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(REIT) Financial Report for Fiscal Period Ended July 2020

September 15, 2020

REIT Securities Issuer: Healthcare & Medical Investment Corporation (HCM) Stock Exchange Listing: Tokyo Stock Exchange  
 Securities Code: 3455 URL: <http://www.hcm3455.co.jp/en>  
 Representative: Seiji Yoshioka, Executive Director

Asset Management Company: Healthcare Asset Management Co., Ltd.  
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 Scheduled date of commencement of distribution payment: October 21, 2020

Preparation of supplementary financial results briefing materials: Yes  
 Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended July 2020 (from February 1, 2020, to July 31, 2020)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Jul. 2020	2,023	0.5	1,072	(2.8)	918	(2.7)	917	(2.7)
Ended Jan. 2020	2,013	0.2	1,103	(7.3)	944	(9.8)	943	(9.8)

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Jul. 2020	2,951	2.8	1.3	45.4
Ended Jan. 2020	3,034	2.8	1.4	46.9

(2) Distributions Status

	Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions (including distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen	%	%
Ended Jul. 2020	3,240	2,928	312	1,007	910	97	99.2	2.7
Ended Jan. 2020	3,320	3,027	293	1,032	941	91	99.8	2.8

(Note 1) Total distributions in excess of earnings of 97 million yen (312 yen per unit) for the fiscal period ended July 2020 is comprised of (1) total distribution amount from reserve for temporary difference adjustments of 7 million yen (23 yen per unit) due to the occurrence of deferred losses on hedges of 7 million yen recorded as net asset deduction items for the fiscal period and (2) total distribution amount of 89 million yen (289 yen per unit) from distribution reducing unitholders' capital for tax purposes.

Total distributions in excess of earnings of 91 million yen (293 yen per unit) for the fiscal period ended January 2020 is comprised of (1) total distribution amount from reserve for temporary difference adjustments of 2 million yen (8 yen per unit) due to the occurrence of deferred losses on hedges of 2 million yen recorded as net asset deduction items for the fiscal period and (2) total distribution amount of 88 million yen (285 yen per unit) from distribution reducing unitholders' capital for tax purposes.

(Note 2) The ratio of decreasing surplus due to execution of distribution in excess of earnings (return of capital) is 0.003 for the fiscal period ended July 2020 and 0.003 for the fiscal period ended January 2020. The ratio of decreasing surplus is calculated based on Article 23, Paragraph 1, Item (v) of the Order for Enforcement of the Corporation Tax Act.

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(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended Jul. 2020	68,854	33,112	48.1	106,472
Ended Jan. 2020	68,223	33,234	48.7	106,863

(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Jul. 2020	1,318	(1,553)	(333)	1,691
Ended Jan. 2020	1,767	(231)	(1,237)	2,260

2. Earnings Forecast for the Fiscal Period Ending January 2021 (from August 1, 2020, to January 31, 2021) and the Fiscal Period Ending July 2021 (from February 21, 2021, to July 31, 2021)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Distribution per unit (including distribution in excess of earnings)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
Ending Jan. 2021	2,058	1.7	1,063	(0.8)	905	(1.5)	904	(1.5)	2,908	297	3,205
Ending Jul. 2021	2,058	0.0	1,066	0.2	905	0.0	904	0.0	2,908	302	3,210

(Reference) Forecast net income per unit (fiscal period ending January 2021) 2,908 yen  
Forecast net income per unit (fiscal period ending July 2021) 2,908 yen

\* Other

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

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

(2) Total Number of Investment Units Issued and Outstanding

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

Fiscal period ended July 2020 311,001 units Fiscal period ended January 2020 311,001 units

- ② Number of treasury investment units at end of period

Fiscal period ended July 2020 - units Fiscal period ended January 2020 - units

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

\* This Financial Report is exempt from the audit by a certified public accountant or an auditing firm.

\* Special note

The forecast is a future prospect judged by HCM based on information currently available and includes many uncertain factors. Actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings), distribution in excess of earnings per unit and distribution per unit (including distribution in excess of earnings) are subject to change due to changes in circumstances. In addition, the forecast is not a guarantee of the amount of distribution and distribution in excess of earnings. For the assumptions underlying the above forecast, please see "Assumptions Underlying Earnings Forecast for Fiscal Period Ending January 2021 and Fiscal Period Ending July 2021" on pages 9 and 10.

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## 1. Management Status

### (1) Management Status

#### ① Overview of the Current Fiscal Period

##### (a) Brief History of HCM

Healthcare & Medical Investment Corporation (hereinafter, "HCM") was established under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the "Investment Trusts 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") (securities code: 3455) on March 19, 2015.

The total number of investment units issued and outstanding as of the end of the fiscal period ended July 2020 (February 1, 2020, to July 31, 2020) (hereinafter, the "11th fiscal period" or the "current fiscal period") stands at 311,001 units.

##### (b) Investment Environment and Performance

###### a. Investment Environment

HCM was established on the background of the social situation in which expansion and enhancement of nursing care services and medical services by healthcare facilities has become an urgent issue, at the time when the population which bears nursing care continues to shrink while aging advances the fastest in 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 its "Housing Life Basic Plan (nationwide plan)" to increase the ratio of housing supply for the elderly from 2.1% in 2014 to 4% in 2025.

HCM invests in and holds 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

In the current fiscal period, HCM acquired Verde Hotaka (Note 2) (acquisition price: 38 million yen) on April 1, 2020, and Sunny Life Kamakura (acquisition price: 1,418 million yen) on June 29, 2020, with a total acquisition price of 1,456 million yen. As a result of the acquisitions, HCM owns 36 properties with a total leasable area of 186,358.75 m<sup>2</sup>, and the occupancy rate stands at 100.0% as of the end of the current fiscal period.

The Japanese economy is expected to remain in a severe situation for some time given the spread of corona-virus disease-2019(COVID-19). A sense of uncertainty is also growing 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 concluded long-term and fixed-rent lease agreements, as a rule, with the operators of the healthcare facilities it owns. Moreover, there has been no midterm cancellation of the lease agreements, 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 be paid to how the situation will evolve going forward.

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

(Note 2) HCM acquired Verde Hotaka on February 1, 2019, and additionally acquired part of the land (1244-1 and 1246-1, Azamaebara, Oazanamashina, Kawaba-mura, Tone-gun, Gunma) on April 1, 2020.

##### (c) Overview of Financing

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

In the current fiscal period, HCM borrowed 700 million yen on June 29, 2020, to cover part of the acquisition and costs of Sunny Life Kamakura mentioned above.

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As a result, unitholders' capital (net) (Note) at the end of the current fiscal period stands at 32,242 million yen, the total number of investment units issued and outstanding at 311,001 units, and the total interest-bearing liabilities at 33,150 million yen.

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

As of the end of the current fiscal period, the ratio of interest-bearing liabilities to total assets (hereinafter, "LTV") is 48.1%.

HCM's rating as of July 31, 2020 is as follows.

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

(d) Overview of Business Performance and Distributions

As a result of the management described above, for the current fiscal period, operating revenue stood at 2,023 million yen, operating income at 1,072 million yen, ordinary income at 918 million yen and net income at 917 million yen.

In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act. Following this policy, HCM has decided that, of profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act, it shall distribute 910,610,928 yen, which is the maximum integral multiple to 311,001 units issued and outstanding as the distribution of earnings. Accordingly, distribution of earning per unit was 2,928 yen.

In addition, HCM is to make distribution in excess of earnings, of which amount is to be determined by HCM as an amount equivalent to net asset deduction items (as defined in Article 2, Paragraph 2, Item (30) (b) of the Ordinance on Accountings of Investment Corporations), considering the impact of net asset deduction items on distribution, pursuant to the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation. During the current fiscal period, since deferred losses on hedges of 7 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 7,153,023 yen. As a result, distribution in excess of earnings per unit (distribution of reserve for temporary difference adjustments) came to 23 yen.

Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis as a rule. During the current fiscal period, HCM has decided to distribute 89,879,289 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. As a result, distribution in excess of earnings per unit (other distribution in excess of earnings) came to 289 yen.

As a result, distribution per unit came to 3,240 yen.

(Note1) Distribution in excess of earnings is distributed up to the amount equivalent to 20/100 of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay the said distribution, 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, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to this 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 type investment corporations are allowed to conduct distribution in excess of earnings up to an amount equivalent to 60/100 of the depreciation recorded on the last day of the accounting period.

## ② Outlook for the Next Fiscal Period

### (a) Investment Environment

In Japan, while the number of elderly households is increasing, the population which bears nursing care is on the decline. Accordingly, providing of nursing care services and medical services at external facilities for a certain percentage of elderly households is inevitably needed. In response to the expanding demand for such nursing care and medical services, it is required to expand the supply of healthcare facilities, and especially facilities and housing for the elderly.

It is forecasted that nursing care in the same household will become difficult due to aging and change of family structure. In this regard, 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 this goal are being promoted.

In its "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 fund" as part of urban development to enable the elderly, etc. to walk and live safely .

Following this policy, the Ministry of Land, Infrastructure, Transport and Tourism announced the "Guideline related to the utilization of healthcare REITs targeting housing for the elderly, etc." on June 27, 2014 and the "Guideline related to REITs targeting hospital real estate" on June 26, 2015, as well as indicated the points to be noted in transactions of healthcare facilities, such as the positioning of key executive with certain experience. With the enactment of these guidelines, it is considered that the opportunity for the operators to utilize healthcare REITs will increase.

In addition, "Housing Life Basic Plan (nationwide plan)" that was decided by the cabinet as of March 18, 2016 set a performance indicator, which calls for increasing the ratio of housing for the elderly to the elderly population from 2.1% in 2014 to 4% in 2025, based on the goal to "realize a housing life where the elderly can live independently."

