

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 July 2019

September 13, 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: October 30, 2019

Scheduled date of commencement of distribution payment: October 18, 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 July 2019 (from February 1, 2019 to July 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 Jul. 2019	2,008	54.4	1,189	83.9	1,047	93.7	1,046	93.8
Ended Jan. 2019	1,301	2.7	647	3.5	540	3.6	539	3.6

Fiscal period	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Ended Jul. 2019	3,372	3.9	1.9	52.1
Ended Jan. 2019	2,794	2.7	1.2	41.5

(2) Distributions Status

	Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions (including distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Total distributions in excess of earnings	Distribution payout ratio	Ratio of distributions to net assets
	yen	yen	yen	million yen	million yen	million yen		
Ended Jul. 2019	3,643	3,325	318	1,132	1,034	98	98.9	3.1
Ended Jan. 2019	3,120	2,661	459	602	513	88	95.2	2.5

(Note 1) Total distributions in excess of earnings of 98 million yen (318 yen per unit) for the fiscal period ended July 2019 is comprised of (1) total distribution amount from reserve for temporary difference adjustment of 11 million yen (38 yen per unit) due to the occurrence of deferred losses on hedges of 12 million yen recorded as net asset deduction items for the current fiscal period and (2) total distribution amount of 87 million yen (280 yen per unit) from distribution reducing unitholders' capital for tax purposes.

Total distributions in excess of earnings of 88 million yen (459 yen per unit) for the fiscal period ended January 2019 is comprised of (1) total distribution amount from reserve for temporary difference adjustment of 25 million yen (133 yen per unit) due to the occurrence of deferred losses on hedges of 25 million yen recorded as net asset deduction items and (2) total distribution amount of 62 million yen (326 yen per unit) from distribution reducing unitholders' capital for tax purposes.

(Note 2) The ratio of decreasing surplus due to execution of distribution in excess of earnings (return of capital) is 0.003 for the fiscal period ended July 2019 and 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 for the fiscal period ended July 2019 is calculated using the following formula since issuance of new investment units was executed.

Payout ratio = Total distributions (excluding distribution in excess of earnings) / Net income x 100

(3) Financial Position

Fiscal period	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Ended Jul. 2019	68,325	33,426	48.9	107,479
Ended Jan. 2019	44,327	20,314	45.8	105,198

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 Jul. 2019	1,476	(22,728)	21,812	1,962
Ended Jan. 2019	930	(1,788)	1,196	1,401

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

Earnings Forecast for Fiscal Period Ending July 2020 (from February 1, 2020 to July 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 Jan. 2020	2,012	0.2	1,101	(7.4)	940	(10.2)	939	(10.2)	3,020	284	3,304
Ending Jul. 2020	2,012	0.0	1,046	(5.0)	891	(5.2)	890	(5.2)	2,864	286	3,150

(Reference) Forecast net income per unit (fiscal period ending January 2020) 3,020 yen

Forecast net income per unit (fiscal period ending July 2020) 2,864 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 July 2019 311,001 units Fiscal period ended January 2019 193,107 units

② Number of own investment units at end of period

Fiscal period ended July 2019 - units Fiscal period ended January 2019 - 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 29.

* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

* Special note

The forecast is a future prospect judged by HCM based on information currently available and includes many uncertain factors. Actual operating revenue, operating income, ordinary income, net income, distribution per unit (excluding distribution in excess of earnings), distribution in excess of earnings per unit and distribution per unit (including distribution in excess of earnings) are subject to change due to changes in circumstances. In addition, the forecast is not a guarantee of the amount of distribution and distribution in excess of earnings. For the assumptions underlying the above forecast, please see "Assumptions Underlying Earnings Forecast for Fiscal Period Ending January 2020 and Fiscal Period Ending July 2020" on pages 9 and 10.

Table of Contents

1. Management Status	4
(1) Management Status	4
2. Financial Statements	11
(1) Balance Sheet	11
(2) Statement of Income	13
(3) Statement of Unitholders' Equity	14
(4) Statement of Cash Distributions	16
(5) Statement of Cash Flows	18
(6) Notes on the Going Concern Assumption.....	19
(7) Notes on Matters Concerning Significant Accounting Policies.....	19
(8) Notes on Financial Statements	20
(9) Changes in Total Number of Investment Units Issued and Outstanding.....	30
3. Reference Information	31
(1) Investment Status	31
(2) Investment Real Estate Properties	32

1. Management Status

(1) Management Status

① Overview of the Current Fiscal Period

(a) Brief History of HCM

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

During the fiscal period ended July 2019 (February 1, 2019 to July 31, 2019) (hereinafter, the "9th fiscal period" or the "current fiscal period"), HCM implemented public offering (117,894 units, including third-party allotment in line with the secondary offering by over-allotment). As a result, the total number of investment units issued and outstanding stands at 311,001 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

During the current fiscal period, HCM acquired 8 properties (SOMPO CARE La vie Re Hama-Kawasaki, Hanakotoba Shin-Yokohama, Hanakotoba Shin-Yokohama II, Hanakotoba Odawara, Verde Minowa, Verde Hotaka, Sunny Life Kita-Shinagawa, SHIP Senri Building) on February 1, 2019 with a total acquisition price of 22,691 million yen.

As a result, HCM owns 35 properties with a total leasable area of 182,540.84 m², and the occupancy rate stands at 99.9% 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, in line with the acquisition of the above 8 properties, HCM implemented issuance of new investment units through public offering (112,280 units) with February 1, 2019, as the payment date, and issuance of new investment units through third-party allotment (5,614 units) on February 27, 2019, in line with the public offering.

In addition, HCM borrowed 11,750 million yen on February 1, 2019, to cover part of the acquisition and costs for the above 8 properties, as well as to carry out early repayment of existing loans. Furthermore, HCM conducted early repayment of 1,750 million yen of existing loans on February 1, 2019.

As a result, unitholders' capital (net) (Note) at the end of the current fiscal period stands at 32,417 million yen, the total number of investment units issued and outstanding at 311,001 units, and the total interest-bearing liabilities at 32,450 million 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) The amount obtained by subtracting deduction from unitholders' capital from unitholders' capital is shown. The amount does not take into account the change in unitholders' capital in line with the implementation of distributions in excess of earnings of reserve for temporary difference adjustments.

As of the end of the current fiscal period, the ratio of interest-bearing liabilities (loan amount) to total assets (hereinafter, "LTV") is 47.5%.

HCM's rating as of July 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, for the current fiscal period, operating revenue stood at 2,008 million yen, operating income at 1,189 million yen, ordinary income at 1,047 million yen and net income at 1,046 million yen.

With respect to cash distributions, in accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act. Following this policy, HCM has decided that, of profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act, it shall distribute 1,034,078,325 yen, which is the maximum integral multiple to the 311,001 units issued and outstanding as distribution of earnings. Accordingly, distribution of earning per unit was 3,325 yen.

In addition, HCM is to make distribution in excess of earnings, of which the 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 the change in the current fiscal period in deferred losses on hedges of 12 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 11,818,038 yen. As a result, distribution in excess of earnings per unit (of reserve for temporary difference adjustments) came to 38 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 87,080,280 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 280 yen.

As a result, distribution per unit came to 3,643 yen.

- (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 74.5% according to a survey conducted in fiscal 2018. Hospitals are used by an unspecified large number of people every day and can also be used as a community base in case of a disaster. Earthquake resistance is an urgent issue even from the viewpoint of strengthening the country's infrastructure.

Therefore, 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 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 sponsor companies and such.

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

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

Not applicable.

(d) Earnings Forecast Outlook

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

For the fiscal period ending January 2020 (from August 1, 2019 to January 31, 2020) and the fiscal period ending July 2020 (from February 1, 2020 to July 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.

