

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(REIT) Financial Report for Fiscal Period Ended January 2019

March 15, 2019

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.
 Representative: Seiji Yoshioka, President & CEO
 Contact: Hidenori Kimura, Head of Financial Management Division
 TEL: +81-3-5282-2922

Scheduled date of submission of securities report: April 25, 2019
 Scheduled date of commencement of distribution payment: April 19, 2019

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 January 2019 (from August 1, 2018 to January 31, 2019)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended Jan. 2019	1,301	2.7	647	3.5	540	3.6	539	3.6
Ended Jul. 2018	1,267	3.9	625	0.2	522	1.7	521	1.7

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Jan. 2019	2,794	2.7	1.2	41.5
Ended Jul. 2018	2,698	2.6	1.2	41.2

(2) Distributions Status

	Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions (including distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen	%	%
Ended Jan. 2019	3,120	2,661	459	602	513	88	95.2	2.5
Ended Jul. 2018	2,699	2,699	0	521	521	0	100.0	2.6

(Note 1) The breakdown of total distributions in excess of earnings for the fiscal period ended January 2019 (88 million yen (459 yen per unit)) is 25 million yen (133 yen per unit) as a total distribution amount from reserve for temporary difference adjustments due to arising of deferred losses on hedges (25 million yen) recorded as net asset deduction items, and 62 million yen (326 yen per unit) as a total distribution amount 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 0.002 for the fiscal period ended January 2019. 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.

(Note 3) Payout ratio is calculated using the following formula.

$$\text{Payout ratio} = \text{Distribution per unit (excluding distributions in excess of earnings)} / \text{Net income per unit} \times 100$$

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended Jan. 2019	44,327	20,314	45.8	105,198
Ended Jul. 2018	42,438	20,322	47.9	105,238

(Note) Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 announced on February 16, 2018) is applied from the beginning of the fiscal year under review, and the financial position for the fiscal period ended July 2018 indicates figures to which said accounting standards were retrospectively applied.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(4) Status of Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Ended Jan. 2019	930	(1,788)	1,196	1,401
Ended Jul. 2018	980	(54)	(600)	1,062

2. Earnings Forecast for Fiscal Period Ending July 2019 (from February 1, 2019 to July 31, 2019) and Earnings Forecast for Fiscal Period Ending January 2020 (from August 1, 2019 to January 31, 2020)

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

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Distribution per unit (including distribution in excess of earnings)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
Ending Jul. 2019	2,006	54.2	1,178	82.1	1,018	88.3	1,017	88.5	3,270	285	3,555
Ending Jan. 2020	2,006	0.0	1,101	(6.5)	939	(7.7)	938	(7.7)	3,017	285	3,302

(Reference) Forecast net income per unit (fiscal period ending July 2019) 3,279 yen

Forecast net income per unit (fiscal period ending January 2020) 3,017 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 own investment units) at end of period

Fiscal period ended January 2019 193,107 units Fiscal period ended July 2018 193,107 units

② Number of own investment units at end of period

Fiscal period ended January 2019 - units Fiscal period ended July 2018 - 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 31.

* Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial report, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of Appropriate Use of Earnings Forecast, and Other Matters of 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 July 2019 and Fiscal Period Ending January 2020" on pages 11 and 12.

Table of Contents

1. Related Parties of HCM	- 4 -
2. Management Policy and Management Status	- 4 -
(1) Management Policy	- 4 -
(2) Management Status	- 4 -
① Overview of the Current Fiscal Period	- 4 -
② Outlook for the Next Fiscal Period	- 6 -
(3) Investment Risks	- 12 -
3. Financial Statements	- 13 -
(1) Balance Sheet	- 13 -
(2) Statement of Income	- 15 -
(3) Statement of Unitholders' Equity	- 16 -
(4) Statement of Cash Distributions	- 17 -
(5) Statement of Cash Flows	- 19 -
(6) Notes on the Going Concern Assumption	- 20 -
(7) Notes on Matters Concerning Significant Accounting Policies	- 20 -
(8) Notes on Changes in Presentation or Classification	- 21 -
(9) Notes on Financial Statements	- 21 -
(10) Changes in Total Number of Investment Units Issued and Outstanding	- 33 -
4. Change in Directors	- 33 -
(1) Change in Directors of HCM	- 33 -
(2) Change in Directors of the Asset Management Company	- 33 -
5. Reference Information	- 34 -
(1) Investment Status	- 34 -
(2) Investment Real Estate Properties	- 35 -
① Acquisition prices, etc. of investment real estate properties and their shares of investment	- 35 -
② Buildings of investment real estate properties and their leasing status	- 36 -
③ Summary of Appraisal Report	- 38 -
④ Status of Capital Expenditures of Assets under Management	- 39 -
⑤ Information of Major Tenants	- 40 -
⑥ Portfolio Overview	- 41 -

1. Related Parties of HCM

Disclosure is omitted because there is no significant change from “Structure of HCM” in the most recent securities report (submitted on October 26, 2018).

2. Management Policy and Management Status

(1) Management Policy

Disclosure is omitted because there is no significant change from “Investment Policy,” “Investment Targets” and “Distribution Policy” in the most recent securities report (submitted on October 26, 2018).

(2) 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 and investments in capital of 200 million yen (2,000 investment units) on December 9, 2014. An issuance of new investment units through public offering (106,500 units) was implemented on March 18, 2015, and HCM was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (securities code: 3455) on March 19, 2015. In addition, an issuance of new investment units through third-party allotment (12,000 units) in line with public offering was implemented on April 21, 2015.

Following the above, HCM implemented issuance of new investment units through public offering (69,150 units) on February 1, 2017 as well as issuance of new investment units through third-party allotment (3,457 units) on March 1, 2017 in line with the public offering. As a result, the total number of investment units issued and outstanding stands at 193,107 units as of the end of the current fiscal period.

(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 “Housing Life Basic Plan (nationwide plan)”, to increase the ratio of housing supply for the elderly to 4% in 2025 from 2.1% in 2014.

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 the portfolio. HCM will make a stable investment in healthcare facilities, for which social demand is growing, to promote appropriate maintenance/management and new supply.

b. Performance

HCM acquired two properties (Hanakotoba Minami and Hanakotoba Miura) on October 1, 2018 with a total acquisition price of 1,686 million yen.

As a result, HCM owns 27 properties with a total leasable area of 124,160.80 m², and the total number of tenants stands at 33 with an occupancy rate of 100.0% at the end of the current fiscal period.

(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 1,750 million yen on October 1, 2018 to cover part of the acquisition and costs of the above two properties and related expenses. Furthermore, HCM refinanced 1,000 million yen of loans due for repayment on January 31, 2019.

As a result, unitholders’ capital at the end of the current fiscal period stands at 19,800 million yen, the total number of

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

investment units issued and outstanding at 193,107 units, and the total interest-bearing liabilities at 22,450 million yen.

As of the end of the current fiscal period, the ratio of interest-bearing liabilities (loan amount) to total assets (hereinafter, "LTV") is 50.6%.

HCM's rating as of January 31, 2019 is as follows.

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

HCM submitted a shelf registration statement of investment corporation bonds (excluding short-term investment corporation bonds) to the commissioner of the Kanto Local Finance Bureau on December 21, 2017. The following is the outline of the statement.

Planned amount of issuance	100 billion yen or less
Planned period of issuance	From December 29, 2017 to December 28, 2019
Use of fund	Acquisition of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trusts Act), repayment of borrowings, redemption of investment corporation bonds (including short-term investment corporation bonds), return of tenant leasehold and security deposits, payment for repair expenses, etc., operating fund, etc.

(d) Overview of Business Performance and Distributions

As a result of the management described above, business performance in the current fiscal period was operating revenue of 1,301 million yen, operating income of 647 million yen, ordinary income of 540 million yen and net income of 539 million yen.

With respect to cash distributions, HCM has decided to distribute 513,857,727 million yen, which is the maximum integral multiple to 193,107 investment units issued and outstanding as the distribution of earnings, not exceeding the amount obtained after deducting the reversal of reserve for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item (30) of the Ordinance on Accountings of Investment Corporations) from unappropriated retained earnings to be eligible for special provisions of the tax system on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including subsequent revisions; hereinafter the "Special Taxation Measures Act")), that allows HCM to deduct the amount of profit distribution from its taxable income. Accordingly, distribution per unit for the period was 2,661 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. In the current fiscal period, since deferred losses on hedges of 25 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 25,683,231 yen. As a result, distribution in excess of earnings per unit (of reserve for temporary difference adjustments) came to 133 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 purposes) in each period on a continuous basis. In the current fiscal period, HCM has decided to distribute 62,952,882 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. As a result, distribution in excess of earnings per unit (of other distribution in excess of earnings) came to 326 yen.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(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 expenditure necessary for maintaining and improving the competitiveness of HCM's Assets Under Management, the financial position of HCM and other factors.

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

(Note 2) Under the rules of The Investment Trusts Association, Japan (hereinafter, "The Investment Trusts Association"), closed-end 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, providing of nursing care services and medical services for a certain percentage of elderly households is inevitably needed. The expansion of the supply of healthcare facilities especially facilities and housing for the elderly is required in response to the expanding demand for nursing care and medical services.

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

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

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 operator 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 states a performance indicator of increasing the ratio of housing for the elderly to the elderly population to 4% in 2025 from 2.1% in 2014 based on the goal to "realize a housing life where the elderly can live independently".

As for the environment surrounding medical service-related facilities, etc., the government of Japan has promoted 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 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 conceived in accordance with the increase of the elderly population in Japan. The government has further divided the functions of beds in medical institutions in line with the conditions of patients, aiming to provide appropriate medical service to all patients at an appropriate location in order to effectively utilize limited medical resources, and established guidelines (March 2015) for planning a community healthcare vision in prefectures. Prefectures have established a vision for community healthcare to adequately promote well-balanced, specialized medical functions and cooperation to suit the community, and will promote subdividing medical functions in accordance with medical needs by newly including such vision in medical planning.

Furthermore, it is said 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 Japan remains at 72.9% according to a survey conducted in fiscal 2017. Hospitals are

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

used by an unspecified large number of people every day and can also be used as a community base in case of a disaster. Earthquake resistance is an urgent issue even from the viewpoint of strengthening the country's infrastructure.