As for the environment surrounding medical service-related facilities, the government of Japan has demonstrated a "regional comprehensive care system," a future vision concerning the reorganization of medical service and nursing care functions for providing more effective and efficient medical and nursing care services in light of the increase of the elderly population in Japan. The vision envisages achieving the goal through subdividing roles of the functions of hospitals and hospital beds for the needs of patients and enhancing cooperation in medical service and nursing care. The government has also established guidelines (March 2015) for planning a community healthcare vision in prefectures, with an aim to provide appropriate medical service to all patients at an appropriate location by further dividing the functions of beds in medical institutions in line with the conditions of patients, so that limited medical resources are effectively utilized. Prefectures are working to promote subdividing medical functions in accordance with medical needs, by establishing a vision for community healthcare to adequately promote well-balanced division and coordination of medical functions in a way that suits the community and by newly including such vision in medical planning.

Furthermore, it is estimated that there are approximately 8,400 hospitals (referring to "a facility for the hospitalization of not less than 20 patients, where physicians or dentists carry out medical practices or dental practices for the public or other specific groups of people" as defined in Article 1-5, Paragraph 1 of the Medical Care Act) in Japan, but the ratio of earthquake-resistant hospitals in the country remains at only 76.0% according to a survey conducted in fiscal 2019. Earthquake resistance is an urgent issue as 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, as well as from the viewpoint of strengthening the country's infrastructure.

Therefore, hospitals have capital investment needs, such as newly building hospital wards to meet the division of functions, changing current wards to meet the required number of beds, making buildings earthquake-resistant and reconstructing buildings. Accordingly, capital needs surrounding hospitals are projected to increase going forward.

As we see it, the market for healthcare facilities with a particular emphasis on the keywords of “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 operated under long-term lease agreements with fixed rents, as a rule, 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.

(b) Future Management Policy and Challenges to Address

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

a. Asset management policy for properties owned

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

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

b. Property acquisition policy

Based on the support agreements the Asset Management Company has concluded with the sponsors, etc., HCM may utilize their comprehensive capabilities, including professional know-how and customer base, as well as the first refusal rights provided in the agreements.

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

As such, HCM works to best utilize the extensive network and warehousing function of the sponsors, etc. in an effort to achieve continuous growth of its asset size, aiming to maximize unitholder value over the medium to long term.

c. Financing 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 acquisition timing of real estate-related assets to be newly acquired, the possibility of utilizing the sponsor’s warehousing function, LTV, repayment dates of interest-bearing liabilities and the remaining period to maturity as well as market conditions, while also considering the dilution of the rights of existing unitholders and the resulting decline, etc. in the trading price of the investment units.

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

(c) Significant Subsequent Events

Not applicable.

(d) Earnings Forecast Outlook

HCM expects the following earnings forecast for the fiscal period ending January 2021 (from August 1, 2020, to January 31, 2021) and the fiscal period ending July 2021 (from February 1, 2021, to July 31, 2021). For the assumptions underlying this forecast, please see "Assumptions Underlying Earnings Forecast for Fiscal Period Ending January 2021 and Fiscal Period Ending July 2021" below.

For the fiscal period ending January 2021 (from August 1, 2020, to January 31, 2021) and the fiscal period ending July 2021 (from February 1, 2021, to July 31, 2021), it is assumed that there is no change in the fair value of interest rate swaps, and HCM has no plan at present to conduct distribution in excess of earnings of reserve for temporary difference adjustments.

Fiscal period ending January 2021 (from August 1, 2020, to January 31, 2021)

Operating revenue	2,058 million yen
Operating income	1,063 million yen
Ordinary income	905 million yen
Net income	904 million yen
Distribution per unit (excluding distribution in excess of earnings)	2,908 yen
Distribution in excess of earnings per unit	297 yen
Distribution per unit (including distribution in excess of earnings)	3,205 yen

Fiscal period ending July 2021 (from February 1, 2021, to July 31, 2021)

Operating revenue	2,058 million yen
Operating income	1,066 million yen
Ordinary income	905 million yen
Net income	904 million yen
Distribution per unit (excluding distribution in excess of earnings)	2,908 yen
Distribution in excess of earnings per unit	302 yen
Distribution per unit (including distribution in excess of earnings)	3,210 yen

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



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Assumptions Underlying Earnings Forecast for Fiscal Period Ending January 2021 and Fiscal Period Ending July 2021

Item	Assumptions															
Accounting period	<ul style="list-style-type: none"> <li>Fiscal period ending January 2021 (12th fiscal period): from August 1, 2020, to January 31, 2021 (184 days)</li> <li>Fiscal period ending July 2021 (13th fiscal period): from February 1, 2021, to July 31, 2021 (181 days)</li> </ul>															
Assets under management	<ul style="list-style-type: none"> <li>It is assumed that there will be no changes (acquisition of new properties, sale of the assets under management, etc.) in the trust beneficiary interests in real estate (36 properties in total) owned by HCM as of the date of this document (hereinafter, the "Assets Under Management") through to the end of the fiscal period ending July 2021.</li> <li>There may actually be changes due to acquisition of new properties, or sale of the Assets Under Management, etc. in the future.</li> </ul>															
Operating revenue	<ul style="list-style-type: none"> <li>Lease business revenue from the Assets Under Management is calculated by considering and analyzing such factors as the lease agreement of each Asset Under Management effective as of the date of this document, tenant trends and market conditions.</li> <li>It is assumed that there will be no default or non-payment of rents by tenants.</li> </ul>															
Operating expenses	<ul style="list-style-type: none"> <li>The main breakdown of expenses related to rent business, the major component of operating expense, is as follows. <table border="1" style="margin-left: 40px; margin-right: 40px;"> <thead> <tr> <th></th> <th>Fiscal period ending January 2021</th> <th>Fiscal period ending July 2021</th> </tr> </thead> <tbody> <tr> <td>Property tax</td> <td>139 million yen</td> <td>142 million yen</td> </tr> <tr> <td>Repair expenses</td> <td>28 million yen</td> <td>26 million yen</td> </tr> <tr> <td>Depreciation</td> <td>461 million yen</td> <td>468 million yen</td> </tr> <tr> <td>Other expenses related to rent business</td> <td>51 million yen</td> <td>51 million yen</td> </tr> </tbody> </table> </li> <li>Out of the expenses related to rent business, the major component of operating expense, expenses other than depreciation are calculated based on the past figures and by reflecting factors for change in expenses.</li> <li>In purchasing and selling real estate in general, property tax and city planning tax are calculated on a pro rata basis with previous owners and settled at the time of acquisition, but as HCM includes this settlement money in acquisition cost, they are not recorded as expenses in the year of acquisition. Accordingly, property tax and city planning tax of the assets acquired in the fiscal period ended July 2020 will not be recorded as expenses in the fiscal period ending January 2021, and such for fiscal 2021 will be recorded as expenses from the fiscal period ending July 2021. The total amount of property tax and city planning tax included in the cost of acquisition of the assets acquired in the fiscal period ended July 2020 is 2 million yen.</li> <li>For repair expenses, the Asset Management Company records the expenses it deems necessary for each property in each period. However, as repair expenses may increase or decrease, or additional repair may be required due to unpredictable factors, actual expenses may differ significantly from the forecast.</li> <li>Depreciation is calculated by using the straight-line method including ancillary expenses.</li> <li>The asset management fee paid to the Asset Management Company is assumed to be 199 million yen for the fiscal period ending January 2021 and 196 million yen for the fiscal period ending July 2021.</li> </ul>		Fiscal period ending January 2021	Fiscal period ending July 2021	Property tax	139 million yen	142 million yen	Repair expenses	28 million yen	26 million yen	Depreciation	461 million yen	468 million yen	Other expenses related to rent business	51 million yen	51 million yen
	Fiscal period ending January 2021	Fiscal period ending July 2021														
Property tax	139 million yen	142 million yen														
Repair expenses	28 million yen	26 million yen														
Depreciation	461 million yen	468 million yen														
Other expenses related to rent business	51 million yen	51 million yen														
Non-operating expenses	<ul style="list-style-type: none"> <li>Investment unit issuance expenses accompanying the issuance of new investment units are depreciated evenly over 3 years and are assumed to be 6 million yen for the fiscal period ending January 2021 and 6 million yen for the fiscal period ending July 2021.</li> <li>Investment corporation bond issuance costs associated with the issuance of investment corporation bonds are depreciated using the straight-line method over the period up to redemption, and are assumed to be 1 million yen in the fiscal period ending January 2021 and 1 million yen in the fiscal period ending July 2021.</li> <li>Interest expenses, interest expenses on investment corporation bonds and other borrowing expenses are assumed to be 150 million yen for the fiscal period ending January 2021 and 152 million yen for the fiscal period ending July 2021.</li> </ul>															
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>As of the date of the document, HCM has a balance of interest-bearing liabilities of 33,150 million yen. It is assumed that there will be no change in the balance of interest-bearing liabilities at the end of the fiscal period ending January 2021 and the fiscal period ending July 2021, with an assumption that 3,000 million yen of loans due for repayment in the fiscal period ending January 2021 (repayment date: January 31, 2021) will be refinanced for the same amount.</li> </ul>															
Investment units	<ul style="list-style-type: none"> <li>The total number of investment units issued and outstanding is assumed to be 311,001 units, which is the figure as of the date of this document, and it is assumed that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending July 2021.</li> <li>Distribution per unit is calculated based on the forecasted number of units issued and outstanding at the end of period of 311,001 units for the fiscal period ending January 2021 and for the fiscal period ending July 2021, respectfully.</li> </ul>															