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

Operating revenue	2,012 million yen
Operating income	1,101 million yen
Ordinary income	940 million yen
Net income	939 million yen
Distribution per unit (excluding distribution in excess of earnings)	3,020 yen
Distribution in excess of earnings per unit	284 yen
Distribution per unit (including distribution in excess of earnings)	3,304 yen

Fiscal period ending July 2020 (from February 1, 2020 to July 31, 2020)

Operating revenue	2,012 million yen
Operating income	1,046 million yen
Ordinary income	891 million yen
Net income	890 million yen
Distribution per unit (excluding distribution in excess of earnings)	2,864 yen
Distribution in excess of earnings per unit	286 yen
Distribution per unit (including distribution in excess of earnings)	3,150 yen

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

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 January 2020 and Fiscal Period Ending July 2020

Item	Assumptions															
Accounting period	<ul style="list-style-type: none"> Fiscal period ending January 2020 (10th fiscal period): from August 1, 2019 to January 31, 2020 (184 days) Fiscal period ending July 2020 (11th fiscal period): from February 1, 2020 to July 31, 2020 (182 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 July 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" data-bbox="422 638 1316 840"> <thead> <tr> <th></th> <th>Fiscal period ending January 2020</th> <th>Fiscal period ending July 2020</th> </tr> </thead> <tbody> <tr> <td>Property tax</td> <td>90 million yen</td> <td>139 million yen</td> </tr> <tr> <td>Repair expenses</td> <td>19 million yen</td> <td>22 million yen</td> </tr> <tr> <td>Depreciation</td> <td>442 million yen</td> <td>445 million yen</td> </tr> <tr> <td>Other expenses related to rent business</td> <td>49 million yen</td> <td>51 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 fiscal period ended July 2019 will not be recorded as expenses in the fiscal period ending January 2020, and such for fiscal 2020 will be recorded as expenses from the fiscal period ending July 2020. 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 200 million yen for the fiscal period ending January 2020 and 198 million yen for the fiscal period ending July 2020. Impact of the consumption tax hike scheduled in October 2019 is expected. (The amount of impact is 4 million yen for the fiscal period ending January 2020 and 6 million yen for the fiscal period ending July 2020.) 		Fiscal period ending January 2020	Fiscal period ending July 2020	Property tax	90 million yen	139 million yen	Repair expenses	19 million yen	22 million yen	Depreciation	442 million yen	445 million yen	Other expenses related to rent business	49 million yen	51 million yen
	Fiscal period ending January 2020	Fiscal period ending July 2020														
Property tax	90 million yen	139 million yen														
Repair expenses	19 million yen	22 million yen														
Depreciation	442 million yen	445 million yen														
Other expenses related to rent business	49 million yen	51 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 11 million yen for the fiscal period ending January 2020 and 6 million yen for the fiscal period ending July 2020. Interest expenses and other borrowing related expenses are assumed to be 149 million yen for the fiscal period ending January 2020 and 147 million yen for the fiscal period ending July 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 January 2020 and the fiscal period ending July 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 July 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 January 2020 and for the fiscal period ending July 2020, respectfully. 															
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. 															

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
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 January 2020 and the fiscal period ending July 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. • 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 January 2020 and the fiscal period ending July 2020, the assumption is that there is no loss in the fair value of interest rate swaps, and of distribution in excess of earnings, that from reserve for temporary difference adjustments is not currently 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 set forth by the Tokyo Stock Exchange, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen serious change in general economic trends, real estate market conditions, etc.

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. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2019)	Current fiscal period (As of Jul. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,318,873	1,897,300
Cash and deposits in trust	108,051	142,524
Operating accounts receivable	—	16
Prepaid expenses	73,355	110,615
Consumption taxes receivable	—	179,416
Total current assets	1,500,281	2,329,873
Non-current assets		
Property, plant and equipment		
Buildings in trust	*1 23,545,014	*1 31,929,620
Accumulated depreciation	(1,960,490)	(2,391,245)
Buildings in trust, net	21,584,524	29,538,375
Structures in trust	76,898	83,849
Accumulated depreciation	(5,927)	(7,147)
Structures in trust, net	70,970	76,701
Machine and device in trust	13,456	13,456
Accumulated depreciation	(2,010)	(2,683)
Machine and device in trust, net	11,446	10,773
Tools, furniture and fixtures in trust	40,623	68,856
Accumulated depreciation	(6,577)	(10,462)
Tools, furniture and fixtures in trust, net	34,046	58,393
Land in trust	21,009,170	36,044,949
Construction in progress in trust	4,594	—
Total property, plant and equipment	42,714,752	65,729,194
Intangible assets		
Land leasehold interests in trust	—	38,240
Software	3,465	2,356
Total intangible assets	3,465	40,596
Investments and other assets		
Security deposits	10,000	10,000
Long-term prepaid expenses	89,220	178,772
Deferred tax assets	16	17
Total investments and other assets	99,237	188,790
Total non-current assets	42,817,455	65,958,581
Deferred assets		
Investment unit issuance expenses	9,964	37,103
Total deferred assets	9,964	37,103
Total assets	44,327,701	68,325,557

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 Jan. 31, 2019)	Current fiscal period (As of Jul. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	40,868	11,716
Short-term loans payable	2,750,000	1,000,000
Current portion of long-term loans payable	6,700,000	6,700,000
Accounts payable - other	88,452	73,843
Accrued expenses	145,439	174,390
Income taxes payable	950	967
Accrued consumption taxes	5,243	—
Advances received	211,457	329,191
Deposits received	283	72
Total current liabilities	9,942,694	8,290,182
Non-current liabilities		
Long-term loans payable	13,000,000	24,750,000
Tenant leasehold and security deposits	1,009,999	1,734,009
Tenant leasehold and security deposits in trust	34,604	86,766
Derivatives liabilities	25,769	37,784
Other	—	520
Total non-current liabilities	14,070,373	26,609,080
Total liabilities	24,013,068	34,899,262
Net assets		
Unitholders' equity		
Unitholders' capital	19,800,696	32,480,785
Deduction from unitholders' capital		
Reserve for temporary difference adjustments	—	* ³ (25,683)
Other deduction from unitholders' capital	—	(62,952)
Total deduction from unitholders' capital	—	(88,636)
Unitholders' capital, net	19,800,696	32,392,149
Surplus		
Unappropriated retained earnings (undisposed loss)	539,706	1,071,929
Total surplus	539,706	1,071,929
Total unitholders' equity	20,340,403	33,464,079
Valuation and translation adjustments		
Deferred gains or losses on hedges	(25,769)	(37,784)
Total valuation and translation adjustments	(25,769)	(37,784)
Total net assets	*² 20,314,633	*² 33,426,294
Total liabilities and net assets	44,327,701	68,325,557

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: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Operating revenue		
Lease business revenue	*1 1,294,178	*1 2,000,800
Other lease business revenue	*1 7,031	*1 7,874
Total operating revenue	1,301,210	2,008,674
Operating expenses		
Expenses related to rent business	*1 448,967	*1 586,721
Asset management fee	122,274	144,071
Asset custody fee	2,164	3,207
Administrative service fees	15,482	19,416
Directors' compensations	3,000	3,000
Property tax	16,886	17,685
Other operating expenses	45,433	44,829
Total operating expenses	654,208	818,931
Operating income	647,002	1,189,743
Non-operating income		
Interest income	3	5
Insurance income	—	15,000
Reversal of distribution payable	533	1,608
Total non-operating income	537	16,614
Non-operating expenses		
Interest expenses	65,046	90,543
Investment unit issuance expenses	4,982	11,406
Borrowing expenses	36,885	57,359
Total non-operating expenses	106,914	159,310
Ordinary income	540,625	1,047,048
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	540,625	1,047,048
Income taxes - current	950	968
Income taxes - deferred	(4)	(0)
Total income taxes	946	967
Net income	539,678	1,046,080
Retained earnings brought forward	27	25,848
Unappropriated retained earnings (undisposed loss)	539,706	1,071,929

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 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.

