

# 14th Fiscal Period Semi-Annual Report

from August 1, 2021 to January 31, 2022



Healthcare & Medical Investment Corporation

To Our Unitholders

We would like to express our sincere gratitude for your continued support.

We are pleased to report on the management status of Healthcare & Medical Investment Corporation (hereinafter, “HCM”) for the 14th fiscal period (August 1, 2021, to January 31, 2022).

For the fiscal period under review, HCM recorded operating revenue of 2,080 million yen, operating income of 1,072 million yen, ordinary income of 913 million yen, and net income of 913 million yen. As a result, distributions per unit was 3,244 yen (including distributions in excess of earnings), surpassing the forecast announced on September 14, 2021. For the 15th fiscal period, distributions per unit of 3,347 yen (including distributions in excess of earnings) is forecast due to the new acquisition of 10 properties made through public offering.

Ever since its listing, HCM has aimed to realize a society where all people can live vibrantly and with peace of mind through its continuous investment in and stable ownership of facilities and housing for the elderly and healthcare, facilities such as medical service-related facilities, which are expected to see further growth in demand in line with the continued aging of society, over the long term.

Although the spread of COVID-19 has not ended in Japan and the situation still calls for caution, the impact on HCM’s performance at this point in time is minimal.

In the next fiscal period onward, we will continue to work to maximize unitholder value through continuous growth of our portfolio and securement of stable income based on fixed-rent long-term lease contracts with excellent operators and by proactively leveraging the specialized capabilities and know-how in the areas of “nursing care and medical service,” “fund management,” and “finance” possessed by our main sponsors, SHIP HEALTHCARE HOLDINGS, INC., NEC Capital Solutions Limited, and Sumitomo Mitsui Banking Corporation. We appreciate your continued support and patronage.

**Yuji Fujise**

Executive Director

Healthcare & Medical Investment Corporation

## Overview of Asset Management

### 1. Investment Performance of HCM Operation Results and Financial Positions

By fiscal period		10th fiscal period	11th fiscal period	12th fiscal period	13th fiscal period	14th fiscal period
		From: Aug. 1 2019 To: Jan. 31 2020	From: Feb. 1 2020 To: Jul. 31 2020	From: Aug. 1 2020 To: Jan. 31 2021	From: Feb. 1 2021 To: Jul. 31 2021	From: Aug. 1 2021 To: Jan. 31 2022
Operating revenue	(millions of yen)	2,013	2,023	2,058	2,073	2,080
[Operating revenue from real estate leasing business]	(millions of yen)	2,013	2,023	2,058	2,073	2,080
Operating expenses	(millions of yen)	909	951	990	994	1,007
[Operating expenses from real estate leasing business]	(millions of yen)	601	652	678	690	701
Operating income	(millions of yen)	1,103	1,072	1,067	1,078	1,072
Ordinary income	(millions of yen)	944	918	910	922	913
Net income	(millions of yen)	943	917	910	921	913
Total assets	(millions of yen)	68,223	68,854	68,773	68,883	68,778
[Comparison with the previous fiscal period]	(%)	(0.1)	0.9	(0.1)	0.2	(0.2)
Net assets	(millions of yen)	33,234	33,112	33,000	32,964	32,867
[Comparison with the previous fiscal period]	(%)	(0.6)	(0.4)	(0.3)	(0.1)	(0.3)
Interest-bearing debts	(millions of yen)	32,450	33,150	33,150	33,150	33,150
Unitholders' capital, net <sup>(Note 4)</sup>	(millions of yen)	32,330	32,242	32,152	32,058	31,964
Total number of investment units issued and outstanding	(units)	311,001	311,001	311,001	311,001	311,001
Net asset value per unit (NAV)	(yen)	106,863	106,472	106,111	105,995	105,681
Total distributions	(millions of yen)	1,032	1,007	1,003	1,015	1,008
Distributions per unit	(yen)	3,320	3,240	3,226	3,266	3,244
[Distributions of earnings per unit]	(yen)	3,027	2,928	2,880	2,962	2,936
[Allowance for temporary difference adjustments per unit]	(yen)	8	23	46	—	—
[Distributions in excess of earnings per unit from other distributions]	(yen)	285	289	300	304	308
Ratio of ordinary income to total assets <sup>(Note 5)</sup>	(%)	1.4	1.3	1.3	1.3	1.3
[Annualized]	(%)	2.7	2.7	2.6	2.7	2.6
Return on equity <sup>(Note 5)</sup>	(%)	2.8	2.8	2.8	2.8	2.8
[Annualized]	(%)	5.6	5.5	5.5	5.6	5.5
Equity ratio at end of period <sup>(Note 5)</sup>	(%)	48.7	48.1	48.0	47.9	47.8
[Changes from the previous fiscal period]		(0.2)	(0.6)	(0.1)	(0.1)	(0.1)
Dividend payout ratio <sup>(Note 5)</sup>	(%)	99.8	99.2	98.4	100.0	100.0
Other Reference Information						
Number of operation days	(days)	184	182	184	181	184
Number of investment properties at end of period	(properties)	35	36	36	37	37
Depreciation <sup>(Note 6)</sup>	(millions of yen)	443	451	467	474	479
Capital expenditures <sup>(Note 7)</sup>	(millions of yen)	188	82	194	167	128
NOI (Net operating income) <sup>(Note 5)</sup>	(millions of yen)	1,856	1,822	1,847	1,855	1,858
FFO (Funds from operation) <sup>(Note 5)</sup>	(millions of yen)	1,387	1,369	1,377	1,395	1,392
FFO per unit <sup>(Note 5)</sup>	(yen)	4,461	4,401	4,430	4,486	4,478
LTV (Loan to value) <sup>(Note 5)</sup>	(%)	47.6	48.1	48.2	48.1	48.2

(Note 1) HCM's operating period is six months per fiscal period, from February 1 to July 31 and from August 1 to January 31 of the following year.

(Note 2) Operating revenue does not include consumption taxes.

(Note 3) Unless otherwise stated, all amounts are rounded down to the nearest unit, and all percentages are rounded to the first decimal place.

(Note 4) The figure indicates the amount obtained by subtracting the 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 distributions in excess of earnings of allowance for temporary difference adjustments.

(Note 5) The following formulas are used in calculation of their respective target values.

Ratio of ordinary income to total assets	$\text{Ordinary income} / [(\text{Total assets at beginning of period} + \text{Total assets at end of period}) / 2] \times 100$
Return on equity	$\text{Net income} / [(\text{Net assets at beginning of period} + \text{Net assets at end of period}) / 2] \times 100$
Equity ratio at end of period	$\text{Net assets at end of period} / \text{Total assets at end of period} \times 100$
Dividend payout ratio	$\text{Dividend payout ratio} = \text{Distributions per unit (not including distributions in excess of earnings)} / \text{Net income per unit} \times 100$
NOI (Net operating income)	$\text{Real estate leasing business revenue} - \text{Real estate leasing business expenses} + \text{Depreciation for investment and leasing properties}$
FFO (Funds from operation)	$\text{Net income} + \text{Depreciation (For the 10th fiscal period, depreciation for investment and leasing properties)} - \text{Gain or loss on sales of real estate}$
FFO per unit	$\text{FFO} / \text{Total number of investment units issued and outstanding}$
LTV (Loan to value)	$\text{Interest-bearing debts} / \text{Total assets at end of period} \times 100$

(Note 6) For the 10th fiscal period, only depreciation for investment and leasing properties is shown.

(Note 7) Capital expenditures for investment and leasing properties are shown.

## 2. State of Asset Management in the Period

### (1) Brief History of HCM

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.

### (2) 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 from 2.5% in 2018 to 4% in 2030.

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 acquisitions or transfers of assets.

As of the end of the current fiscal period, HCM owns 37 properties with a total leasable area of 187,918.74 m<sup>2</sup>, 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.

### (3) 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 the 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 distributions in excess of earnings of allowance for temporary difference adjustments.

As of the end of the current fiscal period, the ratio of 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

#### (4) 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 distributions policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distributions 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 distributions of earnings, which is roughly the entire amount arrived at after deducting the reversal of allowance 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, the distributions of earnings per unit were 2,936 yen.