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Item	Assumptions
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> <li>• Distribution per unit (excluding distribution in excess of earnings) is calculated on the premise of the cash distribution policy provided in the Articles of Incorporation of HCM.</li> <li>• Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in Assets Under Management, change in tenants, etc. or incurrance of unexpected repairs.</li> </ul>
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Distribution in excess of earnings per unit is calculated pursuant to the policies provided in the Articles of Incorporation of HCM, policies provided below, other applicable laws and regulations, and rules of self-regulatory and other organizations. The total amount of distribution in excess of earnings is assumed to be 92 million yen for the fiscal period ending January 2021 and 93 million yen for the fiscal period ending July 2021.</li> <li>• The total amount of distribution in excess of earnings is distributed up to the amount equivalent to 20/100 of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay the said distribution, sufficiently taking into consideration the amount of capital expenditure necessary for maintaining and improving the competitiveness of HCM's Assets Under Management and the financial position of HCM.</li> <li>• However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to this 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.</li> <li>• For the fiscal period ending January 2021 and the fiscal period ending July 2021, it is assumed that there is no loss in the fair value of interest rate swaps, and HCM has no plan at present to conduct distribution in excess of earnings of reserve for temporary difference adjustments.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations set forth by the Tokyo Stock Exchange, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• It is assumed that there will be no unforeseen serious change in general economic trends and real estate market conditions, among other factors.</li> </ul>

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## 2. Financial Statements

### (1) Balance Sheet

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2020)	Current fiscal period (As of Jul. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	2,160,660	1,624,242
Cash and deposits in trust	177,603	145,223
Prepaid expenses	110,995	119,589
Other	766	—
Total current assets	2,450,025	1,889,055
Non-current assets		
Property, plant and equipment		
Buildings in trust	*1 32,069,742	*1 32,959,564
Accumulated depreciation	(2,824,464)	(3,263,020)
Buildings in trust, net	29,245,277	29,696,543
Structures in trust	83,849	91,855
Accumulated depreciation	(8,368)	(9,701)
Structures in trust, net	75,481	82,153
Machine and device in trust	16,793	16,793
Accumulated depreciation	(3,411)	(4,251)
Machine and device in trust, net	13,381	12,541
Tools, furniture and fixtures in trust	113,513	135,734
Accumulated depreciation	(19,224)	(29,376)
Tools, furniture and fixtures in trust, net	94,289	106,357
Land in trust	36,044,949	36,798,444
Total property, plant and equipment	65,473,380	66,696,041
Intangible assets		
Land leasehold interests in trust	38,240	—
Software	1,247	795
Total intangible assets	39,487	795
Investments and other assets		
Security deposits	10,000	10,000
Long-term prepaid expenses	204,119	219,456
Deferred tax assets	10	17
Total investments and other assets	214,129	229,473
Total non-current assets	65,726,997	66,926,310
Deferred assets		
Investment unit issuance expenses	25,696	19,272
Investment corporation bond issuance costs	20,815	19,774
Total deferred assets	46,511	39,047
Total assets	68,223,535	68,854,413

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(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2020)	Current fiscal period (As of Jul. 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	40,298	13,055
Short-term loans payable	—	700,000
Current portion of long-term loans payable	3,000,000	3,000,000
Accounts payable - other	41,888	44,458
Accrued expenses	239,697	236,790
Income taxes payable	812	966
Accrued consumption taxes	25,721	18,359
Advances received	329,047	337,618
Deposits received	72	410
Total current liabilities	3,677,538	4,351,659
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term loans payable	27,450,000	27,450,000
Tenant leasehold and security deposits	1,734,009	1,805,509
Tenant leasehold and security deposits in trust	86,766	86,766
Derivatives liabilities	40,097	47,336
Other	362	207
Total non-current liabilities	31,311,236	31,389,820
Total liabilities	34,988,775	35,741,479
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	32,480,785	32,480,785
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	* <sub>3</sub> (37,501)	* <sub>3</sub> (39,989)
Other deduction from unitholders' capital	(150,033)	(238,668)
Total deduction from unitholders' capital	(187,534)	(278,657)
Unitholders' capital, net	32,293,251	32,202,128
Surplus		
Unappropriated retained earnings (undisposed loss)	981,606	958,141
Total surplus	981,606	958,141
Total unitholders' equity	33,274,857	33,160,269
Valuation and translation adjustments		
Deferred gains or losses on hedges	(40,097)	(47,336)
Total valuation and translation adjustments	(40,097)	(47,336)
Total net assets	* <sub>2</sub> 33,234,759	* <sub>2</sub> 33,112,933
Total liabilities and net assets	68,223,535	68,854,413

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(2) Statement of Income

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
<b>Operating revenue</b>		
Lease business revenue	*1 2,004,334	*1 2,015,035
Other lease business revenue	*1 8,939	*1 8,783
<b>Total operating revenue</b>	<b>2,013,274</b>	<b>2,023,819</b>
<b>Operating expenses</b>		
Expenses related to rent business	*1 601,131	*1 652,411
Asset management fee	200,660	196,932
Asset custody fee	3,407	3,408
Administrative service fees	22,679	21,480
Directors' compensations	3,000	3,000
Property tax	25,521	26,307
Other operating expenses	53,459	48,111
<b>Total operating expenses</b>	<b>909,860</b>	<b>951,651</b>
<b>Operating income</b>	<b>1,103,413</b>	<b>1,072,167</b>
<b>Non-operating income</b>		
Interest income	7	10
Insurance income	—	1,891
Interest on refund of consumption taxes	358	—
Refund of fixed asset taxes	766	—
Reversal of distribution payable	651	367
Other	2	128
<b>Total non-operating income</b>	<b>1,786</b>	<b>2,398</b>
<b>Non-operating expenses</b>		
Interest expenses	91,751	86,089
Interest expenses on investment corporation bonds	42	7,800
Amortization of investment unit issuance expenses	11,406	6,424
Amortization of investment corporation bond issuance costs	—	1,040
Borrowing expenses	57,421	54,314
<b>Total non-operating expenses</b>	<b>160,622</b>	<b>155,669</b>
<b>Ordinary income</b>	<b>944,576</b>	<b>918,896</b>
<b>Extraordinary income</b>		
Subsidy income	*2 3,552	—
<b>Total extraordinary income</b>	<b>3,552</b>	<b>—</b>
<b>Extraordinary losses</b>		
Loss on tax purpose reduction entry of non-current assets	*3 3,552	—
<b>Total extraordinary losses</b>	<b>3,552</b>	<b>—</b>
<b>Income before income taxes</b>	<b>944,576</b>	<b>918,896</b>
Income taxes - current	813	968
Income taxes - deferred	7	(7)
<b>Total income taxes</b>	<b>821</b>	<b>960</b>
<b>Net income</b>	<b>943,755</b>	<b>917,935</b>
Retained earnings brought forward	37,851	40,206
<b>Unappropriated retained earnings (undisposed loss)</b>	<b>981,606</b>	<b>958,141</b>

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(3) Statement of Unitholders' Equity

Previous fiscal period (from August 1, 2019, to January 31, 2020)

(Unit: thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
Reserve for temporary difference adjustments		Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance at beginning of current period	32,480,785	(25,683)	(62,952)	(88,636)	32,392,149
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings of reserve for temporary difference adjustments		(11,818)		(11,818)	(11,818)
Other distribution in excess of earnings			(87,080)	(87,080)	(87,080)
Net income					
Changes of items other than unitholders' equity during the period, net					
Total changes of items during the period	—	(11,818)	(87,080)	(98,898)	(98,898)
Balance at end of current period	*1 32,480,785	(37,501)	(150,033)	(187,534)	32,293,251

(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	1,071,929	1,071,929	33,464,079	(37,784)	(37,784)	33,426,294
Changes of items during period						
Dividends of surplus	(1,034,078)	(1,034,078)	(1,034,078)			(1,034,078)
Distribution in excess of earnings of reserve for temporary difference adjustments			(11,818)			(11,818)
Other distribution in excess of earnings			(87,080)			(87,080)
Net income	943,755	943,755	943,755			943,755
Changes of items other than unitholders' equity during the period, net				(2,313)	(2,313)	(2,313)
Total changes of items during the period	(90,323)	(90,323)	(189,221)	(2,313)	(2,313)	(191,535)
Balance at end of current period	981,606	981,606	33,274,857	(40,097)	(40,097)	33,234,759

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Current fiscal period (from February 1, 2020, to July 31, 2020)

(Unit: thousands of yen)

	Unitholders' equity				
	Unitholders' capital				
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net
Reserve for temporary difference adjustments		Other deduction from unitholders' capital	Total deduction from unitholders' capital		
Balance at beginning of current period	32,480,785	(37,501)	(150,033)	(187,534)	32,293,251
Changes of items during period					
Dividends of surplus					
Distribution in excess of earnings of reserve for temporary difference adjustments		(2,488)		(2,488)	(2,488)
Other distribution in excess of earnings			(88,635)	(88,635)	(88,635)
Net income					
Changes of items other than unitholders' equity during the period, net					
Total changes of items during the period	—	(2,488)	(88,635)	(91,123)	(91,123)
Balance at end of current period	*1 32,480,785	(39,989)	(238,668)	(278,657)	32,202,128

(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	981,606	981,606	33,274,857	(40,097)	(40,097)	33,234,759
Changes of items during period						
Dividends of surplus	(941,400)	(941,400)	(941,400)			(941,400)
Distribution in excess of earnings of reserve for temporary difference adjustments			(2,488)			(2,488)
Other distribution in excess of earnings			(88,635)			(88,635)
Net income	917,935	917,935	917,935			917,935
Changes of items other than unitholders' equity during the period, net				(7,238)	(7,238)	(7,238)
Total changes of items during the period	(23,464)	(23,464)	(114,587)	(7,238)	(7,238)	(121,825)
Balance at end of current period	958,141	958,141	33,160,269	(47,336)	(47,336)	33,112,933