Current fiscal period (from February 1, 2019 to July 31, 2019)

(Unit: thousands of yen)

	Unitholders' equity							
	Unitholders' capital					Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital			Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
		Reserve for temporary difference adjustments	Other deduction from unitholders' capital	Total deduction from unitholders' capital				
Balance at beginning of current period		19,800,696	—	—				
Changes of items during period								
Issuance of new investment units	12,680,089				12,680,089			12,680,089
Dividends of surplus						(513,857)	(513,857)	(513,857)
Distribution in excess of earnings from reserve for temporary difference adjustments		(25,683)		(25,683)	(25,683)			(25,683)
Other distribution in excess of earnings			(62,952)	(62,952)	(62,952)			(62,952)
Net income						1,046,080	1,046,080	1,046,080
Changes of items other than unitholders' equity during the period, net								
Total changes of items during the period	12,680,089	(25,683)	(62,952)	(88,636)	12,591,453	532,222	532,222	13,123,676
Balance at the end of current period	*1 32,480,785	(25,683)	(62,952)	(88,636)	32,392,149	1,071,929	1,071,929	33,464,079

(Unit: thousands of yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(25,769)	(25,769)	20,314,633
Changes of items during period			
Issuance of new investment units			12,680,089
Dividends of surplus			(513,857)
Distribution in excess of earnings from reserve for temporary difference adjustments			(25,683)
Other distribution in excess of earnings			(62,952)
Net income			1,046,080
Changes of items other than unitholders' equity during the period, net	(12,014)	(12,014)	(12,014)
Total changes of items during the period	(12,014)	(12,014)	13,111,661
Balance at the end of current period	(37,784)	(37,784)	33,426,294

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: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
I. Unappropriated retained earnings	539,706,448	1,071,929,408
II. Distribution in excess of earnings	88,636,113	98,898,318
Of which, reserve for temporary difference adjustments	25,683,231	11,818,038
Of which, other deduction from unitholders' capital	62,952,882	87,080,280
III. Amount of distributions	602,493,840	1,132,976,643
[distributions per unit]	[3,120]	[3,643]
Of which, distributions of earnings	513,857,727	1,034,078,325
(Of which, distributions of earnings per unit)	[2,661]	[3,325]
Of which, reserve for temporary difference adjustments	25,683,231	11,818,038
(Of which, distributions in excess of earnings per unit (of reserve for temporary difference adjustments))	[133]	[38]
Of which, other distributions in excess of earnings	62,952,882	87,080,280
(Of which, distributions in excess of earnings per units (of other distributions in excess of earnings))	[326]	[280]
IV. Retained earnings carried forward	25,848,721	37,851,083
Method of calculation of amount of distributions	<p>In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as 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.</p> <p>In addition, HCM is to make distribution in excess of earnings, of which amount is to be determined by</p>	<p>In accordance with the cash distribution policy described in Article 36, Paragraph 1 of its Articles of Incorporation, HCM determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to its profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act. Following this policy, HCM has decided that, of profits as defined in Article 136, Paragraph 1 of the Investment Trusts Act, it shall distribute 1,034,078,325 yen, which is the maximum integral multiple to 311,001 units issued and outstanding as the distribution of earnings. Accordingly, distribution of earning per unit was 3,325 yen.</p> <p>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</p>

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.

	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Method of calculation of amount of distributions	<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>	<p>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 12 million yen was recorded as net asset deduction items, HCM decided to make distribution of reserve for temporary difference adjustments in the amount of 11,818,038 yen. As a result, distribution in excess of earnings per unit (of reserve for temporary difference adjustments) came to 38 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 87,080,280 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 280 yen.</p> <p>As a result, distribution per unit came to 3,643 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: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Cash flows from operating activities		
Income before income taxes	540,625	1,047,048
Depreciation	316,547	437,642
Loss on tax purpose reduction entry of non-current assets	6,489	—
Borrowing expenses	36,885	57,359
Investment unit issuance expenses	4,982	11,406
Interest income	(3)	(5)
Interest expenses	65,046	90,543
Decrease (increase) in operating accounts receivable	—	(16)
Decrease (increase) in consumption taxes refund receivable	—	(179,416)
Decrease (increase) in prepaid expenses	3,660	(9,950)
Increase (decrease) in operating accounts payable	22,310	(29,151)
Increase (decrease) in accounts payable - other	(5,844)	2,555
Increase (decrease) in accrued consumption taxes	(4,554)	(5,243)
Increase (decrease) in accrued expenses	3,260	29,059
Increase (decrease) in advances received	6,503	117,733
Decrease (increase) in long-term prepaid expenses	—	(303)
Increase (decrease) in deposits received	210	(210)
Other, net	(533)	(1,088)
Subtotal	995,585	1,567,962
Interest income received	3	5
Interest expenses paid	(64,718)	(90,652)
Income taxes paid	(857)	(951)
Net cash provided by (used in) operating activities	930,013	1,476,365
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(1,813,752)	(23,466,154)
Purchase of intangible assets in trust	—	(38,240)
Proceeds from tenant leasehold and security deposits	—	724,010
Proceeds from tenant leasehold and security deposits in trust	25,500	52,162
Net cash provided by (used in) investing activities	(1,788,252)	(22,728,221)
Cash flows from financing activities		
Payments for restricted deposits in trust	(25,500)	(52,162)
Proceeds from short-term loans payable	2,750,000	—
Repayments of short-term loans payable	(1,000,000)	(1,750,000)
Proceeds from long-term loans payable	—	11,750,000
Borrowing expenses	(6,730)	(173,917)
Proceeds from issuance of investment units	—	12,641,544
Dividends paid	(520,961)	(602,871)
Net cash provided by (used in) financing activities	1,196,808	21,812,593
Net increase (decrease) in cash and cash equivalents	338,568	560,736
Cash and cash equivalents at beginning of period	1,062,856	1,401,425
Cash and cash equivalents at end of period	*1 1,401,425	*1 1,962,162

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 5-69 years Structures in trust 10-53 years Machine and device in trust 10 years Tools, furniture and fixtures in trust 6-15 years (2) 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. The amount equivalent to real property tax, etc. included in the cost of acquisition of real estate, etc. was 1,558 thousand yen for the previous fiscal period and 89,199 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; Land leasehold interests 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.

[Additional Information]

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

Previous 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

Current fiscal period (from February 1, 2019 to July 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, 11,818 thousand yen of reserve for temporary difference adjustments is recorded.

2. Method of reversal

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

(8) Notes on Financial Statements

[Notes on Balance Sheet]

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

(Unit: thousands of yen)

	Previous fiscal period (As of Jan. 31, 2019)	Current fiscal period (As of Jul. 31, 2019)
Buildings in trust	6,489	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 Jan. 31, 2019)	Current fiscal period (As of Jul. 31, 2019)
	50,000	50,000

*3 Reserve for temporary difference adjustments

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

Not applicable.

