown of expenses related to rent business, the major component of operating expense, is as follows.<table><tr><td></td><td>Fiscal period ending July 2022</td><td>Fiscal period ending January 2023</td></tr><tr><td>Property tax</td><td>143 million yen</td><td>143 million yen</td></tr><tr><td>Repair expenses</td><td>32 million yen</td><td>32 million yen</td></tr><tr><td>Depreciation</td><td>551 million yen</td><td>563 million yen</td></tr><tr><td>Other expenses related to rent business</td><td>62 million yen</td><td>63 million yen</td></tr></table>Of the expenses related to rent business, which is a major component of operating expense, expenses other than depreciation is calculated as follows: for Assets Owned, based on historical data and reflecting factors for change in expenses; for Assets to Be Acquired, based on information provided by current owners and reflecting factors for change in expenses.In purchasing and selling real estate in general, property tax and city planning tax are calculated on a pro rata basis with previous owners and settled at the time of acquisition, but as HCM includes this settlement money in acquisition cost, they are not recorded as expenses in the year of acquisition. Accordingly, property tax and city planning tax of the Assets to Be Acquired in the fiscal period ending July 2022 will not be recorded as expenses in the fiscal period ending July 2022 and the fiscal period ending January 2023, and such for fiscal 2022 will be recorded as expenses from the fiscal period ending July 2023. Note that the total amount of property taxes and city planning taxes to be included for the Assets to Be Acquired in the fiscal period ending July 2022 is assumed to be 37 million yen.For repair expenses, the Asset Management Company records the expenses it deems necessary for each property in each operating period. However, as repair expenses may increase or decrease, or additional repair may be required due to unpredictable factors, actual expenses may differ significantly from the forecast.Depreciation is calculated by using the straight-line method including ancillary expenses.The asset management fee paid to the Asset Management Company is assumed to be 202 million yen for the fiscal period ending July 2022 and 233 million yen for the fiscal period ending January 2023.		Fiscal period ending July 2022	Fiscal period ending January 2023	Property tax	143 million yen	143 million yen	Repair expenses	32 million yen	32 million yen	Depreciation	551 million yen	563 million yen	Other expenses related to rent business	62 million yen	63 million yen
	Fiscal period ending July 2022	Fiscal period ending January 2023														
Property tax	143 million yen	143 million yen														
Repair expenses	32 million yen	32 million yen														
Depreciation	551 million yen	563 million yen														
Other expenses related to rent business	62 million yen	63 million yen														
Non-operating expenses	<ul style="list-style-type: none">Investment unit issuance expenses accompanying the issuance of new investment units are depreciated evenly over 3 years and are assumed to be 5 million yen for the fiscal period ending July 2022 and 5 million yen for the fiscal period ending January 2023.Investment corporation bond issuance costs associated with the issuance of investment corporation bonds are amortized using the straight-line method over the period up to redemption, and are assumed to be 1 million yen in the fiscal period ending July 2022 and 1 million yen in the fiscal period ending January 2023.Interest expenses, interest expenses on investment corporation bonds and other borrowing-related expenses are assumed to be 159 million yen for the fiscal period ending July 2022 and 166 million yen for the fiscal period ending January 2023.															

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Item	Assumptions
Interest-bearing liabilities	<ul style="list-style-type: none"> As of the date of this document, the balance of HCM's interest-bearing liabilities is 33,150 million yen. However, in order to fund a portion of the acquisition of the Assets to Be Acquired and related expenses, HCM has obtained a loan from a qualified institutional investor as defined in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act and is presumed to borrow a total of 5,500 million yen on March 30, 2022, bringing the balance of interest-bearing liabilities to 38,650 million yen.
Investment units	<ul style="list-style-type: none"> The total number of investment units issued and outstanding is assumed to be 359,500 units as of the date of this document, and it is assumed that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending January 2023. Distribution per unit is calculated based on the forecast number of units issued and outstanding at the end of period of 359,500 units for the fiscal period ending July 2022 and for the fiscal period ending January 2023.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> Distribution per unit (excluding distribution in excess of earnings) is calculated on the premise of the cash distribution policy provided in the Articles of Incorporation of HCM. Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in Assets Under Management, change in tenants, etc. or incurrence of unexpected repairs.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> Distribution in excess of earnings per unit is calculated pursuant to the policies provided in the Articles of Incorporation of HCM, policies provided below, other applicable laws and regulations, rules of self-regulatory organizations, etc. The total amount of distribution in excess of earnings is assumed to be 110 million yen for the fiscal period ending July 2022 and 112 million yen for the fiscal period ending January 2023. The total amount of distribution in excess of earnings is distributed up to the amount equivalent to 20% of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay said distribution, sufficiently taking into consideration the amount of capital expenditure necessary for maintaining and improving the competitiveness of HCM's Assets Under Management and the financial position of HCM. However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to the said amount is judged to be inappropriate based on the economic environment surrounding HCM, trends of the real estate market and leasing market, status of HCM's assets under management and financial conditions. For the fiscal period ending July 2022 and the fiscal period ending January 2023, it is assumed that there is no loss in the fair value of interest rate swaps, and HCM has no plan at present to conduct distribution in excess of earnings from the reserve for temporary difference adjustments.
Other	<ul style="list-style-type: none"> The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations set forth by the Tokyo Stock Exchange, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. The assumption is that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.

2. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2021)	Current fiscal period (As of Jan. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,482,160	1,689,721
Cash and deposits in trust	207,158	181,881
Operating accounts receivable	3,042	2,081
Prepaid expenses	113,994	125,455
Derivatives receivables	-	2,778
Total current assets	1,806,355	2,001,918
Non-current assets		
Property, plant and equipment		
Buildings in trust	*1 33,266,152	*1 33,351,590
Accumulated depreciation	(4,163,853)	(4,617,889)
Buildings in trust, net	29,102,298	28,733,700
Structures in trust	91,855	96,187
Accumulated depreciation	(12,609)	(14,208)
Structures in trust, net	79,245	81,978
Machinery and equipment in trust	19,499	19,499
Accumulated depreciation	(6,074)	(7,049)
Machinery and equipment in trust, net	13,425	12,450
Tools, furniture and fixtures in trust	259,026	297,717
Accumulated depreciation	(65,260)	(88,209)
Tools, furniture and fixtures in trust, net	193,766	209,508
Land in trust	37,482,822	37,482,822
Construction in progress in trust	6,270	5,113
Total property, plant and equipment	66,877,828	66,525,573
Intangible assets		
Software	397	198
Total intangible assets	397	198
Investments and other assets		
Security deposits	10,000	10,000
Long-term prepaid expenses	161,246	193,588
Derivatives receivables	3,871	30,514
Deferred tax assets	13	12
Total investments and other assets	175,131	234,115
Total non-current assets	67,053,357	66,759,887
Deferred assets		
Investment unit issuance expenses	6,424	-
Investment corporation bond issuance costs	17,693	16,652
Total deferred assets	24,117	16,652
Total assets	68,883,830	68,778,458

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2021)	Current fiscal period (As of Jan. 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	79,827	62,190
Current portion of long-term loans payable	7,000,000	9,250,000
Accounts payable - other	121,248	104,024
Accrued expenses	238,140	240,609
Income taxes payable	887	866
Accrued consumption taxes	15,496	17,631
Advances received	341,362	338,838
Deposits received	126	795
Derivatives liabilities	-	1,705
Total current liabilities	7,797,089	10,016,661
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term loans payable	24,150,000	21,900,000
Tenant leasehold and security deposits	1,865,509	1,865,509
Tenant leasehold and security deposits in trust	86,766	86,766
Deferred tax liabilities	1,217	10,473
Derivatives liabilities	18,453	31,997
Total non-current liabilities	28,121,947	25,894,748
Total liabilities	35,919,037	35,911,409
Net assets		
Unitholders' equity		
Unitholders' capital	32,480,785	32,480,785
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	*3 (61,448)	*3 (15,501)
Other deduction from unitholders' capital	(421,848)	(516,392)
Total deduction from unitholders' capital	(483,296)	(531,894)
Unitholders' capital, net	31,997,489	31,948,891
Surplus		
Unappropriated retained earnings (undisposed loss)	983,103	929,041
Total surplus	983,103	929,041
Total unitholders' equity	32,980,592	32,877,933
Valuation and translation adjustments		
Deferred gains or losses on hedges	(15,799)	(10,884)
Total valuation and translation adjustments	(15,799)	(10,884)
Total net assets	*2 32,964,792	*2 32,867,048
Total liabilities and net assets	68,883,830	68,778,458

(2) Statement of Income

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Operating revenue		
Revenue related to rent business	*1 2,062,148	*1 2,069,514
Other revenue related to rent business	*1 10,889	*1 10,921
Total operating revenue	2,073,038	2,080,436
Operating expenses		
Expenses related to rent business	*1 690,998	*1 701,277
Asset management fee	197,621	200,330
Asset custody fee	3,432	3,430
Administrative service fees	21,461	21,551
Directors' compensations	4,800	4,800
Property tax	27,787	28,457
Other operating expenses	48,380	48,051
Total operating expenses	994,481	1,007,899
Operating income	1,078,556	1,072,537
Non-operating income		
Interest income	8	6
Insurance income	762	-
Reversal of distribution payable	584	463
Total non-operating income	1,356	469
Non-operating expenses		
Interest expenses	86,600	88,014
Interest expenses on investment corporation bonds	7,800	7,800
Amortization of investment unit issuance expenses	6,424	6,424
Amortization of investment corporation bond issuance costs	1,040	1,040
Borrowing expenses	55,955	55,789
Total non-operating expenses	157,821	159,068
Ordinary income	922,091	913,938
Income before income taxes	922,091	913,938
Income taxes - current	888	867
Income taxes - deferred	0	1
Total income taxes	889	868
Net income	921,201	913,069
Retained earnings brought forward	61,901	15,971
Unappropriated retained earnings (undisposed loss)	983,103	929,041

(3) Statement of Unitholders' Equity

Previous fiscal period (from February 1, 2021, to July 31, 2021)