(4) Statement of Cash Distributions

(Unit: yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
I. Unappropriated retained earnings	981,606,180	958,141,852
II. Distribution in excess of earnings	91,123,293	97,032,312
Of which, reserve for temporary difference adjustments	2,488,008	7,153,023
Of which, other deduction from unitholders' capital	88,635,285	89,879,289
III. Amount of distributions	1,032,523,320	1,007,643,240
[Distribution per unit]	[3,320]	[3,240]
Of which, distribution of earnings	941,400,027	910,610,928
(Of which, distribution of earnings per unit)	[3,027]	[2,928]
Of which, reserve for temporary difference adjustments	2,488,008	7,153,023
(Of which, distribution in excess of earnings per unit	[8]	[23]
(of reserve for temporary difference adjustments))		
Of which, other distribution in excess of earnings	88,635,285	89,879,289
(of other distribution in excess of earnings))	[285]	[289]
IV. Retained earnings carried forward	40,206,153	47,530,924
Method of calculation of amount of distributions	In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act. Following this policy, HCM has decided that, of profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act, it shall distribute 941,400,027 yen, which is the maximum integral multiple to 311,001 units issued and outstanding as the distribution of earnings. Accordingly, distribution of earning per unit was 3,027 yen. In addition, HCM is to make distribution in excess of earnings, of which amount is to be determined by HCM as an amount equivalent to net asset deduction items (as defined in Article 2, Paragraph 2, Item (30) (b) of the Ordinance on Accountings of Investment Corporations), considering the impact of net asset deduction items	In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act. Following this policy, HCM has decided that, of profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act, it shall distribute 910,610,928 yen, which is the maximum integral multiple to 311,001 units issued and outstanding as the distribution of earnings. Accordingly, distribution of earning per unit was 2,928 yen. In addition, HCM is to make distribution in excess of earnings, of which amount is to be determined by HCM as an amount equivalent to net asset deduction items (as defined in Article 2, Paragraph 2, Item (30) (b) of the Ordinance on Accountings of Investment Corporations), considering the impact of net asset deduction items on distribution, pursuant to the policy for cash



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	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
	on distribution, pursuant to the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation. During the current fiscal period, since deferred losses on hedges of 2 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 2,488,008 yen.	distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation. During the current fiscal period, since deferred losses on hedges of 7 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 7,153,023 yen.

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	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Method of calculation of amount of distributions	<p>As a result, distribution in excess of earnings per unit (distribution of reserve for temporary difference adjustments) came to 8 yen.</p> <p>Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis as a rule. During the current fiscal period, HCM has decided to distribute 88,635,285 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings.</p> <p>As a result, distribution in excess of earnings per unit (other distribution in excess of earnings) came to 285 yen.</p> <p>As a result, distribution per unit came to 3,320 yen.</p>	<p>As a result, distribution in excess of earnings per unit (distribution of reserve for temporary difference adjustments) came to 23 yen.</p> <p>Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis as a rule. During the current fiscal period, HCM has decided to distribute 89,879,289 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings.</p> <p>As a result, distribution in excess of earnings per unit (other distribution in excess of earnings) came to 289 yen.</p> <p>As a result, distribution per unit came to 3,240 yen.</p>

(Note 1) Distribution in excess of earnings is distributed up to the amount equivalent to 20/100 of the depreciation recorded in the accounting period immediately before the accounting period when HCM will pay the said distribution, 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, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to this amount is judged to be inappropriate based on the economic environment surrounding HCM, trends of the real estate market and leasing market, status of HCM's Assets Under Management and financial conditions.

(Note 2) Under the rules of The Investment Trusts Association, closed-end investment corporations are allowed to conduct distribution in excess of earnings up to an amount equivalent to 60/100 of the depreciation recorded on the last day of the accounting period.

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(5) Statement of Cash Flows

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
<b>Cash flows from operating activities</b>		
Income before income taxes	944,576	918,896
Depreciation	445,039	451,333
Loss on tax purpose reduction entry of non-current assets	3,552	—
Amortization of investment corporation bond issuance costs	—	1,040
Borrowing expenses	57,421	54,314
Amortization of investment unit issuance expenses	11,406	6,424
Interest income	(7)	(10)
Interest on tax refund	(358)	—
Interest expenses	91,794	93,889
Decrease (increase) in operating accounts receivable	16	—
Decrease (increase) in consumption taxes refund receivable	179,416	—
Decrease (increase) in prepaid expenses	9,026	(15,677)
Increase (decrease) in operating accounts payable	28,581	(27,243)
Increase (decrease) in accounts payable - other	89	(7,823)
Increase (decrease) in accrued consumption taxes	25,721	(7,362)
Increase (decrease) in accrued expenses	65,448	(2,882)
Increase (decrease) in advances received	(144)	8,570
Decrease (increase) in long-term prepaid expenses	121	(60,450)
Increase (decrease) in deposits received	—	337
Other, net	(1,575)	244
Subtotal	1,860,125	1,413,602
Interest income received	7	10
Interest on tax refund received	358	—
Interest expenses paid	(91,934)	(93,914)
Income taxes paid	(968)	(814)
Net cash provided by (used in) operating activities	1,767,588	1,318,884
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment in trust	(231,418)	(1,625,282)
Proceeds from tenant leasehold and security deposits	—	71,500
Net cash provided by (used in) investing activities	(231,418)	(1,553,782)
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans payable	—	700,000
Repayments of short-term loans payable	(1,000,000)	—
Proceeds from long-term loans payable	5,700,000	—
Repayments of long-term loans payable	(6,700,000)	—
Borrowing expenses	(92,296)	(2,118)
Proceeds from issuance of investment corporation bonds	1,985,443	—
Dividends paid	(1,130,878)	(1,031,781)
Net cash provided by (used in) financing activities	(1,237,730)	(333,900)
Net increase (decrease) in cash and cash equivalents	298,439	(568,798)
Cash and cash equivalents at beginning of period	1,962,162	2,260,601
Cash and cash equivalents at end of period	*1 2,260,601	*1 1,691,803

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

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows:</p> <table border="0"> <tr> <td>Buildings in trust</td> <td>5-69 years</td> </tr> <tr> <td>Structures in trust</td> <td>10-53 years</td> </tr> <tr> <td>Machine and device in trust</td> <td>10 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td>6-15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p>	Buildings in trust	5-69 years	Structures in trust	10-53 years	Machine and device in trust	10 years	Tools, furniture and fixtures in trust	6-15 years
Buildings in trust	5-69 years								
Structures in trust	10-53 years								
Machine and device in trust	10 years								
Tools, furniture and fixtures in trust	6-15 years								
2. Accounting for deferred assets	<p>(1) Investment unit issuance expenses Depreciated evenly over 3 years.</p> <p>(2) Investment corporation bond issuance costs Amortized using the straight-line method over the period up to redemption.</p>								
3. Standards for revenue and expense recognition	<p>Accounting for fixed asset taxes For property tax, city planning tax, depreciable asset tax, etc. on real estate, etc. owned, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to rent business.</p> <p>In connection with the acquisition of real estate including trust beneficiary interests in real estate, the amount equivalent to property tax, etc. for the initial fiscal year, which was settled with the seller, is not recorded as expenses but included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property tax, etc. included in the cost of acquisition of real estate, etc. was none for the previous fiscal period and 2,893 thousand yen for the current fiscal period.</p>								
4. Method of hedge accounting	<p>(1) Hedge accounting approach Deferred hedge accounting. Special treatment is applied for interest rate swap transactions that satisfy the requirements for special treatment.</p> <p>(2) Hedging instruments and hedge items Hedging method: Interest rate swap transaction Hedge items: Interest on loans</p> <p>(3) Hedging policy HCM conducts interest rate swap transactions for hedging risks provided in its Articles of Incorporation, pursuant to the risk management basic policy.</p> <p>(4) Method of assessing hedge effectiveness Hedge effectiveness is assessed by comparing the cumulative fluctuation of cash flows for hedging instruments and the cumulative fluctuation of cash flows for hedge items and confirming the ratio of both fluctuations. However, the assessment of hedge effectiveness for interest rate swap transactions that satisfy the requirements for special treatment is omitted.</p>								
5. Cash and cash equivalents as stated in the statement of cash flows	<p>Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.</p>								

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

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

Previous fiscal period (from August 1, 2019, to January 31, 2020)

1. Reasons, related assets and amounts of reserve

Due to arising of deferred losses on hedges (net asset deduction items) at the end of the current fiscal period from assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 2,488 thousand yen of reserve for temporary difference adjustments is recorded.

2. Method of reversal

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

Current fiscal period (from February 1, 2020, to July 31, 2020)

1. Reasons, related assets and amounts of reserve

Due to arising of deferred losses on hedges (net asset deduction items) at the end of the current fiscal period from assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 7,153 thousand yen of reserve for temporary difference adjustments is recorded.

2. Method of reversal

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

(8) Notes on Financial Statements

[Notes on Balance Sheet]

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

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2020)	Current fiscal period (As of Jul. 31, 2020)
Buildings in trust	10,041	10,041

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

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2020)	Current fiscal period (As of Jul. 31, 2020)
	50,000	50,000

\*3 Reserve for temporary difference adjustments

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Reasons, related assets and amounts of reserve

(Unit: thousands of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of current period	Reserved amount in current period	Reversed amount in current period	Balance at end of current period	Reason for reversal
Deferred gains or losses on hedges	Valuation loss on interest rate swap	25,683	25,683	11,818	—	37,501	—
	Total	25,683	25,683	11,818	—	37,501	—

Method of reversal

(1) Deferred gains or losses on hedges

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

Current fiscal period (from February 1, 2020, to July 31, 2020)

1. Reasons, related assets and amounts of reserve

(Unit: thousands of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of current period	Reserved amount in current period	Reversed amount in current period	Balance at end of current period	Reason for reversal
Deferred gains or losses on hedges	Valuation loss on interest rate swap	25,683	37,501	2,488	—	39,989	—
	Total	25,683	37,501	2,488	—	39,989	—

Method of reversal

(1) Deferred gains or losses on hedges

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

[Notes on Statement of Income]

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

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
A. Operating revenue from real estate leasing		
Revenue related to rent business		
Rent revenue	2,004,334	2,015,035
Other revenue related to rent business		
Other revenue	8,939	8,783
Total operating revenue from real estate leasing	2,013,274	2,023,819
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Property tax	90,736	139,701
Outsourcing expenses	28,112	27,850
Repair expenses	16,244	12,141
Insurance expenses	7,500	7,495
Depreciation	443,930	450,881
Other expenses related to rent business	14,607	14,341
Total operating expenses from real estate leasing	601,131	652,411
C. Operating income (loss) from real estate leasing [A-B]	1,412,142	1,371,407

\*2 Breakdown of Subsidy income

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Subsidy income is from Subsidies for countermeasures to control carbon dioxide emissions project etc. in fiscal 2019.