Current fiscal period (from February 1, 2019 to July 31, 2019)

1. Reasons, related assets and amounts of reserve

(Unit: thousands of yen)

Related assets, etc.	Reason	Initial amount	Balance at beginning of 9th FP	Reserved amount in 9th FP	Reversed amount in 9th FP	Balance at end of 9th FP	Reason for reversal
Deferred gains or losses on hedges	Valuation loss on interest rate swap	25,683	—	25,683	—	25,683	—
	Total	25,683	—	25,683	—	25,683	—

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. Method of reversal

(1) Deferred gains or losses on hedges

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

[Notes on Statement of Income]

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

	(Unit: thousands of yen)	
	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
A. Operating revenue from real estate leasing		
Revenue related to rent business		
Rent revenue	1,294,178	2,000,800
Other revenue related to rent business		
Other revenue	7,031	7,874
Total operating revenue from real estate leasing	1,301,210	2,008,674
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Property tax	87,213	88,986
Outsourcing expenses	18,350	27,761
Repair expenses	13,757	12,018
Insurance expenses	3,565	6,847
Depreciation	315,438	436,533
Other expenses related to rent business	10,643	14,574
Total operating expenses from real estate leasing	448,967	586,721
C. Operating income (loss) from real estate leasing [A-B]	852,242	1,421,953

*2 Breakdown of Subsidy income

Previous 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.

Current fiscal period (from February 1, 2019 to July 31, 2019)

Not applicable.

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

	(Unit: thousands of yen)	
	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 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: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 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	311,001 units

[Notes on Statement of Cash Flows]

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

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Cash and deposits	1,318,873	1,897,300
Cash and deposits in trust	108,051	142,524
Restricted deposits in trust (Note)	(25,500)	(77,662)
Cash and cash equivalents	1,401,425	1,962,162

(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 Jan. 31, 2019	Current fiscal period As of Jul. 31, 2019
Not later than 1 year	2,242,742	3,416,066
Later than 1 year	13,499,806	16,229,131
Total	15,742,548	19,645,197

[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 as well as leasehold and security deposits in trust are deposits from tenants and are exposed to liquidity risks at the time of refunding upon tenants' move-outs, HCM controls liquidity risks by 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 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)	-

Current fiscal period (from February 1, 2019 to July 31, 2019)

(Unit: thousands of yen)

	Carrying amount	Fair value	Amount of difference
(1) Cash and deposits	1,897,300	1,897,300	—
(2) Cash and deposits in trust	142,524	142,524	—
Total assets	2,039,824	2,039,824	—
(3) Short-term loans payable	1,000,000	1,000,000	—
(4) Current portion of long-term loans payable	6,700,000	6,701,552	1,552
(5) Long-term loans payable	24,750,000	24,755,105	5,105
Total liabilities	32,450,000	32,456,657	6,657
(6) Derivatives transaction	(37,784)	(37,784)	—

(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 Jan. 31, 2019)	Current fiscal period (As of Jul. 31, 2019)
Tenant leasehold and security deposits	1,009,999	1,734,009
Tenant leasehold and security deposits in trust	34,604	86,766

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

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 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

Current fiscal period (As of July 31, 2019)

(Unit: thousands of yen)

	Not later than 1 year
Cash and deposits	1,897,300
Cash and deposits in trust	142,524
Total	2,039,824

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

Previous 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	-

Current fiscal period (As of July 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	1,000,000	—	—	—	—	—
Long-term loans payable	6,700,000	3,000,000	7,000,000	8,000,000	6,750,000	—
Total	7,700,000	3,000,000	7,000,000	8,000,000	6,750,000	—

[Notes on Securities]

Previous fiscal period (As of January 31, 2019)

Not applicable.

Current fiscal period (As of July 31, 2019)

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

Previous fiscal period (As of January 31, 2019)

Not applicable.

Current fiscal period (As of July 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 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 instruments" above.

Current fiscal period (As of July 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	(37,784)	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			14,750,000	14,750,000	(37,784)	-

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

[Notes on Retirement Benefits]

Previous fiscal period (As of January 31, 2019)

Not applicable.

Current fiscal period (As of July 31, 2019)

Not applicable.

[Notes on Tax-Effect Accounting]

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

(Unit: thousands of yen)

	Previous fiscal period As of Jan. 31, 2019	Current fiscal period As of Jul. 31, 2019
Deferred tax assets		
Non-deductible accrued enterprise tax	16	17
Deferred gains or losses on hedges	8,119	11,905
Subtotal deferred tax assets	8,136	11,923
Valuation allowance	(8,119)	(11,905)
Total deferred tax assets	16	17
Net deferred tax assets	16	17

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. 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

	Previous fiscal period As of Jan. 31, 2019	Current fiscal period As of Jul. 31, 2019
Statutory tax rate	31.51	31.51
[Adjustments]		
Deductible distributions payable	(31.45)	(31.48)
Other	0.12	0.06
Effective income tax rate after application of tax-effect accounting	0.18	0.09

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

Previous fiscal period (As of January 31, 2019)

Not applicable.

Current fiscal period (As of July 31, 2019)

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

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

Not applicable.

Current fiscal period (from February 1, 2019 to July 31, 2019)

Not applicable.

2. Affiliated company, etc.

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

Not applicable.

Current fiscal period (from February 1, 2019 to July 31, 2019)

Not applicable.

3. Fellow subsidiary, etc.

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

Not applicable.

Current fiscal period (from February 1, 2019 to July 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 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.

Current fiscal period (from February 1, 2019 to July 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	0.0		Executive Director of HCM and President & CEO of the Asset Management Company	Payment of asset management fee to the Asset Management Company	257,526 (Note 1) (Note 2)	Accrued expenses	155,596

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 113,455 thousand yen.

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

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

[Notes on Asset Retirement Obligations]

Previous fiscal period (as of January 31, 2019)

Not applicable.

Current fiscal period (as of July 31, 2019)

Not applicable.

[Notes on Investment and Rental Properties]

HCM owns healthcare facilities (35 properties in total) primarily in the Three Major Metropolitan Areas and Core Cities. The carrying amount, amount of increase (decrease) during the period and fair value of these investment and rental properties are as follows:

(Unit: thousands of yen)

	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Carrying amount		
Balance at beginning of period	41,149,494	42,710,158
Amount of increase (decrease) during period	1,560,663	23,057,275
Balance at end of period	42,710,158	65,767,434
Fair value at end of period	45,792,000	70,479,000

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

(Note 2) Out of the amount of increase (decrease) during the previous fiscal period, the amount of increase is mainly attributable to the acquisition of 2 properties (1,766,255 thousand yen) and the amount of decrease is mainly attributable to depreciation (315,438 thousand yen). Out of the amount of increase (decrease) during the current fiscal period, the amount of increase is mainly attributable to the acquisition of 8 properties (23,379,171 thousand yen) and the amount of decrease is mainly attributable to depreciation (436,533 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 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.

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.

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.

Current fiscal period (from February 1, 2019 to July 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.

② Property, plant and equipment

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

(3) Information about major customers

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

[Notes on Per Unit Information]

	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Net assets per unit	105,198 yen	107,479 yen
Net income per unit	2,794 yen	3,372 yen

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

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

	Previous fiscal period From: Aug. 1, 2018 To: Jan. 31, 2019	Current fiscal period From: Feb. 1, 2019 To: Jul. 31, 2019
Net income (thousands of yen)	539,678	1,046,080
Amount not attributable to common unitholders (thousands of yen)	-	—
Net income attributable to common investment units (thousands of yen)	539,678	1,046,080
Average number of investment units during period (units)	193,107	310,194

[Notes on Significant Subsequent Events]

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.

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

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

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (millions of yen)		Unitholders' capital (net) (millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	Change	Balance	
December 9, 2014	Establishment through private placement	2,000	2,000	200	200	200	200	(Note 2)
March 18, 2015	Capital increase through public offering	106,500	108,500	11,246	11,446	11,246	11,446	(Note 3)
April 21, 2015	Capital increase through third-party allotment	12,000	120,500	1,267	12,713	1,267	12,713	(Note 4)
February 1, 2017	Capital increase through public offering	69,150	189,650	6,749	19,463	6,749	19,463	(Note 5)
March 1, 2017	Capital increase through third-party allotment	3,457	193,107	337	19,800	337	19,800	(Note 6)
February 1, 2019	Capital increase through public offering	112,280	305,387	12,076	31,876	12,076	31,876	(Note 7)
February 27, 2019	Capital increase through third-party allotment	5,614	311,001	603	32,480	603	32,480	(Note 8)
April 19, 2019	Distribution in excess of earnings	—	311,001	—	32,480	(62)	32,417	(Note 9)

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

(Note 2) HCM was established with paid-in amount of 100,000 yen per unit.