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

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

(b) Future Management Policy and Challenges to Address

With recognition of the above investment environment, HCM aims to secure stable revenue 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 revenue for the medium to long term by, in principle, concluding a long-term lease agreement with fixed rent with the operator that operates the healthcare facility.

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

b. Property acquisition policy

HCM may utilize the comprehensive capabilities of its sponsors, etc. including professional know-how and customer base, first refusal rights provided in the support agreements, based on the support agreements which the Asset Management Company has concluded with 12 sponsor companies and such.

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

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

c. Financing policy

HCM intends to build a stable financial base, to consider market condition upon financing, with aim to secure stable revenue over the medium to long term and maximize unitholder value.

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

As to debt financing, stable and flexible leverage control will be implemented by diversifying repayment due dates and setting upper limit of LTV at 65% (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

a. Acquisition of Assets

HCM concluded a purchase agreement related to the acquisition of the following eight trust beneficiary interests in real estate on January 11, 2019 and acquired them (hereinafter, the “Assets Acquired in the 9th fiscal period”) on February 1,

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

2019.

Property name	Location	Acquisition price (million yen)(Note)	Date of acquisition
SOMPO CARE La vie Re Hama-Kawasaki	Kawasaki-shi, Kanagawa	1,710	February 1, 2019
Hanakotoba Shin-Yokohama	Yokohama-shi, Kanagawa	2,071	
Hanakotoba Shin-Yokohama II	Yokohama-shi, Kanagawa	375	
Hanakotoba Odawara	Odawara-shi, Kanagawa	880	
Verde Minowa	Takasaki-shi, Gunma	1,620	
Verde Hotaka	Kawaba-mura, Tone-gun, Gunma	1,290	
Sunny Life Kita-Shinagawa	Shinagawa-ku, Tokyo	1,825	
SHIP Senri Building	Toyonaka-shi, Osaka	12,920	
Total (8 properties)	-	22,691	

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

b. Issuance of New Investment Units

Based on the resolutions at the board of directors' meetings held on January 11, 2019 and January 22, 2019, HCM issued new investment units (112,280 units) by public placement in order to partially fund the acquisition of the Assets Acquired in the 9th fiscal period and issued new investment units (5,614 units) by third-party allotment with SMBC Nikko Securities Inc. as an allotted party for the purpose of repaying loans or partially funding acquisition of specified assets with cash on hand in the future. New investment units issued by public offering and by third-party allotment were paid in on February 1, 2019 and on February 27, 2019, respectively, and the amount paid-in came to 12,680 million yen. As a result, HCM's unitholders' capital stands at 32,480 million yen and the total number of investment units issued and outstanding stands at 311,001 units.

Issuance of new investment units by public offering

Number of new investment units issued : 112,280 units
 issue price (offer price) : 111,442 yen per unit
 Total issuing price (offer price) : 12,512,707,760 yen
 Paid-in amount (issue value) : 107,555 yen per unit
 amount paid-in (issue value) : 12,076,275,400 yen
 Payment day : February 1, 2019 (Friday)

Issuance of new investment units by third-party allotment

Number of new investment units issued : 5,614 units
 Paid-in amount (issuing value) : 107,555 yen per unit
 Total paid-in amount (issuing value) : 603,813,770 yen
 Due date of payment : February 27, 2019 (Wednesday)
 Allotted party : SMBC Nikko Securities Inc.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

c. Borrowing of Funds

HCM implemented the following borrowings to partially fund the acquisition of the Assets Acquired in the 9th fiscal period and related expenses, as well as to carry out early repayment of existing loans.

Lender	Loan amount (million yen)	Interest rate (Note 1)	Drawdown date	Repayment date	Repayment method	Security
Nippon Life Insurance Company The Hiroshima Bank, Ltd. The Dai-ichi Life Insurance Company Limited	2,000	0.45353% (Fixed interest rate)		January 31, 2022		
Sumitomo Mitsui Trust Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Shinkin Central Bank The Bank of Fukuoka, Ltd. The Gunma Bank, Ltd.	4,000	0.41988% (Note 2)	February 1, 2019	January 31, 2023	Lump-sum repayment on principal repayment date	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Ltd. Resona Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Shinkin Central Bank The Bank of Fukuoka, Ltd. The Gunma Bank, Ltd. The 77 Bank, Ltd.	5,750	0.53900% (Note 2)		January 31, 2024		
Total	11,750	-	-	-	-	-

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

(Note 2) Interest rate swap agreements have been concluded and the indicated interest rates are those substantively fixed by the agreements.

(d) Earnings Forecast Outlook

The following earnings forecast is expected for the fiscal period ending July 2019 (from February 1, 2019 to July 31, 2019) and the fiscal period ending January 2020 (from August 1, 2019 to January 31, 2020). For the assumptions underlying this outlook, please see "Assumptions Underlying Earnings Forecast for Fiscal Period Ending July 2019 and Fiscal Period Ending January 2020" below.

For the fiscal period ending July 2019 (from February 1, 2019 to July 31, 2019) and the fiscal period ending January 2020 (from August 1, 2019 to January 31, 2020, it is assumed that there is no change in the fair value of interest rate swaps, and of distribution in excess of earnings, that from reserve for temporary difference adjustments is not expected.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

Fiscal period ending July 2019 (from February 1, 2019 to July 31, 2019)

Operating revenue	2,006 million yen
Operating income	1,178 million yen
Ordinary income	1,018 million yen
Net income	1,017 million yen
Distribution per unit (excluding distribution in excess of earnings)	3,270 yen
Distribution in excess of earnings per unit	285 yen
Distribution per unit (including distribution in excess of earnings)	3,555 yen

Fiscal period ending January 2020 (from August 1, 2019 to January 31, 2020)

Operating revenue	2,006 million yen
Operating income	1,101 million yen
Ordinary income	939 million yen
Net income	938 million yen
Distribution per unit (excluding distribution in excess of earnings)	3,017 yen
Distribution in excess of earnings per unit	285 yen
Distribution per unit (including distribution in excess of earnings)	3,302 yen

(Note) As to the forecast figures above, 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 as a result of discrepancies from assumptions arising due to additional acquisition or sale of real estate, etc., change in the real estate market, etc., fluctuation of interest rates, changes in other situations surrounding HCM in the future and other factors. In addition, the forecast is not a guarantee of the amount of distribution or distribution in excess of earnings.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

Assumptions Underlying Earnings Forecast for Fiscal Period Ending July 2019 and Fiscal Period Ending January 2020

Item	Assumptions															
Accounting period	<ul style="list-style-type: none"> Fiscal period ending July 2019 (9th fiscal period): from February 1, 2019 to July 31, 2019 (181 days) Fiscal period ending January 2020 (10th fiscal period): from August 1, 2019 to January 31, 2020 (184 days) 															
Assets under management	<ul style="list-style-type: none"> 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 (35 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 January 2020. There may actually be changes due to acquisition of new properties, or sale of the Assets Under Management, etc. in the future. 															
Operating revenue	<ul style="list-style-type: none"> Lease business revenue from the Assets Under Management is calculated by considering and analyzing the lease agreement of each Asset Under Management effective as of the date of this document, tenants and market condition, etc. For operating revenue, it is assumed that there will be no default or non-payment of rents by tenants. 															
Operating expenses	<ul style="list-style-type: none"> The main breakdown of rental business expenses, the major component of operating expense, is as follows. <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Fiscal period ending July 2019</th> <th>Fiscal period ending January 2020</th> </tr> </thead> <tbody> <tr> <td>Property tax</td> <td>90 million yen</td> <td>90 million yen</td> </tr> <tr> <td>Repair expenses</td> <td>18 million yen</td> <td>19 million yen</td> </tr> <tr> <td>Depreciation</td> <td>440 million yen</td> <td>442 million yen</td> </tr> <tr> <td>Other expenses related to rent business</td> <td>45 million yen</td> <td>46 million yen</td> </tr> </tbody> </table> Out of rental business expenses, the major component of operating expense, expenses other than depreciation is calculated based on the past figures reflecting factors for change in expenses. In purchasing and selling real estate in general, real property tax and urban planning tax are calculated by period distribution 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, real property tax and urban planning tax of the Assets Acquired in the 9th fiscal period will not be recorded as expenses in the fiscal period ending July 2019 and the fiscal period ending January 2020, and such for fiscal 2020 will be recorded as expenses from the fiscal period ending July 2020. Moreover, the total amount of real property tax and urban planning tax to be included in the acquisition cost of the Assets Acquired in the 9th fiscal period is 90 million yen. 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 additional repair may be required due to unpredictable factors, actual expenses may differ significantly from the forecast. Depreciation is calculated by using the straight-line method including ancillary expenses. The asset management fee paid to the Asset Management Company is assumed to be 142 million yen for the fiscal period ending July 2019 and 200 million yen for the fiscal period ending January 2020. 		Fiscal period ending July 2019	Fiscal period ending January 2020	Property tax	90 million yen	90 million yen	Repair expenses	18 million yen	19 million yen	Depreciation	440 million yen	442 million yen	Other expenses related to rent business	45 million yen	46 million yen
	Fiscal period ending July 2019	Fiscal period ending January 2020														
Property tax	90 million yen	90 million yen														
Repair expenses	18 million yen	19 million yen														
Depreciation	440 million yen	442 million yen														
Other expenses related to rent business	45 million yen	46 million yen														
Non-operating expenses	<ul style="list-style-type: none"> Investment unit issuance expenses accompanying the issuance of new investment units are depreciated evenly over 3 years and are assumed to be 10 million yen for the fiscal period ending July 2019 and 10 million yen for the fiscal period ending January 2020. Interest expenses and other borrowing related expenses are assumed to be 148 million yen for the fiscal period ending July 2019 and 151 million yen for the fiscal period ending January 2020. 															
Loans	<ul style="list-style-type: none"> As of the date of the document, HCM has a balance of loans outstanding of 32,450 million yen. It is assumed that there will be no change in the balance of loans outstanding at the end of the fiscal period ending July 2019 and the fiscal period ending January 2020 after the refinancing of 7,700 million yen of loans due for repayment on January 31, 2020. 															
Investment units	<ul style="list-style-type: none"> The assumption is the total number of investment units issued and outstanding as of the date of this document, which is 311,001 units. And the assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending January 2020. 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 July 2019 and for the fiscal period ending January 2020, respectively. 															
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> Distribution per unit (excluding distribution in excess of earnings) is calculated with the assumption being the cash distribution policy provided in the Articles of Incorporation of HCM. Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including fluctuation in rent revenue accompanying change in Assets Under Management, change in tenants, etc. or incurrence of unexpected repairs. 															
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> Distribution in excess of earnings per unit is calculated pursuant to the policies provided in the Articles of Incorporation of HCM, policies provided below, other applicable laws and regulations, rules of self-regulatory organizations, etc. The total amount of distribution in excess of earnings is assumed to be 88 million yen for the fiscal period ending July 2019 and the fiscal period ending January 2020, respectively. 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. 															