(Unit: thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
		Reserve for temporary difference adjustments	Other deduction from unitholders' capital	Total deduction from unitholders' capital	
Balance at beginning of current period	32,480,785	(47,142)	(328,547)	(375,690)	32,105,095
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings from reserve for temporary difference adjustments		(14,306)		(14,306)	(14,306)
Other distribution in excess of earnings			(93,300)	(93,300)	(93,300)
Net income					
Changes of items other than unitholders' equity during period, net					
Total changes of items during the period	-	(14,306)	(93,300)	(107,606)	(107,606)
Balance at end of current period	*1 32,480,785	(61,448)	(421,848)	(483,296)	31,997,489

(Unit: thousands of yen)

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of current period	957,584	957,584	33,062,679	(61,746)	(61,746)	33,000,933
Changes of items during period						
Dividends of surplus	(895,682)	(895,682)	(895,682)			(895,682)
Distribution in excess of earnings from reserve for temporary difference adjustments			(14,306)			(14,306)
Other distribution in excess of earnings			(93,300)			(93,300)
Net income	921,201	921,201	921,201			921,201
Changes of items other than unitholders' equity during period, net				45,946	45,946	45,946
Total changes of items during the period	25,519	25,519	(82,087)	45,946	45,946	(36,140)
Balance at end of current period	983,103	983,103	32,980,592	(15,799)	(15,799)	32,964,792

Current fiscal period (from August 1, 2021, to January 31, 2022)

(Unit: thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
		Reserve for temporary difference adjustments	Other deduction from unitholders' capital	Total deduction from unitholders' capital	
Balance at beginning of current period	32,480,785	(61,448)	(421,848)	(483,296)	31,997,489
Changes of items during period					
Dividends of surplus					
Reversal of reserve for temporary difference adjustments		45,946		45,946	45,946
Other distribution in excess of earnings			(94,544)	(94,544)	(94,544)
Net income					
Changes of items other than unitholders' equity during period, net					
Total changes of items during the period	-	45,946	(94,544)	(48,597)	(48,597)
Balance at end of current period	*1 32,480,785	(15,501)	(516,392)	(531,894)	31,948,891

(Unit: thousands of yen)

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at beginning of current period	983,103	983,103	32,980,592	(15,799)	(15,799)	32,964,792
Changes of items during period						
Dividends of surplus	(921,184)	(921,184)	(921,184)			(921,184)
Reversal of reserve for temporary difference adjustments	(45,946)	(45,946)	-			-
Other distribution in excess of earnings			(94,544)			(94,544)
Net income	913,069	913,069	913,069			913,069
Changes of items other than unitholders' equity during period, net				4,915	4,915	4,915
Total changes of items during the period	(54,061)	(54,061)	(102,659)	4,915	4,915	(97,743)
Balance at end of current period	929,041	929,041	32,877,933	(10,884)	(10,884)	32,867,048

(4) Statement of Cash Distributions

(Unit: yen)

Type	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
I. Unappropriated retained earnings	983,103,252	929,041,635
II. Distribution in excess of earnings	94,544,304	95,788,308
Of which, other deduction from unitholders' capital	94,544,304	95,788,308
III. Incorporation into unitholders' capital	45,946,358	4,915,566
Of which, reversal of reserve for temporary difference adjustments	45,946,358	4,915,566
IV. Amount of distributions	1,015,729,266	1,008,887,244
[Distributions per unit]	[3,266]	[3,244]
Of which, distributions of earnings	921,184,962	913,098,936
(Of which, distributions of earnings per unit)	[2,962]	[2,936]
Of which, other distributions in excess of earnings	94,544,304	95,788,308
(Of which, distribution in excess of earnings per unit (for other distributions in excess of earnings))	[304]	[308]
V. Retained earnings carried forward	15,971,932	11,027,133
Method of calculation of amount of distributions	<p>In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Following this policy, HCM has decided that it shall distribute 921,184,962 yen as the distribution of earnings, which is roughly the entire amount arrived at after deducting the reversal of reserve for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item (30) of the Calculation Rules for Investment Corporations) from profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Accordingly, distribution of earnings per unit was 2,962 yen.</p> <p>Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis. During the current fiscal period, HCM has decided to distribute</p>	
	<p>In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Following this policy, HCM has decided that it shall distribute 913,098,936 yen as the distribution of earnings, which is roughly the entire amount arrived at after deducting the reversal of reserve for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item (30) of the Calculation Rules for Investment Corporations) from profits as defined in Article 136, Paragraph 1 of the Investment Trust Act. Accordingly, distribution of earnings per unit was 2,936 yen.</p> <p>Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis. During the current fiscal period, HCM has decided to distribute</p>	

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Type	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Method of calculation of amount of distributions	94,544,304 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. As a result, distribution in excess of earnings per unit (of other distribution in excess of earnings) came to 304 yen. As a result, distribution per unit came to 3,266 yen.	95,788,308 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. As a result, distribution in excess of earnings per unit (of other distribution in excess of earnings) came to 308 yen. As a result, distribution per unit came to 3,244 yen.

(Note 1) Distribution in excess of earnings is distributed up to the amount equivalent to 20% of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay said distribution, sufficiently taking into consideration the amount of capital expenditure necessary for maintaining and improving the competitiveness of HCM's assets under management, the financial position of HCM and other factors.

However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to the said amount is judged to be inappropriate based on the economic environment surrounding HCM, trends of the real estate market and leasing market, status of HCM's assets under management and financial conditions.

(Note 2) Under the rules of The Investment Trusts Association, closed-end investment corporations are allowed to conduct distribution in excess of earnings up to an amount equivalent to 60% of the depreciation recorded on the last day of the accounting period.

(5) Statement of Cash Flows

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	922,091	913,938
Depreciation	474,103	479,758
Amortization of investment corporation bond issuance costs	1,040	1,040
Borrowing expenses	55,955	55,789
Amortization of investment unit issuance expenses	6,424	6,424
Interest income	(8)	(6)
Interest expenses	94,400	95,814
Decrease (increase) in operating accounts receivable	(3,042)	960
Decrease (increase) in prepaid expenses	(1,784)	(302)
Increase (decrease) in operating accounts payable	29,450	(17,637)
Increase (decrease) in accounts payable - other	(6,607)	4,228
Increase (decrease) in accrued consumption taxes	7,526	2,135
Increase (decrease) in accrued expenses	(2,698)	2,969
Increase (decrease) in advances received	5,480	(2,524)
Decrease (increase) in long-term prepaid expenses	7,309	4,458
Increase (decrease) in deposits received	-	668
Other, net	(635)	(463)
Subtotal	1,589,005	1,547,252
Interest income received	8	6
Interest expenses paid	(94,879)	(96,314)
Income taxes paid	(908)	(888)
Net cash provided by (used in) operating activities	1,493,226	1,450,055
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(832,014)	(148,208)
Proceeds from tenant leasehold and security deposits	60,000	-
Cash flows from investing activities	(772,014)	(148,208)
Cash flows from financing activities		
Proceeds from long-term loans payable	-	7,000,000
Repayments of long-term loans payable	-	(7,000,000)
Borrowing expenses	(1,598)	(103,748)
Dividends paid	(1,003,300)	(1,015,814)
Cash flows from financing activities	(1,004,898)	(1,119,562)
Net increase (decrease) in cash and cash equivalents	(283,687)	182,284
Cash and cash equivalents at beginning of period	1,886,239	1,602,552
Cash and cash equivalents at end of period	*1 1,602,552	*1 1,784,836

(6) Notes on the Going Concern Assumption
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows.</p> <table> <tr> <td>Buildings in trust</td><td>5-69 years</td></tr> <tr> <td>Structures in trust</td><td>10-53 years</td></tr> <tr> <td>Machinery and equipment in trust</td><td>10 years</td></tr> <tr> <td>Tools, furniture and fixtures in trust</td><td>6-15 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p>	Buildings in trust	5-69 years	Structures in trust	10-53 years	Machinery and equipment in trust	10 years	Tools, furniture and fixtures in trust	6-15 years
Buildings in trust	5-69 years								
Structures in trust	10-53 years								
Machinery and equipment in trust	10 years								
Tools, furniture and fixtures in trust	6-15 years								
2. Accounting for deferred assets	<p>(1) Investment unit issuance expenses Depreciated evenly over 3 years.</p> <p>(2) Investment corporation bond issuance costs Amortized using the straight-line method over the period up to redemption.</p>								
3. Standards for revenue and expense recognition	<p>(1) Accounting for property taxes For property tax, city planning tax, depreciable asset tax, etc. on real estate, etc. owned, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to rent business. In connection with the acquisition of real estate including trust beneficiary interests in real estate, the amount equivalent to real property tax, etc. for the initial fiscal year, which was settled with the seller, is not recorded as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property tax, etc. included in the cost of acquisition of real estate, etc. was 1,825 thousand yen for the previous fiscal period and none for the current fiscal period.</p> <p>(2) Standards for revenue recognition The following is a description of the major performance obligations related to revenue arising from contracts with HCM customers and the normal point in time at which such performance obligations are satisfied (the normal point in time at which revenue is recognized). Sale of real estate, etc. Revenue from sale of real estate, etc. is recognized when the customer, who is the buyer, obtains control of the real estate, etc. by HCM's fulfillment of the delivery obligations stipulated in the contract for the sale of real estate, etc.</p>								
4. Hedge accounting approach	<p>(1) Hedge accounting approach Deferred hedge accounting. Special treatment is applied for interest rate swap transactions that satisfy the requirements for special treatment.</p> <p>(2) Hedging instruments and hedge items Hedging instrument: Interest rate swap transactions Hedge items: Interest on loans</p> <p>(3) Hedging policy HCM conducts interest rate swap transactions for hedging risks provided in its Articles of Incorporation, pursuant to the risk management basic policy.</p> <p>(4) Method of assessing hedge effectiveness Hedge effectiveness is assessed by comparing the cumulative fluctuation of cash flows for hedging instruments and the cumulative fluctuation of cash flows for hedge items and confirming the ratio of both fluctuations. However, hedge effectiveness assessment is omitted for interest rate swap transactions that satisfy the requirements for special treatment.</p>								
5. Cash and cash equivalents as stated in the statement of cash flows	Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.								