(Note 3) 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 4) 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 5) 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 6) New investment units were issued through third-party allotment in line with public offering, with paid-in amount of 97,609 yen per unit.

(Note 7) New investment units were issued through public offering with issue price of 111,442 yen (paid-in amount of 107,555 yen) per unit.

(Note 8) New investment units were issued through third-party allotment in line with public offering, with paid-in amount of 107,555 yen per unit.

(Note 9) HCM resolved at the board of directors' meeting held on March 15, 2019, to set cash distribution in excess of earnings (return of capital that falls under the category of distribution reducing unitholders' capital for tax purposes) at 326 yen per unit as cash distribution for the 8th fiscal period (fiscal period ended January 2019), and started the payout on April 19, 2019.

3. Reference Information

(1) Investment Status

Asset type	Asset use		Area	Current fiscal period (as of July 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)	40,462	59.2	
			Core Cities (Note 4)	5,284	7.7	
			Other area (Note 5)	1,751	2.6	
		Serviced housing for the elderly	Three Major Metropolitan Areas (Note 3)	3,138	4.6	
			Core Cities (Note 4)	—	—	
			Other area (Note 5)	—	—	
		Group homes for the elderly with dementia			—	—
		Other facilities for the elderly			—	—
	Subtotal			50,636	74.1	
	Medical service-related facilities, etc.	Three Major Metropolitan Areas (Note 3)		—	—	
		Core Cities (Note 4)		2,041	3.0	
		Other area (Note 5)		—	—	
		Subtotal		2,041	3.0	
	Multi-use facility	Paid nursing home, medical service-related facilities, etc.	Three Major Metropolitan Areas (Note 3)	13,090	19.2	
Core Cities (Note 4)			—	—		
Other area (Note 5)			—	—		
Subtotal			13,090	19.2		
Other			—	—		
Total			65,767	96.3		
Deposits and other assets				2,558	3.7	
Total amount of assets				68,325	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. and shares of investment

Overview of trust beneficiary interests in real estate that HCM owns as of July 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 Jul. 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	Bonjour Chitose-funabashi	824	1.3	825	974
		Bonjour Hino	724	1.1	725	818
		Bonjour Musashi-shinjo	582	0.9	583	643
		Medical Rehabilitation Home Bonjour Hadanoshibusawa	728	1.1	723	850
		ASHEIM Hikarigaoka	1,385	2.1	1,397	1,570
		ASHEIM Bunkyoakusan	1,430	2.2	1,444	1,650
		SOMPO CARE La vie Re Machidaonaji	3,580	5.5	3,522	3,790
		SOMPO CARE La vie Re Azamino	3,050	4.7	3,092	3,230
		GOOD TIME HOME Fudo-mae	1,740	2.7	1,831	1,950
		Bonjour Yotsugi	824	1.3	832	886
		Granda Tsuruma-Yamato	1,000	1.5	1,057	1,060
		Smiling Home Medice Adachi	2,253	3.5	2,315	2,440
		Hanakotoba Minami	1,071	1.7	1,105	1,190
		Hanakotoba Miura	615	0.9	649	664
		SOMPO CARE La vie Re Hama-Kawasaki	1,710	2.6	1,756	1,820
		Hanakotoba Shin-Yokohama	2,071	3.2	2,143	2,230
		Hanakotoba Shin-Yokohama II	375	0.6	388	401
		Hanakotoba Odawara	880	1.4	916	948
		Sunny Life Kita-Shinagawa	1,825	2.8	1,886	1,970
		Subtotal		26,667	41.1	27,197
	Kinki area	AQUAMARINE Nishinomiya	1,950	3.0	1,960	2,140
		SOMPO CARE Sampo no ie S Awajiekimae	1,930	3.0	1,932	2,170
		SOMPO CARE Sampo no ie S Kobekamisawa	1,200	1.8	1,205	1,340
		Medical Home Bonjour Itami	514	0.8	518	557
		Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	4,320	6.7	4,342	4,410
		GreenLife Moriguchi	4,150	6.4	4,224	4,400
		Hapine Kobe Uozaki Nibankan	930	1.4	950	995
		SHIP Senri Building	12,920	19.9	13,090	14,300
		Subtotal		27,914	43.0	28,224
	Chubu area	Medical Rehabilitation Home Bonjour Komaki	1,270	2.0	1,268	1,450
		Subtotal	1,270	2.0	1,268	1,450
	Core cities	SAWAYAKA Tachibanakan	1,520	2.3	1,449	1,590
		SAWAYAKA Mekarikan	1,380	2.1	1,326	1,450
		AIKOEN ICHIBANKAN Building	770	1.2	790	862
		Verde Minowa	1,620	2.5	1,718	1,700
Niigata Rehabilitation Hospital		2,060	3.2	2,041	2,260	
Subtotal		7,350	11.3	7,325	7,862	
Other area	SAWAYAKA Tagawakan	390	0.6	386	411	
	Verde Hotaka	1,290	2.0	1,365	1,360	
	Subtotal	1,680	2.6	1,751	1,771	
Total (35 properties)			64,881	100.0	65,767	70,479

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

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 2) "Share of investment" refers to the acquisition price of each property as a percentage of the total acquisition price, and the figures are rounded to one decimal place.
- (Note 3) "Carrying amount" indicates book value after depreciation and amortization as of July 31, 2019.
- (Note 4) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of July 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan.

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 and 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 July 31, 2019 is 4,080 million yen (Note).