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

Item	Assumptions
	<ul style="list-style-type: none"> • However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to the said amount is judged to be inappropriate based on the economic environment surrounding HCM, trends of the real estate market and leasing market, status of HCM's Assets Under Management and financial conditions. • For the fiscal period ending July 2019 and the fiscal period ending January 2020, the assumption is that there is no change in the fair value of interest rate swaps, and of distribution in excess of earnings, that from reserve for temporary difference adjustments is not expected.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, securities listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.

(3) Investment Risks

Disclosure is omitted as there is no significant change from "Investment Risks" in the securities registration statement (submitted on January 11, 2019).

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

3. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2018)	Current fiscal period (As of Jan. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,018,147	1,318,873
Cash and deposits in trust	44,708	108,051
Prepaid expenses	75,524	73,355
Total current assets	1,138,381	1,500,281
Non-current assets		
Property, plant and equipment		
Buildings in trust	22,637,736	*1 23,545,014
Accumulated depreciation	(1,649,802)	(1,960,490)
Buildings in trust, net	20,987,933	21,584,524
Structures in trust	74,248	76,898
Accumulated depreciation	(4,834)	(5,927)
Structures in trust, net	69,414	70,970
Machine and device in trust	11,556	13,456
Accumulated depreciation	(1,416)	(2,010)
Machine and device in trust, net	10,139	11,446
Tools, furniture and fixtures in trust	32,858	40,623
Accumulated depreciation	(3,513)	(6,577)
Tools, furniture and fixtures in trust, net	29,344	34,046
Land in trust	20,052,662	21,009,170
Construction in progress in trust	—	4,594
Total property, plant and equipment	41,149,494	42,714,752
Intangible assets		
Software	4,574	3,465
Total intangible assets	4,574	3,465
Investments and other assets		
Security deposits	10,000	10,000
Long-term prepaid expenses	120,867	89,220
Derivatives	455	—
Deferred tax assets	—	16
Total investments and other assets	131,323	99,237
Total non-current assets	41,285,392	42,817,455
Deferred assets		
Investment unit issuance expenses	14,947	9,964
Total deferred assets	14,947	9,964
Total assets	42,438,720	44,327,701

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2018)	Current fiscal period (As of Jan. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	18,557	40,868
Short-term loans payable	1,000,000	2,750,000
Current portion of long-term loans payable	—	6,700,000
Accounts payable - other	21,163	88,452
Accrued expenses	141,850	145,439
Income taxes payable	857	950
Accrued consumption taxes	9,798	5,243
Advances received	204,953	211,457
Deposits received	72	283
Total current liabilities	1,397,253	9,942,694
Non-current liabilities		
Long-term loans payable	19,700,000	13,000,000
Tenant leasehold and security deposits	1,009,999	1,009,999
Tenant leasehold and security deposits in trust	9,104	34,604
Deferred tax liabilities	131	—
Derivatives liabilities	—	25,769
Total non-current liabilities	20,719,235	14,070,373
Total liabilities	22,116,488	24,013,068
Net assets		
Unitholders' equity		
Unitholders' capital	19,800,696	19,800,696
Surplus		
Unappropriated retained earnings (undisposed loss)	521,223	539,706
Total surplus	521,223	539,706
Total unitholders' equity	20,321,920	20,340,403
Valuation and translation adjustments		
Deferred gains or losses on hedges	312	(25,769)
Total valuation and translation adjustments	312	(25,769)
Total net assets	*2 20,322,232	*2 20,314,633
Total liabilities and net assets	42,438,720	44,327,701

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(2) Statement of Income

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Operating revenue		
Lease business revenue	*1 1,260,324	*1 1,294,178
Other lease business revenue	*1 6,948	*1 7,031
Total operating revenue	1,267,273	1,301,210
Operating expenses		
Expenses related to rent business	*1 441,644	*1 448,967
Asset management fee	119,445	122,274
Asset custody fee	2,118	2,164
Administrative service fees	15,406	15,482
Directors' compensations	3,000	3,000
Property tax	15,942	16,886
Other operating expenses	44,578	45,433
Total operating expenses	642,135	654,208
Operating income	625,137	647,002
Non-operating income		
Interest income	7	3
Insurance income	3,397	—
Interest on refund of consumption taxes and other	79	—
Reversal of distribution payable	—	533
Total non-operating income	3,484	537
Non-operating expenses		
Interest expenses	61,449	65,046
Investment unit issuance expenses	5,903	4,982
Borrowing expenses	39,266	36,885
Total non-operating expenses	106,619	106,914
Ordinary income	522,001	540,625
Extraordinary income		
Subsidy income	—	*2 6,489
Total extraordinary income	—	6,489
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	—	*3 6,489
Total extraordinary losses	—	6,489
Income before income taxes	522,001	540,625
Income taxes - current	858	950
Income taxes - deferred	2	(4)
Total income taxes	860	946
Net income	521,141	539,678
Retained earnings brought forward	82	27
Unappropriated retained earnings (undisposed loss)	521,223	539,706

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(3) Statement of Unitholders' Equity

Previous fiscal period (from February 1, 2018 to July 31, 2018)

(Unit: thousands of yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	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	19,800,696	512,395	512,395	20,313,091	-	-	20,313,091
Changes of items during period							
Dividends of surplus		(512,312)	(512,312)	(512,312)			(512,312)
Net income		521,141	521,141	521,141			521,141
Changes of items other than unitholders' equity during the period, net	-				312	312	312
Total changes of items during the period	-	8,828	8,828	8,828	312	312	9,140
Balance at the end of current period	*1 19,800,696	521,223	521,223	20,321,920	312	312	20,322,232

Current fiscal period (from August 1, 2018 to January 31, 2019)

(Unit: thousands of yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	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	19,800,696	521,223	521,223	20,321,920	312	312	20,322,232
Changes of items during period							
Dividends of surplus		(521,195)	(521,195)	(521,195)			(521,195)
Net income		539,678	539,678	539,678			539,678
Changes of items other than unitholders' equity during period, net					(26,081)	(26,081)	(26,081)
Total changes of items during the period	-	18,483	18,483	18,483	(26,081)	(26,081)	(7,598)
Balance at end of current the period	*1 19,800,696	539,706	539,706	20,340,403	(25,769)	(25,769)	20,314,633

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(4) Statement of Cash Distributions

(Unit: yen)

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
I. Unappropriated retained earnings	521,223,376	539,706,448
II. Distribution in excess of earnings	-	88,636,113
Of which, reserve for temporary difference adjustments	-	25,683,231
Of which, other deduction from unitholders' capital	-	62,952,882
III. Amount of distributions	521,195,793	602,493,840
[distributions per unit]	[2,699]	[3,120]
Of which, distributions of earnings	521,195,793	513,857,727
(Of which, distributions of earnings per unit)	[2,699]	[2,661]
Of which, reserve for temporary difference adjustments	-	25,683,231
(Of which, distributions in excess of earnings per unit (of reserve for temporary difference adjustments))	-	[133]
Of which, other distributions in excess of earnings	-	62,952,882
(Of which, distributions in excess of earnings per units (of other distributions in excess of earnings))	-	[326]
IV. Retained earnings carried forward	27,583	25,848,721
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 the maximum amount. Following this policy, HCM has decided that it shall distribute 521,195,793yen, which is the maximum integral multiple to 193,107 units issued and outstanding as the distribution of earnings. HCM has decided not to make cash distribution in excess of earnings defined in Article 36, Paragraph 2 of HCM's Articles of Incorporation.	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 the maximum amount. Following this policy, HCM has decided to distribute 513,857,727yen, which is the maximum integral multiple to 193,107 units issued and outstanding as the distribution of earnings, not exceeding the amount obtained after deducting the reversal of reserve for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item (30) of the Ordinance on Accountings of Investment Corporations) from unappropriated retained earnings. Accordingly, distribution per unit for the period was 2,661 yen. In addition, HCM is to make distribution in excess of earnings, of which amount is to be determined by

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

<p>Method of calculation of amount of distributions</p>		<p>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 25 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 25,683,231 yen. As a result, distribution in excess of earnings per unit (of reserve for temporary difference adjustments) came to 133 yen.</p> <p>Furthermore, in accordance with the policy for cash distribution in excess of earnings provided in Article 36, Paragraph 2 of its Articles of Incorporation, HCM is to conduct distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purpose) in each period on a continuous basis. During the current fiscal period, HCM has decided to distribute 62,952,882 yen, an amount roughly equivalent to 20% of depreciation recorded in the current fiscal period, as distribution in excess of earnings. As a result, distribution in excess of earnings per unit (of other distribution in excess of earnings) came to 326 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 period when HCM will pay this distribution, sufficiently taking into consideration the amount of capital expenditure necessary for maintaining and improving the competitiveness of HCM's Assets Under Management and the financial position of HCM.