6. Other significant matters serving as the basis for preparation of financial statements	<p>(1) Accounting for trust beneficiary interests in real estate, etc. Concerning trust beneficiary interests in real estate, etc. owned, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. The following material items for the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <ul style="list-style-type: none"> ① Cash and deposits in trust ② Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; Construction in progress in trust ③ Tenant leasehold and security deposits in trust <p>(2) Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from transaction amounts. Non-deductible consumption taxes on acquisition of assets is included in the cost of acquisition of each asset.</p>
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[Additional Information]

[Notes on Reserve and Reversal of Reserve for Temporary Difference Adjustments]

Previous fiscal period (from February 1, 2021, to July 31, 2021)

1. Reasons, related assets and amounts of reversal

Due to the decrease of deferred losses on hedges of 45,946 thousand yen by statement of cash distributions from assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 45,946 thousand yen of reserve for temporary difference adjustments for elimination of the amount is reversed.

2. Method of reversal

In accordance with elimination of deferred losses on hedges (net asset deduction items) by period-end reassessment of said interest rate swap transactions in the next period onward, a corresponding amount of reserve for temporary difference adjustments will be reversed.

Current fiscal period (from August 1, 2021, to January 31, 2022)

1. Reasons, related assets and amounts of reversal

Due to the decrease of deferred losses on hedges of 4,915 thousand yen by statement of cash distributions from assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 4,915 thousand yen of reserve for temporary difference adjustments for elimination of the amount is reversed.

2. Method of reversal

In accordance with elimination of deferred losses on hedges (net asset deduction items) by period-end reassessment of said interest rate swap transactions in the next period onward, a corresponding amount of reserve for temporary difference adjustments will be reversed.

(8) Notes on Changes in Accounting Policies

1. Application of the Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current fiscal period. As a result, when control of the promised goods or services is transferred to the customer, revenue is to be recognized at the amount expected to be received in exchange for those goods or services. The effect of this change on the financial statements is immaterial.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous period are not presented.

2. Application of Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the current fiscal period. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement will be applied going forward. The effect of this change on the financial statements is immaterial.

(9) Notes on Financial Statements

[Notes on Balance Sheet]

*1 Reduction entry amount of property, plant and equipment received as governmental subsidy, etc.

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2021)	Current fiscal period (As of Jan. 31, 2022)
Buildings in trust	10,041	10,041

*2 Minimum net assets as provided in Article 67, Paragraph 4 of the Investment Trust Act

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2021)	Current fiscal period (As of Jan. 31, 2022)
	50,000	50,000

*3 Reserve for temporary difference adjustments

Previous fiscal period (from February 1, 2021, to July 31, 2021)

1. Reasons, related assets and amounts of reserve

(Unit: thousands of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of current period	Reserved amount in current period	Reversed amount in current period	Balance at end of current period	Reason for reversal
Deferred gains or losses on hedges	Valuation loss on interest rate swap	25,683	47,142	14,306	—	61,448	—
Total		25,683	47,142	14,306	—	61,448	—

2. Method of reversal

(1) Deferred gains or losses on hedges

Reversal is planned to be made in accordance with the change in fair value of derivative transactions, which are hedge instruments.

Current fiscal period (from August 1, 2021, to January 31, 2022)

1. Reasons, related assets and amounts of reserve/reversal

(Unit: thousands of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of current period	Reserved amount in current period	Reversed amount in current period	Balance at end of current period	Reason for reversal
Deferred gains or losses on hedges	Valuation loss on interest rate swap	25,683	61,448	—	(45,946)	15,501	Changes in fair value of derivative transactions
Total		25,683	61,448	—	(45,946)	15,501	—

2. Method of reversal

(1) Deferred gains or losses on hedges

Reversal is planned to be made in accordance with the change in fair value of derivative transactions, which are hedge instruments.

[Notes on Statement of Income]

*1 Breakdown of operating income (loss) from real estate leasing

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
A. Operating revenue from real estate leasing		
Revenue related to rent business		
Rent revenue	2,062,148	2,069,514
Other revenue related to rent business		
Other revenue	10,889	10,921
Total operating revenue from real estate leasing	2,073,038	2,080,436
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Property tax	142,218	142,184
Outsourcing expenses	28,893	29,283
Repair expenses	22,579	26,664
Insurance expenses	8,622	8,683
Depreciation	473,904	479,559
Other expenses related to rent business	14,778	14,903
Total operating expenses from real estate leasing	690,998	701,277
C. Operating income (loss) from real estate leasing [A-B]	1,382,040	1,379,159

[Notes on Statement of Unitholders' Equity]

*1 Total number of investment units authorized and total number of investment units issued and outstanding

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	311,001 units	311,001 units

[Notes on Statement of Cash Flows]

*1 Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Cash and deposits	1,482,160	1,689,721
Cash and deposits in trust	207,158	181,881
Restricted deposits in trust (Note)	(86,766)	(86,766)
Cash and cash equivalents	1,602,552	1,784,836

(Note) Restricted deposits in trust refer to deposits in trust reserved for refund of leasehold received from tenants, etc.

[Notes on Operating Lease Transactions]

Non-cancellable operating leases (as lessor)

(Unit: thousands of yen)

	Previous fiscal period As of Jul. 31, 2021	Current fiscal period As of Jan. 31, 2022
Not later than 1 year	3,106,350	2,771,384
Later than 1 year	10,166,481	8,910,935
Total	13,272,832	11,682,320

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

Pursuant to the policy of conducting stable and sound financial management, HCM raises funds for asset acquisition, repayment of loans, etc. by means of loans from banks, issuance of investment corporation bonds or issuance of new investment units, etc. As to finance by loans and issuance of investment corporation bonds, HCM pays attention to extending periods, fixing interest rates, diversifying repayment dates and such to secure financial stability and avoid the risk of rise in interest rates in the future.

Derivative transactions shall be limited to those invested for the purpose of hedging the risk of fluctuations in interest rates on HCM's loans.

(2) Description of financial instruments and associated risks, and risk management system

Loans and proceeds from issuance of investment corporation bonds are used primarily for acquisition of trust beneficiary interests in real estate and repayment of debts.

Although loans and investment corporation bonds are exposed to liquidity risks on the repayment or redemption date, the impact of rising market interest rates on the management of HCM is limited through appropriate management of the ratio of interest-bearing liabilities, and such risks are controlled through diversification of repayment and redemption dates.

Although loans with floating interest rates are exposed to interest rate fluctuation risks, the ratios of loan balances with floating rates and fixed rates against the entire loans are adjusted according to the financing environment. Furthermore, derivative transactions (interest rate swap transactions) have been used for part of loans with floating rates to avoid interest fluctuation risks and to fix interest payment. Execution/management of derivative transactions carried out for the purpose of hedging interest rate fluctuation risks is conducted pursuant to provisions that stipulate the basic policy of risk management.

Although tenant leasehold and security deposits as well as tenant leasehold and security deposits in trust are deposits from tenants and are exposed to liquidity risks at the time of refunding upon tenants' move-outs, HCM controls liquidity risks by securing liquidity at hand to a certain degree and other measures.

For deposits, such risks are controlled by setting lower limits to the credit rating of financial institutions at which deposits are made (excluding deposits for settlement), etc.

(3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

Certain assumptions are adopted in the calculation of the fair value of financial instruments. Accordingly, there may be cases where the concerned values will differ when different assumptions are adopted.

2. Matters concerning fair value, etc. of financial instruments

Carrying amount, fair value and difference between the two were as follows. Notes to "Cash and deposits" and "Cash and deposits in trust" are omitted because their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term. In addition, "Tenant leasehold and security deposits," "Tenant leasehold and security deposits in trust," "Accounts payable - other," "Operating accounts payable," "Accrued expenses," "Security deposits," and "Operating accounts receivable" are immaterial, so notes are omitted.

Previous fiscal period (from February 1, 2021, to July 31, 2021)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Current portion of long-term loans payable	7,000,000	7,006,414	6,414
(2) Investment corporation bonds	2,000,000	2,006,000	6,000
(3) Long-term loans payable	24,150,000	24,149,543	(456)
Total liabilities	33,150,000	33,161,957	11,957
(4) Derivatives transactions	(14,581)	(14,581)	—

Current fiscal period (from August 1, 2021, to January 31, 2022)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Current portion of long-term loans payable	9,250,000	9,249,951	(48)
(2) Investment corporation bonds	2,000,000	1,993,800	(6,200)
(3) Long-term loans payable	21,900,000	21,895,362	(4,637)
Total liabilities	33,150,000	33,139,114	(10,885)
(4) Derivatives transactions	(410)	(410)	—

(Note 1) Method of calculation of the fair value of financial instruments and matters concerning derivative transactions

(1) Current portion of long-term loans payable; (3) Long-term loans payable

For those with floating interest rates that reflect market interest rates within a short period of time, the book value is deemed a reasonable approximation of the fair value as there are no significant changes in HCM's credit standing after borrowing; therefore, the book value is used as the fair value equivalent. Those with fixed interest rates are calculated by discounting the sum of principal and interest (*) at a reasonable rate estimated for a similar loan that is made corresponding to the remaining period.

(*) For long-term loans with floating interest rate to which special treatment for interest rate swaps is applied (please refer to "Derivative Transactions" below), the sum of principal and interest under the interest rates after the interest rate swaps are indicated.

(2) Investment corporation bonds

Figures are calculated based on the reference statistics of transactions provided by Japan Securities Dealers Association.

(4) Derivative transactions

Please refer to "Notes on Derivative Transactions" below.

(Note 2) Amount of repayment of loans and other interest-bearing liabilities scheduled to be due after the account closing date

Previous fiscal period (As of July 31, 2021)

(Unit: thousands of yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	—	—	—	—	—	2,000,000
Long-term loans payable	7,000,000	9,250,000	7,250,000	4,450,000	3,200,000	—
Total	7,000,000	9,250,000	7,250,000	4,450,000	3,200,000	2,000,000

Current fiscal period (As of January 31, 2022)

(Unit: thousands of yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	—	—	—	—	—	2,000,000
Long-term loans payable	9,250,000	7,250,000	5,550,000	3,200,000	5,900,000	—
Total	9,250,000	7,250,000	5,550,000	3,200,000	5,900,000	2,000,000

[Notes on Securities]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

2. Derivative transactions to which hedge accounting is applied

The following table shows the contracted amount or principal amount equivalent or the like set forth in the contract as of the balance sheet date for each hedge accounting method.