Furthermore, in accordance with the policy for cash distributions in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to its distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) 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 distributions in excess of earnings. Accordingly, distributions in excess of earnings per unit (of distributions in excess of earnings from other distributions) came to 308 yen.

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

(Note 1) Distributions in excess of earnings are 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 distributions, sufficiently taking into consideration the amount of capital expenditures necessary for maintaining and improving the competitiveness of HCM's assets under management, the financial position of HCM and other factors. However, distributions 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 distributions 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 their distributions in excess of earnings up to an amount equivalent to 60% of the depreciation recorded on the last day of the accounting period.

### 3. Status of Capital Increases

Changes in the total number of investment units issued and outstanding and unitholders' capital over the past five years are as follows.

Date	Notes	Total number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Unitholders' capital (net) (millions of yen) (Note 1)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	Increase (Decrease)	Balance	
February 01, 2017	Capital increase through public offering	69,150	189,650	6,749	19,463	6,749	19,463	(Note 2)
March 01, 2017	Capital increase through third-party allotment	3,457	193,107	337	19,800	337	19,800	(Note 3)
February 01, 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	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(62)	32,417	(Note 6)
October 18, 2019	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(87)	32,330	(Note 7)
April 21, 2020	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(88)	32,242	(Note 8)
October 21, 2020	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(89)	32,152	(Note 9)
April 21, 2021	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(93)	32,058	(Note 10)
October 21, 2021	Distributions in excess of earnings (refund of investment)	—	311,001	—	32,480	(94)	31,964	(Note 11)

- (Note 1) The figure indicates the amount obtained by subtracting the 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 distributions in excess of earnings of allowance for temporary difference adjustments.
- (Note 2) New investment units were issued through public offering with 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 paid-in amount of 97,609 yen per unit.
- (Note 4) New investment units were issued through public offering with 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 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 326 yen per unit as cash distributions 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 280 yen per unit as cash distributions 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 285 yen per unit as cash distributions 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 289 yen per unit as cash distributions 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 300 yen per unit as cash distributions 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 distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) at 304 yen per unit as cash distributions for the 13th fiscal period (fiscal period ended July 2021), and started the payout on October 21, 2021.

#### Investment units' price performance

The investment units' high and low closing prices on the TSE's J-REIT Market are tabulated below by fiscal period.

Fiscal period	10th fiscal period	11th fiscal period	12th fiscal period	13th fiscal period	14th fiscal period
	From August 1, 2019 To January 31, 2020	From February 1, 2020 To July 31, 2020	From August 1, 2020 To January 31, 2021	From February 1, 2021 To July 31, 2021	From August 1, 2021 To January 31, 2022
High	143,200 yen	138,200 yen	135,800 yen	158,200 yen	162,600 yen
Low	126,400 yen	80,000 yen	113,400 yen	130,600 yen	131,000 yen

#### 4. Distributions

In accordance with the cash distributions policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distributions 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 distributions of earnings, which is roughly the entire amount arrived at after deducting the reversal of allowance 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, the distributions of earnings per unit was 2,936 yen.

Furthermore, in accordance with the policy for cash its distributions in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) 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 distributions in excess of earnings. Accordingly, distributions in excess of earnings per unit (of distributions in excess of earnings from other distributions) came to 308 yen.

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

Fiscal period		10th fiscal period	11th fiscal period	12th fiscal period	13th fiscal period	14th fiscal period
		From Aug. 1, 2019 To Jan. 31, 2020	From Feb. 1, 2020 To Jul. 31, 2020	From Aug. 1, 2020 To Jan. 31, 2021	From Feb. 1, 2021 To Jul. 31, 2021	From Aug. 1, 2021 To Jan. 31, 2022
Total unappropriated retained earnings	(thousands of yen)	981,606	958,141	957,584	983,103	929,041
Retained earnings carried forward	(thousands of yen)	40,206	47,530	61,901	15,971	11,027
Total distributions	(thousands of yen)	1,032,523	1,007,643	1,003,289	1,015,729	1,008,887
[Distributions per unit]	(yen)	[3,320]	[3,240]	[3,226]	[3,266]	[3,244]
Total distributions of earnings	(thousands of yen)	941,400	910,610	895,682	921,184	913,098
[Distributions of earnings per unit]	(yen)	[3,027]	[2,928]	[2,880]	[2,962]	[2,936]
Distributions in excess of earnings	(thousands of yen)	91,123	97,032	107,606	94,544	95,788
[Distributions in excess of earnings per unit]	(yen)	[293]	[312]	[346]	[304]	[308]
Distributions in excess of earnings from allowance for temporary difference adjustments	(thousands of yen)	2,488	7,153	14,306	—	—
[Distributions in excess of earnings from allowance for temporary difference adjustments per unit]	(yen)	[8]	[23]	[46]	[—]	[—]
Distributions in excess of earnings from distributions under tax law resulting in a redemption of unitholders' capital	(thousands of yen)	88,635	89,879	93,300	94,544	95,788
[Distributions in excess of earnings from distributions under tax law resulting in a redemption of unitholders' capital per unit]	(yen)	[285]	[289]	[300]	[304]	[308]

(Note 1) Distributions in excess of earnings are 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 the said distributions, sufficiently taking into consideration the amount of capital expenditures necessary for maintaining and improving the competitiveness of HCM's assets under management, the financial position of HCM and other factors.

However, distributions 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 distributions 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 their distributions in excess of earnings up to an amount equivalent to 60% of the depreciation recorded on the last day of the accounting period.

## 5. Future Management Policy

### (1) Investment Environment

In Japan, while the number of elderly households is increasing, the population that bears nursing care is on the decline, and a provision of nursing care services and medical services at external facilities for a certain percentage of elderly households will inevitably be 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 extreme aging and change to the 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 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” 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 support 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 was the first revision of nursing care fees since the outbreak of the COVID-19 pandemic.

Regarding the environment surrounding healthcare-related facilities, social welfare costs are expected 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 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 divided 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 healthcare functions in each of the national government-designated regions, and providing a higher quality of healthcare 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 coordination of hospital wards. 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 country’s infrastructure. 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, M&A-driven funding procurement and asset sales for the enhancement or conversion of medical functions, including multi-use development (Note 4) and reconstruction and expansion of buildings due to earthquake resistance. Furthermore, HCM believes, in the instance of realizing held assets for the purpose of strengthening financial position, liquidation of (generating funds from) held assets for a hospital owner’s business succession or inheritance, or sale of hospital real estate for refinancing, that real estate investment corporations will have opportunities related to these assets.

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 (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, and as a method for procuring funds related to hospital management and part of strengthening financial positions, opportunities for leveraging real estate investment corporations in hospital real estate will expand further.

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 the 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" (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.

## (2) 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 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 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 of 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 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.

## 6. 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 (hereinafter, "Assets to Be Acquired in the 15th Fiscal Period"), and on February 1, 2022, HCM acquired SOMPO CARE La vie Re Kobeikawadani, SOMPO CARE Sompno no 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 are scheduled to be completed in March 2022.

Property number	Property name	Location	Acquisition price (Note) (millions of yen)	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 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) 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 the acquisition of the Assets to Be Acquired in the 15th Fiscal Period. Payment for the new investment units through 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 through 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 through 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. Borrowings

HCM decided on January 17, 2022, to conduct borrowings to allocate to a portion of the acquisition and its related expenses for the Assets to Be Acquired 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	Remarks
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 maturity	Unsecured and unguaranteed
Long term	A syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation (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		
	A syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation (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 is composed of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited.

(Note 3) The loan syndicate is composed 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 (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 day 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) HCM 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.

## Overview of HCM

### 1. Status of Capitalization

Fiscal period	10th fiscal period (as of Jan. 31, 2020)	11th fiscal period (as of Jul. 31, 2020)	12th fiscal period (as of Jan. 31, 2021)	13th fiscal period (as of Jul. 31, 2021)	14th fiscal period (as of Jan. 31, 2022)
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	311,001	311,001	311,001	311,001	311,001
Unitholders' capital, net (Note) (millions of yen)	32,330	32,242	32,152	32,058	31,964
Number of unitholders (persons)	15,698	15,783	15,560	15,612	15,490

(Note) The figure indicates the amount obtained by subtracting the 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 distributions in excess of earnings of allowance for temporary difference adjustments.