Current fiscal period (from February 1, 2020, to July 31, 2020)

Not applicable.

\*3 Loss on reduction of non-current assets is the value directly deducted from acquired value, due to the acceptance of subsidies. The breakdown is as follows.

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Buildings in trust	3,552	—

[Notes on Statement of Unitholders' Equity]

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

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	311,001 units	311,001 units

[Notes on Statement of Cash Flows]

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

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Cash and deposits	2,160,660	1,624,242
Cash and deposits in trust	177,603	145,223
Restricted deposits in trust (Note)	(77,662)	(77,662)
Cash and cash equivalents	2,260,601	1,691,803

(Note) Restricted deposits in trust refer to deposits in trust reserved for such purposes as refund of leasehold received from tenants.

[Notes on Operating Leases Transactions]

Non-cancellable operating leases (as lessor)

(Unit: thousands of yen)

	Previous fiscal period As of Jan. 31, 2020	Current fiscal period As of Jul. 31, 2020
Not later than 1 year	3,264,668	3,216,135
Later than 1 year	14,886,618	13,278,550
Total	18,151,286	16,494,686

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

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

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

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

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

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

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

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

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



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

The fair value of financial instruments, aside from values based on market price, includes values based on reasonable calculation when no market price is available. Certain assumptions are adopted in the calculation of the concerned values. Accordingly, there may be cases where the concerned values will differ when different assumptions are adopted.

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

Carrying amount, fair value and difference between the two were as follows. The financial instruments whose fair values are deemed extremely difficult to determine are excluded from the table below. (Please refer to (Note 2).)

Previous fiscal period (from August 1, 2019, to January 31, 2020)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	2,160,660	2,160,660	—
(2) Cash and deposits in trust	177,603	177,603	—
Total assets	2,338,264	2,338,264	—
(4) Current portion of long-term loans payable	3,000,000	2,999,749	(250)
(5) Investment corporation bonds	2,000,000	2,007,000	7,000
(6) Long-term loans payable	27,450,000	27,460,717	10,717
Total liabilities	32,450,000	32,467,467	17,467
(7) Derivative transactions	(40,097)	(40,097)	—

Current fiscal period (from February 1, 2020, to July 31, 2020)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,624,242	1,624,242	—
(2) Cash and deposits in trust	145,223	145,223	—
Total assets	1,769,465	1,769,465	—
(3) Short-term loans payable	700,000	700,000	—
(4) Current portion of long-term loans payable	3,000,000	3,001,457	1,457
(5) Investment corporation bonds	2,000,000	1,997,200	(2,800)
(6) Long-term loans payable	27,450,000	27,465,497	15,497
Total liabilities	33,150,000	33,164,154	14,154
(7) Derivative transactions	(47,336)	(47,336)	—

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

(1) Cash and deposits; (2) Cash and deposits in trust; (3) Short-term loans payable

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at that book value.

(4) Current portion of long-term loans payable; (6) Long-term loans payable

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

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

(5) Investment corporation bonds

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

(7) Derivative transactions

Please refer to “Notes on Derivative Transactions” below.

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult.

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2020)	Current fiscal period (As of Jul. 31, 2020)
Tenant leasehold and security deposits	1,734,009	1,805,509
Tenant leasehold and security deposits in trust	86,766	86,766

Tenant leasehold and security deposits and Tenant leasehold and security deposits in trust are not subject to valuation at fair value, because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and difficulty of calculating the actual deposit period from when lessees move in to when they move out.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the account closing date

Previous fiscal period (As of January 31, 2020)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	2,160,660
Cash and deposits in trust	177,603
Total	2,338,264

Current fiscal period (As of July 31, 2020)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	1,624,242
Cash and deposits in trust	145,223
Total	1,769,465

(Note 4) Amount of repayment of loans and other interest-bearing liabilities scheduled to be due after the account closing date

Previous fiscal period (As of January 31, 2020)

(Unit: thousands of yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	—	—	—	—	—	2,000,000
Long-term loans payable	3,000,000	7,000,000	9,250,000	6,750,000	4,450,000	—
Total	3,000,000	7,000,000	9,250,000	6,750,000	4,450,000	2,000,000

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Current fiscal period (As of July 31, 2020)

(Unit: thousands of yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Investment corporation bonds	—	—	—	—	—	2,000,000
Short-term loans payable	700,000	—	—	—	—	—
Long-term loans payable	3,000,000	7,000,000	9,250,000	6,750,000	4,450,000	—
Total	3,700,000	7,000,000	9,250,000	6,750,000	4,450,000	2,000,000

[Notes on Securities]

Previous fiscal period (As of January 31, 2020)

Not applicable.

Current fiscal period (As of July 31, 2020)

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

Previous fiscal period (As of January 31, 2020)

Not applicable.

Current fiscal period (As of July 31, 2020)

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 January 31, 2020)

(Unit: thousands of yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Due after one year		
Principle accounting method	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	18,200,000	18,200,000	(40,097)	Based on the price presented by correspondent financial institutions
Special treatment for interest rate swaps	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	1,000,000	1,000,000	(Note)	—
Total			19,200,000	19,200,000	(40,097)	—

(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 market value in "(6) Long-term loans payable" in "[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instruments" above.

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Current fiscal period (As of July 31, 2020)					(Unit: thousands of yen)	
Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Calculation method for the fair value
				Due after one year		
Principle accounting method	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	18,200,000	18,200,000	(47,336)	Based on the price presented by correspondent financial institutions
Special treatment for interest rate swaps	Interest rate swap transaction Floating receivable; fixed payable	Long-term loans payable	1,000,000	1,000,000	(Note)	—
Total			19,200,000	19,200,000	(47,336)	—

(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 market value in “(6) Long-term loans payable” in “[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instruments” above.

[Notes on Retirement Benefits]

Previous fiscal period (As of January 31, 2020)

Not applicable.

Current fiscal period (As of July 31, 2020)

Not applicable.

[Notes on Tax-Effect Accounting]

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

(Unit: thousands of yen)

	Previous fiscal period As of Jan. 31, 2020	Current fiscal period As of Jul. 31, 2020
Deferred tax assets		
Non-deductible accrued enterprise tax	10	17
Deferred gains or losses on hedges	12,614	14,891
Subtotal deferred tax assets	12,624	14,909
Valuation allowance	(12,614)	(14,891)
Total deferred tax assets	10	17
Net deferred tax assets (liabilities)	10	17

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

(unit:%)

	Previous fiscal period As of Jan. 31, 2020	Current fiscal period As of Jul. 31, 2020
Statutory tax rate	31.51	31.46
[Adjustments]		
Deductible distributions payable	(31.49)	(31.42)
Other	0.07	0.06
Effective income tax rate after application of tax-effect accounting	0.09	0.10

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

Previous fiscal period (As of January 31, 2020)

Not applicable.

Current fiscal period (As of July 31, 2020)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Not applicable.

Current fiscal period (from February 1, 2020, to July 31, 2020)

Not applicable.

2. Affiliated company, etc.

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Not applicable.

Current fiscal period (from February 1, 2020, to July 31, 2020)

Not applicable.

3. Fellow subsidiary, etc.

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Not applicable.

Current fiscal period (from February 1, 2020, to July 31, 2020)

Not applicable.

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4. Director, major individual unitholder, etc.

Previous fiscal period (from August 1, 2019, to January 31, 2020)

Classification	Name of entity or person	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) HCM (%)	Relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of director's position, etc.	Business relationship				
Director, or close relative of director	Seiji Yoshioka	—	—	Executive Director of HCM and President & CEO of the Asset Management Company	0.0		Executive Director of HCM and President & CEO of the Asset Management Company	Payment of asset management fee to the Asset Management Company	200,660 (Note)	Accrued expenses	219,585

Of the amounts above, the transaction amount does not include consumption taxes.

(Note) Terms and conditions of transactions and decision-making approach to such, etc.

1. Terms and conditions of transactions are decided taking into account the actual market value.
2. The transaction is one that was conducted by Seiji Yoshioka as President and CEO of a third party (Healthcare Asset Management Co., Ltd.), and the amount of the asset management fee is based on the terms and conditions provided in the Articles of Incorporation of HCM.

Current fiscal period (from February 1, 2020, to July 31, 2020)

Classification	Name of entity or person	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) HCM (%)	Relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of director's position, etc.	Business relationship				
Director, or close relative of director	Seiji Yoshioka	—	—	Executive Director of HCM and President & CEO of the Asset Management Company	0.0		Executive Director of HCM and President & CEO of the Asset Management Company	Payment of asset management fee to the Asset Management Company	204,402 (Note 1) (Note 2)	Accrued expenses	216,625

Of the amounts above, the transaction amount does not include consumption taxes.

(Note 1) The transaction amount for the payment of asset management fee to the Asset Management Company under "Description of transaction" includes the property acquisition incentive portion included in the book value of individual real estate, etc. in the amount of 7,470 thousand yen.

(Note 2) Terms and conditions of transactions and decision-making approach to such, etc.