Previous fiscal period (As of July 31, 2021)

(Unit: thousands of yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Due after one year		
Principle accounting method	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	21,400,000	21,400,000	(14,581)	Based on the price presented by correspondent financial institutions
Special treatment for interest rate swaps	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	1,000,000	1,000,000	(Note)	—
Total			22,400,000	22,400,000	(14,581)	—

(Note) Since those with special treatment of interest rate swaps are treated integrally with hedged long-term loans payable, the market values of such are shown as included in the fair value in “(3) Long-term loans payable” in “[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instruments” above.

Current fiscal period (As of January 31, 2022)

(Unit: thousands of yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Due after one year		
Principle accounting method	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	27,300,000	19,300,000	(410)	Based on the price presented by correspondent financial institutions
Special treatment for interest rate swaps	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	1,000,000	1,000,000	(Note)	—
Total			28,300,000	20,300,000	(410)	—

(Note) Since those with special treatment of interest rate swaps are treated integrally with hedged long-term loans payable, the market values of such are shown as included in the fair value in “(3) Long-term loans payable” in “[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instruments” above.

[Notes on Retirement Benefits]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousands of yen)

	Previous fiscal period As of Jul. 31, 2021	Current fiscal period As of Jan. 31, 2022
Deferred tax assets		
Non-deductible accrued enterprise tax	13	12
Deferred gains or losses on hedges	5,805	10,603
Subtotal deferred tax assets	5,819	10,615
Valuation allowance	(5,805)	(10,603)
Total deferred tax assets	13	12
Deferred tax liabilities		
Deferred gains or losses on hedges	(1,217)	(10,473)
Net deferred tax assets (liabilities)	(1,204)	(10,461)

2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

	Previous fiscal period As of Jul. 31, 2021	Current fiscal period As of Jan. 31, 2022
Statutory tax rate	31.46	31.46
[Adjustments]		
Deductible distributions payable	(31.43)	(31.43)
Other, net	0.07	(0.03)
Effective income tax rate after application of tax-effect accounting	0.10	0.00

[Notes on Share of Profit (Loss) of Entities Accounted for Using Equity Method, Etc.]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholders, etc.

Previous fiscal period (from February 1, 2021, to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021, to January 31, 2022)

Not applicable.

2. Affiliated company, etc.

Previous fiscal period (from February 1, 2021, to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021, to January 31, 2022)

Not applicable.

3. Fellow subsidiary, etc.

Previous fiscal period (from February 1, 2021, to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021, to January 31, 2022)

Not applicable.

4. Director, major individual unitholder, etc.

Previous fiscal period (from February 1, 2021, to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021, to January 31, 2022)

Not applicable.

[Notes on Asset Retirement Obligations]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[Notes on Investment and Rental Properties]

HCM owns healthcare facilities (37 properties in total) primarily in the Three Major Metropolitan Areas and Core Cities. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Carrying amount		
Balance at beginning of period	66,423,062	66,877,828
Amount of increase (decrease) during period	454,765	(352,254)
Balance at end of period	66,877,828	66,525,573
Fair value at end of period	72,531,000	73,485,000

(Note 1) "Carrying amount" is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Out of the amount of increase (decrease) during the previous fiscal period, the amount of increase is mainly attributable to acquisition (755,067 thousand yen) comprising property acquisition of Nichii Home Nishikokubunji. The amount of decrease is mainly attributable to depreciation (473,904 thousand yen). Out of the amount of increase (decrease) during the current fiscal period, the amount of decrease is mainly attributable to depreciation (479,559 thousand yen).

(Note 3) "Fair value at end of period" is the appraisal value or survey value by an outside real estate appraiser.

The income (loss) concerning investment and rental properties is as stated in "Notes on Statement of Income" earlier in this document.

[Notes on Revenue Recognition]

Current fiscal period (from August 1, 2021, to January 31, 2022)

Information is omitted due to the immateriality of the eligible revenue.

[Notes on Segment Information]

1. Segment information

Segment information is omitted because HCM operates a single segment, which is the real estate leasing business.

2. Related information

Previous fiscal period (from February 1, 2021, to July 31, 2021)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

Information on net sales to a single external customer is omitted because consent has not been obtained from the tenant.

Current fiscal period (from August 1, 2021, to January 31, 2022)

(1) Information about products and services

Information about products and services is omitted because net sales to external customers for a single products and services category are in excess of 90% of operating revenue on the statement of income.

(2) Information about geographic areas

① Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of operating revenue on the statement of income.

② Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about major customers

Information on net sales to a single external customer is omitted because consent has not been obtained from the tenant.

[Notes on Per Unit Information]

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Net assets per unit	105,995 yen	105,681 yen
Net income per unit	2,962 yen	2,935 yen

(Note 1) Net income per unit is calculated by dividing net income by the average number of investment units during the period (the daily weighted average number of investment units). In addition, diluted net income per unit is not stated because there are no diluted investment units.

(Note 2) The following is the basis for calculation of net income per unit.

	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Net income (thousands of yen)	921,201	913,069
Amount not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	921,201	913,069
Average number of investment units during period (units)	311,001	311,001

[Notes on Significant Subsequent Events]

1. Acquisition of assets

On January 17, 2022, HCM entered into a purchase agreement for the acquisition of trust beneficiary interests in the following 10 real estate properties ("Assets to Be Acquired (Planned) in the 15th Fiscal Period"), and on February 1, 2022, HCM acquired SOMPO CARE La vie Re Kobeikawadani, SOMPO CARE Sompno ie Sayama, Royal Kawaguchi, NOAH GARDEN LEGEND, NOAH GARDEN L Grace and NOAH GARDEN CASA RICH. Acquisition of NOAH GARDEN Season Bell, Heartland Kawaguchi Meiseien, Granda Minamiurawa, and Madoka Minamiurawa is scheduled to be completed on March 30, 2022.

Property number	Property name	Location	(Planned) Acquisition price (Note) (millions of yen)	(Planned) Date of acquisition
Paid nursing home-34	SOMPO CARE La vie Re Kobeikawadani	Kobe-shi, Hyogo	1,288	Feb. 1, 2022
Paid nursing home-35	SOMPO CARE Sompo no ie Sayama	Sakai-shi, Osaka	600	Feb. 1, 2022
Paid nursing home-36	Royal Kawaguchi	Kawaguchi-shi, Saitama	1,260	Feb. 1, 2022
Paid nursing home-37	NOAH GARDEN LEGEND	Sapporo-shi, Hokkaido	859	Feb. 1, 2022
Paid nursing home-38	NOAH GARDEN L Grace	Sapporo-shi, Hokkaido	622	Feb. 1, 2022
Paid nursing home-39	NOAH GARDEN Season Bell	Sapporo-shi, Hokkaido	1,350	Mar. 30, 2022
Paid nursing home-40	Heartland Kawaguchi Meiseien	Kawaguchi-shi, Saitama	2,000	Mar. 30, 2022
Paid nursing home-41	Granda Minamiurawa	Kawaguchi-shi, Saitama	1,022	Mar. 30, 2022
Paid nursing home-42	Madoka Minamiurawa	Kawaguchi-shi, Saitama	822	Mar. 30, 2022
Serviced housing for the elderly-3	NOAH GARDEN CASA RICH	Sapporo-shi, Hokkaido	1,619	Feb. 1, 2022
Total	—	—	11,442	—

(Note) (Planned) acquisition price does not include acquisition-related expenses, property tax, city planning tax, consumption tax and local consumption tax.

2. Issuance of new investment units

In accordance with the resolutions of the Board of Directors on January 17, 2022, and January 25, 2022, HCM determined to issue 46,190 new investment units through public offering and 2,309 new investment units via third-party allotment with SMBC Nikko Securities Inc. as an allotted party and to use the proceeds to fund a portion of acquisition for Assets to Be Acquired (Planned) in the 15th Fiscal Period. Payment for the new investment units by public offering and third-party allotment was completed on February 1, 2022, and March 1, 2022, respectively, with a total payment of 5,843 million yen. As a result, total unitholders' capital amounted to 38,323 million yen and the total number of investment units issued and outstanding was 359,500 units.

Issuance of New Investment Units by Public Offering (Primary Offering)

Number of new investment units issued	:	46,190 units
Issue price (offer price)	:	124,764 yen per unit
Total issue price (total offer price)	:	5,762,849,160 yen
Paid-in amount (issue amount)	:	120,477 yen per unit
Total paid-in amount (total issue amount)	:	5,564,832,630 yen
Payment date	:	February 1, 2022 (Tue.)

Issuance of New Investment Units by Third-Party Allotment

Number of new investment units issued	:	2,309 units
Paid-in amount (issue amount)	:	120,477 yen per unit
Total paid-in amount (total issue amount)	:	278,181,393 yen
Payment date	:	March 1, 2022 (Tue.)
Allotted party	:	SMBC Nikko Securities Inc.
	:	

3. Borrowing of funds

HCM decided on January 17, 2022, to borrow funds to allocate to a portion of the acquisition and its related expenses for Assets to Be Acquired (Planned) in the 15th Fiscal Period. A summary of the borrowings to be made in conjunction with this decision is as follows.

Type	Lender	Borrowing amount	Interest rate (Note 4)	Drawdown date	Borrowing method	Repayment date	Repayment method	Security
Short term	Sumitomo Mitsui Banking Corporation	2 billion yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.25%	March 30, 2022	Borrowings under an individual term loan agreement dated March 28, 2022, with the lender listed	March 30, 2023	Lump-sum repayment on principal repayment date	Unsecured and unguaranteed
Long term	Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger (Note 2)	700 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.35% (Note 5) (Note 6)	March 30, 2022	Borrowings under an individual term loan agreement dated March 28, 2022, with the lender listed	January 31, 2026		
	Loan syndicate with Sumitomo Mitsui Banking Corporation as an arranger (Note 3)	2.8 billion yen	Base interest rate (JBA 3-month Japanese yen TIBOR) + 0.55% (Note 5) (Note 6)			January 31, 2028		

(Note 1) The borrowing is subject to a number of conditions, including the execution of an agreement relating to the loan that is reasonably satisfactory to the lenders mentioned above and the satisfaction of all lending preconditions, which are to be separately determined.