### 2. Matters Concerning Investment Units

Top 10 unitholders ranked by percentage of outstanding investment units owned at January 31, 2022, are listed below.

Name	No. of investment units held (units)	Percentage of outstanding units owned (%)
Custody Bank of Japan, Ltd. (Trust Account)	83,724	26.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,993	11.89
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	10,016	3.22
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	7,913	2.54
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	7,627	2.45
NEC Capital Solutions Limited	4,000	1.29
SHIP HEALTHCARE HOLDINGS, INC.	4,000	1.29
Sumitomo Mitsui Banking Corporation	4,000	1.29
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	3,560	1.14
GOLDMAN SACHS INTERNATIONAL	3,436	1.10
Total	165,269	53.14

### 3. Matters Concerning Directors

#### (1) Executive Director, Supervisory Directors and Accounting Auditor in the Current Fiscal Period

Position	Name	Key concurrent holding of positions	Total amount of compensation for each position during period (thousands of yen)
Executive Director (Note 1) (Note 2)	Yuji Fujise	Shimada Hamba & Osajima Lawyer	1,800
Supervisory Officer (Note 1) (Note 2)	Yasuo Shida	Blakemore & Mitsuki Partner	3,000
	Sachihiko Fujimoto	Hayabusa Asuka Law Offices Counsel	
Accounting Auditor (Note 3)	PricewaterhouseCoopers Aarata LLC	—	7,500

(Note 1) The amount paid in the current period.

(Note 2) None of the executive director or supervisory officers own HCM's investment units in their own name or in the name of another. In addition, supervisory directors may be directors of other corporations other than those stated above, but none of them, including those above, have vested interest in the HCM or the Asset Management Company.

(Note 3) For the "Accounting Auditor," the remuneration for the audit for the current period is 7,500 thousand yen.

#### (2) Policy on Dismissal and Non-reappointment of Accounting Auditor

The accounting auditor shall be dismissed when any of the items of Article 105, Paragraph 1 of the Investment Trusts Act is deemed to apply, and non-reappointment shall be reviewed by HCM's Board of Directors, with comprehensive consideration to the quality of audits, the amount of audit fees, and various other circumstances.

#### 4. Matters Related to Directors Liability Insurance Agreements

HCM has concluded directors liability insurance agreements, as follows.

Scope of Insured Parties	Overview of Directors Liability Insurance Agreement Content
All executive and supervisory directors	<p>(Summary of covered incidents) HCM has concluded a directors liability insurance agreement with an insurance company as stipulated in Article 116-3, Paragraph 1 of the Investment Trusts Act. This agreement covers damages that may arise from an insured person being held liable for the performance of their duties or being subject to claims related to such liability.</p> <p>(Percentage of premiums paid) Premiums are fully borne by HCM for all insured parties.</p> <p>(Measures to ensure that the appropriateness of the execution of director duties is not impaired) Exemptions are stipulated in the agreement, such as for non-coverage of damages caused by willful misconduct or gross negligence.</p>

#### 5. Asset Management Company, Asset Custodian and General Administrators

The asset management company, asset custodian and general administrators as of January 31, 2022, are as follows:

Entrustment category	Name
Asset management company	Healthcare Asset Management Co., Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator(accounting matters, running of the organization, transfer agent for investment units)	Sumitomo Mitsui Trust Bank, Limited
General administrator(administration of investment corporation bonds)	Sumitomo Mitsui Trust Bank, Limited

## ► Status of Investment Assets of HCM

### 1. Composition of Assets of HCM

Asset type	Asset use		Area	13th fiscal period		14th fiscal period	
				(as of Jul. 31, 2021)		(as of Jan. 31, 2022)	
				Total amount owned (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)	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)	42,046	61.0	41,800	60.8
			Core Cities (Note 4)	5,061	7.3	5,011	7.3
			Other Areas (Note 5)	1,710	2.5	1,688	2.5
		Serviced housing for the elderly	Three Major Metropolitan Areas (Note 3)	3,006	4.4	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		51,824	75.2	51,528	74.9
		Medical service-related facilities	Three Major Metropolitan Areas (Note 3)	—	—	—	—
	Core Cities (Note 4)		2,097	3.0	2,085	3.0	
	Other Areas (Note 5)		—	—	—	—	
	Subtotal		2,097	3.0	2,085	3.0	
	Multi-use facilities	Complex of paid nursing homes, medical service related facilities	Three Major Metropolitan Areas (Note 3)	12,955	18.8	12,906	18.8
			Core Cities (Note 4)	—	—	—	—
			Other Areas (Note 5)	—	—	—	—
			Subtotal	12,955	18.8	12,906	18.8
	Other			—	—	—	—
	Total			66,877	97.1	66,520	96.7
	Deposits and other assets				2,006	2.9	2,257
Total assets				68,883	100.0	68,778	100.0

(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 Major 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 Major Metropolitan Areas and Core Cities.

## 2. Major Assets Held

The following is an overview of the major portfolio assets (top ten properties in terms of book value) held by HCM as of January 31, 2022.

Name of real estate	Carrying amount (millions of yen)	leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	As a percentage of total operating revenue from real estate leasing business (%) (Note 4)	Primary use
SHIP Senri Building	12,906	24,813.85	24,813.85	100.0	Not disclosed	Paid nursing home ・ Medical service-related facilities
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	4,174	12,636.48	12,636.48	100.0	Not disclosed	Paid nursing home
GreenLife Moriguchi	4,139	8,356.85	8,356.85	100.0	Not disclosed	Paid nursing home
SOMPO CARE La vie Re Machidaonaji	3,382	7,720.17	7,720.17	100.0	Not disclosed	Paid nursing home
SOMPO CARE La vie Re Azamino	2,982	5,789.25	5,789.25	100.0	Not disclosed	Paid nursing home
Smiling Home Medice Adachi	2,304	3,870.98	3,870.98	100.0	Not disclosed	Paid nursing home
Hanakotoba Shin-Yokohama	2,113	5,230.23	5,230.23	100.0	Not disclosed	Paid nursing home
Niigata Rehabilitation Hospital	2,085	13,476.55	13,476.55	100.0	Not disclosed	Medical service-related facilities
AQUAMARINE Nishinomiyahama	1,909	5,274.54	5,274.54	100.0	Not disclosed	Paid nursing home
SOMPO CARE Sompō no ie Awajiekimae	1,859	5,745.15	5,745.15	100.0	Not disclosed	Serviced housing for the elderly
Total	37,857	92,914.05	92,914.05	100.0	68.2	—

(Note 1) "Leasable area" indicates figures based on the lease agreement of each building.

(Note 2) "Leased area" indicates the areas out of the leasable area for which actual lease agreements have been concluded and are leased.

(Note 3) "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.

(Note 4) "As a percentage of total operating revenue from real estate leasing business," for each property is not disclosed as consent for disclosure of real estate leasing business revenue has not been obtained from tenants. The total value is rounded to the first decimal place.

### 3. Details of Real Estate and Other Assets

The following is an overview of the assets held by the Investment Corporation as of January 31, 2022.