However, distribution in excess of earnings may be conducted up to an amount lower than the above amount or may not be conducted when the implementation of distribution in excess of earnings up to 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.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(5) Statement of Cash Flows

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Cash flows from operating activities		
Income before income taxes	522,001	540,625
Depreciation	309,062	316,547
Loss on tax purpose reduction entry of non-current assets	—	6,489
Borrowing related expenses	39,266	36,885
Investment unit issuance expenses	5,903	4,982
Interest income	(7)	(3)
Interest on refund	(79)	—
Interest expenses	61,449	65,046
Decrease (increase) in consumption taxes refund receivable	101,055	—
Decrease (increase) in prepaid expenses	(4,318)	3,660
Increase (decrease) in operating accounts payable	(4,296)	22,310
Increase (decrease) in accounts payable - other	3,624	(5,844)
Increase (decrease) in accrued consumption taxes	9,798	(4,554)
Increase (decrease) in accrued expenses	(1,389)	3,260
Increase (decrease) in advances received	1,533	6,503
Increase (decrease) in Long-term advances received	(50)	—
Increase (decrease) in deposits received	—	210
Other, net	—	(533)
Subtotal	1,043,552	995,585
Interest income received	7	3
Interest on refund received	79	—
Interest expenses paid	(62,222)	(64,718)
Income taxes paid	(900)	(857)
Net cash provided by (used in) operating activities	980,516	930,013
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(54,656)	(1,813,752)
Payments of tenant leasehold and security deposits in trust	—	25,500
Net cash provided by (used in) investing activities	(54,656)	(1,788,252)
Cash flows from financing activities		
Payments for restricted deposits in trust	—	(25,500)
Proceeds from short-term loans payable	1,000,000	2,750,000
Repayments of short-term loans payable	(1,000,000)	(1,000,000)
Proceeds from long-term loans payable	7,000,000	—
Repayments of long-term loans payable	(7,000,000)	—
Borrowing related expenses	(89,218)	(6,730)
Dividends paid	(511,422)	(520,961)
Net cash provided by (used in) financing activities	(600,641)	1,196,808
Net increase (decrease) in cash and cash equivalents	325,218	338,568
Cash and cash equivalents at beginning of period	737,638	1,062,856
Cash and cash equivalents at end of period	*1 1,062,856	*1 1,401,425

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(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	(1) Property, plant and equipment The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows: Buildings in trust 6-69 years Structures in trust 10-53 years Machine and device in trust 10 years Tools, furniture and fixtures in trust 6-15 years (2) Intangible assets The straight-line method is adopted.
2. Accounting for deferred assets	Investment unit issuance expenses Depreciated evenly over 3 years.
3. Standards for revenue and expense recognition	Accounting for fixed asset tax, etc. For fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. owned, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the concerned accounting period is expensed as expenses related to rent business. In connection with the acquisition of real estate including trust beneficiary interests in real estate, the amount equivalent to real property tax, etc. for the initial fiscal year, which was settled with the seller, is not recorded as expenses but included in the cost of acquisition of the concerned real estate, etc. There was no amount equivalent to real property tax, etc. included in the cost of acquisition of real estate, etc. for the previous fiscal period, and the amount was 1,558 thousand yen for the current fiscal period.
4. Method of Hedge Accounting	(1) Hedge accounting approach Deferred hedge accounting. Special treatment is applied for interest rate swap transactions that satisfy the requirements for special treatment. (2) Hedging instruments and hedge items Hedging instruments: Interest rate swap transaction Hedge items: Interest on loans (3) Hedging policy HCM conducts interest rate swap transactions for hedging risks provided in the Articles of Incorporation of HCM, pursuant to the risk management basic policy. (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.
5. Cash and cash equivalents as stated in the statement of cash flows	Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.
6. Other significant matters serving as the basis for preparation of financial statements	(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. ① Cash and deposits in trust ② Buildings in trust; structures in trust; machine and device in trust; tools, furniture and fixtures in trust; land in trust; Construction in progress in trust ③ Leasehold and guarantee deposits received in trust (2) Accounting for consumption tax, etc. Consumption tax and local consumption tax are excluded from transaction amounts. Non-deductible consumption taxes on acquisition of assets is included in the cost of acquisition of each asset.

(8) Notes on Changes in Presentation or Classification

[Change in Line with Application of “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting’”]

By applying “Partial Amendments to ‘Accounting Standard for Tax Effect Accounting’” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal period, presentation method is changed to classifying deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

As the result, deferred tax assets under current assets (12 thousand yen) in the balance sheet for the previous fiscal period is included in deferred tax liabilities under non-current liabilities (131 thousand yen) in that for the current fiscal period.

[Additional Information]

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

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Not applicable.

Current fiscal period (from August 1, 2018 to January 31, 2019)

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 fiscal year under review from assessment of fair value of interest rate swap transactions to which hedge accounting is applied, 25,683 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

(9) Notes on Financial Statements

[Notes on Balance Sheet]

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

(Unit: thousands of yen)

	Current fiscal period (As of Jul. 31, 2018)	Previous fiscal period (As of Jan. 31, 2019)
Buildings in trust	-	6,489

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

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2018)	Current fiscal period (As of Jan. 31, 2019)
	50,000	50,000

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Notes on Statement of Income]

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

	(Unit: thousands of yen)	
	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
A. Operating revenue from real estate leasing		
Revenue related to rent business		
Rent revenue	1,260,324	1,294,178
Other revenue related to rent business		
Other revenue	6,948	7,031
Total operating revenue from real estate leasing	1,267,273	1,301,210
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Property tax	87,224	87,213
Outsourcing expenses	17,550	18,350
Repair expenses	15,504	13,757
Insurance expenses	3,306	3,565
Depreciation	307,953	315,438
Other expenses related to rent business	10,104	10,643
Total operating expenses from real estate leasing	441,644	448,967
C. Operating income (loss) from real estate leasing [A-B]	825,628	852,242

*2 Breakdown of Subsidy income

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Not applicable.

Current fiscal period (from August 1, 2018 to January 31, 2019)

Subsidy income is from Subsidies for countermeasures to control carbon dioxide emissions project etc. in FY2018.

*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 (As of Jul. 31, 2018)	Current fiscal period (As of Jan. 31, 2019)
Buildings in trust	-	6,489

[Notes on Statement of Unitholders' Equity]

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

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	193,107 units	193,107 units

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Notes on Statement of Cash Flows]

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

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Cash and deposits	1,018,147	1,318,873
Cash and deposits in trust	44,708	108,051
Restricted deposits in trust (Note)	-	(25,500)
Cash and cash equivalents	1,062,856	1,401,425

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

[Notes on Operating Leases Transactions]

Non-cancellable operating leases (as lessor)

(Unit: thousands of yen)

	Previous fiscal period As of Jul. 31, 2018	Current fiscal period As of Jan. 31, 2019
Not later than 1 year	2,142,929	2,242,742
Later than 1 year	14,286,257	13,499,806
Total	16,429,186	15,742,548

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

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

Derivative transactions shall be limited to those invested for the purpose of hedging the risk of fluctuations in interest rates on loans, etc. and other risks.

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

Loans are used primarily for acquisition of trust beneficiary interests in real estate.

Although loans are exposed to liquidity risks on the repayment date, impact of the market interest rate rise on the management of HCM is limited by appropriately managing the ratio of interest-bearing liabilities, and such risks are controlled by diversifying repayment 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 are deposits from tenants and are exposed to liquidity risks at the time of refunding upon tenants' move-outs, HCM controls liquidity risks by maintaining liquidity at hand, etc.

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.

(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.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

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 February 1, 2018 to July 31, 2018)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,018,147	1,018,147	-
(2) Cash and deposits in trust	44,708	44,708	-
Total assets	1,062,856	1,062,856	-
(3) Short-term loans payable	1,000,000	1,000,000	-
(4) Current portion of long-term loans payable	-	-	-
(5) Long-term loans payable	19,700,000	19,669,884	(30,115)
Total liabilities	20,700,000	20,669,884	(30,115)
(6) Derivatives transaction	455	455	-

Current fiscal period (from August 1, 2018 to January 31, 2019)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,318,873	1,318,873	-
(2) Cash and deposits in trust	108,051	108,051	-
Total assets	1,426,925	1,426,925	-
(3) Short-term loans payable	2,750,000	2,750,000	-
(4) Current portion of long-term loans payable	6,700,000	6,698,637	(1,362)
(5) Long-term loans payable	13,000,000	12,999,936	(63)
Total liabilities	22,450,000	22,448,573	(1,426)
(6) Derivatives transaction	(25,769)	(25,769)	-

(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; (5) Long-term loans payable

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

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

(6) Derivative transactions

Please refer to "Notes on Derivative Transactions" below.

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

(Unit: thousands of yen)

	Previous fiscal period (As of Jul. 31, 2018)	Current fiscal period (As of Jan. 31, 2019)
Tenant leasehold and security deposits	1,009,999	1,009,999
Tenant leasehold and security deposits in trust	9,104	34,604

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.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

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

Previous fiscal period (As of July 31, 2018)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	1,018,147
Cash and deposits in trust	44,708
Total	1,062,856

Current fiscal period (As of January 31, 2019)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	1,318,873
Cash and deposits in trust	108,051
Total	1,426,925

(Note 4) Amount of repayment of loans scheduled to be due after the account closing date

Previous fiscal period (As of July 31, 2018)

(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
Short-term loans payable	1,000,000	-	-	-	-	-
Long-term loans payable	-	6,700,000	3,000,000	5,000,000	4,000,000	1,000,000
Total	1,000,000	6,700,000	3,000,000	5,000,000	4,000,000	1,000,000

Current fiscal period (As of January 31, 2019)

(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
Short-term loans payable	2,750,000	-	-	-	-	-
Long-term loans payable	6,700,000	3,000,000	5,000,000	4,000,000	1,000,000	-
Total	9,450,000	3,000,000	5,000,000	4,000,000	1,000,000	-

[Notes on Securities]

Previous fiscal period (As of July 31, 2018)

Not applicable.

Current fiscal period (As of January 31, 2019)

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

Previous fiscal period (As of July 31, 2018)

Not applicable.

Current fiscal period (As of January 31, 2019)

Not applicable.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

2. Derivative transactions to which hedge accounting is applied

Previous fiscal period (As of July 31, 2018)

(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	4,000,000	4,000,000	455	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			5,000,000	5,000,000	455	-

(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 "(4) Current portion of long-term loans payable and (5) Long-term loans payable" in "[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instrument" above.

Current fiscal period (As of January 31, 2019)

(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	13,750,000	13,750,000	(25,769) (Note 1)	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 2)	-
Total			14,750,000	14,750,000	(25,769)	-

(Note 1) The figure includes the fair value of the interest rate swap contracts concluded on January 30, 2019 (total principal: 9,750,000 thousand yen, contract term: from February 1, 2019 to the repayment date of loans).

(Note 2) 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 "(5) Long-term loans payable" in "[Notes on Financial Instruments], 2. Matters concerning fair value, etc. of financial instrument" above.

[Notes on Retirement Benefits]

Previous fiscal period (As of July 31, 2018)

Not applicable.