(Note 2) The loan syndicate will consist of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited.

(Note 3) The loan syndicate will consist of Sumitomo Mitsui Banking Corporation, Resona Bank, Limited, Shinkin Central Bank, The Bank of Fukuoka, Ltd., The Dai-ichi Life Insurance Company, Limited, The 77 Bank, Ltd., The Gunma Bank, Ltd. and The Bank of Yokohama, Ltd.

(Note 4) The first interest payment date is April 30, 2022, and subsequent interest payments will be due on the last day of January, April, July and October of every year thereafter, as well as on the principal repayment date (or the following business day if that date is not a business day). For the Japanese yen TIBOR published by the JBA TIBOR Administration, please refer to the JBA TIBOR Administration's website (<https://www.jbatibor.or.jp/english/rate/>).

(Note 5) Loan fees and other fees paid to lenders are not included.

(Note 6) The Company plans to enter into an interest rate swap agreement to effectively establish a fixed interest rate. The details of this agreement will be announced once the interest rate is determined.

(10) Changes in Total Number of Investment Units Issued and Outstanding

The following are changes in total number of investment units issued and outstanding and unitholders' capital over the most recent five years up to the end of the current fiscal period.

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Unitholders' capital, net (millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	Change	Balance	
February 1, 2017	Capital increase through public offering	69,150	189,650	6,749	19,463	6,749	19,463	(Note 2)
March 1, 2017	Capital increase through third-party allotment	3,457	193,107	337	19,800	337	19,800	(Note 3)
February 1, 2019	Capital increase through public offering	112,280	305,387	12,076	31,876	12,076	31,876	(Note 4)
February 27, 2019	Capital increase through third-party allotment	5,614	311,001	603	32,480	603	32,480	(Note 5)
April 19, 2019	Distribution in excess of earnings	—	311,001	—	32,480	(62)	32,417	(Note 6)
October 18, 2019	Distribution in excess of earnings	—	311,001	—	32,480	(87)	32,330	(Note 7)
April 21, 2020	Distribution in excess of earnings	—	311,001	—	32,480	(88)	32,242	(Note 8)
October 21, 2020	Distribution in excess of earnings	—	311,001	—	32,480	(89)	32,152	(Note 9)
April 21, 2021	Distribution in excess of earnings	—	311,001	—	32,480	(93)	32,058	(Note 10)
October 21, 2021	Distribution in excess of earnings	—	311,001	—	32,480	(94)	31,964	(Note 11)

(Note 1) The figure indicates the amount obtained by subtracting deduction from unitholders' capital from unitholders' capital. The amount does not take into account the change in unitholders' capital in line with the implementation of distribution in excess of earnings of reserve for temporary difference adjustments.

(Note 2) New investment units were issued through public offering with an issue price of 101,244 yen (paid-in amount of 97,609 yen) per unit.

(Note 3) New investment units were issued through third-party allotment in line with public offering, with a paid-in amount of 97,609 yen per unit.

(Note 4) New investment units were issued through public offering with an issue price of 111,442 yen (paid-in amount of 107,555 yen) per unit.

(Note 5) New investment units were issued through third-party allotment in line with public offering, with a paid-in amount of 107,555 yen per unit.

(Note 6) HCM resolved at the Board of Directors' meeting held on March 15, 2019, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 326 yen per unit as cash distribution for the 8th fiscal period (fiscal period ended January 2019), and started the payout on April 19, 2019.

(Note 7) HCM resolved at the Board of Directors' meeting held on September 13, 2019, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 280 yen per unit as cash distribution for the 9th fiscal period (fiscal period ended July 2019), and started the payout on October 18, 2019.

(Note 8) HCM resolved at the Board of Directors' meeting held on March 17, 2020, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 285 yen per unit as cash distribution for the 10th fiscal period (fiscal period ended January 2020), and started the payout on April 21, 2020.

(Note 9) HCM resolved at the Board of Directors' meeting held on September 15, 2020, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 289 yen per unit as cash distribution for the 11th fiscal period (fiscal period ended July 2020), and started the payout on October 21, 2020.

(Note 10) HCM resolved at the Board of Directors' meeting held on March 16, 2021, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 300 yen per unit as cash distribution for the 12th fiscal period (fiscal period ended January 2021), and started the payout on April 21, 2021.

(Note 11) HCM resolved at the Board of Directors' meeting held on September 14, 2021, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 304 yen per unit as cash distribution for the 13th fiscal period (fiscal period ended July 2021), and started the payout on October 21, 2021.

3. Reference Information

(1) Information on Prices of Assets Under Management, Etc.

① Investment Status

④ Investment status

Asset type	Asset use		Area	Current fiscal period (as of January 31, 2022)		
				Total amount owned (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)	
Trust beneficiary interests in real estate	Homes and facilities for the elderly	Paid nursing home	Three Major Metropolitan Areas (Note 3)	41,800	60.8	
			Core Cities (Note 4)	5,011	7.3	
			Other Areas (Note 5)	1,688	2.5	
		Serviced housing for the elderly	Three Major Metropolitan Areas (Note 3)	3,027	4.4	
			Core Cities (Note 4)	-	-	
			Other Areas (Note 5)	-	-	
		Group homes for the elderly with dementia		-	-	
		Other facilities for the elderly		-	-	
		Subtotal		51,528	74.9	
		Medical service-related facilities, etc.		Three Major Metropolitan Areas (Note 3)	-	-
				Core Cities (Note 4)	2,085	3.0
				Other Areas (Note 5)	-	-
				Subtotal	2,085	3.0
	Multi-use facilities	Complex of paid nursing homes,medical service related facilities,etc.	Three Major Metropolitan Areas (Note 3)	12,906	18.8	
			Core Cities (Note 4)	-	-	
			Other Areas (Note 5)	-	-	
			Subtotal	12,906	18.8	
	Other			—	—	
	Total			66,520	96.7	
	Deposits and other assets			2,257	3.3	
	Total assets			68,778	100.0	
	Total liabilities			35,911	52.2	
	Total net assets			32,867	47.8	

(Note 1) "Total amount owned" is the carrying amount (in the case of trust beneficiary interests in real estate, the book value after depreciation and amortization).

(Note 2) Figures in "As a percentage of total assets" are rounded to one decimal place.

(Note 3) "Three Major Metropolitan Areas" refers to the Tokyo Metropolitan Area (Tokyo, Kanagawa, Saitama, Chiba prefectures), Kinki Area (Osaka, Kyoto, Hyogo prefectures) and Chubu Area (Aichi prefecture).

(Note 4) "Core Cities" refers to designated cities, prefectural capitals and regional core cities other than the Three Metropolitan Areas. Regional core cities refers to cities with a population of 200,000 or more.

(Note 5) "Other Areas" refers to areas other than the Three Metropolitan Areas and Core Cities.

② Investment Assets

(a) Major Investment Securities

Not applicable.

(b) Investment Real Estate Properties

Not applicable.

(c) Other Major Investment Assets

a. Overview of Real Estate in Trust

Overview of trust beneficiary interests in real estate (hereinafter, “real estate in trust”) that HCM owns as of January 31, 2022, is as follows.

(i) Acquisition prices, etc. and shares of investment

Overview of trust beneficiary interests in real estate that HCM owns as of January 31, 2022, is as follows.

Type of specified asset	Area	Property name	Acquisition price (millions of yen) (Note 1)	Share of investment (%) (Note 2)	Carrying amount (millions of yen) (Note 3)	Period-end appraisal value (millions of yen) (Note 4)
Trust beneficiary interests in real estate	Tokyo Metropolitan Area	Bonjour Chitose-funabashi	824	1.2	810	974
		Bonjour Hino	724	1.1	709	818
		Bonjour Musashi-shinjo	582	0.9	571	643
		Medical Rehabilitation Home Bonjour Hadanoshibusawa	728	1.1	694	850
		ASHEIM Hikarigaoka	1,385	2.1	1,413	1,520
		ASHEIM Bunkyoakusan	1,430	2.1	1,406	1,680
		SOMPO CARE La vie Re Machidaonaji	3,580	5.3	3,382	3,940
		SOMPO CARE La vie Re Azamino	3,050	4.5	2,982	3,300
		GOOD TIME HOME Fudo-mae	1,740	2.6	1,849	1,990
		Bonjour Yotsugi	824	1.2	816	886
		Granda Tsuruma-Yamato	1,000	1.5	1,036	1,060
		Smiling Home Medice Adachi	2,253	3.4	2,304	2,500
		Hanakotoba Minami	1,071	1.6	1,083	1,240
		Hanakotoba Miura	615	0.9	658	668
		SOMPO CARE La vie Re Hama- Kawasaki	1,710	2.6	1,714	1,810
		Hanakotoba Shin-Yokohama	2,071	3.1	2,113	2,330
		Hanakotoba Shin-Yokohama II	375	0.6	397	383
		Hanakotoba Odawara	880	1.3	899	947
		Sunny Life Kita-Shinagawa	1,825	2.7	1,854	2,040
		Sunny Life Kamakura	1,418	2.1	1,482	1,580
		Nichii Home Nishikokubunji	720	1.1	752	761
		Subtotal	28,806	45.0	28,936	31,920
	Kinki Area	AQUAMARINE Nishinomiyahama	1,950	2.9	1,909	2,100
		SOMPO CARE Sampo no ie Awajiekimae	1,930	2.9	1,859	2,210
		SOMPO CARE Sampo no ie Kobekamisawa	1,200	1.8	1,168	1,360
		Medical Home Bonjour Itami	514	0.8	496	557
		Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	4,320	6.4	4,174	4,540
		GreenLife Moriguchi	4,150	6.2	4,139	4,500
		Hapine Kobe Uozaki Nibankan	930	1.4	918	995
		SHIP Senri Building	12,920	19.3	12,906	14,200
		Subtotal	27,914	41.6	27,573	30,462