1. Terms and conditions of transactions are decided taking into account the actual market value.
2. The transaction is one that was conducted by Seiji Yoshioka as President and CEO of a third party (Healthcare Asset Management Co., Ltd.), and the amount of the asset management fee is based on the terms and conditions provided in the Articles of Incorporation of HCM.

[Notes on Asset Retirement Obligations]

Previous fiscal period (As of January 31, 2020)

Not applicable.

Current fiscal period (As of July 31, 2020)

Not applicable.

[Notes on Investment and Rental Properties]

HCM owns healthcare facilities (36 properties in total) primarily in the Three Major Metropolitan Areas and Core Cities. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Carrying amount		
Balance at beginning of period	65,767,434	65,511,620
Amount of increase (decrease) during period	(255,814)	1,184,420
Balance at end of period	65,511,620	66,696,041
Fair value at end of period	70,413,000	71,862,000

(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 decrease is mainly attributable to depreciation (443,930 thousand yen). Out of the amount of increase (decrease) during the current fiscal period, the amount of increase is mainly attributable to acquisitions (1,552,760 thousand yen), comprising property acquisition of Sunny Life Kamakura and acquisition of land of Verde Hotaka, and the amount of decrease is mainly attributable to depreciation (450,881 thousand yen).

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

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

[Notes on Segment Information]

1. Segment information

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

2. Related information

Previous fiscal period (from August 1, 2019, to January 31, 2020)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

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

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Current fiscal period (from February 1, 2020, to July 31, 2020)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

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

[Notes on Per Unit Information]

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Net assets per unit	106,863 yen	106,472 yen
Net income per unit	3,034 yen	2,951 yen

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

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

	Previous fiscal period From: Aug. 1, 2019 To: Jan. 31, 2020	Current fiscal period From: Feb. 1, 2020 To: Jul. 31, 2020
Net income (thousands of yen)	943,755	917,935
Amount not attributable to common unitholders (thousands of yen)	—	—
Net income attributable to common investment units (thousands of yen)	943,755	917,935
Average number of investment units during period (units)	311,001	311,001

[Notes on Significant Subsequent Events]

Not applicable.



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

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

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

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

(Note 2) New investment units were issued through public offering with 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 distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 326 yen per unit as cash distribution for the 8th fiscal period (fiscal period ended January 2019), and started the payout on April 19, 2019.

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

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

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### 3. Reference Information

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

##### ① Investment Status

Asset type	Asset use		Area	Current fiscal period (as of July 31, 2020)		
				Total amount owned (millions of yen) (Note 1)	As a percentage of total assets (%) (Note 2)	
Trust beneficiary interests in real estate	Homes and facilities for the elderly	Paid nursing home	Three Major Metropolitan Areas (Note 3)	41,625	60.5	
			Core Cities (Note 4)	5,170	7.5	
			Other Areas (Note 5)	1,747	2.5	
		Serviced housing for the elderly	Three Major Metropolitan Areas (Note 3)	3,070	4.5	
			Core Cities (Note 4)	—	—	
			Other Areas (Note 5)	—	—	
		Group homes for the elderly with dementia			—	—
	Other facilities for the elderly			—	—	
	Subtotal			51,613	75.0	
	Medical service-related facilities, etc.			Three Major Metropolitan Areas (Note 3)	—	—
				Core Cities (Note 4)	2,072	3.0
				Other Areas (Note 5)	—	—
				Subtotal	2,072	3.0
	Multi-use facilities	Complex of paid nursing homes, medical service related facilities, etc.	Three Major Metropolitan Areas (Note 3)	13,010	18.9	
Core Cities (Note 4)			—	—		
Other Areas (Note 5)			—	—		
Subtotal			13,010	18.9		
Other			—	—		
Total			66,696	96.9		
Deposits and other assets			2,158	3.1		
Total assets			68,854	100.0		

Total liabilities	35,741	51.9
Total net assets	33,112	48.1

(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 Tokyo Metropolitan Area (Tokyo, Kanagawa, Saitama, Chiba Prefectures), Kinki Areas (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 Three Metropolitan Areas. Regional core cities refer to cities with a population of 200,000 or more.

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

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② Investment Assets

(a) Major Investment Securities

Not applicable.

(b) Investment Real Estate Properties

Not applicable.

(c) Other Major Investment Assets

a. Overview of Real Estate in Trust

Overview of trust beneficiary interests in real estate (hereinafter, "real estate in trust") that HCM owns as of July 31, 2020, is as follows.

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

Overview of real estate in trust for the trust beneficiary interests that HCM owns as of July 31, 2020, is as follows.

Type of specified asset	Area	Property name	Acquisition price (millions of yen) (Note 1)	Share of investment (%) (Note 2)	Carrying amount (millions of yen) (Note 3)	Period-end appraisal value (millions of yen) (Note 4)	
Trust beneficiary interests in real estate	Tokyo Metropolitan Area	Bonjour Chitose-funabashi	824	1.2	819	974	
		Bonjour Hino	724	1.1	719	818	
		Bonjour Musashi-shinjo	582	0.9	578	643	
		Medical Rehabilitation Home Bonjour Hadanoshibusawa	728	1.1	711	850	
		ASHEIM Higarigaoka	1,385	2.1	1,404	1,570	
		ASHEIM Bunkyoakusan	1,430	2.2	1,426	1,650	
		SOMPO CARE La vie Re Machidaonaji	3,580	5.4	3,477	3,780	
		SOMPO CARE La vie Re Azamino	3,050	4.6	3,052	3,230	
		GOOD TIME HOME Fudo-mae	1,740	2.6	1,845	1,950	
		Bonjour Yotsugi	824	1.2	826	886	
		Granda Tsuruma-Yamato	1,000	1.5	1,049	1,060	
		Smiling Home Medice Adachi	2,253	3.4	2,322	2,460	
		Hanakotoba Minami	1,071	1.6	1,097	1,190	
		Hanakotoba Miura	615	0.9	648	665	
		SOMPO CARE La vie Re Hama-Kawasaki	1,710	2.6	1,742	1,820	
		Hanakotoba Shin-Yokohama	2,071	3.1	2,126	2,230	
		Hanakotoba Shin-Yokohama II	375	0.6	384	401	
		Hanakotoba Odawara	880	1.3	906	948	
		Sunny Life Kita-Shinagawa	1,825	2.8	1,873	1,950	
		Sunny Life Kamakura	1,418	2.1	1,508	1,550	
	Subtotal		28,085	42.3	28,523	30,625	
		Kinki Area	AQUAMARINE Nishinomiyahama	1,950	2.9	1,942	2,140
			SOMPO CARE Sompo no ie Awajiekimae	1,930	2.9	1,890	2,170
			SOMPO CARE Sompo no ie Kobekamisawa	1,200	1.8	1,180	1,340
			Medical Home Bonjour Itami	514	0.8	509	557
			Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	4,320	6.5	4,272	4,420
			GreenLife Moriguchi	4,150	6.3	4,186	4,400
			Hapine Kobe Uozaki Nibankan	930	1.4	938	995
	SHIP Senri Building		12,920	19.5	13,010	14,200	
	Subtotal	27,914	42.1	27,930	30,222		

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Trust beneficiary interests in real estate	Chubu Area	Medical Rehabilitation Home Bonsejour Komaki	1,270	1.9	1,251	1,450
		Subtotal	1,270	1.9	1,251	1,450
	Core Cities	SAWAYAKA Tachibanakan	1,520	2.3	1,411	1,530
		SAWAYAKA Mekarikan	1,380	2.1	1,292	1,400
		AIKOEN ICHIBANKAN Building	770	1.2	781	865
		Verde Minowa	1,620	2.4	1,685	1,700
		Niigata Rehabilitation Hospital	2,060	3.1	2,072	2,260
		Subtotal	7,350	11.1	7,242	7,755
	Other Areas	SAWAYAKA Tagawakan	390	0.6	380	380
		Verde Hotaka	1,328	2.0	1,367	1,430
		Subtotal	1,718	2.6	1,747	1,810
	Total (36 properties)			66,337	100.0	66,696

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

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

(Note 3) "Carrying amount" indicates book value after depreciation and amortization as of July 31, 2020.

(Note 4) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of July 31, 2020, prepared by real estate appraisers of Japan Real Estate Institute, The Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

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(ii) Buildings and leasing status

The annual rent and tenant leasehold and security deposits of each property are not disclosed as consent from the tenants has not been obtained. The total annual rent from real estate in trust owned by HCM as of July 31, 2020, is 4,188 million yen (Note).

(Note) The amount is obtained by multiplying total of monthly rent in lease agreements effective as of July 31, 2020, by 12 (including tax, etc.), and is rounded down to the nearest million yen.

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

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Property number	Property name	Structure/ No. of floors (Note 1)	Construction completion (Note 2)	leasable area (m <sup>2</sup> ) (Note 3)	Leased area (m <sup>2</sup> ) (Note 4)	No. of tenants (companies) (Note 5)	Occupancy rate (%) (Note 6)
Paid nursing home-30	Verde Hotaka	①S SRC/5F ②S/2F	① Sep. 29, 1982 ② Jul. 1, 1989	6,352.86	6,352.86	1	100.0
Paid nursing home-31	Sunny Life Kita-Shinagawa	S/3F	Sep. 20, 2018	2,135.54	2,135.54	1	100.0
Paid nursing home-32	Sunny Life Kamakura	S/5F	Sep. 19, 2014	3,817.91	3,817.91	1	100.0
Serviced housing for the elderly -1	SOMPO CARE Sompō no ie Awajiekimae	RC/12F	Jun. 12, 2009	5,745.15	5,745.15	1	100.0
Serviced housing for the elderly -2	SOMPO CARE Sompō no ie Kobekamisawa	S/9F	Jun. 11, 2009	4,058.35	4,058.35	1	100.0
Medical service-related facilities-1	Niigata Rehabilitation Hospital	①RC/3F ②S/5F	① Apr. 20, 1990 ② Feb. 28, 2001	13,476.55	13,476.55	1	100.0
Complex of paid nursing homes, medical service related facilities, etc.-1	SHIP Senri Building	RC/B1 11F	Sep. 5, 2008	24,813.85	24,813.85	1	100.0
Total		—	—	186,358.75	186,358.75	46	100.0

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

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

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

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

(Note 5) "No. of tenants" indicates the number of tenants of each building based on the lease agreements. For the section of healthcare facilities in which the trustee of each owned asset and HCM conclude a lease agreement (master lease agreement) with an aim to have HCM sublease to the master lease company (section of paid nursing home 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 6) "Occupancy rate" indicates the leased area as a percentage of the leasable area of each owned asset as of July 31, 2020, and is rounded to one decimal place.