Name of real estate	Location	Type of ownership	Total leasable area (m <sup>2</sup> )	Carrying amount (millions of yen) (Note 1)	Period-end appraisal value (millions of yen) (Note 2)
AQUAMARINE Nishinomiya-hama	Nishinomiya-shi, Hyogo	Trust beneficiary interests in real estate	5,274.54	1,909	2,100
Bonjour Chitosefunabashi	Setagaya-ku, Tokyo	Trust beneficiary interests in real estate	2,342.17	810	974
Bonjour Hino	Hino-shi, Tokyo	Trust beneficiary interests in real estate	1,984.17	709	818
Bonjour Musashi-shinjo	Kawasaki-shi, Kanagawa	Trust beneficiary interests in real estate	1,710.43	571	643
Medical Rehabilitation Home Bonjour Hadanoshibusawa	Hadano-shi, Kanagawa	Trust beneficiary interests in real estate	3,435.79	694	850
Medical Rehabilitation Home Bonjour Komaki	Komaki-shi, Aichi	Trust beneficiary interests in real estate	8,858.49	1,225	1,450
ASHEIM Hikarigaoka	Nerima-ku, Tokyo	Trust beneficiary interests in real estate	3,628.60	1,413	1,520
ASHEIM Bunkyo-hakusan	Bunkyo-ku, Tokyo	Trust beneficiary interests in real estate	2,507.25	1,406	1,680
SOMPO CARE La vie Re Machidaonaji	Machida-shi, Tokyo	Trust beneficiary interests in real estate	7,720.17	3,382	3,940
SOMPO CARE La vie Re Azamino	Yokohama-shi, Kanagawa	Trust beneficiary interests in real estate	5,789.25	2,982	3,300
SAWAYAKA Tachibanakan	Fukuoka-shi, Fukuoka	Trust beneficiary interests in real estate	5,652.94	1,346	1,550
SAWAYAKA Mekarikan	Kitakyushu-shi, Fukuoka	Trust beneficiary interests in real estate	4,720.46	1,241	1,430
SAWAYAKA Tagawakan	Tagawa-shi, Fukuoka	Trust beneficiary interests in real estate	2,366.20	364	383
GOOD TIME HOME Fudo-mae	Shinagawa-ku, Tokyo	Trust beneficiary interests in real estate	3,400.20	1,849	1,990
Bonjour Yotsugi	Katsushika-ku, Tokyo	Trust beneficiary interests in real estate	1,962.89	816	886
Medical Home Bonjour Itami	Itami-shi, Hyogo	Trust beneficiary interests in real estate	2,129.87	496	557
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Kobe-shi, Hyogo	Trust beneficiary interests in real estate	12,636.48	4,174	4,540
GreenLife Moriguchi	Moriguchi-shi, Osaka	Trust beneficiary interests in real estate	8,356.85	4,139	4,500
Hapine Kobe Uozaki Nibankan	Kobe-shi, Hyogo	Trust beneficiary interests in real estate	1,772.89	918	995



Name of real estate	Location	Type of ownership	Total leasable area (m <sup>2</sup> )	Carrying amount (millions of yen) (Note 1)	Period-end appraisal value (millions of yen) (Note 2)
Granda Tsuruma-Yamato	Yamato-shi, Kanagawa	Trust beneficiary interests in real estate	3,427.08	1,036	1,060
Smiling Home Medice Adachi	Adachi-ku, Tokyo	Trust beneficiary interests in real estate	3,870.98	2,304	2,500
AIKOEN ICHIBANKAN Building	Niigata-shi, Niigata	Trust beneficiary interests in real estate	4,311.20	767	860
Hanakotoba Minami	Yokohama-shi, Kanagawa	Trust beneficiary interests in real estate	1,710.68	1,083	1,240
Hanakotoba Miura	Miura-shi, Kanagawa	Trust beneficiary interests in real estate	1,959.64	658	668
SOMPO CARE Lavie Re Hama-Kawasaki	Kawasaki-shi, Kanagawa	Trust beneficiary interests in real estate	4,060.21	1,714	1,810
Hanakotoba Shin-Yokohama	Yokohama-shi, Kanagawa	Trust beneficiary interests in real estate	5,230.23	2,113	2,330
Hanakotoba Shin-Yokohama II	Yokohama-shi, Kanagawa	Trust beneficiary interests in real estate	1,837.29	397	383
Hanakotoba Odawara	Odawara-shi, Kanagawa	Trust beneficiary interests in real estate	2,203.42	899	947
Verde Minowa	Takasaki-shi, Gunma	Trust beneficiary interests in real estate	11,098.17	1,656	1,700
Verde Hotaka	Kawaba-mura, Tone-gun, Gunma	Trust beneficiary interests in real estate	6,352.86	1,324	1,430
Sunny Life Kita-Shinagawa	Shinagawa-ku, Tokyo	Trust beneficiary interests in real estate	2,135.54	1,854	2,040
Sunny Life Kamakura	Kamakura-shi, Kanagawa	Trust beneficiary interests in real estate	3,817.91	1,482	1,580
Nichii Home Nishikokubunji	Kokubunji-shi, Tokyo	Trust beneficiary interests in real estate	1,559.99	752	761
SOMPO CARE Somo no ie Awajiekimae	Osaka-shi, Osaka	Trust beneficiary interests in real estate	5,745.15	1,859	2,210
SOMPO CARE Somo no ie Kobekamisawa	Kobe-shi, Hyogo	Trust beneficiary interests in real estate	4,058.35	1,168	1,360
Niigata Rehabilitation Hospital	Niigata-shi, Niigata	Trust beneficiary interests in real estate	13,476.55	2,085	2,300
SHIP Senri Building	Toyonaka-shi, Osaka	Trust beneficiary interests in real estate	24,813.85	12,906	14,200
Total			187,918.74	66,520	73,485

(Note 1) "Carrying amount" indicates book value after depreciation and amortization as of January 31, 2022.

(Note 2) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2022

The leasing status of real estate and other assets owned by HCM is as follows.

Name of real estate	13th fiscal period From Feb. 1, 2021 To Jul. 31, 2021				14th fiscal period From Aug. 1, 2021 To Jan. 31, 2022			
	No. of tenants (Note 1)	Occupancy rate (%)	Real estate leasing business revenue (millions of yen)	As a percentage of total leasing business revenue (%)	No. of tenants (Note 1)	Occupancy rate (%)	Real estate leasing business revenue (millions of yen)	As a percentage of total leasing business revenue (%)
AQUAMARINE Nishinomiyahama	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Bonsejour Chitosefunabashi	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Bonsejour Hino	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Bonsejour Musashi-shinjo	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Medical Rehabilitation Home Bonsejour Hadanoshibusawa	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Medical Rehabilitation Home Bonsejour Komaki	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
ASHEIM Hikarigaoka	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
ASHEIM Bunkiyohakusan	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SOMPO CARE La vie Re Machidaonaji	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SOMPO CARE La vie Re Azamino	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SAWAYAKA Tachibanakan	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SAWAYAKA Mekarikan	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SAWAYAKA Tagawakan	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
GOOD TIME HOME Fudo-mae	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Bonsejour Yotsugi	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Medical Home Bonsejour Itami	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
GreenLife Moriguchi	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hapine Kobe Uozaki Nibankan	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Granda Tsuruma-Yamato	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Smiling Home Medice Adachi	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	2	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)

Name of real estate	13th fiscal period From Feb. 1, 2021 To Jul. 31, 2021				14th fiscal period From Aug. 1, 2021 To Jan. 31, 2022			
	No. of tenants (Note 1)	Occupancy rate (%)	Real estate leasing business revenue (millions of yen)	As a percentage of total leasing business revenue (%)	No. of tenants (Note 1)	Occupancy rate (%)	Real estate leasing business revenue (millions of yen)	As a percentage of total leasing business revenue (%)
AIKOEN ICHIBANKAN Building	4	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	4	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hanakotoba Minami	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hanakotoba Miura	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SOMPO CARE La vie Re Hama-Kawasaki	5	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	5	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hanakotoba Shin-Yokohama	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hanakotoba Shin-Yokohama II	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Hanakotoba Odawara	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Verde Minowa	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Verde Hotaka	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Sunny Life Kita-Shinagawa	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Sunny Life Kamakura	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Nichii Home Nishikokubunji	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SOMPO CARE Somo no ie Awajiekimae	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SOMPO CARE Somo no ie Kobekamisawa	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Niigata Rehabilitation Hospital	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
SHIP Senri Building	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)	1	100.0	Not disclosed (Note 2)	Not disclosed (Note 2)
Total	47	100.0	2,062	100.0	47	100.0	2,069	100.0

(Note 1) "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-type 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 2) "Real estate leasing business revenue" and "As a percentage of total leasing business revenue" for each property is not disclosed as consent for disclosure of leasing business revenue has not been obtained from tenants. The total is the sum of amounts received as rent per period based on the lease agreements.

#### 4. Contract Amounts and Market Values of Specified Transactions

The following table shows the contract amounts and market values of specified transactions by HCM as of January 31, 2022.

Classification	Type	Contract amount (thousands of yen) <sup>(Note 1)</sup>		Market value (thousands of yen) <sup>(Note 2) (Note 3)</sup>
			Due after 1 year	
Non-market transaction	Interest rate swap transaction Floating receivable; fixed payable	28,300,000	20,300,000	(2, 235)
Total		28,300,000	20,300,000	(2,235)

(Note 1) The contract amount for interest rate swap transactions is based on the notional principal amount.