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Type of specified asset	Area	Property name	Acquisition price (millions of yen) (Note 1)	Share of investment (%) (Note 2)	Carrying amount (millions of yen) (Note 3)	Period-end appraisal value (millions of yen) (Note 4)
Trust beneficiary interests in real estate	Chubu Area	Medical Rehabilitation Home Bonsejour Komaki	1,270	1.9	1,225	1,450
		Subtotal	1,270	1.9	1,225	1,450
	Core Cities	SAWAYAKA Tachibanakan	1,520	2.3	1,346	1,550
		SAWAYAKA Mekarikan	1,380	2.1	1,241	1,430
		AIKOEN ICHIBANKAN Building	770	1.1	767	860
		Verde Minowa	1,620	2.4	1,656	1,700
		Niigata Rehabilitation Hospital	2,060	3.1	2,085	2,300
		Subtotal	7,350	11.0	7,096	7,840
	Other Areas	SAWAYAKA Tagawakan	390	0.6	364	383
		Verde Hotaka	1,328	2.0	1,324	1,430
		Subtotal	1,718	2.6	1,688	1,813
Total (37 properties)			67,057	100.0	66,520	73,485

(Note 1) "Acquisition price" does not include acquisition-related expenses, property tax, city planning tax, consumption tax and local consumption tax.

(Note 2) "Share of investment" refers to the acquisition price of each property as a percentage of the total acquisition price, and the figures are rounded to one decimal place.

(Note 3) "Carrying amount" indicates book value after depreciation and amortization as of January 31, 2022.

(Note 4) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2022, prepared by real estate appraisers of Japan Real Estate Institute, The Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

(ii) Buildings and their leasing status

The annual rent and tenant leasehold and security deposits of each property are not disclosed as consent from the tenants has not been obtained. The total annual rent from real estate in trust owned by HCM as of January 31, 2022, is 4,235 million yen (Note).

(Note) The amount is obtained by multiplying the total of monthly rent in lease agreements effective as of January 31, 2022, by 12 (including tax, etc.), and is rounded down to the nearest million yen.

Property number	Property name	Structure/ No. of floors (Note 1)	Construction completion (Note 2)	leasable area (m ²) (Note 3)	Leased area (m ²) (Note 4)	No. of tenants (companies) (Note 5)	Operational rate (%) (Note 6)
Paid nursing home-1	AQUAMARINE Nishinomiya-hama	RC/5F	May 18, 2007	5,274.54	5,274.54	2	100.0
Paid nursing home-2	Bonsejour Chitose-funabashi	RC/B1 6F	Mar. 8, 1988	2,342.17	2,342.17	1	100.0
Paid nursing home-3	Bonsejour Hino	RC/3F	May 2, 1990	1,984.17	1,984.17	1	100.0
Paid nursing home-4	Bonsejour Musashi-shinjo	RC/4F	Feb. 21, 1985	1,710.43	1,710.43	1	100.0
Paid nursing home-5	Medical Rehabilitation Home Bonsejour Hadanoshibusawa	RC/5F	Jul. 17, 1991	3,435.79	3,435.79	1	100.0
Paid nursing home-6	Medical Rehabilitation Home Bonsejour Komaki	SRC RC S/10F	Mar. 13, 1991	8,858.49	8,858.49	1	100.0
Paid nursing home-7	ASHEIM Hikarigaoka	RC/3F	Mar. 6, 2006	3,628.60	3,628.60	1	100.0
Paid nursing home-8	ASHEIM Bunkyo-hakusan	RC/8F	Feb. 27, 2007	2,507.25	2,507.25	2	100.0
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	RC/B1 6F	Oct. 29, 2007	7,720.17	7,720.17	1	100.0
Paid nursing home-10	SOMPO CARE La vie Re Azamino	RC/B1 5F	Mar. 1, 2004	5,789.25	5,789.25	1	100.0
Paid nursing home-11	SAWAYAKA Tachibanakan	RC/B1 6F	Oct. 31, 2005	5,652.94	5,652.94	1	100.0
Paid nursing home-12	SAWAYAKA Mekarikan	RC/4F	Nov. 15, 2005	4,720.46	4,720.46	1	100.0
Paid nursing home-13	SAWAYAKA Tagawakan	RC/3F	Jan. 20, 2006	2,366.20	2,366.20	1	100.0
Paid nursing home-14	GOOD TIME HOME Fudo-mae	RC/B1 5F	Mar. 18, 1992	3,400.20	3,400.20	1	100.0
Paid nursing home-15	Bonsejour Yotsugi	RC/5F	Mar. 28, 1989	1,962.89	1,962.89	1	100.0
Paid nursing home-16	Medical Home Bonsejour Itami	SRC/11F (exclusively-owned portion)	Mar. 3, 1989	2,129.87	2,129.87	1	100.0
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	RC/B1 9F	Jan. 7, 2009	12,636.48	12,636.48	1	100.0
Paid nursing home-18	GreenLife Moriguchi	S RC/9F	Sep. 6, 2006	8,356.85	8,356.85	1	100.0
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	S/B1 4F	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	① S/5F ② S RC/8F	① Nov. 20, 2003 ② Feb. 28, 1974	11,098.17	11,098.17	1	100.0

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Property number	Property name	Structure/ No. of floors (Note 1)	Construction completion (Note 2)	leasable area (m ²) (Note 3)	Leased area (m ²) (Note 4)	No. of tenants (companies) (Note 5)	Operational rate (%) (Note 6)
Paid nursing home-30	Verde Hotaka	① S SRC/5F ② S/2F	① Sep. 29, 1982 ② Jul. 1, 1989	6,352.86	6,352.86	1	100.0
Paid nursing home-31	Sunny Life Kita-Shinagawa	S/3F	Sep. 20, 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 Sompō no ie Awajiekimae	RC/12F	Jun. 12, 2009	5,745.15	5,745.15	1	100.0
Serviced housing for the elderly -2	SOMPO CARE Sompō no ie Kobekamisawa	S/9F	Jun. 11, 2009	4,058.35	4,058.35	1	100.0
Medical service-related facilities-1	Niigata Rehabilitation Hospital	① RC/3F ② S/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 the date of new construction provided in the real estate registry of the building of each owned asset.

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

(Note 4) "Leased area" indicates the areas out of the 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 (operator) is counted as a tenant, and accordingly indicated as the number of tenants; while for the properties subject to pass-through master lease agreement where rents from end tenants are received intact, in principle, the total number of end tenants is indicated as the number of tenants. 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 leased area as a percentage of the leasable area of each owned asset as of January 31, 2022, and is rounded to one decimal place.

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(iii) Overview of homes and facilities for the elderly

Property number	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 Nishinomiyahama	Paid nursing home	GREEN LIFE Co., Ltd.	90	100	100	100.0	June 7, 2021
Paid nursing home-2	Bonjour Chitose-funabashi	Paid nursing home	Benesse Style Care Co., Ltd.	42	47	41	87.2	December 1, 2021
Paid nursing home-3	Bonjour Hino	Paid nursing home	Benesse Style Care Co., Ltd.	56	58	54	93.1	October 1, 2021
Paid nursing home-4	Bonjour Musashi-shinjo	Paid nursing home	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	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	AS PARTNERS Co., Ltd.	83	89	82	92.1	July 1, 2021
Paid nursing home-8	ASHEIM Bunkyoakusan	Paid nursing home	AS PARTNERS Co., Ltd.	50	52	43	82.7	July 1, 2021
Paid nursing home-9	SOMPO CARE La vie Re Machidaonjo	Paid nursing home	Sompo Care Inc.	163	169	114	67.5	October 1, 2021
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Paid nursing home	Sompo Care Inc.	145	145	144	99.3	October 1, 2021
Paid nursing home-11	SAWAYAKA Tachibanakan	Paid nursing home	Sawayaka Club Co., Ltd.	104	104	104	100.0	July 16, 2021
Paid nursing home-12	SAWAYAKA Mekarikan	Paid nursing home	Sawayaka Club Co., Ltd.	95	95	80	84.2	November 1, 2021
Paid nursing home-13	SAWAYAKA Tagawakan	Paid nursing home	Sawayaka Club Co., Ltd.	60	60	60	100.0	As of Jul. 31, 2021
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Paid nursing home	JAPAN LIFEDESIGN Inc.	61	67	58	86.6	October 1, 2021
Paid nursing home-15	Bonjour Yotsugi	Paid nursing home	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	53	82.8	October 1, 2021
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Paid nursing home	GREEN LIFE Co., Ltd.	131	138	135	97.8	October 1, 2021
Paid nursing home-18	GreenLife Moriguchi	Paid nursing home	GREEN LIFE Co., Ltd.	155	189	189	100.0	April 1, 2021
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Paid nursing home	GREEN LIFE Co., Ltd.	47	47	47	100.0	June 7, 2021
Paid nursing home-20	Granda Tsuruma-Yamato	Paid nursing home	Benesse Style Care Co., Ltd.	73	90	67	74.4	December 1, 2021
Paid nursing home-21	Smiling Home Medice Adachi	Paid nursing home	GREEN LIFE HIGASHI NIHON Co., Ltd.	82	82	75	91.5	June 7, 2021
Paid nursing home-22	AIKOEN ICHIBANKAN Building	Paid nursing home	Medical Corporation AIKOKAI	90	90	82	91.1	November 1, 2021
Paid nursing home-23	Hanakotoba Minami	Paid nursing home	Proud Life Inc.	51	51	46	90.2	November 1, 2021
Paid nursing home-24	Hanakotoba Miura	Paid nursing home	Proud Life Inc.	53	54	52	96.3	November 1, 2021
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	Paid nursing home	Sompo Care Inc.	58	58	52	89.7	October 1, 2021
Paid nursing home-26	Hanakotoba Shin-Yokohama	Paid nursing home	Proud Life Inc.	136	136	118	86.8	July 1, 2021
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Paid nursing home	Proud Life Inc.	29	30	29	96.7	September 1, 2021
Paid nursing home-28	Hanakotoba Odawara	Paid nursing home	Proud Life Inc.	60	65	63	96.9	September 1, 2021
Paid nursing home-29	Verde Minowa	Paid nursing home	Verde Corporation	174	206	193	93.7	September 1, 2021
Paid nursing home-30	Verde Hotaka	Paid nursing home	Verde Corporation	121	174	174	100.0	July 1, 2021
Paid nursing home-31	Sunny Life Kita-Shinagawa	Paid nursing home	Kawashima Corporation	66	66	59	89.4	October 1, 2021
Paid nursing home-32	Sunny Life Kamakura	Residential type paid nursing home	Kawashima Corporation	128	128	123	96.1	July 1, 2021