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(iii) Overview of Homes and Facilities for the Elderly

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

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Property number	Property name	Type of facility	Operator	No. of rooms (rooms) (Note 1)	Capacity (persons) (Note 1)	No. of residents (persons) (Note 1)	Occupancy rate (%) (Note 2)	Preparation date of Property Disclosure Statement of Important Matters (Note 3)
home-30								
Paid nursing home-31	Sunny Life Kita-Shinagawa	Paid nursing home	Kawashima Corporation	66	66	58	87.9	October 1, 2019
Paid nursing home-32	Sunny Life Kamakura	Residential type paid nursing home	Kawashima Corporation	128	128	126	98.4	October 1, 2019
Serviced housing for the elderly -1	SOMPO CARE Sompo no ie Awajiekimae	Serviced housing for the elderly	Sompo Care Inc.	137	137	132	96.4	June 1, 2020
Serviced housing for the elderly -2	SOMPO CARE Sompo no ie Kobekamisawa	Serviced housing for the elderly	Sompo Care Inc.	85	85	75	88.2	June 1, 2020
Complex of paid nursing homes, medical service related facilities, etc.-1	SHIP Senri Building (Note 4)	Hospital, paid nursing home with nursing home	GREEN LIFE Co., Ltd.	181	200	200	100.0	July 1, 2020
Total		-	-	3,199	3,456	3,201	92.6	-

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

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

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

(Note 4) SHIP Senri Building is a property with a hospital and paid nursing home, and the above table indicates figures for the paid nursing home.



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(iv) Overview of Medical Service-Related Facilities, etc.

Property number	Medical service-related facilities-1		
Property name	Niigata Rehabilitation Hospital		
Operator	Medical Corporation AIKOKAI	Date of establishment	June 1990 (established as Oyama Hospital, the precursor)
Type of facility	Hospital	Authorized number of beds	168 beds (general beds: 108 beds/convalescent-stage beds: 60 beds)
Subject of medical treatment	Rehabilitation, orthopedic surgery, internal medicine, neurology, dental & dental and oral surgery	Facility certification	Training facilities certified by the Japanese Association of Rehabilitation Medicine Training facility certified by Japan Society of Ultrasonics in Medicine specialists
Facility criteria (Hospitalization fee)	2nd floor (48 beds) Hospitalization fee of hospital ward for comprehensive community care 1 3rd floor (60 beds) Basic hospitalization fee for general hospital ward (local general hospitalization fee 1) Medical management fee for comprehensive community care 1 4th floor (60 beds) Hospitalization fee of hospital ward for rehabilitation at recovery stage 1		
External evaluation	Hospital certified by Japan Council for Quality Health Care. (Certification number: JC1424-3) 3rdG:Ver.1.1 Added function Rehabilitation function (Certification number: JC1424-R2) Ver.3.0		

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

(Note) SHIP Senri Building is a property with a hospital and paid nursing home, and the above table describes facility overview for the hospital.

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(v) Earnings Performance

(Unit: thousands of yen)

Property name	Current fiscal period (from February 1, 2020, to July 31, 2020)									
	Real estate lease business revenue		Real estate lease business expenses							NOI (Note 3)
	Rent revenue	Other revenue	Property tax	Outsourcing expenses	Repair expenses	Insurance expenses	Depreciation	Other		
AQUAMARINE Nishinomiya			23,803	4,264	2,100	1,220	200	15,616	400	59,156
Bonjour Chitose-funabashi			5,575	1,794	224	-	101	3,048	404	21,448
Bonjour Hino			5,062	1,240	214	-	77	3,130	400	19,520
Bonjour Musashi-shinjo			4,096	1,012	167	-	68	2,447	400	16,224
Medical Rehabilitation Home Bonjour Hadanoshibusawa			8,391	1,820	213	-	139	5,817	400	21,164
Medical Rehabilitation Home Bonjour Komaki			14,115	4,565	201	-	321	8,627	400	39,755
ASHEIM Hikarigaoka			15,614	3,825	381	1,392	147	9,467	400	39,789
ASHEIM Bunkyo			12,145	2,621	381	-	115	8,626	400	38,668
SOMPO CARE La vie Re Machidaonji			45,723	5,905	780	1,062	347	37,229	400	96,505
SOMPO CARE La vie Re Azamino			32,672	4,742	780	142	252	26,355	400	78,882
SAWAYAKA Tachibanakan			26,429	2,655	1,140	-	320	21,913	400	47,338
SAWAYAKA Mekarikan		Not disclosed (Note 2)	25,778	2,970	1,140	-	229	21,039	400	43,494
SAWAYAKA Tagawakan			8,385	1,108	1,140	-	101	5,635	400	12,933
GOOD TIME HOME Fudo-mae			14,469	3,099	600	778	161	9,429	400	45,960
Bonjour Yotsugi			4,947	970	223	-	66	3,286	400	20,761
Medical Home Bonjour Itami			6,509	1,377	371	-	101	4,260	400	14,020
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)			51,138	9,577	900	-	523	39,737	400	114,098
GreenLife Moriguchi			35,285	6,937	1,363	2,088	343	24,152	400	108,866
Hapine Kobe Uozaki Nibankan			9,546	1,400	1,200	-	81	6,464	400	24,417
Granda Tsuruma-Yamato			7,285	1,938	618	-	137	4,191	400	27,156
Smiling Home Medice Adachi			14,608	3,229	540	260	160	10,019	400	60,618
AIKOEN ICHIBANKAN Building			9,372	2,560	780	900	102	4,630	400	21,918
Hanakotoba Minami			6,727	1,541	600	120	71	3,994	400	27,866
Hanakotoba Miura			6,772	1,541	600	-	81	4,150	400	17,777

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Property name	Current fiscal period (from February 1, 2020, to July 31, 2020)										
	Real estate lease business revenue			Real estate lease business expenses							NOI (Note 3)
	Rent revenue	Other revenue		Property tax	Outsourcing expenses	Repair expenses	Insurance expenses	Depreciation	Other		
SOMPO CARE La vie Re Hama-Kawasaki			18,662	3,416	2,770	680	186	11,207	400	44,904	
Hanakotoba Shin-Yokohama			16,049	4,388	900	1,717	225	8,418	400	54,281	
Hanakotoba Shin-Yokohama II			5,436	2,499	600	-	83	1,853	400	11,230	
Hanakotoba Odawara			8,054	1,356	600	325	89	5,282	400	24,851	
Verde Minowa			25,481	5,256	1,020	319	460	18,025	400	56,452	
Verde Hotaka			23,954	2,222	1,020	180	225	19,743	563	45,894	
Sunny Life Kita-Shinagawa			10,318	2,944	600	-	108	6,265	400	45,446	
Sunny Life Kamakura			3,113	-	128	-	29	2,883	72	7,406	
SOMPO CARE Sampo no ie Awajiekimae			27,014	4,921	510	-	248	20,934	400	58,378	
SOMPO CARE Sampo no ie Kobekamisawa			17,545	2,908	510	955	163	12,608	400	35,353	
Niigata Rehabilitation Hospital			26,829	9,849	1,030	-	350	15,099	500	78,149	
SHIP Senri Building			75,492	27,236	1,500	-	1,069	45,286	400	341,595	
Total	2,023,819	2,015,035	8,783	652,411	139,701	27,850	12,141	7,495	450,881	14,341	1,822,288

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

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

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

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(vi) Summary of Appraisal Report

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

The following is a summary of the appraisal report for each real estate in trust acquired by HCM with July 31, 2020, as the appraisal date. The real estate appraisal report only states judgments and opinions of the appraiser as of a specific point in time and does not guarantee the appropriateness, accuracy and feasibility of transactions at the presented appraisal value. Rich Appraisal Institute Co., Ltd., The Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., which appraised the properties, have no special interest in HCM.