Current fiscal period (As of January 31, 2019)

Not applicable.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Notes on Tax-Effect Accounting]

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

(Unit: thousands of yen)

	Previous fiscal period As of Jul. 31, 2018	Current fiscal period As of Jan. 31, 2019
Deferred tax assets		
Non-deductible accrued enterprise tax	12	16
Deferred gains or losses on hedges	-	8,119
Subtotal deferred tax assets	12	8,136
Valuation allowance	-	(8,119)
Total deferred tax assets	12	16
Deferred tax liabilities		
Deferred gains or losses on hedges	143	-
Total deferred tax liabilities	143	-
Net deferred tax assets	(131)	16

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

(Unit: %)

	Previous fiscal period As of Jul. 31, 2018	Current fiscal period As of Jan. 31, 2019
Statutory tax rate	31.74	31.51
[Adjustments]		
Deductible distributions payable	(31.69)	(31.45)
Other	0.11	0.12
Effective income tax rate after application of tax-effect accounting	0.16	0.18

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

Previous fiscal period (As of July 31, 2018)

Not applicable.

Current fiscal period (As of January 31, 2020)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Not applicable.

Current fiscal period (from August 1, 2018 to January 31, 2019)

Not applicable.

2. Affiliated company, etc.

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Not applicable.

Current fiscal period (from August 1, 2018 to January 31, 2019)

Not applicable.

3. Fellow subsidiary, etc.

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Not applicable.

Current fiscal period (from August 1, 2018 to January 31, 2019)

Not applicable.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

4. Director, major individual unitholder, etc.

Previous fiscal period (from February 1, 2018 to July 31, 2018)

Classification	Name of company, etc. or person	Address	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	-		Executive Director of HCM and President & CEO of the Asset Management Company	Payment of asset management fee to the Asset Management Company	119,445 (Note)	Accrued expenses	129,000

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

(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 August 1, 2018 to January 31, 2019)

Classification	Name of company, etc. or person	Address	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	-		Executive Director of HCM and President & CEO of the Asset Management Company	Payment of asset management fee to the Asset Management Company	130,704 (Note 1) (Note 2)	Accrued expenses	132,056

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

(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 8,430 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 July 31, 2018)

Not applicable.

Current fiscal period (as of January 31, 2019)

Not applicable.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

[Notes on Investment and Rental Properties]

HCM owns healthcare facilities (27 properties in total) primarily in the Three Major Metropolitan Areas and Core Cities. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Carrying amount		
Balance at beginning of period	41,408,406	41,149,494
Amount of increase (decrease) during period	(258,911)	1,560,663
Balance at end of period	41,149,494	42,710,158
Fair value at end of period	44,028,000	45,792,000

(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 period for the previous fiscal period, the amount of decrease is mainly attributable to depreciation (307,953 thousand yen). Out of the amount of increase (decrease) during period for the current fiscal period, the amount of increase is mainly attributable to the acquisition of 2 properties (1,766,255 thousand yen) and the amount of decrease is mainly attributable to depreciation (315,438 thousand yen).

(Note 3) "Fair value at end of period" is the appraisal value or investigation 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 February 1, 2018 to July 31, 2018)

(1) Information about products and services

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

(2) Information about geographic areas

① Net sales

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

② Property, plant and equipment

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

(3) Information about major customers

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

Current fiscal period (from August 1, 2018 to January 31, 2019)

(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.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

② Property, plant and equipment

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

(3) Information about major customers

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

[Notes on Per Unit Information]

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Net assets per unit	105,238 yen	105,198 yen
Net income per unit	2,698 yen	2,794 yen

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

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

	Previous fiscal period From: Feb. 1, 2018 To: Jul. 31, 2018	Current fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019
Net income (thousands of yen)	521,141	539,678
Amount not attributable to common unitholders (thousands of yen)	-	-
Net income attributable to common investment units (thousands of yen)	521,141	539,678
Average number of investment units during period (units)	193,107	193,107

[Notes on Significant Subsequent Events]

1. Acquisition of Assets

HCM concluded a purchase agreement related to the acquisition of the following Assets Acquired in the 9th fiscal period on January 11, 2019 and acquired them on February 1, 2019.

Property name	Location	Acquisition price (million yen)	Date of acquisition
SOMPO CARE La vie Re Hama-Kawasaki	Kawasaki-shi, Kanagawa	1,710	February 1, 2019
Hanakotoba Shin-Yokohama	Yokohama-shi, Kanagawa	2,071	
Hanakotoba Shin-Yokohama II	Yokohama-shi, Kanagawa	375	
Hanakotoba Odawara	Odawara-shi, Kanagawa	880	
Verde Minowa	Takasaki-shi, Gunma	1,620	
Verde Hotaka	Kawaba-mura, Tone-gun, Gunma	1,290	
Sunny Life Kita-Shinagawa	Shinagawa-ku, Tokyo	1,825	
SHIP Senri Building	Toyonaka-shi, Osaka	12,920	
Total (8 properties)	-	22,691	-

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

2. Issuance of New Investment Units

Based on the resolutions at the board of directors' meetings held on January 11, 2019 and January 22, 2019, HCM issued new investment units (112,280 units) by public offering in order to partially raise funds for the acquisition of the Assets Acquired in the 9th fiscal period and issued new investment units (5,614 units) by third-party allotment with SMBC Nikko Securities Inc. as an allotted party for the purpose of repaying loans or partially funding acquisition of specified assets with cash on hand in the future. New investment units issued by public offering and by third-party allotment were paid in on February 1, 2019 and on February 27, 2019, respectively, and the total paid-in amount came to 12,680 million yen. As a result, HCM's unitholders' capital stands at 32,480 million yen and the total number of investment units issued and outstanding stands at 311,001 units.

Issuance of new investment units by public offering

Number of new investment units issued	: 112,280 units
Issue price (offer price)	: 111,442 yen per unit
Total issue price (offer price)	: 12,512,707,760 yen
Paid-in amount (issue value)	: 107,555 yen per unit
Total paid-in amount (issue value)	: 12,076,275,400 yen
Payment date	: February 1, 2019 (Friday)

Issuance of new investment units by third-party allotment

Number of new investment units issued	: 5,614 units
Paid-in amount (issue value)	: 107,555 yen per unit
Total paid-in amount (issue value)	: 603,813,770 yen
Payment date	: February 27, 2019 (Wednesday)
Allotted party	: SMBC Nikko Securities Inc.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

3. Borrowing of Funds

HCM borrowed to partially fund the acquisition of the Assets Acquired in the 9th fiscal period and related expenses and to carry out early repayment of existing loans.

Lender	Loan amount (million yen)	Interest rate (Note 1)	Drawdown date	Repayment date	Repayment method	Security
Nippon Life Insurance Company The Hiroshima Bank, Ltd. The Dai-ichi Life Insurance Company Limited	2,000	0.45353% (Fixed interest rate)		January 31, 2022		
Sumitomo Mitsui Trust Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Shinkin Central Bank The Bank of Fukuoka, Ltd. The Gunma Bank, Ltd.	4,000	0.41988% (Note 2)	February 1, 2019	January 31, 2023	Lump-sum repayment on principal repayment date	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Ltd. Resona Bank, Ltd. The Nishi-Nippon City Bank, Ltd. Shinkin Central Bank The Bank of Fukuoka, Ltd. The Gunma Bank, Ltd. The 77 Bank, Ltd.	5,750	0.53900% (Note 2)		January 31, 2024		
Total	11,750	-	-	-	-	-

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

(Note 2) Interest rate swap agreements have been concluded and the indicated interest rates are those substantively fixed by the agreements.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

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

The following are changes in total number of investment units issued and outstanding and unitholders' capital since the establishment of HCM leading up to January 31, 2019.

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Remarks
		Change	Balance	Change	Balance	
December 9, 2014	Establishment through private placement	2,000	2,000	200	200	(Note 1)
March 18, 2015	Capital increase through public offering	106,500	108,500	11,246	11,446	(Note 2)
April 21, 2015	Capital increase through third-party allotment	12,000	120,500	1,267	12,713	(Note 3)
February 1, 2017	Capital increase through public offering	69,150	189,650	6,749	19,463	(Note 4)
March 1, 2017	Capital increase through third-party allotment	3,457	193,107	337	19,800	(Note 5)

(Note 1) HCM was established with paid-in amount of 100,000 yen per unit.

(Note 2) New investment units were issued through public offering with issue price of 110,000 yen (paid-in amount of 105,600 yen) per unit.

(Note 3) New investment units were issued through third-party allotment in line with public offering, with paid-in amount of 105,600 yen per unit.

(Note 4) 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 5) New investment units were issued through third-party allotment in line with public offering, with paid-in amount of 97,609 yen per unit.

4. Change in Directors

(1) Change in Directors of HCM

Not applicable.

(2) Change in Directors of the Asset Management Company

Not applicable.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

5. Reference Information

(1) Investment Status

Asset type	Asset use		Area	Current fiscal period (as of Jan. 31, 2019)	
				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)	33,480	75.5
			Core Cities (Note 4)	3,613	8.2
			Other area (Note 5)	391	0.9
		Serviced housing for the elderly	Three Major Metropolitan Areas (Note 3)	3,171	7.2
			Core Cities (Note 4)	-	-
			Other area (Note 5)	-	-
		Group homes for the elderly with dementia	-	-	
	Other facilities for the elderly	-	-		
	Subtotal			40,657	91.7
	Medical service-related facilities, etc.			2,052	4.6
	Other			-	-
Total			42,710	96.4	
Deposits and other assets			1,617	3.6	
Total amount of assets			44,327	100.0	

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

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

(Note 3) "Three Major Metropolitan Areas" refers to 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 area" refers to areas other than Three Metropolitan Areas and Core Cities.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

(2) Investment Real Estate Properties

① Acquisition prices, etc. of investment real estate properties and their shares of investment

Overview of trust beneficiary interests in real estate that HCM owns as of January 31, 2019 is as follows.