(Note 2) The value is calculated by the counterparty of the relevant transaction contract based on the prevailing market interest rate.

(Note 3) Of the market value amounts, transactions for which exceptional accounting treatment for interest rate swaps is applied in accordance with the Accounting Standard for Financial Instruments are not assessed at market value in the balance sheets.

#### 5. Status of Other Assets

As of January 31, 2022, there are no other specified assets for investment other than those listed in "3. Details of Real Estate and Other Assets," above.

#### 6. Status of Asset Holdings by Country and Region

Not applicable for countries and regions outside of Japan.

## ► Capital Expenditures for Held Real Estate

### 1. Capital Expenditures

Of capital expenditures associated with repair work 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.

Name of real estate (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	—	—

### 2. Capital Expenditures During 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.

Name of real estate (Location)	Purpose	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 Kobekamisawa (Kobe-shi, Hyogo)	Renovation of exterior walls	From: November 2021 To: January 2022	23,617
AQUAMARINE Nishinomiya (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	—	—	59,138
Total			128,460

### 3. Reserves for Long-term Repair Plans

Not applicable.

## ► Transactions During the Period

### 1. Transactions of Real Estate and Asset-Backed Securities, Infrastructure Assets and Infrastructure-Related Assets

Not applicable.

### 2. Transactions of Other Assets

Not applicable.

### 3. Survey of Specified Asset Value

#### (1) Real estate

Not applicable.

#### (2) Other

##### 1) Name of surveying party

PwC PricewaterhouseCoopers Aarata LLC

##### 2) Overview of survey results and method

Transactions requested for investigation were one interest rate swap transaction between August 1, 2021 and January 31, 2022. For this interest rate swap transaction, PwC PricewaterhouseCoopers Aarata LLC was commissioned to conduct a survey regarding the name of the counterparty, the contractual figures, and the term of the transaction, as well as comparable prices in accordance with Article 201, Paragraph 2 of the Investment Trusts Act. We have obtained a survey report based on the Practical Guidelines for Professional Services 4460 "Practical Guidelines for Agreed-Upon Procedures for Survey of Value of Specified Assets of Investment Trusts and Investment Corporations" issued by the Japanese Institute of Certified Public Accountants (JICPA).

This survey is not part of an audit of financial statements and does not provide assurance as to the reasonableness of prices or internal control systems.

### 4. Transactions with Interested Persons <sup>(Note 1)</sup>

#### (1) Transactions with interested persons

Not applicable.

#### (2) Amount of fees paid

Classification	Total Amount of Fees Paid (A) (thousands of yen)	Breakdown of Transactions with Interested Persons		Share of Total
		Payment Recipient	Payment Amount (B) (thousands of yen)	B / A (%) (Note 2)
Interest expenses <sup>(Note 3)</sup>	88,014	Sumitomo Mitsui Banking Corporation	31,113	35.35
Borrowing expenses <sup>(Note 4)</sup>	55,789	Sumitomo Mitsui Banking Corporation	39,638	71.05

(Note 1) The term "interested persons" refers to interested persons for HCM's asset management company as defined in Article 123 of Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Management Report of Investment Trusts and Investment Corporations of The Japan Investment Trusts Association. The above table adds transactions with interested persons (including special purpose companies to which interested persons are entrusted with asset management; however, this excludes the asset management company itself) as defined in the internal rules of the asset management company.

(Note 2) Percentages (%) of each total amount are rounded to the second decimal place.

(Note 3) Payment Amount (B) includes current period expenses, including accrued interest as well as interest paid.

(Note 4) Payment Amount (B) lists expenses for each period, excluding amounts equivalent to non-deductible consumption tax of the 136,049 thousand yen paid in the 5th fiscal period, 60,414 thousand yen paid in the 7th fiscal period, 6,000 thousand yen paid in the 8th fiscal period, 118,100 thousand yen paid in the 9th fiscal period, 58,200 thousand yen paid in the 10th fiscal period, 39,200 thousand yen paid in the 12th fiscal period, 2,000 thousand yen paid in the 13th fiscal period, and 70,160 thousand yen paid in the 14th fiscal period.

### 5. Transactions with the Asset Management Company for its Concurrent Businesses

Healthcare Asset Management Co., Ltd., HCM's asset management company, does not concurrently engage in any Type 1 Financial Instruments Business, Type 2 Financial Instruments Business, Building Lots and Buildings Transaction Business, or Specified Joint Real Estate Ventures, and there are no applicable transactions.

## ► Other

### 1. Disclosure of Proprietary Investment Trust Beneficiary Certificates

Not applicable.

### 2. Notices

#### (1) General Meeting of Unitholders

Not applicable.

#### (2) HCM Board of Directors

Approval Date	Approval Items	Overview
January 17, 2022	Execution of new investment unit underwriting agreement	In the issuance of new investment units and the secondary offering of investment units approved at the meeting of the Board of Directors held on the same day, general administrative services for the offering of new investment units were entrusted to SMBC Nikko Securities Inc. and Nomura Securities Co., Ltd.

### 3. Disclosure of Overseas Real Estate Holding Corporations and their Held Real Estate

Not applicable.

### 4. Handling of Fractional Amounts and Percentages

In this document, unless otherwise indicated, amounts are rounded down to the nearest unit and percentages are rounded to the nearest whole number.

## 1. 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)
<b>Assets</b>		
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
Derivative 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
Derivative 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 costs	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

The accompanying notes are an integral part of these financial statements.



(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2021)	Current fiscal period (As of Jan. 31, 2022)
<b>Liabilities</b>		
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
Consumption taxes payable	15,496	17,631
Advances received	341,362	338,838
Deposits received	126	795
Derivative 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
Derivative liabilities	18,453	31,997
Total non-current liabilities	28,121,947	25,894,748
Total liabilities	35,919,037	35,911,409
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	32,480,785	32,480,785
Deduction from unitholders' capital		
Allowance 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

The accompanying notes are an integral part of these financial statements.

## (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		
Leasing business revenues	*1 2,062,148	*1 2,069,514
Other revenue related to leasing business	*1 10,889	*1 10,921
Total operating revenue	2,073,038	2,080,436
Operating expenses		
Expenses related to leasing 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' compensation	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 distributions 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 costs	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

The accompanying notes are an integral part of these financial statements.

### (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
		Allowance 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					
Distributions in excess of earnings from allowance for temporary difference adjustments		(14,306)		(14,306)	(14,306)
Distributions in excess of earnings from other distributions			(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)

(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)
Distributions in excess of earnings from allowance for temporary difference adjustments			(14,306)			(14,306)
Distributions in excess of earnings from other distributions			(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

The accompanying notes are an integral part of these financial statements.

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
		Allowance 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 allowance for temporary difference adjustments		45,946		45,946	45,946
Distributions in excess of earnings from other distributions			(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)

(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 allowance for temporary difference adjustments	(45,946)	(45,946)	—			—
Distributions in excess of earnings from other distributions			(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

The accompanying notes are an integral part of these financial statements.

## (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. Distributions in excess of earnings	94,544,304	95,788,308
Other deduction from unitholders' capital	94,544,304	95,788,308
III. Incorporation into unitholders' capital	45,946,358	4,915,566
Reversal of allowance for temporary difference adjustments	45,946,358	4,915,566
IV. Distributions	1,015,729,266	1,008,887,244
[Distributions per unit]	[3,266]	[3,244]
Distributions of earnings	921,184,962	913,098,936
(Distributions of earnings per unit)	[2,962]	[2,936]
Distributions in excess of earnings from other distributions	94,544,304	95,788,308
(Distributions in excess of earnings per unit (for distributions in excess of earnings from other distributions ))	[304]	[308]
V. Retained earnings carried forward	15,971,932	11,027,133
Calculation method for distributions	<p>In accordance with the cash distributions policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distributions 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 distributions of earnings, which is roughly the entire amount arrived at after deducting the reversal of allowance 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, distributions of earnings per unit was 2,962 yen.</p> <p>Furthermore, in accordance with the policy for cash distributions in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) in each period on a continuous basis. During the current fiscal period, HCM has decided to distribute 94,544,304 yen, an amount roughly equivalent to</p>	
	<p>In accordance with the cash distributions policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distributions 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 distributions of earnings, which is roughly the entire amount arrived at after deducting the reversal of allowance 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, distributions of earnings per unit was 2,936 yen.</p> <p>Furthermore, in accordance with the policy for cash distributions in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distributions in excess of earnings (return of capital that falls under the category of distributions reducing unitholders' capital for tax purposes) in each period on a continuous basis. During the current fiscal period, HCM has decided to distribute 95,788,308 yen, an amount roughly equivalent to</p>	

Type	Previous fiscal period From: Feb. 1, 2021 To: Jul. 31, 2021	Current fiscal period From: Aug. 1, 2021 To: Jan. 31, 2022
Calculation method for distributions	20% of the depreciation recorded in the current fiscal period, as distributions in excess of earnings. As a result, distributions in excess of earnings per unit (of distributions in excess of earnings from other distributions) came to 304 yen. As a result, distributions per unit came to 3,266 yen.	20% of the depreciation recorded in the current fiscal period, as distributions in excess of earnings. As a result, distributions in excess of earnings per unit (of distributions in excess of earnings from other distributions) came to 308 yen. As a result, distributions per unit came to 3,244 yen.