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Property number	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-33	Nichii Home Nishikokubunji	Paid nursing home	Nichii Carepalace Company	46	46	45	97.8	October 1, 2021
Serviced housing for the elderly -1	SOMPO CARE Sompō no ie Awajiekimae	Serviced housing for the elderly	Sompō Care Inc.	137	137	119	86.9	October 1, 2021
Serviced housing for the elderly -2	SOMPO CARE Sompō no ie Kobekamisawa	Serviced housing for the elderly	Sompō Care Inc.	85	85	68	80.0	July 1, 2021
Complex of paid nursing homes, medical service related facilities, etc.-1	SHIP Senri Building (Note 4)	Hospital, paid nursing home with nursing home	GREEN LIFE Co., Ltd.	181	200	200	100.0	June 1, 2021
Total		-	-	3,245	3,502	3,197	91.3	-

(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 paid nursing homes provided by the operators.

(Note 2) "Occupancy rate" indicates the occupancy 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 is a property with a hospital and paid nursing home, and the above table provides an overview of the facilities related to its paid nursing home.

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(iv) Overview of medical service-related facilities, etc.

Property number	Medical service-related facilities-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 beds: 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 facilities certified by the Japanese Association of Rehabilitation Medicine
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 (acute hospitalization fee 7) 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 number	Complex of paid nursing homes,medical service related facilities,etc.-1		
Property name	SHIP Senri Building (Senri-Chuo Hospital) (Note)		
Operator	Medical Corporation Kyowakai	Date of establishment	October 2008
Type of facility	Hospital	Authorized number of beds	400 beds (400 general beds)
Subject of medical treatment	Rehabilitation, orthopedics, neurosurgery, surgery, internal medicine and neurology	Facility certification	Training facilities certified by the Japanese Association of Rehabilitation Medicine
Facility criteria (Hospitalization fee)	West 6th floor (25 beds) Palliative care hospital ward hospitalization fee 2		East 6th floor (25 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee
	West 5th floor (50 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
	West 4th 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
	West 3rd floor (50 beds) Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee		East 3rd floor (50 beds) Recovery phase rehabilitation ward hospitalization fee 1
	West 2nd floor (50 beds) Recovery phase rehabilitation ward hospitalization fee 1		
External evaluation	Hospital certified by Japan Council for Quality Health Care (Certification number: JC2382) 3rdG:Ver.2.0		

(Note) SHIP Senri Building is a property with a hospital and paid nursing home, and the above table provides an overview of the facilities related to its hospital.

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(v) Earnings performance

(Unit: thousands of yen)

Property name	Current fiscal period (from August 1, 2021, to January 31, 2022)										
	Operating revenue from real estate leasing			Operating expenses from real estate leasing							NOI (Note 3)
		Rent revenue	Other revenue		Property tax	Outsourcing expenses	Repair expenses	Insurance expenses	Depreciation	Other, net	
AQUAMARINE Nishinomiyahama	Not disclosed (Note 2)			25,567	4,271	2,100	1,875	236	16,684	400	58,459
Bonsejour Chitose-funabashi				5,582	1,794	225	-	112	3,048	401	21,400
Bonsejour Hino				5,070	1,240	214	-	85	3,130	400	19,480
Bonsejour Musashi-shinjo				4,102	1,011	167	-	75	2,447	400	16,161
Medical Rehabilitation Home Bonsejour Hadanoshibusawa				8,402	1,816	213	-	154	5,817	400	21,106
Medical Rehabilitation Home Bonsejour Komaki				14,138	4,554	201	-	355	8,627	400	39,571
ASHEIM Hikarigaoka				16,122	3,824	381	42	212	11,260	400	40,888
ASHEIM Bunkyoakukan				12,168	2,575	381	-	129	8,680	400	38,700
SOMPO CARE La vie Re Machidaonoji				46,925	5,950	780	783	392	38,618	400	96,693
SOMPO CARE La vie Re Azamino				37,856	4,703	780	5,033	285	26,654	400	73,997
SAWAYAKA Tachibanakan				26,582	2,665	1,200	-	370	21,945	400	47,220
SAWAYAKA Mekarikan				26,329	2,958	1,200	-	273	21,498	400	43,402
SAWAYAKA Tagawakan				8,485	1,106	1,200	-	119	5,659	400	12,858
GOOD TIME HOME Fudo-mae				15,369	3,051	600	519	182	10,616	400	46,247
Bonsejour Yotsugi				4,924	940	223	-	73	3,286	400	20,755
Medical Home Bonsejour Itami				6,519	1,376	371	-	111	4,260	400	13,962
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)				52,912	9,564	900	919	579	40,549	400	114,037
GreenLife Moriguchi				38,816	6,919	1,363	4,169	379	25,583	400	106,767
Hapine Kobe Uozaki Nibankan				9,595	1,395	1,200	39	90	6,470	400	24,375
Granda Tsuruma-Yamato				7,262	1,934	618	-	152	4,158	400	27,052
Smiling Home Medice Adachi				17,556	3,279	540	1,746	177	11,413	400	59,064
AIKOEN ICHIBANKAN Building				8,477	2,554	780	-	112	4,630	400	22,814
Hanakotoba Minami				9,959	1,535	600	2,230	79	5,114	400	25,754
Hanakotoba Miura				9,853	1,548	600	1,086	88	6,129	400	16,676

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Property name	Current fiscal period (from August 1, 2021, to January 31, 2022)										
	Operating revenue from real estate leasing			Operating expenses from real estate leasing							NOI (Note 3)
		Rent revenue	Other revenue		Property tax	Outsourcing expenses	Repair expenses	Insurance expenses	Depreciation	Other, net	
SOMPO CARE La vie Re Hama-Kawasaki	Not disclosed (Note 2)			18,845	3,433	2,770	350	206	11,684	400	45,190
Hanakotoba Shin-Yokohama				18,005	4,383	900	3,529	249	8,543	400	52,450
Hanakotoba Shin-Yokohama II				5,939	2,499	600	286	92	2,061	400	10,934
Hanakotoba Odawara				9,157	1,364	600	984	99	5,709	400	24,151
Verde Minowa				25,991	5,190	1,020	-	508	18,871	400	56,788
Verde Hotaka				26,692	2,174	1,020	2,270	249	20,578	400	43,992
Sunny Life Kita-Shinagawa				10,180	2,793	600	-	119	6,265	401	45,585
Sunny Life Kamakura				12,825	2,796	720	80	179	8,650	400	38,746
Nichii Home Nishikokubunji				2,782	-	660	90	92	1,540	400	19,897
SOMPO CARE Sompno ie Awajiekimae				27,244	4,909	510	128	298	20,998	400	58,215
SOMPO CARE Sompno ie Kobekamisawa				17,209	2,900	510	499	183	12,715	400	35,800
Niigata Rehabilitation Hospital				27,563	9,668	1,030	-	387	15,977	500	78,294
SHIP Senri Building				80,259	27,500	1,500	-	1,183	49,675	400	341,218
Total	2,080,436	2,069,514	10,921	701,277	142,184	29,283	26,664	8,683	479,559	14,903	1,858,718

(Note 1) All figures indicated are rounded down to the nearest 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 current fiscal period based on the lease agreements.

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

(vi) Summary of appraisal report

HCM has obtained an appraisal report for each real estate in trust from one of the following: Rich Appraisal Institute Co., Ltd., The Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., JLL Morii Valuation & Advisory K.K.

The following is a summary of the appraisal report for each real estate in trust acquired by HCM with January 31, 2022, as the appraisal date. The real estate appraisal report only states judgments and opinions of the appraiser as of a specific point in time and does not guarantee the appropriateness, accuracy and feasibility of transactions at the presented appraisal value. Rich Appraisal Institute Co., Ltd., The Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., which appraised the properties, have no special interest in HCM.

Property number	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.	2,100	2,110	5.2	2,090	4.9	5.4	117	6.0
Paid nursing home-2	Bonsejour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	994	4.4	966	4.5	4.6	48	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	39	6.8
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	1,520	1,530	4.7	1,500	4.5	4.9	76	5.5
Paid nursing home-8	ASHEIM Bunkyo-hakusan	Japan Real Estate Institute	1,680	1,700	4.3	1,660	4.1	4.5	74	5.1
Paid nursing home-9	SOMPO CARE La vie Re Machidaonoji	Japan Real Estate Institute	3,940	3,990	4.7	3,890	4.5	4.9	193	5.3
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Japan Real Estate Institute	3,300	3,350	4.5	3,250	4.3	4.7	156	5.1
Paid nursing home-11	SAWAYAKA Tachibanakan	Japan Real Estate Institute	1,550	1,560	5.5	1,530	5.3	5.7	93	6.1
Paid nursing home-12	SAWAYAKA Mekarikan	Japan Real Estate Institute	1,430	1,440	5.6	1,410	5.4	5.8	85	6.2
Paid nursing home-13	SAWAYAKA Tagawakan	Japan Real Estate Institute	383	386	5.7	380	5.5	5.9	25	6.4
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Japan Real Estate Institute	1,990	2,020	4.3	1,960	4.1	4.5	91	5.2