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

Property number	Property name	Structure/ No. of floors (Note 1)	Construction completion (Note 2)	Total leasable area (m ²) (Note 3)	Total leased area (m ²) (Note 4)	No. of tenants (companies) (Note 5)	Occupancy rate (%) (Note 6)
Paid nursing home-1	AQUAMARINE Nishinomiya	RC/5F	May 18, 2007	5,274.54	5,274.54	2	100.0
Paid nursing home-2	Bonjour Chitose-funabashi	RC/B1 6F	Mar. 8, 1988	2,342.17	2,342.17	1	100.0
Paid nursing home-3	Bonjour Hino	RC/3F	May 2, 1990	1,984.17	1,984.17	1	100.0
Paid nursing home-4	Bonjour Musashi-shinjo	RC/4F	Feb. 21, 1985	1,710.43	1,710.43	1	100.0
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	RC/5F	Jul. 17, 1991	3,435.79	3,435.79	1	100.0
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	SRC/10F	Mar. 13, 1991	8,858.49	8,858.49	1	100.0
Paid nursing home-7	ASHEIM Hikarigaoka	RC/3F	Mar. 6, 2006	3,628.60	3,628.60	1	100.0
Paid nursing home-8	ASHEIM Bunkyoakusan	RC/8F	Feb. 27, 2007	2,507.25	2,507.25	2	100.0
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	RC/B1 6F	Oct. 29, 2007	7,720.17	7,720.17	1	100.0
Paid nursing home-10	SOMPO CARE La vie Re Azamino	RC/B1 5F	Mar. 1, 2004	5,789.25	5,789.25	1	100.0
Paid nursing home-11	SAWAYAKA Tachibanakan	RC/B1 6F	Oct. 31, 2005	5,652.94	5,652.94	1	100.0
Paid nursing home-12	SAWAYAKA Mekarikan	RC/4F	Nov. 15, 2005	4,720.46	4,720.46	1	100.0
Paid nursing home-13	SAWAYAKA Tagawakan	RC/3F	Jan. 20, 2006	2,366.20	2,366.20	1	100.0
Paid nursing home-14	GOOD TIME HOME Fudo-mae	RC (partly S)/B1 5F	Mar. 18, 1992	3,400.20	3,400.20	1	100.0
Paid nursing home-15	Bonjour Yotsugi	RC/5F	Mar. 28, 1989	1,962.89	1,962.89	1	100.0
Paid nursing home-16	Medical Home Bonjour Itami	SRC/11F	Mar. 3, 1989	2,129.87	2,129.87	1	100.0
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	RC/B1 9F	Jan. 7, 2009	12,636.48	12,636.48	1	100.0
Paid nursing home-18	GreenLife Moriguchi	SRC/9F	Sept. 6, 2006	8,356.85	8,356.85	1	100.0
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	S/B1 4F	Mar. 31, 2010	1,772.89	1,772.89	1	100.0
Paid nursing home-20	Granda Tsuruma-Yamato	RC (partly S)/5F	Mar. 6, 1998	3,427.08	3,427.08	1	100.0
Paid nursing home-21	Smiling Home Medice Adachi	RC/4F	Nov. 16, 2005	3,870.98	3,870.98	2	100.0
Paid nursing home-22	AIKOEN ICHIBANKAN Building	S/5F	Feb. 4, 2010	4,311.20	4,311.20	4	100.0
Paid nursing home-23	Hanakotoba Minami	RC/7F	Feb. 24, 2010	1,710.68	1,710.68	1	100.0
Paid nursing home-24	Hanakotoba Miura	RC/4F	Jun. 27, 2007	1,959.64	1,959.64	1	100.0
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	RC/4F (exclusively-owned portion)	Mar. 8, 2007	4,060.21	3,921.67	4	96.6
Paid nursing home-26	Hanakotoba Shin-Yokohama	RC/9F	Mar. 15, 2004	5,230.23	5,230.23	1	100.0
Paid nursing home-27	Hanakotoba Shin-Yokohama II	RC/B1 7F	Apr. 25, 2007	1,837.29	1,837.29	1	100.0
Paid nursing home-28	Hanakotoba Odawara	RC/4F	Sep. 16, 2009	2,203.42	2,203.42	1	100.0

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.

Property number	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)
Paid nursing home-29	Verde Minowa	①S/5F ②S RC/8F	①Nov. 20, 2003 ②Feb. 28, 1974	11,098.17	11,098.17	1	100.0
Paid nursing home-30	Verde Hotaka	①S SRC/5F ②S/2F	①Sept. 29, 1982 ②Jul. 1, 1989	6,352.86	6,352.86	1	100.0
Paid nursing home-31	Sunny Life Kita-Shinagawa	S/3F	Sept. 20, 218	2,135.54	2,135.54	1	100.0
Serviced housing for the elderly-1	SOMPO CARE Sompō no ie S Awajiekimae	RC/12F	Jun. 12, 2009	5,745.15	5,745.15	1	100.0
Serviced housing for the elderly-2	SOMPO CARE Sompō no ie S Kobekamisawa	S/9F	Jun. 11, 2009	4,058.35	4,058.35	1	100.0
Medical service-related facilities, etc.-1	Niigata Rehabilitation Hospital	①RC/3F ②S/5F	①Apr. 20, 1990 ②Feb. 28, 2001	13,476.55	13,476.55	1	100.0
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP Senri Building	RC/B1 11F	Sept. 5, 2008	24,813.85	24,813.85	1	100.0
Total		—	—	182,540.84	182,402.30	44	99.9

(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 figures based on the lease agreement 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 (operator) is counted as a tenant, and accordingly indicated as the number of tenants; while for the properties subject to pass-through-type master lease agreement where rents from end tenants are received intact, in principle, the total number of end tenants is indicated as the number of tenants. However, for the sections that are not subject to the lease agreement (master lease agreement) between the trustee and HCM, the number of lessees leasing a building from the trustee is counted as the number of tenants and indicated accordingly.

(Note 6) "Occupancy rate" indicates the total leased area as a percentage of the total leasable area of each owned asset as of July 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 Overview of Homes and Facilities for the Elderly

Property number	Property name	Type of facility	Operator	No. of rooms (rooms) (Note 1)	Capacity (persons) (Note 1)	No. of residents (persons) (Note 1)	Occupancy rate (%) (Note 2)	Preparation date of Property Disclosure Statement of important matters (Note 3)
Paid nursing home-1	AQUAMARINE Nishinomiya	Paid nursing home	GREEN LIFE Co., Ltd.	90	100	100	100.0	July 1, 2019
Paid nursing home-2	Bonjour Chitose-funabashi	Paid nursing home	Benesse Style Care Co., Ltd.	42	47	45	95.7	October 1, 2018
Paid nursing home-3	Bonjour Hino	Paid nursing home	Benesse Style Care Co., Ltd.	56	58	54	93.1	October 1, 2018
Paid nursing home-4	Bonjour Musashi-shinjo	Paid nursing home	Benesse Style Care Co., Ltd.	46	49	44	89.8	October 1, 2018
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	Paid nursing home	Benesse Style Care Co., Ltd.	100	101	94	93.1	October 1, 2018
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	Residential type paid nursing home	Benesse Style Care Co., Ltd.	124	165	123	74.5	April 1, 2019
Paid nursing home-7	ASHEIM Hikarigaoka	Paid nursing home	AS PARTNERS Co., Ltd.	83	89	81	91.0	May 1, 2019
Paid nursing home-8	ASHEIM Bunkyo	Paid nursing home	AS PARTNERS Co., Ltd.	50	52	49	94.2	Dec. 1, 2019
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	Paid nursing home	Sompo Care Inc.	163	169	115	68.0	Apr. 1, 2019
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Paid nursing home	Sompo Care Inc.	145	145	98	67.6	July 1, 2019
Paid nursing home-11	SAWAYAKA Tachibanakan	Paid nursing home	Sawayaka Club Co., Ltd.	104	104	104	100.0	July 1, 2019
Paid nursing home-12	SAWAYAKA Mekarikan	Paid nursing home	Sawayaka Club Co., Ltd.	95	95	93	97.9	July 1, 2019
Paid nursing home-13	SAWAYAKA Tagawakan	Paid nursing home	Sawayaka Club Co., Ltd.	60	60	59	98.3	July 1, 2019
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Paid nursing home	JAPAN LIFEDESIGN Inc.	61	67	58	86.6	July 1, 2019
Paid nursing home-15	Bonjour Yotsugi	Paid nursing home	Benesse Style Care Co., Ltd.	61	65	59	90.8	October 1, 2018
Paid nursing home-16	Medical Home Bonjour Itami	Residential type paid nursing home	Benesse Style Care Co., Ltd.	62	64	62	96.9	October 1, 2018
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Paid nursing home	GREEN LIFE Co., Ltd.	131	138	129	93.5	July 1, 2019
Paid nursing home-18	GreenLife Moriguchi	Paid nursing home	GREEN LIFE Co., Ltd.	155	189	189	100.0	July 1, 2019
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Paid nursing home	GREEN LIFE Co., Ltd.	47	47	47	100.0	July 1, 2019
Paid nursing home-20	Granda Tsuruma-Yamato	Paid nursing home	Benesse Style Care Co., Ltd.	73	90	72	80.0	October 1, 2018
Paid nursing home-21	Smiling Home Medice Adachi	Paid nursing home	GREEN LIFE HIGASHI NIHON Co., Ltd.	82	82	72	87.8	July 1, 2019
Paid nursing home-22	AIKOEN ICHIBANKAN Building	Paid nursing home	Medical Corporation AIKOEN	90	90	90	100.0	July 1, 2019
Paid nursing home-23	Hanakotoba Minami	Paid nursing home	Proud Life Inc.	51	51	48	94.1	July 1, 2019
Paid nursing home-24	Hanakotoba Miura	Paid nursing home	Proud Life Inc.	53	54	53	98.1	July 1, 2019
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	Paid nursing home	Sompo Care Inc.	58	58	44	75.9	July 1, 2019
Paid nursing home-26	Hanakotoba Shin-Yokohama	Paid nursing home	Proud Life Inc.	136	136	130	95.6	July 1, 2019
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Paid nursing home	Proud Life Inc.	29	30	22	73.3	July 1, 2019
Paid nursing home-28	Hanakotoba Odawara	Paid nursing home	Proud Life Inc.	60	65	61	93.8	July 1, 2019
Paid nursing home-29	Verde Minowa	Paid nursing home	Verde Corporation	174	206	201	97.6	July 1, 2019
Paid nursing home-30	Verde Hotaka	Paid nursing home	Verde Corporation	121	174	172	98.9	July 1, 2019
Paid nursing home-31	Sunny Life Kita-Shinagawa	Paid nursing home	Kawashima Corporation	66	66	60	90.9	November 1, 2018