Property number	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)						Appraisal NOI yield (%) (Note 4)
				Direct capitalization method		DCF method			Appraisal NOI (millions of yen) (Note 3)	
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate		
Paid nursing home-1	AQUAMARINE Nishinomiya-hama	Rich Appraisal Institute Co., Ltd.	2,140	2,160	5.3	2,130	5.0	5.5	119	6.1
Paid nursing home-2	Bonjour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	993	4.4	966	4.5	4.6	49	5.9
Paid nursing home-3	Bonjour Hino	The Tanizawa Sogo Appraisal Co., Ltd.	818	832	4.8	812	4.9	5.0	43	6.0
Paid nursing home-4	Bonjour Musashi-shinjo	The Tanizawa Sogo Appraisal Co., Ltd.	643	653	5.1	638	5.2	5.3	36	6.2
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	The Tanizawa Sogo Appraisal Co., Ltd.	850	864	5.0	844	5.1	5.2	47	6.4
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	The Tanizawa Sogo Appraisal Co., Ltd.	1,450	1,460	5.5	1,440	5.6	5.7	92	7.3
Paid nursing home-7	ASHEIM Hikarigaoka	Japan Real Estate Institute	1,570	1,580	4.8	1,560	4.6	5.0	76	5.5
Paid nursing home-8	ASHEIM Bunkyo-hakusan	Japan Real Estate Institute	1,650	1,660	4.4	1,630	4.2	4.6	74	5.1
Paid nursing home-9	SOMPO CARE La vie Re Machida-onoji	Japan Real Estate Institute	3,780	3,820	4.9	3,740	4.7	5.1	193	5.3
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Japan Real Estate Institute	3,230	3,270	4.6	3,190	4.4	4.8	156	5.1
Paid nursing home-11	SAWAYAKA Tachibanakan	Japan Real Estate Institute	1,530	1,540	5.6	1,510	5.4	5.8	93	6.1
Paid nursing home-12	SAWAYAKA Mekarikan	Japan Real Estate Institute	1,400	1,410	5.7	1,390	5.5	5.9	85	6.2
Paid nursing home-13	SAWAYAKA Tagawakan	Japan Real Estate Institute	380	382	5.8	377	5.6	6.0	25	6.4
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Japan Real Estate Institute	1,950	1,970	4.4	1,920	4.2	4.6	91	5.2

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Property number	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)					Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
				Direct capitalization method		DCF method				
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate		
Paid nursing home-15	Bonsejour Yotsugi	The Tanizawa Sogo Appraisal Co., Ltd.	886	902	4.7	879	4.8	4.9	48	5.8
Paid nursing home-16	Medical Home Bonsejour Itami	The Tanizawa Sogo Appraisal Co., Ltd.	557	566	5.1	553	5.2	5.3	36	7.1
Paid nursing home-17	Kobe Gakuentoshi Building	Daiwa Real Estate Appraisal Co., Ltd.	4,420	4,470	4.7	4,400	4.5	4.9	225	5.2
Paid nursing home-18	GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,400	4,460	4.6	4,380	4.4	4.8	220	5.3
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	995	1,010	4.6	989	4.4	4.8	48	5.2
Paid nursing home-20	Granda Tsuruma-Yamato	The Tanizawa Sogo Appraisal Co., Ltd.	1,060	1,070	4.7	1,050	4.8	4.9	53	5.3
Paid nursing home-21	Smiling Home Medice Adachi	The Tanizawa Sogo Appraisal Co., Ltd.	2,460	2,490	4.7	2,450	4.8	4.9	120	5.3
Paid nursing home-22	AIKOEN ICHIBANKAN Building	The Tanizawa Sogo Appraisal Co., Ltd.	865	866	5.2	864	5.3	5.4	45	5.9
Paid nursing home-23	Hanakotoba Minami	Japan Real Estate Institute	1,190	1,200	4.6	1,170	4.4	4.8	56	5.2
Paid nursing home-24	Hanakotoba Miura	The Tanizawa Sogo Appraisal Co., Ltd.	665	671	4.9	662	5.0	5.1	35	5.7
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	JLL Morii Valuation & Advisory K.K.	1,820	1,850	4.6	1,780	4.4	4.8	90	5.2
Paid nursing home-26	Hanakotoba Shin-Yokohama	Japan Real Estate Institute	2,230	2,260	4.5	2,200	4.3	4.7	109	5.2
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Japan Real Estate Institute	401	403	4.8	399	4.6	5.0	22	5.8
Paid nursing home-28	Hanakotoba Odawara	The Tanizawa Sogo Appraisal Co., Ltd.	948	960	4.9	943	4.8 - 5.0	5.1	49	5.6
Paid nursing home-29	Verde Minowa	Daiwa Real Estate Appraisal Co., Ltd.	1,700	1,710	5.0	1,690	4.8	5.2	109	6.7
Paid nursing home-30	Verde Hotaka	Daiwa Real Estate Appraisal Co., Ltd.	1,430	1,440	5.4	1,420	5.2	5.6	91	6.9
Paid nursing home-31	Sunny Life Kita-Shinagawa	Daiwa Real Estate Appraisal Co., Ltd.	1,950	1,980	4.5	1,930	4.3	4.7	90	4.9

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

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

(Note 2) "Discount rate" represents a yield used to discount net cash flow during an analysis period and terminal value at the end of an analysis period back to present value, and figures used by respective appraisal organizations are shown. For Hanakotoba Odawara, the rate is 4.8% for fiscal 2019 to fiscal 2021 and 5.0% for fiscal 2022 onward; and for SHIP Senri Building, the rate is 4.5% for fiscal 2019 to fiscal 2021 and 4.6% for fiscal 2022 onward.

(Note 3) "Appraisal NOI" indicates net operating income obtained by direct capitalization method stated in real estate appraisal report with July 31, 2020, as the appraisal date and is rounded down to the nearest million yen. In addition, NOI is revenue before deducting depreciation and differs from NCF (net cash flow), which is the amount calculated by adding the gain on investment from security deposits, etc. to NOI and deducting capital expenditures. The same shall apply hereinafter in this document.

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

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(vii) Information of Major Tenants

“Major tenants” refers to tenants whose leased areas occupy 10% or more of total leased area of the entire portfolio at the end of the current fiscal period (on July 31, 2020). The annual rent and tenant leasehold and security deposits of each property are not disclosed as consent from the tenants has not been obtained.

Tenant name	Property name	Leased area (m <sup>2</sup> ) (Note 1)	Share (%) (Note 2)	Contract expiration date (Note 3)	Contract renewal method, etc. (Note 4)
GREEN LIFE Co., Ltd.	AQUAMARINE Nishinomiyahama	5,189.42	2.8	May 31, 2037	Cancellation not allowed through to the end of the contract
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	12,636.48	6.8	March 28, 2041	Cancellation allowed if requested 1 year prior or earlier.
	GreenLife Moriguchi	8,356.85	4.5	October 19, 2039	Cancellation allowed if requested 6 months prior or earlier.
	Hapine Kobe Uozaki Nibankan	1,772.89	1.0	March 28, 2041	Cancellation allowed if requested 1 year prior or earlier.
	Total	27,955.64	15.0	—	—
Sompo Care Inc.	SOMPO CARE La vie Re Machidaonaji	7,720.17	4.1	October 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Azamino	5,789.25	3.1	June 27, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Hama-Kawasaki	2,535.29	1.4	December 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE Sompo no ie Awajiekimae	5,745.15	3.1	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	SOMPO CARE Sompo no ie Kobekamisawa	4,058.35	2.2	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	Total	25,848.21	13.9	—	—
Benesse Style Care Co., Ltd.	Bonsejour Chitose-funabashi	2,342.17	1.3	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonsejour Hino	1,984.17	1.1	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonsejour Musashi-shinjo	1,710.43	0.9	November 23, 2026	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonsejour Hadanoshibusawa	3,435.79	1.8	May 21, 2027	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonsejour Komaki	8,858.49	4.8	May 21, 2027	Cancellation not allowed through to the end of the contract
	Bonsejour Yotsugi	1,962.89	1.1	January 5, 2026	Cancellation not allowed through to the end of the contract
	Medical Home Bonsejour Itami	2,129.87	1.1	May 21, 2027	Cancellation not allowed through to the end of the contract
	Granda Tsuruma-Yamato	3,427.08	1.8	March 31, 2022	Cancellation allowed if requested 6 months prior or earlier.
	Total	25,850.89	13.9	—	—

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Tenant name	Property name	Leased area (m <sup>2</sup> ) (Note 1)	Share (%) (Note 2)	Contract expiration date (Note 3)	Contract renewal method, etc. (Note 4)
Ship Healthcare Estate Inc.	SHIP Senri Building	24,813.85	13.3	October 27, 2038	Midterm cancellation not allowed for 15 years from the start date of leasing.
	Total	24,813.85	13.3	—	—

(Note 1) "Leased area" indicates the area stated in lease agreements concluded with each tenant as of July 31, 2020. When a master lease agreement has been concluded, the area for which a lease agreement has been concluded with end tenants and actually leased is shown for properties for which a pass-through master lease agreement under which rent from end tenants is received as is, in principle, is concluded.

(Note 2) "Share" indicates the area of each property leased to its major tenants as a percentage of the total leased area of the properties owned by HCM as of July 31, 2020, and is rounded to one decimal place.

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

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

(viii) Portfolio Overview (Portfolio Diversification)

(a) By Type

Classification	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen) (Note 1)	Share (%) (Note 2)
Paid nursing home	32	48,227	51,892	72.7
Serviced housing for the elderly	2	3,130	3,510	4.7
Medical service-related facilities, etc.	1	2,060	2,260	3.1
Complex of paid nursing homes, medical service related facilities, etc.	1	12,920	14,200	19.5
Total	36	66,337	71,862	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of July 31, 2020, prepared by real estate appraisers of Japan Real Estate Institute, The Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan. The same shall apply hereinafter.

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

(b) By Area

Classification/region	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
Three Major Metropolitan Areas	29	57,269	62,297	86.3
Tokyo Metropolitan Area	20	28,085	30,625	42.3
Kinki Area	8	27,914	30,222	42.1
Chubu Area	1	1,270	1,450	1.9
Core Cities	5	7,350	7,755	11.1
Other Areas	2	1,718	1,810	2.6
Total	36	66,337	71,862	100.0



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(c) By the Number of Rooms

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

Number of rooms	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
100 rooms or more	12	26,985	28,740	52.5
50 rooms or more, but less than 100 rooms	18	21,661	23,649	42.2
Less than 50 rooms	4	2,711	3,013	5.3
Total	34	51,357	55,402	100.0

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

(2) Status of Capital Expenditures

a. Schedule of Capital Expenditures

Of capital expenditures associated with repair work, etc. currently planned for assets owned by HCM as of July 31, 2020, the following are the major estimated amounts. The estimated construction costs include the portion separately charged to expenses in accounting.

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

b. 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 July 31, 2020, the following are the major amounts. The capital expenditures in the current fiscal period amounted to 82,542 thousand yen. Combined with the repair expenses separately charged to expenses amounting to 12,141 thousand yen, HCM implemented a total of 94,683 thousand yen of construction work.

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

c. Cash Reserves for Long-Term Repair Plans

Not applicable.