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Property number	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-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	Daiwa Real Estate Appraisal Co., Ltd.	4,540	4,600	4.6	4,520	4.4	4.8	227	5.2
Paid nursing home-18	GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,500	4,560	4.5	4,470	4.3	4.7	220	5.3
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	995	1,010	4.6	988	4.4	4.8	48	5.2
Paid nursing home-20	Granda Tsuruma-Yamato	The Tanizawa Sogo Appraisal Co., Ltd.	1,060	1,070	4.7	1,050	4.8	4.9	53	5.3
Paid nursing home-21	Smiling Home Medice Adachi	The Tanizawa Sogo Appraisal Co., Ltd.	2,500	2,530	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	1,240	1,250	4.4	1,220	4.2	4.6	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	2,330	2,360	4.3	2,300	4.1	4.5	109	5.2
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Japan Real Estate Institute	383	385	5.0	380	4.8	5.2	21	5.8
Paid nursing home-28	Hanakotoba Odawara	The Tanizawa Sogo Appraisal Co., Ltd.	947	961	4.9	941	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
Paid nursing home-31	Sunny Life Kita-Shinagawa	Daiwa Real Estate Appraisal Co., Ltd.	2,040	2,070	4.3	2,020	4.1	4.5	90	4.9

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Property number	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-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.	761	772	4.3	756	4.1	4.5	36	5.0
Serviced housing for the elderly -1	SOMPO CARE Sompō no ie Awajiekimae	Japan Real Estate Institute	2,210	2,230	5.1	2,180	4.9	5.3	116	6.0
Serviced housing for the elderly -2	SOMPO CARE Sompō no ie Kobekamisawa	Japan Real Estate Institute	1,360	1,370	5.1	1,340	4.9	5.3	72	6.0
Medical service-related facilities-1	Niigata Rehabilitation Hospital	Japan Real Estate Institute	2,300	2,310	6.5	2,290	6.3	6.7	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			73,485	74,365	—	72,819	—	—	3,773	5.6

(Note 1) "Appraisal value" is based on the appraisal report with January 31, 2022, as the appraisal date.

(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 respective appraisal organizations are shown. For Hanakotoba Odawara, 4.8% for the first fiscal year and 5.0% from the second fiscal year, and for SHIP Senri Building, 4.5% for the first and 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 the real estate appraisal report with January 31, 2022, as the appraisal date and is rounded down to the nearest million yen. In addition, NOI is revenue before deducting depreciation and differs from NCF (net cash flow), which is the amount calculated by adding the gain on investment from security deposits, etc. to NOI and deducting capital expenditures. The same shall apply hereinafter in this document.

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

(vii) Information on major tenants

“Major tenants” refers to tenants whose leased areas occupy 10% or more of total leased area of the entire portfolio at the end of the current fiscal period (on January 31, 2022). The annual rent and tenant leasehold and security deposits of each property are not disclosed as consent from the tenants has not been obtained.

Tenant name	Property name	Leased area (m ²) (Note 1)	Share (%) (Note 2)	Contract expiration date (Note 3)	Contract renewal method, etc. (Note 4)
GREEN LIFE Co., Ltd.	AQUAMARINE Nishinomiyahama	5,189.42	2.8	May 31, 2037	Cancellation not allowed through to the end of the contract
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	12,636.48	6.7	March 28, 2041	Cancellation allowed if requested 1 year prior or earlier.
	GreenLife Moriguchi	8,356.85	4.4	October 19, 2039	Cancellation allowed if requested 6 months prior or earlier.
	Hapine Kobe Uozaki Nibankan	1,772.89	0.9	March 28, 2041	Cancellation allowed if requested 1 year prior or earlier.
	Total	27,955.64	14.9	—	—
Benesse Style Care Co., Ltd.	Bonsejour Chitose-funabashi	2,342.17	1.2	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonsejour Hino	1,984.17	1.1	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonsejour Musashi-shinjo	1,710.43	0.9	November 23, 2026	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonsejour Hadanoshibusawa	3,435.79	1.8	May 21, 2027	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonsejour Komaki	8,858.49	4.7	May 21, 2027	Cancellation not allowed through to the end of the contract
	Bonsejour Yotsugi	1,962.89	1.0	January 5, 2026	Cancellation not allowed through to the end of the contract
	Medical Home Bonsejour Itami	2,129.87	1.1	May 21, 2027	Cancellation not allowed through to the end of the contract
	Granda Tsuruma-Yamato	3,427.08	1.8	March 31, 2022	Cancellation allowed if requested 6 months prior or earlier.
	Total	25,850.89	13.8	—	—
Sompo Care Inc.	SOMPO CARE La vie Re Machidaonaji	7,720.17	4.1	October 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Azamino	5,789.25	3.1	June 27, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Hama-Kawasaki	2,535.29	1.3	December 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE Sompo no ie S Awajiekimae	5,745.15	3.1	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	SOMPO CARE Sompo no ie S Kobekamisawa	4,058.35	2.2	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	Total	25,848.21	13.8	—	—
Ship Healthcare Estate Inc.	SHIP Senri Building	24,813.85	13.2	October 27, 2038	Midterm cancellation not allowed for 15 years from the start date of leasing.
	Total	24,813.85	13.2	—	—

(Note 1) "Leased area" indicates the area stated in lease agreements concluded with each tenant as of January 31, 2022. When a master lease agreement has been concluded, the area for which a lease agreement has been concluded with end tenants and actually leased is shown for properties for which a pass-through master lease agreement under which rent from end tenants is received as is, in principle, is concluded.

(Note 2) "Share" indicates the area of each property leased to its major tenants as a percentage of the total leased area of the properties owned by HCM as of January 31, 2022, and is rounded to the first decimal place.

(Note 3) "Contract expiration date" indicates the contract expiration date stated in the lease agreement.

(Note 4) "Contract renewal method, etc." indicates the details of contract renewal method, etc. stated in the lease agreement.

(viii) Portfolio overview (portfolio diversification)

(a) By type

Classification	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen) (Note 1)	Share (%) (Note 2)
Paid nursing home	33	48,947	53,415	73.0
Serviced housing for the elderly	2	3,130	3,570	4.7
Medical service-related facilities, etc.	1	2,060	2,300	3.1
Complex of paid nursing homes, medical service related facilities, etc.	1	12,920	14,200	19.3
Total	37	67,057	73,485	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2022, prepared by real estate appraisers of Japan Real Estate Institute, The Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan. The same shall apply hereinafter.

(Note 2) "Share" refers to the percentage of the total acquisition price, and is shown rounded to the first decimal place. The same shall apply hereinafter.

(b) By area

Classification/region	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
Three Major Metropolitan Areas	30	57,989	63,832	86.5
Tokyo Metropolitan Area	21	28,805	31,920	43.0
Kinki Area	8	27,914	30,462	41.6
Chubu Area	1	1,270	1,450	1.9
Core Cities	5	7,350	7,840	11.0
Other Areas	2	1,718	1,813	2.6
Total	37	67,057	73,485	100.0

(c) By number of rooms

The table below shows diversification in accordance with the number of rooms at homes and facilities for the elderly concerning assets which fall under the category of homes and facilities for the elderly (excluding medical service-related facilities, etc.) among assets held.

Number of rooms	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
100 rooms or more	12	26,985	29,380	51.8
50 rooms or more, but less than 100 rooms	18	21,661	23,849	41.6
Less than 50 rooms	5	3,431	3,756	6.6
Total	35	52,077	56,985	100.0

(Note) Well House Senri-Chuo (No. of rooms: 181) operated by GREEN LIFE Co., Ltd., a tenant at SHIP Senri Building (paid nursing home section), which is a complex of paid nursing home, medical service-related facilities, and other facilities, is not included in the above table since it is difficult to calculate the acquisition prices and period-end appraisal values separately for the paid nursing home section and the medical service-related facilities, etc. section.

(2) Status of Capital Expenditures

a. Schedule of Capital Expenditures

Of capital expenditures associated with repair work, etc. currently planned for assets owned by HCM as of January 31, 2022, the following are the major estimated amounts. The estimated construction costs include the portion separately charged to expenses in accounting.

Property name (Location)	Purpose	Scheduled period	Estimated construction costs (thousands of yen)		
			Total amount	Payment during period	Total amount already paid
ASHEIM Hikarigaoka (Nerima-ku, Tokyo)	Renewal of air conditioners in common areas	From: May 2022 To: July 2022	30,000	—	—
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Renovation of exterior walls of machine room and storage room for hazardous materials	From: April 2022 To: July 2022	15,200	—	—
GreenLife Moriguchi (Moriguchi-shi, Osaka)	Renewal of flooring materials for corridors on floors 3-8	From: May 2022 To: July 2022	15,000	—	—
SAWAYAKA Tagawakan (Tagawa-shi, Fukuoka)	Rooftop waterproofing	From: May 2022 To: July 2022	5,830	—	—
SAWAYAKA Tagawakan (Tagawa-shi, Fukuoka)	Renewal of bathroom tile	From: June 2022 To: July 2022	4,180	—	—

b. Capital Expenditures During the Period

Of construction work falling under the category of capital expenditures conducted in the current fiscal period for assets owned by HCM as of January 31, 2022, the following are the major amounts. The capital expenditures in the current fiscal period amounted to 128,460 thousand yen. Combined with the repair expenses separately charged to expenses amounting to 26,664 thousand yen, HCM implemented a total of 155,124 thousand yen of construction work.

Property name (Location)	Purpose	Scheduled period	Construction costs (thousands of yen)
SOMPO CARE Sompō no ie Awajiekimae (Osaka-shi, Osaka)	Renovation of exterior walls	From: October 2021 To: January 2022	30,920
SOMPO CARE Sompō no ie S Kobekamisawa (Kobe-shi, Hyogo)	Renovation of exterior walls	From: November 2021 To: January 2022	23,617
AQUAMARINE Nishinomiya-hama (Nishinomiya-shi, Hyogo)	Renewal of 66 air conditioner units in rooms	From: November 2021 To: January 2022	8,217
SAWAYAKA Mekarikan (Kitakyushu-shi, Fukuoka)	Renewal of air conditioners in common areas on floors 1-3	From: November 2021 To: November 2021	6,566
Other real estate, etc.	-	-	59,138
Total			128,460

c. Cash Reserves for Long-Term Repair Plans

Not applicable.