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.

Property number	Property name	Type of facility	Operator	No. of rooms (rooms) (Note 1)	Capacity (persons) (Note 1)	No. of residents (persons) (Note 1)	Occupancy rate (%) (Note 2)	Preparation date of Property Disclosure Statement of important matters (Note 3)
Serviced housing for the elderly-1	SOMPO CARE Sompo no ie S Awajiekimae	Serviced housing for the elderly	Sompo Care Inc.	137 (Note 4)	137 (Note 4)	136	99.3	July 1, 2019
Serviced housing for the elderly-2	SOMPO CARE Sompo no ie S Kobekamisawa	Serviced housing for the elderly	Sompo Care Inc.	85	85	84	98.8	July 1, 2019
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP Senri Building (Note 5)	Hospital, paid nursing home	GREEN LIFE Co., Ltd.	181	200	200	100.0	July 1, 2019
Total	-	-	-	3,071	3,328	3,048	91.6	-

(Note 1) "No. of rooms," "Capacity" and "No. of residents" indicate figures based on figures stated in Property Disclosure Statement of Important Matters (hereinafter the "Property Disclosure Statement of Important Matters") of the paid nursing home provided by the operators (however, for Hanakotoba Shin-Yokohama II, figures as of July 31, 2019; and for Sunny Life Kita-Shinagawa, figures as of June 30, 2019, based on interviews with operators).

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

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

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

(Note 5) SHIP Senri Building is a property with a hospital and paid nursing home, and the above table indicates figures for the paid nursing home.

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 Overview of Medical Service-Related Facilities, etc.

Property number	Medical service-related facilities, etc.-1		
Property name	Niigata Rehabilitation Hospital		
Operator	Medical Corporation AIKOKAI	Date of establishment	June 1990 (established as Oyama Hospital, the precursor)
Type of facility	Hospital	Authorized number of beds	168 beds (general beds: 108 beds/convalescent-stage beds: 60 beds)
Subject of medical treatment	Rehabilitation, orthopedic surgery, internal medicine, neurology, dental & dental and oral surgery	Facility certification	Training 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) Hospital ward on 3rd floor (60 beds) Hospital ward on 4th floor (60 beds)	Hospitalization fee of hospital ward for comprehensive community care 1 · Basic hospitalization fee for general hospital ward (local general hospitalization fee 1) · Medical management fee for comprehensive community care 1 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		

Property number	Complex of paid nursing homes, medical service-related facilities, etc.-1		
Property name	SHIP Senri Building (Senri-Chuo Hospital) (Note)		
Operator	Medical Corporation Kyowakai	Date of establishment	October 2008
Type of facility	Hospital	Authorized number of beds	400 (general beds: 350/convalescent-stage beds: 50)
Subject of medical treatment	Rehabilitation, orthopedic surgery, neurosurgery, surgery, internal medicine and neurology	Facility certification	Training facilities certified by the Japanese Association of Rehabilitation Medicine
Main facility criteria	Hospitalization fee	Recuperation ward basic hospitalization fee 1 Facilities for the disabled, etc. 2 10:1 Basic hospitalization fee Recovery phase rehabilitation ward hospitalization fee 1 Palliative care hospital ward hospitalization fee 2 (Addition items) Special disease hospitalization facility management Recuperation environment Recuperation ward recuperation environment 1 Regionally coordinated admission of emergency patient transport Generic drugs use system 1 Data submission 2 (a) Medical record management system 1 Dementia care 1 Discharge support 1 Medical safety measures 2 Regionally coordinated medical safety measures 2 Infection control measures 2	
	Other	Cancer pain palliative guidance management fee; Cancer patient guidance management fee (c); Home-visit nursing and guidance fee for patients at home and home-visit nursing and guidance fee for residents in the same building; Drug management guidance fee; Sample testing management (II); Regionally coordinated clinical planning; Neurologic examination; CT imaging (16-row multi-slice type); Sterile preparation and treatment fee; Anticancer drug prescription management; Outpatient chemotherapy 1; Cerebrovascular disease, etc. rehabilitation fee (I) early addition; Musculoskeletal rehabilitation fee (I) early addition; Disuse syndrome rehabilitation fee (I) early addition; Pacemaker implantation and replacement; Surgery listed in General Rules 5 (including General Rule 4 of the Dental Fee Points List, Chapter 2, Part 9) and 6 of the Medical Fee Points List, Chapter 2, Part 10.	
External evaluation	—		

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

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 Earnings Performance

(Unit: thousands of yen)

Property name	Current fiscal period (from February 1, 2019 to July 31, 2019)									
	Real estate lease business revenue		Real estate lease business expenses							NOI (Note 3)
	Rent revenue	Other revenue	Property tax	Outsourcing expenses	Insurance expenses	Repair expenses	Depreciation	Other		
AQUAMARINE Nishinomiya-hama			23,183	3,004	2,100	2,504	189	14,985	400	59,144
Bonjour Chitose-funabashi			5,568	1,794	224	—	95	3,048	404	21,358
Bonjour Hino			5,057	1,240	213	—	73	3,130	400	19,478
Bonjour Musashi-shinjo			4,091	1,012	167	—	64	2,447	400	16,133
Medical Rehabilitation Home Bonjour Hadanoshibusawa			8,386	1,824	213	—	131	5,817	400	21,080
Medical Rehabilitation Home Bonjour Komaki			14,098	4,566	201	—	302	8,627	400	39,516
ASHEIM Hikarigaoka			12,893	3,687	388	1,006	138	7,272	400	38,178
ASHEIM Bunkyo-hakusan			10,556	2,502	388	—	103	7,161	400	36,730
SOMPO CARE La vie Re Machidaonaji			44,301	5,878	780	745	306	36,190	400	96,889
SOMPO CARE La vie Re Azamino			33,712	4,795	780	1,580	224	25,933	400	77,424
SAWAYAKA Tachibanakan			26,185	2,660	1,140	—	263	21,721	400	47,410
SAWAYAKA Mekarikan			25,635	2,978	1,140	—	167	20,949	400	43,597
SAWAYAKA Tagawakan			8,320	1,122	1,140	—	79	5,578	400	12,951
GOOD TIME HOME Fudo-mae			12,609	3,092	600	282	144	8,089	400	46,479
Bonjour Yotsugi			4,942	970	223	—	62	3,286	400	20,712
Medical Home Bonjour Itami			6,503	1,377	371	—	95	4,260	400	13,939
Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)		Not disclosed (Note 2)	52,163	9,599	900	1,346	490	39,427	400	112,763
GreenLife Moriguchi			34,536	6,956	1,388	1,733	321	23,735	400	109,199
Hapine Kobe Uozaki Nibankan			9,699	1,401	1,200	177	76	6,444	400	24,244
Granda Tsuruma- Yamato			7,143	1,938	618	—	128	4,058	400	27,164
Smiling Home Medice Adachi			13,316	3,231	540	454	150	8,541	400	59,952
AIKOEN ICHIBANKAN Building			8,559	2,563	780	90	95	4,630	400	22,731
Hanakotoba Minami			6,648	1,545	600	47	64	3,991	400	27,943
Hanakotoba Miura			6,548	1,536	600	80	76	3,855	400	17,706
SOMPO CARE La vie Re Hama- Kawasaki			14,152	—	2,770	—	175	10,809	396	46,764
Hanakotoba Shin- Yokohama			10,285	—	900	359	210	8,418	396	60,045
Hanakotoba Shin- Yokohama II			2,929	—	600	—	78	1,853	396	13,737
Hanakotoba Odawara			6,341	—	600	—	84	5,260	396	26,531
Verde Minowa			19,941	—	1,020	196	433	17,894	396	61,929
Verde Hotaka			22,376	—	1,020	549	212	19,701	892	47,435
Sunny Life Kita- Shinagawa			7,362	—	600	—	99	6,265	396	48,403
SOMPO CARE Sompno ie S Awajiekimae			27,311	4,931	510	300	234	20,934	400	58,081