(Note 1) Distributions in excess of earnings are 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 distributions, 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, distributions 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 distributions 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 distributions 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
Cash flows from 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 costs	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 consumption taxes payable	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	-
Net cash provided by (used in) 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)
Net cash provided by (used in) 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

The accompanying notes are an integral part of these financial statements.

## (6) Notes to Financial Statements

### [Organization]

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.

### [Basis of Presentation]

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trusts Act, the Financial Instruments and Exchange Act of Japan and other related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter, "Japanese GAAP"), which are different in certain aspects as to the application and disclosure requirements from International Financial Reporting Standards (hereinafter, "IFRS") or accounting principles generally accepted in the United States of America (hereinafter, "U.S. GAAP").

The accompanying financial statements are the translation of the financial statements presented in the securities report of the Investment Corporation submitted to the Kanto Local Finance Bureau, which have been prepared in compliance with Japanese GAAP, translated into English.

Amounts less than one thousand yen have been omitted. As a result, the totals presented in the accompanying financial statements in yen do not necessarily agree with the sums of the individual amounts. The Investment Corporation does not have subsidiaries and thus does not prepare consolidated financial statements.

The accounting periods of the Investment Corporation are six-month periods ending at the end of February and the end of August of each year.

### [Going Concern Assumption]

Not applicable.

### [Summary of Significant Accounting Policies]

1. Method of depreciation of non-current assets	(1) Property, plant and equipment The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows. 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) Intangible assets The straight-line method is adopted.
2. Accounting for deferred assets	(1) Investment unit issuance costs Depreciated evenly over 3 years. (2) Investment corporation bond issuance costs Amortized using the straight-line method over the maturity period.
3. Standards for revenue and expense recognition	(1) Accounting for property taxes For property tax, city planning tax, depreciable asset tax on real estate. 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 leasing business. In connection with the acquisition of real estate, including trust beneficiary interests in real estate, the amount equivalent to real property tax 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. The amount equivalent to property tax included in the cost of acquisition of real estate was 1,825 thousand yen for the previous fiscal period and none for the current fiscal period.



	<p>(2) Accounting standard for revenue recognition</p> <p>The contents of major performance obligations concerning revenue arising from contracts with customers of HCM and the general timing to satisfy such performance obligations (general timing to recognize the revenue) are as follows.</p> <p>Sale of real estate</p> <p>With regard to sale of real estate, revenue is recorded when the buyer (customer) obtains control of the real estate as a result of HCM fulfilling the delivery obligation set forth in the contract pertaining to the sale of real estate.</p>
4. Method of hedge accounting	<p>(1) Hedge accounting approach</p> <p>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 hedged items</p> <p>Hedging instrument: Interest rate swap transactions</p> <p>Hedged items: Interest on loans</p> <p>(3) Hedging policy</p> <p>HCM conducts interest rate swap transactions for the purpose of hedging the risks provided in its Articles of Incorporation, pursuant to the risk management basic policy.</p> <p>(4) Method of assessing hedge effectiveness</p> <p>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, the hedge effectiveness assessment is omitted for interest rate swap transactions that satisfy the requirements for special treatment.</p>
5. Scope of cash and cash equivalents stated in the statement of cash flows	<p>Cash and cash equivalents in the statement of cash flows are comprised of 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 into cash and that are subject to an insignificant risk of changes in value.</p>
6. Other matters serving as the basis for preparation of financial statements	<p>(1) Accounting policy for trust beneficiary interests in real estate</p> <p>Concerning trust beneficiary interests in real estate 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 line item account of the balance sheet and the statement of income.</p> <p>The following material items for the trust assets recognized in the relevant line item account are separately listed on the balance sheet.</p> <ol style="list-style-type: none"> <li>1) Cash and deposits in trust</li> <li>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</li> <li>3) Tenant leasehold and security deposits in trust</li> </ol> <p>(2) Accounting for consumption tax</p> <p>Consumption tax and local consumption tax are excluded from transaction amounts. Non-deductible consumption taxes on the acquisition of assets is included in the cost of the acquisition of each asset.</p>

#### [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.

[Additional Information]

[Provision and Reversal of Allowance 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 within the statement of cash distributions from the assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 45,946 thousand yen of allowance for temporary difference adjustments for elimination of the amount has been 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 allowance 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 within the statement of cash distributions from the assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 4,915 thousand yen of allowance for temporary difference adjustments for elimination of the amount has been 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 allowance for temporary difference adjustments will be reversed.

[Balance Sheet]

- \*1 Government grants received related to assets acquired were deducted from the carrying amount of property, plant and equipment. The amount deducted from the carrying amount was below.

(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 of at least ¥50 million as required by the Investment Trust Law

(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 Allowance for temporary difference adjustments

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

1. Reasons, related assets and amounts

(Unit: thousands of yen)

Related assets	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	Loss on interest-rate swaps recognized at the end of current period	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

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

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

1. Reasons, related assets and amounts

(Unit: thousands of yen)							
Related assets	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	Loss on interest-rate swaps recognized at the end of current period	25,683	61,448	—	(45,946)	15,501	Changes in the 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

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

[Statement of Income]

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

(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 business		
Leasing business revenues		
Rent revenue	2,062,148	2,069,514
Other revenue related to leasing business		
Other revenue	10,889	10,921
Total operating revenue from real estate leasing business	2,073,038	2,080,436
B. Operating expenses from real estate leasing business		
Expenses related to leasing 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 leasing business	14,778	14,903
Total operating expenses from real estate leasing business	690,998	701,277
C. Operating income (loss) from real estate leasing business [A-B]	1,382,040	1,379,159

[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

[Statement of Cash Flows]

\*1 Reconciliation of cash and cash equivalents at end of period and relevant amount on the balance sheet

(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 refunds of leaseholds received from tenants.

[Operating Lease Transactions]

Non-cancellable operating leases (lessor side)

(Unit: thousands of yen)

	Previous fiscal period As of Jul. 31, 2021	Current fiscal period As of Jan. 31, 2022
Due within 1 year	3,106,350	2,771,384
Due after 1 year	10,166,481	8,910,935
Total	13,272,832	11,682,320

[Financial Instruments]

1. Our policy on financial instruments

(1) Policy for financial instruments

Pursuant to the policy of conducting stable and sound financial management, HCM raises funds for asset acquisition, repayment of loans by means of loans from banks, issuance of investment corporation bonds or issuance of new investment units. 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 in 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 the acquisition of trust beneficiary interests in real estate and repayment of debts.

Although borrowings and investment corporation bonds are exposed to liquidity risks on the repayment or maturity 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 borrowings with floating interest rates are exposed to interest rate fluctuation risks, the ratios of loan balances with floating rates and fixed rates against all 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' vacancies, 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).

(3) Supplementary explanation to fair value 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. Fair value 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" have been 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 and have been omitted.

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

(Unit: thousands of yen)

	Carrying amount	Fair value	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) Derivative transactions	(14,581)	(14,581)	—

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

(Unit: thousands of yen)

	Carrying amount	Fair value	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) Derivative 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 to be 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 rates 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 the Japan Securities Dealers Association.

(4) Derivative transactions

Please refer to "Derivative Transactions" below.