Type of specified asset	Area	Property name	Acquisition price (millions of yen) (Note 1)	Share of investment (%) (Note 2)	Current fiscal period (as of Jan. 31, 2019)	
					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	Bonsejour Chitose-funabashi	824	2.0	828	974
		Bonsejour Hino	724	1.7	728	818
		Bonsejour Musashi-shinjo	582	1.4	585	643
		Medical Rehabilitation Home Bonsejour Hadanoshibusawa	728	1.7	729	850
		SOMPO CARE La vie Re Machidaonaji	3,580	8.5	3,555	3,810
		SOMPO CARE La vie Re Azamino	3,050	7.2	3,118	3,270
		ASHEIM Hikarigaoka	1,385	3.3	1,403	1,570
		ASHEIM Bunkyoakusan	1,430	3.4	1,430	1,630
		GOOD TIME HOME Fudo-mae	1,740	4.1	1,818	1,940
		Bonsejour Yotsugi	824	2.0	835	886
		Granda Tsuruma-Yamato	1,000	2.4	1,028	1,060
		Smiling Home Medice Adachi	2,253	5.3	2,298	2,440
		Hanakotoba Minami	1,071	2.5	1,109	1,190
		Hanakotoba Miura	615	1.5	651	664
		Subtotal		19,806	46.9	20,122
	Kinki area	AQUAMARINE Nishinomiya	1,950	4.6	1,972	2,140
		SOMPO CARE Sompno ie Awajiekimae	1,930	4.6	1,953	2,170
		SOMPO CARE Sompno ie Kobekamisawa	1,200	2.8	1,218	1,340
		Medical Home Bonsejour Itami	514	1.2	522	557
		Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	4,320	10.2	4,382	4,420
		GreenLife Moriguchi	4,150	9.8	4,245	4,410
		Hapine Kobe Uozaki Nibankan	930	2.2	956	995
		Subtotal		14,994	35.5	15,251
	Chubu area	Medical Rehabilitation Home Bonsejour Komaki	1,270	3.0	1,277	1,450
		Subtotal		1,270	3.0	1,277
	Core cities	SAWAYAKA Tachibanakan	1,520	3.6	1,470	1,580
		SAWAYAKA Mekarikan	1,380	3.3	1,347	1,450
		AIKOEN ICHIBANKAN Building	770	1.8	795	863
		Niigata Rehabilitation Hospital	2,060	4.9	2,052	2,260
		Subtotal		5,730	13.6	5,666
	Other area	SAWAYAKA Tagawakan	390	0.9	391	412
		Subtotal		390	0.9	391
	Total (27 properties)			42,190	100.0	42,710

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

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

(Note 3) "Carrying amount" indicates book value after depreciation and amortization as of January 31, 2019.

(Note 4) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

② Buildings of investment real estate properties and their leasing status

Annual rent of each property is not disclosed as consent from the tenants have not been obtained. The total annual rent from real estate in trust owned by HCM as of January 31, 2019 is 2,654 million yen (Note).

(Note) The amount is obtained by multiplying total of monthly rent in lease agreements effective as of January 31, 2019 by 12 (including tax, etc.), and is rounded down to the nearest million yen.

Area	Property name	Structure/ No. of floors (Note 1)	Construction completion (Note 2)	Total leasable area (m ²) (Note 3)	Total leased area (m ²) (Note 4)	No. of tenants (companies) (Note 5)	Occupancy rate (%) (Note 6)
Metropolitan area	Bonjour Chitose-funabashi	RC/B1 6F	Mar. 8, 1988	2,342.17	2,342.17	1	100.0
	Bonjour Hino	RC/3F	May 2, 1990	1,984.17	1,984.17	1	100.0
	Bonjour Musashi-shinjo	RC/4F	Feb. 21, 1985	1,710.43	1,710.43	1	100.0
	Medical Rehabilitation Home Bonjour Hadanoshibusawa	RC/5F	Jul. 17, 1991	3,435.79	3,435.79	1	100.0
	SOMPO CARE La vie Re Machidaonji	RC/B1 6F	Oct. 29, 2007	7,720.17	7,720.17	1	100.0
	SOMPO CARE La vie Re Azamino	RC/B1 5F	Mar. 1, 2004	5,789.25	5,789.25	1	100.0
	ASHEIM Hikarigaoka	RC/3F	Mar. 6, 2006	3,628.60	3,628.60	1	100.0
	ASHEIM Bunkyoakusan	RC/8F	Feb. 27, 2007	2,494.78	2,494.78	2	100.0
	GOOD TIME HOME Fudo-mae	RC (partly S)/B1 5F	Mar. 18, 1992	3,400.20	3,400.20	1	100.0
	Bonjour Yotsugi	RC/5F	Mar. 28, 1989	1,962.89	1,962.89	1	100.0
	Granda Tsuruma-Yamato	RC (partly S)/5F	Mar. 6, 1998	3,427.08	3,427.08	1	100.0
	Smiling Home Medice Adachi	RC/4F	Nov. 16, 2005	3,870.98	3,870.98	2	100.0
	Hanakotoba Minami	RC/7F	Feb. 24, 2010	1,710.68	1,710.68	1	100.0
	Hanakotoba Miura	RC/4F	Jun. 27, 2007	1,959.64	1,959.64	1	100.0
	Subtotal			45,436.83	45,436.83	16	100.0
Kinki area	AQUAMARINE Nishinomiya	RC/5F	May 18, 2007	5,157.26	5,157.26	2	100.0
	SOMPO CARE Sompno no ie Awajiekimae	RC/12F	Jun. 12, 2009	5,658.53	5,658.53	1	100.0
	SOMPO CARE Sompno no ie Kobekamisawa	S/9F	Jun. 11, 2009	3,626.25	3,626.25	1	100.0
	Medical Home Bonjour Itami	SRC/11F	Mar. 3, 1989	2,129.87	2,129.87	1	100.0
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	RC/B1 9F	Jan. 7, 2009	12,636.48	12,636.48	1	100.0
	GreenLife Moriguchi	SRC/9F	Sept. 6, 2006	8,356.85	8,356.85	1	100.0
	Hapine Kobe Uozaki Nibankan	S/B1 4F	Mar. 31, 2010	1,772.89	1,772.89	1	100.0
		Subtotal			39,338.13	39,338.13	8
Chubu area	Medical Rehabilitation Home Bonjour Komaki	SRC/10F	Mar. 13, 1991	8,858.49	8,858.49	1	100.0
		Subtotal			8,858.49	8,858.49	1
Core cities	SAWAYAKA Tachibanakan	RC/B1 6F	Oct. 31, 2005	5,652.94	5,652.94	1	100.0
	SAWAYAKA Mekarikan	RC/4F	Nov. 15, 2005	4,720.46	4,720.46	1	100.0
	AIKOEN ICHIBANKAN Building	S/5F	Feb. 4, 2010	4,311.20	4,311.20	4	100.0
	Niigata Rehabilitation Hospital	①RC/3F ②S/5F	①Apr. 20, 1990 ②Feb. 28, 2001	13,476.55	13,476.55	1	100.0
		Subtotal			28,161.15	28,161.15	7
Other area	SAWAYAKA Tagawakan	RC/3F	Jan. 20, 2006	2,366.20	2,366.20	1	100.0
		Subtotal			2,366.20	2,366.20	1
Total				124,160.80	124,160.80	33	100.0

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

- (Note 1) "Structure/ No. of floors" indicates information provided in the real estate registry of the building of each owned asset. "S" refers to steel structure, "RC" refers to reinforced concrete structure, "SRC" refers to steel-reinforced concrete structure, "B" refers to basement floor and "F" refers to floors above ground.
- (Note 2) "Construction completion" indicates date of new construction provided in the real estate registry of the building of each owned asset.
- (Note 3) "Total leasable area" indicates the areas believed to be leasable based on the lease agreement or the drawing of each building.
- (Note 4) "Total leased area" indicates the areas, out of the total leasable area, for which actual lease agreements have been concluded and are leased.
- (Note 5) "No. of tenants" indicates the number of tenants of each building based on the lease agreements. For the section of healthcare facilities in which the trustee of each owned asset and HCM conclude a lease agreement (master lease agreement) with an aim to have HCM sublease to the master lease company (section of paid nursing home with nursing care for Smiling Home Medice Adachi), the master lease company which operates the healthcare facilities in the respective sections (operator) is counted as a tenant, and accordingly 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 total leased area as a percentage of the total leasable area of each owned asset as of January 31, 2019, and is rounded to one decimal place.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

③ Summary of Appraisal Report

Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report					Appraisal NOI (millions of yen) (Note 2)
			Direct capitalization method		DCF method			
			Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%)	Terminal capitalization rate (%)	
AQUAMARINE Nishinomiyahama	Rich Appraisal Institute Co., Ltd.	2,140	2,150	5.3	2,130	5.0	5.5	118
Bonjour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	993	4.4	966	4.5	4.6	49
Bonjour Hino	The Tanizawa Sogo Appraisal Co., Ltd.	818	832	4.8	812	4.9	5.0	43
Bonjour Musashi-shinjo	The Tanizawa Sogo Appraisal Co., Ltd.	643	653	5.1	638	5.2	5.3	36
Medical Rehabilitation Home Bonjour Hadanoshibusawa	The Tanizawa Sogo Appraisal Co., Ltd.	850	864	5.0	844	5.1	5.2	47
Medical Rehabilitation Home Bonjour Komaki	The Tanizawa Sogo Appraisal Co., Ltd.	1,450	1,460	5.5	1,440	5.6	5.7	92
ASHEIM Hikarigaoka	Japan Real Estate Institute	1,570	1,590	4.8	1,550	4.6	5.0	76
ASHEIM Bunkyoakusan	Japan Real Estate Institute	1,630	1,650	4.4	1,610	4.2	4.6	73
SOMPO CARE La vie Re Machidaonaji	Japan Real Estate Institute	3,810	3,850	4.9	3,760	4.7	5.1	192
SOMPO CARE La vie Re Azamino	Japan Real Estate Institute	3,270	3,310	4.6	3,220	4.4	4.8	155
SAWAYAKA Tachibanakan	Japan Real Estate Institute	1,580	1,590	5.6	1,560	5.4	5.8	95
SAWAYAKA Mekarikan	Japan Real Estate Institute	1,450	1,460	5.7	1,440	5.5	5.9	87
SAWAYAKA Tagawakan	Japan Real Estate Institute	412	415	5.8	409	5.6	6.0	26
GOOD TIME HOME Fudo-mae	Japan Real Estate Institute	1,940	1,960	4.4	1,910	4.2	4.6	91
Bonjour Yotsugi	The Tanizawa Sogo Appraisal Co., Ltd.	886	902	4.7	879	4.8	4.9	48
Medical Home Bonjour Itami	The Tanizawa Sogo Appraisal Co., Ltd.	557	566	5.1	553	5.2	5.3	36
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Daiwa Real Estate Appraisal Co., Ltd.	4,420	4,480	4.7	4,400	4.5	4.9	225
GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,410	4,470	4.6	4,380	4.4	4.8	221
Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	995	1,010	4.6	989	4.4	4.8	48
Granda Tsuruma- Yamato	The Tanizawa Sogo Appraisal Co., Ltd.	1,060	1,070	4.7	1,050	4.8	4.9	53
Smiling Home Medice Adachi	The Tanizawa Sogo Appraisal Co., Ltd.	2,440	2,470	4.7	2,430	4.8	4.9	119
AIKON ICHIBANKAN Building	The Tanizawa Sogo Appraisal Co., Ltd.	863	867	5.2	861	5.3	5.4	45
Hanakotoba Minami	Japan Real Estate Institute	1,190	1,200	4.6	1,170	4.4	4.8	56
Hanakotoba Miura	The Tanizawa Sogo Appraisal Co., Ltd.	664	672	4.9	661	5.0	5.1	35
SOMPO CARE Sompno no ie Awajiekimae	Japan Real Estate Institute	2,170	2,190	5.2	2,150	5.0	5.4	116
SOMPO CARE Sompno no ie Kobekamisawa	Japan Real Estate Institute	1,340	1,350	5.2	1,330	5.0	5.4	72
Niigata Rehabilitation Hospital	Japan Real Estate Institute	2,260	2,270	6.6	2,250	6.4	6.8	153
Total		45,792	46,294	-	45,392	-	-	2,420