(Note 2) Amount of repayment of borrowings 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)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Investment corporation bonds	—	—	—	—	—	2,000,000

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
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)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 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

[Securities]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[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)

Method of hedge accounting	Derivative Instruments	Hedged item	Contract amount		Fair value	Method of calculation for the fair value
				Due after 1 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 corresponding 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 “[Financial Instruments], 2. Fair value of financial instruments” above.

Current fiscal period (As of January 31, 2022)

(Unit: thousands of yen)

Method of hedge accounting	Derivative Instruments	Hedged item	Contract amount		Fair value	Method of calculation for the fair value
				Due after 1 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 corresponding 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 "[Financial Instruments], 2. Fair value of financial instruments" above.

## [Retirement Benefits]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

## [Tax-Effect Accounting]

## 1. Breakdown 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

(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	0.07	(0.03)
Effective income tax rate	0.10	0.00

[Share of Profit (Loss) of Affiliates Accounted for Using Equity Method]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.

[Related-Party Transactions]

1. Parent company, major corporate unitholders.

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 and other

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 company and other

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 and other

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.

[Asset Retirement Obligations]

Previous fiscal period (As of July 31, 2021)

Not applicable.

Current fiscal period (As of January 31, 2022)

Not applicable.



[Investment and Leasing 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 leasing 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) comprised of the 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 profit (loss) concerning investment and leasing properties is as stated in "Statement of Income" above.

[Revenue Recognition]

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

Information has been omitted due to the immateriality of the eligible revenue.

[Segment Information]

1. Segment information

Disclosure has been 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 on products and services

Disclosure has been omitted because net sales to external customers for a single products and services category exceeds 90% of operating revenue on the statement of income.

(2) Information on geographic areas

1) Operating revenues

Disclosure has been omitted because net sales to external customers in Japan exceeds 90% of operating revenue on the statement of income.

2) Property, plant and equipment

Disclosure has been omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information on major customers

Disclosure has been omitted because consent has not been obtained from the tenant.

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

(1) Information on products and services

Disclosure has been omitted because net sales to external customers for a single products and services category exceeds 90% of operating revenue on the statement of income.

(2) Information on geographic areas

1) Operating revenues

Disclosure has been omitted because net sales to external customers in Japan exceeds 90% of operating revenue on the statement of income.

2) Property, plant and equipment

Disclosure has been omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information on major customers

Disclosure has been omitted because consent has not been obtained from the tenant.

[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 basis for calculation of net income per unit is as follows:

	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

[Significant Subsequent Events]

1. Acquisition of assets

On January 17, 2022, HCM entered into a purchase agreement for the acquisition of the Assets to Be Acquired in the 15th Fiscal Period, and on February 1, 2022, HCM acquired SOMPO CARE La vie Re Kobeikawadani, SOMPO CARE Sompō no 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 in March 2022.

Property number	Property name	Location	Acquisition price (Note) (millions of yen)	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 Sompō 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) 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 the acquisition for Assets to Be Acquired in the 15th Fiscal Period. Payment for the new investment units through 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 through 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 through 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. Borrowings

HCM conducted the following borrowings to allocate to a portion of the acquisition and its related expenses for the Assets Acquired in the 15th Fiscal Period.

Type	Lender	Borrowing amount	Interest rate (Note 1)	Drawdown date	Borrowing method	Repayment date	Repayment method	Remarks
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 maturity	Unsecured and unguaranteed
Long term	A syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation (Note 2)	700 million yen	0.543% (Note 4)	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		
	A syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation (Note 3)	2.8 billion yen	0.822% (Note 4)			January 31, 2028		

(Note 1) Loan fees and other fees paid to lenders are not included.

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

(Note 3) The loan syndicate is composed 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) As HCM entered into an interest rate swap agreement, the interest rate which was effectively fixed based on such agreement is indicated

(7) [Supplementary Schedules]

1) Securities

(a) Stocks

Not applicable.

(b) Securities other than stocks

Not applicable.

2) Contracted amount and fair value of derivative transactions and forward exchange transactions

(Unit: thousands of yen)

Classification	Type	Contracted amount (Note 1)		Fair value (Note 2) (Note 3)
			Due after 1 year	
Transaction other than market transaction	Interest rate swap transaction Floating receivable; fixed payable	28,300,000	20,300,000	(2,235)
Total		28,300,000	20,300,000	(2,235)

(Note 1) The contracted amount for interest rate swap transactions is based on the notional principal amount.

(Note 2) The value is calculated by the counterparty of the relevant transaction contract based on the prevailing market interest rate.

(Note 3) Of the fair value amounts, transactions for which exceptional accounting treatment for interest rate swaps is applied in accordance with the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, March 10, 2008) are not assessed at fair value in the balance sheets.

### 3) Property, plant and equipment and intangible assets

(Unit: thousands of yen)

Asset type		Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation		Net balance at end of period	Notes
						or accumulated amortization	For the period		
Property, plant and equipment	Buildings in trust	33,266,152	85,438	—	33,351,590	4,617,889	454,035	28,733,700	—
	Structures in trust	91,855	4,331	—	96,187	14,208	1,599	81,978	—
	Machinery and equipment in trust	19,499	—	—	19,499	7,049	974	12,450	—
	Tools, furniture and fixtures in trust	259,026	38,690	—	297,717	88,209	22,948	209,508	—
	Land in trust	37,482,822	—	—	37,482,822	—	—	37,482,822	—
	Construction in progress in trust	6,270	5,113	6,270	5,113	—	—	5,113	(Note 1)
	Subtotal	71,125,625	133,574	6,270	71,252,929	4,727,356	479,559	66,525,573	—
Intangible assets	Software	11,088	—	—	11,088	10,889	198	198	—
	Subtotal	11,088	—	—	11,088	10,889	198	198	—
Total		71,136,714	133,574	6,270	71,264,018	4,738,246	479,758	66,525,772	—

(Note 1) Construction in progress in trust is primarily for unacquired properties.

### 4) Other specified assets

Trust beneficiary interests in real estate are included in “3) Property, plant and equipment and intangible assets,” above.

### 5) Investment corporation bonds

(Unit: thousands of yen)

Issue	Issuance date	Balance at beginning of period	Decrease during period	Balance at end of period	Interest rate	Maturity date	Use	Remarks
No. 1 Unsecured Investment Corporation Bond (With pari passu conditions between specified investment corporation bonds) (Social bond)	January 30, 2020	2,000,000	—	2,000,000	0.780%	January 30, 2030	Repayment of loans payable	Unsecured and unguaranteed
Total		2,000,000	—	2,000,000				

(Note) The maturity schedule for investment corporation bonds within five years of the balance sheet date are as follows.

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years
Investment corporation bonds	—	—	—	—	—

6) Loans

	Category	Drawdown Date	Balance at beginning of period (thousands of yen)	Increase during period (thousands of yen)	Decrease during period (thousands of yen)	Balance at end of period (thousands of yen)	Average interest rate (Note1)	Repayment date	Repayment method	Use	Remarks
	Lender										
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	March 3, 2017	700,000	–	700,000	–	0.78%	January 31, 2022	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		400,000	–	400,000	–					
	Nippon Life Insurance Company		100,000	–	100,000	–					
	Resona Bank, Limited		100,000	–	100,000	–					
	Shinkin Central Bank		100,000	–	100,000	–					
	The Nishi-Nippon City Bank, Ltd.		100,000	–	100,000	–					
	The Bank of Fukuoka, Ltd.		100,000	–	100,000	–					
	San ju San Bank, Ltd.		100,000	–	100,000	–					
	The 77 Bank, Ltd.		100,000	–	100,000	–					
	The Dai-ichi Life Insurance Company, Limited		100,000	–	100,000	–					
	Hiroshima Bank, Ltd.		100,000	–	100,000	–					
	Sumitomo Mitsui Banking Corporation	March 21, 2017	1,600,000	–	1,600,000	–	0.78%	January 31, 2022	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Nippon Life Insurance Company		200,000	–	200,000	–					
	Resona Bank, Limited		200,000	–	200,000	–					
	Shinkin Central Bank		200,000	–	200,000	–					
	The Nishi-Nippon City Bank, Ltd.		200,000	–	200,000	–					
	The Higashi-Nippon Bank, Limited		200,000	–	200,000	–					
	The Bank of Fukuoka, Ltd.		200,000	–	200,000	–					
	San ju San Bank, Ltd.		200,000	–	200,000	–					
	Nippon Life Insurance Company	February 1, 2019	1,000,000	–	1,000,000	–	0.45%	January 31, 2022	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Hiroshima Bank, Ltd.		500,000	–	500,000	–					
	The Dai-ichi Life Insurance Company, Limited		500,000	–	500,000	–					
	Sumitomo Mitsui Banking Corporation	March 20, 2018	–	2,000,000	–	2,000,000	0.58% (Note 2)	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		–	1,000,000	–	1,000,000					
	Resona Bank, Limited		–	500,000	–	500,000					
	The 77 Bank, Ltd.		–	500,000	–	500,000					
	Sumitomo Mitsui Banking Corporation	February 1, 2019	–	1,000,000	–	1,000,000	0.42% (Note 2)	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		–	1,100,000	–	1,100,000					
	Resona Bank, Limited		–	550,000	–	550,000					
	The Nishi-Nippon City Bank, Ltd.		–	500,000	–	500,000					
	Shinkin Central Bank		–	350,000	–	350,000					
	The Bank of Fukuoka, Ltd.		–	250,000	–	250,000					
	The Gunma Bank, Ltd.		–	250,000	–	250,000					



	Category	Drawdown Date	Balance at beginning of period (thousands of yen)	Increase during period (thousands of yen)	Decrease during period (thousands of yen)	Balance at end of period (thousands of yen)	Average interest rate (Note1)	Repayment date	Repayment method	Use	Remarks
	Lender										
Current portion of long-term loans payable	Nippon Life Insurance Company	January 31, 2020	—	800,000	—	800,000	0.43%	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	The 77 Bank, Ltd.		—	150,000	—	150,000					
	The Dai-ichi Life Insurance Company, Limited		—	150,000	—	150,000					
	Hiroshima Bank, Ltd.		—	150,000	—	150,000					
	Subtotal		7,000,000	9,250,000	7,000,000	9,250,000					
Long-term loans	Sumitomo Mitsui Banking Corporation	March 3, 2017	1,000,000	—	—	1,000,000	0.89% (Note 2)	January 31, 2024	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Banking Corporation	March 20, 2018	2,000,000	—	2,000,000	—	0.58% (Note 2)	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	—	1,000,000	—					
	Resona Bank, Limited		500,000	—	500,000	—					
	The 77 Bank, Ltd.		500,000	—	500,000	—					
	Sumitomo Mitsui Banking Corporation	February 1, 2019	1,000,000	—	1,000,000	—	0.42% (Note 2)	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,100,000	—	1,100,000	—					
	Resona Bank, Limited		550,000	—	550,000	—					
	The Nishi-Nippon City Bank, Ltd.		500,000	—	500,000	—					
	Shinkin Central Bank		350,000	—	350,000	—					
	The Bank of Fukuoka, Ltd.		250,000	—	250,000	—					
	The Gunma Bank, Ltd.		250,000	—	250,000	—					
	Sumitomo Mitsui Banking Corporation	February 1, 2019	2,550,000	—	—	2,550,000	0.54% (Note 2)	January 31, 2024	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,100,000	—	—	1,100,000					
	Resona Bank, Limited		550,000	—	—	550,000					
	The Nishi-Nippon City Bank, Ltd.		500,000	—	—	500,000					
	Shinkin Central Bank		350,000	—	—	350,000					
	The Bank of Fukuoka, Ltd.		250,000	—	—	250,000					
	The Gunma Bank, Ltd.		250,000	—	—	250,000					
	The 77 Bank, Ltd.		200,000	—	—	200,000					
	Nippon Life Insurance Company	January 31, 2020	800,000	—	800,000	—	0.43%	January 31, 2023	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	The 77 Bank, Ltd.		150,000	—	150,000	—					
	The Dai-ichi Life Insurance Company, Limited		150,000	—	150,000	—					
	Hiroshima Bank, Ltd.		150,000	—	150,000	—					
	Sumitomo Mitsui Trust Bank, Limited	January 31, 2020	850,000	—	—	850,000	0.54% (Note 2)	January 31, 2025	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Resona Bank, Limited		800,000	—	—	800,000					
	Sumitomo Mitsui Banking Corporation		700,000	—	—	700,000					

	Category	Drawdown Date	Balance at beginning of period (thousands of yen)	Increase during period (thousands of yen)	Decrease during period (thousands of yen)	Balance at end of period (thousands of yen)	Average interest rate (Note1)	Repayment date	Repayment method	Use	Remarks
	Lender										
Long-term loans	Shinkin Central Bank	January 31, 2020	450,000	—	—	450,000	0.54% (Note 2)	January 31, 2025	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	The Nishi-Nippon City Bank, Ltd.		450,000	—	—	450,000					
	The Bank of Fukuoka, Ltd.	January 31, 2020	450,000	—	—	450,000					
	San ju San Bank, Ltd.		450,000	—	—	450,000					
	The Higashi-Nippon Bank, Limited		300,000	—	—	300,000					
	Nippon Life Insurance Company	January 29, 2021	500,000	—	—	500,000	0.35%	January 31, 2024	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Banking Corporation	January 29, 2021	700,000	—	—	700,000	0.49% (Note 2)	January 31, 2026	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	—	—	1,000,000					
	The Dai-ichi Life Insurance Company, Limited		500,000	—	—	500,000					
	Hiroshima Bank, Ltd.		500,000	—	—	500,000					
	The Bank of Yokohama, Ltd.		500,000	—	—	500,000					
	Sumitomo Mitsui Banking Corporation	January 31, 2022	—	100,000	—	100,000	0.39%	January 31, 2025	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Nippon Life Insurance Company		—	1,000,000	—	1,000,000					
	Sumitomo Mitsui Banking Corporation	January 31, 2022	—	2,200,000	—	2,200,000	0.61% (Note 2)	January 31, 2027	Lump-sum repayment on maturity	(Note 3)	Unsecured/ Nonguaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	400,000	—	400,000					
	Resona Bank, Limited		—	300,000	—	300,000					
	The Nishi-Nippon City Bank, Ltd.		—	300,000	—	300,000					
	Shinkin Central Bank		—	300,000	—	300,000					
	The Dai-ichi Life Insurance Company, Limited		—	600,000	—	600,000					
	Hiroshima Bank, Ltd.		—	900,000	—	900,000					
	The Bank of Fukuoka, Ltd.		—	300,000	—	300,000					
	The 77 Bank, Ltd.		—	100,000	—	100,000					
	San ju San Bank, Ltd.		—	300,000	—	300,000					
	The Higashi-Nippon Bank, Limited		—	200,000	—	200,000					
	Subtotal		24,150,000	7,000,000	9,250,000	21,900,000					
Total			31,150,000	16,250,000	16,250,000	31,150,000					

(Note1) "Average Interest rates" are the lending rate for each loan agreement, shown rounded up to the second decimal place.

(Note2) The interest rate for this borrowing is, in effect, fixed due to the execution of an interest rate swap agreement. The adjusted interest rate in consideration of swap transactions is stated.

(Note3) The funds are to be used for the acquisition of properties and for the payment of a portion of the related expenses or repayment of existing loans.

(Note4) The following is the amount of long-term loans payable (excluding "Current portion of long-term loans payable") scheduled to be due for repayment in each year within five years of the balance sheet date.

(Unit: thousands of yen)

	Due after 1 year and within 2 years	Due after 2 year and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years
Long-term loans payable	7,250,000	5,550,000	3,200,000	5,900,000



## **Independent Auditor's Report**

To the Board of Directors of Healthcare & Medical Investment Corporation

### **Opinion**

We have audited the financial statements of Healthcare & Medical Investment Corporation (the Company), which comprise the balance sheet as at January 31, 2022, and the statement of income, statement of unitholders' equity, statement of cash distributions and statement of cash flows for the six months period then ended, and notes to financial statements and supplementary schedules. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2022, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to notes to financial statements "Significant Subsequent Events", which states that the Company issued new investment units, borrowed funds and acquired new assets.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takashi Sasaki

Designated Engagement Partner  
Certified Public Accountant

Takashi Yabutani

Designated Engagement Partner  
Certified Public Accountant

June 9, 2022