(Note 1) Figures are based on appraisal reports with appraisal date of January 31, 2019.

(Note 2) "Appraisal NOI" indicates net operating income obtained by direct capitalization method stated in real estate appraisal report with January 31, 2019 as appraisal date, and is rounded down to the nearest million yen. The same shall apply hereinafter in this document.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

④ Capital Expenditures of Assets under Management

a. Schedule of Capital Expenditures

Of capital expenditures associated with repair work, etc. currently planned for assets owned by HCM as of January 31, 2019, 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.	Purpose	Scheduled period	Estimated construction costs (thousands of yen)		
			Total amount	Payment during period	Total amount already paid
Granda Tsuruma-Yamato (Yamato-shi, Kanagawa)	Exterior wall painting and renewal of rooftop waterproof	From: January 2019 To: April 2019	34,000	-	-
ASHEIM Hikarigaoka (Nerima-ku, Tokyo)	Work on nurse call systems and other equipment	From: March 2019 To: June 2019	26,000	-	-
Smiling Home Medice Adachi (Adachi-ku, Tokyo)	Renewal of air conditioners in common areas	From: March 2019 To: June 2019	25,000	-	-
ASHEIM Bunkyo-hakusan (Bunkyo-ku, Tokyo)	Work on nurse call systems and other equipment	From: March 2019 To: June 2019	20,000	-	-
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of air conditioners in common areas	From: March 2019 To: June 2019	20,000	-	-
SAWAYAKA Tagawakan (Tagawa-shi, Fukuoka)	Reinforcement work for wall tiles in the kitchen	From: March 2019 To: June 2019	5,000	-	-

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 January 31, 2019, the following are the major amounts. The capital expenditures in the current fiscal period amounted to 109,846 thousand yen and repair expenses separately charged to expenses amounted to 13,757 thousand yen for a combined total of 123,603 thousand yen of construction work implemented.

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
SOMPO CARE La vie Re Azamino (Yokohama-shi, Kanagawa)	Exterior wall renovation (periphery)	From: August 2018 To: December 2018	43,153
SAWAYAKA Mekarikan (Kitakyushu-shi, Fukuoka)	Replacement of floor materials (damaged by torrential rain)	From: November 2018 To: January 2019	14,093
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of distribution switchboard parts for power receiving/ transforming equipment	From: October 2018 To: November 2018	8,872
Other real estate, etc.	-	-	43,727
Total			109,846

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

⑤ 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 January 31, 2019). The annual rent and tenant leasehold and security deposits of each property are not disclosed as consent from the tenants has not been obtained.

Tenant name	Property name	Leased area (m ²) (Note 1)	Contract expiration date (Note 2)	Appraisal NOI (millions of yen) (Note 3)	Share (%) (Note 4)
GREEN LIFE Co., Ltd.	AQUAMARINE Nishinomiyahama	5,189.42	May 31, 2037	118	4.2
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	12,636.48	March 28, 2041	225	10.1
	GreenLife Moriguchi	8,356.85	October 19, 2039	221	6.7
	Hapine Kobe Uozaki Nibankan	1,772.89	March 28, 2041	48	1.4
	Total	27,955.64	-	614	22.4
Benesse Style Care Co., Ltd.	Bonsejour Chitose-funabashi	2,342.17	May 24, 2026	49	1.9
	Bonsejour Hino	1,984.17	May 24, 2026	43	1.6
	Bonsejour Musashi-shinjo	1,710.43	November 23, 2026	36	1.4
	Medical Rehabilitation Home Bonsejour Hadanoshibusawa	3,435.79	May 21, 2027	47	2.8
	Medical Rehabilitation Home Bonsejour Komaki	8,858.49	May 21, 2027	92	7.1
	Bonsejour Yotsugi	1,962.89	January 5, 2026	48	1.6
	Medical Home Bonsejour Itami	2,129.87	May 21, 2027	36	1.7
	Granda Tsuruma-Yamato	3,427.08	March 31, 2022	53	2.7
Total	25,850.89	-	408	20.7	
Sompo Care Inc.	SOMPO CARE La vie Re Machidaonaji	7,720.17	October 31, 2027	192	6.2
	SOMPO CARE La vie Re Azamino	5,789.25	June 27, 2027	155	4.6
	SOMPO CARE Sompo no ie Awajiekimae	5,745.15	July 31, 2034	116	4.6
	SOMPO CARE Sompo no ie Kobekamisawa	4,058.35	July 31, 2034	72	3.3
	Total	23,312.92	-	537	18.7
Medical Corporation AIKOKAI	AIKOEN ICHIBANKAN Building	3,806.36	August 4, 2036	45	3.0
	Niigata Rehabilitation Hospital	13,476.55	March 23, 2047	153	10.8
	Total	17,282.91	-	198	13.8
Sawayaka Club Co., Ltd.	SAWAYAKA Tachibanakan	5,652.94	January 29, 2028	95	4.5
	SAWAYAKA Mekarikan	4,720.46	January 29, 2028	87	3.8
	SAWAYAKA Tagawakan	2,366.20	January 29, 2028	26	1.9
	Total	12,739.60	-	209	10.2

(Note 1) "Leased area" indicates not the area described in the drawing of each building but the area stated in lease agreements concluded with each operator as of January 31, 2019. The same shall apply in ⑤.

(Note 2) "Contract expiration date" indicates the contract expiration date stated in the lease agreement with the operator as the lessee.

(Note 3) "Appraisal NOI" indicates figures calculated for each property by including lessees other than the operators.

(Note 4) "Share" indicates the leased area of each property as a percentage of the total leased area of the properties owned by HCM as of January 31, 2019, and is rounded to one decimal place.

(Note 5) The above table has been revised based on the release dated April 25, 2019.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

⑥ Portfolio Overview

a. Overview of Homes and Facilities for the Elderly

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)
AQUAMARINE Nishinomiyaahama	Paid nursing home	GREEN LIFE Co., Ltd.	90	100	96	96.0	July 1, 2018
Bonsejour Chitose-funabashi	Paid nursing home	Benesse Style Care Co., Ltd.	42	47	45	95.7	October 1, 2018
Bonsejour Hino	Paid nursing home	Benesse Style Care Co., Ltd.	56	58	54	93.1	October 1, 2018
Bonsejour Musashi-shinjo	Paid nursing home	Benesse Style Care Co., Ltd.	46	49	44	89.8	October 1, 2018
Medical Rehabilitation Home Bonsejour Hadanoshibusawa	Paid nursing home	Benesse Style Care Co., Ltd.	100	101	94	93.1	October 1, 2018
Medical Rehabilitation Home Bonsejour Komaki	Residential type paid nursing home	Benesse Style Care Co., Ltd.	124	165	111	67.3	October 1, 2018
ASHEIM Hikarigaoka	Paid nursing home	AS PARTNERS Co., Ltd.	83	89	81	91.0	August 1, 2018
ASHEIM Bunkyoakusan	Paid nursing home	AS PARTNERS Co., Ltd.	50	52	45	86.5	July 1, 2018
SOMPO CARE La vie Re Machidaonaji	Paid nursing home	Sompo Care Inc.	163	169	112	66.3	July 1, 2018
SOMPO CARE La vie Re Azamino	Paid nursing home	Sompo Care Inc.	145	145	84	57.9	July 1, 2018
SAWAYAKA Tachibanakan	Paid nursing home	Sawayaka Club Co., Ltd.	104	104	103	99.0	July 1, 2018
SAWAYAKA Mekarikan	Paid nursing home	Sawayaka Club Co., Ltd.	95	95	93	97.9	July 1, 2018
SAWAYAKA Tagawakan	Paid nursing home	Sawayaka Club Co., Ltd.	60	60	56	93.3	July 1, 2018
GOOD TIME HOME Fudo-mae	Paid nursing home	JAPAN LIFEDESIGN Inc.	61	67	63	94.0	August 1, 2018
Bonsejour Yotsugi	Paid nursing home	Benesse Style Care Co., Ltd.	61	65	59	90.8	October 1, 2018
Medical Home Bonsejour Itami	Residential type paid nursing home	Benesse Style Care Co., Ltd.	62	64	62	96.9	October 1, 2018
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Paid nursing home	GREEN LIFE Co., Ltd.	128	138	127	92.0	July 1, 2018
GreenLife Moriguchi	Paid nursing home	GREEN LIFE Co., Ltd.	155	189	184	97.4	July 1, 2018
Hapine Kobe Uozaki Nibankan	Paid nursing home	GREEN LIFE Co., Ltd.	47	47	46	97.9	July 1, 2018
Granda Tsuruma-Yamato	Paid nursing home	Benesse Style Care Co., Ltd.	73	90	72	80.0	October 1, 2018
Smiling Home Medice Adachi	Paid nursing home	GREEN LIFE HIGASHI NIHON Co., Ltd.	82	82	71	86.6	November 1, 2018
AIKOEN ICHIBANKAN Building	Paid nursing home	Medical Corporation AIKOEN	90	90	89	98.9	July 1, 2018
Hanakotoba Minami	Paid nursing home	Proud Life Inc.	51	51	51	100.0	November 28, 2018
Hanakotoba Miura	Paid nursing home	Proud Life Inc.	53	54	50	92.6	October 1, 2018
SOMPO CARE Sompo no ie Awajiekimae	Serviced housing for the elderly	Sompo Care Inc.	137 (Note 4)	137 (Note 4)	123	89.8	November 1, 2018
SOMPO CARE Sompo no ie Kobekamisawa	Serviced housing for the elderly	Sompo Care Inc.	85	85	84	98.8	November 1, 2018
Total			2,243	2,393	2,099	87.7	-

(Note 1) "No. of rooms," "Capacity" and "No. of residents" indicate 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 or figures posted on the website of each property prepared by the operators as of January 31, 2019.

(Note 2) "Occupancy rate" indicates the occupancy rate stated in the Property Disclosure Statement of Important Matters or the rate obtained by dividing the number of residents by capacity, rounded to one decimal place.

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

(Note 4) Actual number of rooms and capacity for serviced housing for the elderly are 136 rooms and 136 persons, respectively.

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

b. Overview of Medical Service-Related Facilities, etc.

Property name	Niigata Rehabilitation Hospital		
Operator	Medical Corporation AIKOKAI	Date of establishment	June 1990 (established as Oyama Hospital, the precursor)
Type of facility	Hospital	Authorized number of beds	168 beds (general bed: 108 beds/convalescent-stage beds: 60 beds)
Subject of medical treatment	Rehabilitation, orthopedic surgery, internal medicine, neurology, dental & dental and oral surgery	Facility certification	Training facility certified by the Japanese Association of Rehabilitation Medicine Training facility certified by Japan Society of Ultrasonics in Medicine specialists
Main facility criteria	Hospitalization fee	Hospital ward on 2nd floor (48 beds) Hospitalization fee of hospital ward for comprehensive community care 1 Hospital ward on 3rd floor (60 beds) ·Basic hospitalization fee for general hospital ward (local general hospitalization fee 1) · Medical management fee for comprehensive community care 1 Hospital ward on 4th floor (60 beds) Hospitalization fee of hospital ward for rehabilitation at recovery stage 1	
	Others	Emergency medical care management addition, specimen examination management addition I, fee for coordinated guidance on cancer treatment, rehabilitation fee for cerebrovascular disease, etc. I, rehabilitation fee for locomotor I, rehabilitation fee for respiratory apparatus II, fee for group communication therapy, etc.	
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		

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

c. Leasing status

Area	Property name	Current fiscal period (from August 1, 2018 to January 31, 2019)			
		No. of tenants (Note 1)	Occupancy rate (as of the end of period) (%)	Revenue related to rent business (during the period) (millions of yen)	Percentage of total revenue related to rent business (%)
Tokyo Metropolitan area	Bonjour Chitose-funabashi	1	100.0	Not disclosed (Note 2)	
	Bonjour Hino	1	100.0		
	Bonjour Musashi-shinjo	1	100.0		
	Medical Rehabilitation Home Bonjour Hadanoshibusawa	1	100.0		
	SOMPO CARE La vie Re Machidaonji	1	100.0		
	SOMPO CARE La vie Re Azamino	1	100.0		
	ASHEIM Hikarigaoka	1	100.0		
	ASHEIM Bunkyoakusan	2	100.0		
	GOOD TIME HOME Fudo-mae	1	100.0		
	Bonjour Yotsugi	1	100.0		
	Granda Tsuruma-Yamato	1	100.0		
	Smiling Home Medice Adachi	2	100.0		
	Hanakotoba Minami	1	100.0		
	Hanakotoba Miura	1	100.0		
	Subtotal	16	100.0		
Kinki area	AQUAMARINE Nishinomiya	2	100.0		
	SOMPO CARE Somo no ie Awajiekimae	1	100.0		
	SOMPO CARE Somo no ie Kobekamisawa	1	100.0		
	Medical Home Bonjour Itami	1	100.0		
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	1	100.0		
	GreenLife Moriguchi	1	100.0		
	Hapine Kobe Uozaki Nibankan	1	100.0		
	Subtotal	8	100.0		
Chubu area	Medical Rehabilitation Home Bonjour Komaki	1	100.0		
	Subtotal	1	100.0		
Core cities	SAWAYAKA Tachibanakan	1	100.0		
	SAWAYAKA Mekarikan	1	100.0		
	AIKOEN ICHIBANKAN Building	4	100.0		
	Niigata Rehabilitation Hospital	1	100.0		
	Subtotal	7	100.0		
Other	SAWAYAKA Tagawakan	1	100.0		
	Subtotal	1	100.0		
Total		33	100.0		

(Note 1) "No. of tenants" indicates the number of tenants of each building based on the lease agreements. For the section of healthcare facilities in which the trustee of each owned asset and HCM conclude a lease agreement (master lease agreement) with an aim to have HCM sublease to the master lease company (section of paid nursing home with nursing care for Smiling Home Medice Adachi), the master lease company which operates the healthcare facilities in the respective sections (operator) is counted as a tenant, and accordingly indicated as the number of tenants. However, for the sections that are not subject to the lease agreement (master lease agreement) between the trustee and HCM, the number of lessees leasing a building from the trustee is counted as the number of tenants and indicated accordingly.

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

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes.
Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

d. Earnings Performance

(Unit: thousands of yen)

Property name	Current fiscal period (from August 1, 2018 to January 31, 2019)										
	Real estate lease business revenue			Real estate lease business expenses						NOI (Note 3)	
		Rent revenue	Other revenue		Property tax	Outsourcing	Insurance expenses	Repair expenses	Depreciation		Other
AQUAMARINE Nishinomiyahama				23,209	4,478	2,100	151	1,219	14,860	400	58,994
Bonjour Chitose-funabashi				5,544	1,790	224	76	-	3,048	404	21,425
Bonjour Hino				5,042	1,240	213	58	-	3,130	400	19,521
Bonjour Musashi-shinjo				4,064	998	167	51	-	2,447	400	16,186
Medical Rehabilitation Home Bonjour Hadanoshibusawa				8,365	1,829	213	104	-	5,817	400	21,110
Medical Rehabilitation Home Bonjour Komaki				14,038	4,568	201	241	-	8,627	400	39,599
ASHEIM Hikarigaoka				12,047	3,698	388	110	189	7,258	400	39,011
ASHEIM Bunkyo Hakusan				10,234	2,494	388	82	-	6,868	400	36,466
SOMPO CARE La vie Re Machidaonaji				45,889	5,843	780	244	2,508	36,112	400	95,085
SOMPO CARE La vie Re Azamino				32,049	4,749	780	179	450	25,489	400	78,540
SAWAYAKA Tachibanakan				26,133	2,666	1,140	209	-	21,718	400	47,321
SAWAYAKA Mekarikan				25,493	2,988	1,140	133	-	20,831	400	43,621
SAWAYAKA Tagawakan				8,308	1,126	1,140	63	-	5,578	400	12,964
GOOD TIME HOME Fudo-mae			Not disclosed (Note 2)	11,769	3,051	600	115	373	7,228	400	46,459
Bonjour Yotsugi				4,927	968	223	49	-	3,286	400	20,708
Medical Home Bonjour Itami				6,480	1,374	371	75	-	4,260	400	13,972
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)				50,521	9,547	900	382	55	39,236	400	114,215
GreenLife Moriguchi				38,424	6,937	1,388	251	6,006	23,439	400	105,015
Hapine Kobe Uozaki Nibankan				9,509	1,405	1,200	60	-	6,444	400	24,434
Granda Tsuruma- Yamato				6,848	1,938	618	100	-	3,791	400	27,100
Smiling Home Medice Adachi				12,837	3,219	540	117	545	8,013	400	59,904
AIKOEN ICHIBANKAN Building				8,765	2,566	780	75	313	4,630	400	22,525
Hanakotoba Minami				3,362	-	400	31	-	2,661	269	19,698
Hanakotoba Miura				3,250	-	400	37	-	2,543	269	12,895
SOMPO CARE Sompo no ie Awajiekimae				28,202	4,942	510	186	1,228	20,934	400	57,195
SOMPO CARE Sompo no ie Kobekamisawa				17,418	2,916	510	118	865	12,608	400	35,484
Niigata Rehabilitation Hospital				26,228	9,872	1,030	257	-	14,569	500	78,220
Total	1,301,210	1,294,178	7,031	448,967	87,213	18,350	3,565	13,757	315,438	10,643	1,167,680

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

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

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

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

e. Diversification by type

Brand	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen) (Note 1)	Share (%) (Note 2)
Paid nursing homes	24	37,000	40,022	87.7
Serviced housing for the elderly	2	3,130	3,510	7.4
Medical service-related facilities, etc.	1	2,060	2,260	4.9
Total	27	42,190	45,792	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

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

f. Diversification by area

Classification/region	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen) (Note 1)	Share (%) (Note 2)
Three Major Metropolitan Areas	22	36,070	39,227	85.5
Tokyo Metropolitan Area	14	19,806	21,745	46.9
Kinki Area	7	14,994	16,032	35.5
Chubu Area	1	1,270	1,450	3.0
Core Cities	4	5,730	6,153	13.6
Other Areas	1	390	412	0.9
Total	27	42,190	45,792	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., and Daiwa Real Estate Appraisal Co., Ltd. based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

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

This translation of the original Japanese financial report (*kessan tanshin*) is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

g. Diversification by the number of rooms

Number of rooms	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen) (Note 1)	Share (%) (Note 2)
Homes and facilities for the elderly	26	40,130	43,532	95.1
100 rooms or more	8	20,548	21,960	48.7
50 rooms or more, but less than 100 rooms	15	17,246	18,960	40.9
Less than 50 rooms	3	2,336	2,612	5.5
Medical Service-Related Facilities, etc.	1	2,060	2,260	4.9
Total	27	42,190	45,792	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of January 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

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