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.

Property name	Current fiscal period (from February 1, 2019 to July 31, 2019)										
	Real estate lease business revenue			Real estate lease business expenses							NOI (Note 3)
	Rent revenue	Other revenue		Property tax	Outsourcing expenses	Insurance expenses	Repair expenses	Depreciation	Other		
SOMPO CARE Sompo no ie S Kobekamisawa	Not disclosed (Note 2)			17,144	2,912	510	566	147	12,608	400	35,754
Niigata Rehabilitation Hospital				26,323	9,860	1,030	—	328	14,604	500	78,161
SHIP Senri Building				47,889	—	1,500	—	994	44,997	396	368,910
Total	2,008,674	2,000,800	7,874	586,721	88,986	27,761	12,018	6,847	436,533	14,574	1,858,487

(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

⑥ 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	31	46,771	50,409	72.1
Serviced housing for the elderly	2	3,130	3,510	4.8
Medical service-related facilities, etc.	1	2,060	2,260	3.2
Complex of paid nursing homes, medical service-related facilities, etc.	1	12,920	14,300	19.9
Total	35	64,881	70,479	100.0

(Note 1) "Period-end appraisal value" indicates amounts stated in the appraisal report with appraisal date of July 31, 2019, prepared by real estate appraisers of Japan Real Estate Institute, the Tanizawa Sogo Appraisal Co., Ltd., Rich Appraisal Institute Co., Ltd., Daiwa Real Estate Appraisal Co., Ltd. and JLL Morii Valuation & Advisory K.K., based on the Articles of Incorporation of HCM and the rules set by the Investment Trusts Association, Japan. The same shall apply hereinafter.

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

⑦ Diversification by area

Classification/region	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
Three Major Metropolitan Areas	28	55,851	60,846	86.1
Tokyo Metropolitan Area	19	26,667	29,084	41.1
Kinki Area	8	27,914	30,312	43.0
Chubu Area	1	1,270	1,450	2.0
Core Cities	5	7,350	7,862	11.3
Other Areas	2	1,680	1,771	2.6
Total	35	64,881	70,479	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.

⑧ Diversification by the number of rooms

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

Number of rooms	Number of properties	Acquisition price (millions of yen)	Period-end appraisal value (millions of yen)	Share (%)
100 rooms or more	11	25,529	27,180	51.2
50 rooms or more, but less than 100 rooms	18	21,661	23,726	43.4
Less than 50 rooms	4	2,711	3,013	5.4
Total	33	49,901	53,919	100.0

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

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.

⑨ Summary of Appraisal Report

Property number	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)							
				Direct capitalization method		DCF method			Integrated value (millions of yen)	Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate (%)			
Paid nursing home-1	AQUAMARINE Nishinomiyahama	Rich Appraisal Institute Co., Ltd.	2,140	2,160	5.3	2,130	5.0	5.5	1,700	119	6.1
Paid nursing home-2	Bonjour Chitose-funabashi	The Tanizawa Sogo Appraisal Co., Ltd.	974	993	4.4	966	4.5	4.6	885	49	5.9
Paid nursing home-3	Bonjour Hino	The Tanizawa Sogo Appraisal Co., Ltd.	818	832	4.8	812	4.9	5.0	738	43	6.0
Paid nursing home-4	Bonjour Musashi-shinjo	The Tanizawa Sogo Appraisal Co., Ltd.	643	653	5.1	638	5.2	5.3	616	36	6.2
Paid nursing home-5	Medical Rehabilitation Home Bonjour Hadanoshibusawa	The Tanizawa Sogo Appraisal Co., Ltd.	850	864	5.0	844	5.1	5.2	710	47	6.4
Paid nursing home-6	Medical Rehabilitation Home Bonjour Komaki	The Tanizawa Sogo Appraisal Co., Ltd.	1,450	1,460	5.5	1,440	5.6	5.7	1,290	92	7.3
Paid nursing home-7	ASHEIM Hikarigaoka	Japan Real Estate Institute	1,570	1,580	4.8	1,560	4.6	5.0	1,600	76	5.5
Paid nursing home-8	ASHEIM Bunkyoakusan	Japan Real Estate Institute	1,650	1,670	4.4	1,630	4.2	4.6	1,610	74	5.1
Paid nursing home-9	SOMPO CARE La vie Re Machidaonaji	Japan Real Estate Institute	3,790	3,830	4.9	3,740	4.7	5.1	3,000	193	5.3
Paid nursing home-10	SOMPO CARE La vie Re Azamino	Japan Real Estate Institute	3,230	3,270	4.6	3,190	4.4	4.8	2,250	156	5.1
Paid nursing home-11	SAWAYAKA Tachibanakan	Japan Real Estate Institute	1,590	1,600	5.6	1,570	5.4	5.8	1,130	95	6.3
Paid nursing home-12	SAWAYAKA Mekarikan	Japan Real Estate Institute	1,450	1,460	5.7	1,440	5.5	5.9	855	87	6.3
Paid nursing home-13	SAWAYAKA Tagawakan	Japan Real Estate Institute	411	414	5.8	408	5.6	6.0	348	26	6.6
Paid nursing home-14	GOOD TIME HOME Fudo-mae	Japan Real Estate Institute	1,950	1,970	4.4	1,920	4.2	4.6	1,920	92	5.2
Paid nursing home-15	Bonjour Yotsugi	The Tanizawa Sogo Appraisal Co., Ltd.	886	902	4.7	879	4.8	4.9	806	48	5.8
Paid nursing home-16	Medical Home Bonjour Itami	The Tanizawa Sogo Appraisal Co., Ltd.	557	566	5.1	553	5.2	5.3	484	36	7.1
Paid nursing home-17	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	Daiwa Real Estate Appraisal Co., Ltd.	4,410	4,470	4.7	4,390	4.5	4.9	3,080	225	5.2
Paid nursing home-18	GreenLife Moriguchi	Daiwa Real Estate Appraisal Co., Ltd.	4,400	4,460	4.6	4,370	4.4	4.8	3,100	220	5.3

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.

Property number	Property name	Appraisal company	Appraisal value (millions of yen)	Summary of Appraisal Report (Note 1)							
				Direct capitalization method		DCF method			Integrated value (millions of yen)	Appraisal NOI (millions of yen) (Note 3)	Appraisal NOI yield (%) (Note 4)
				Indicated value (millions of yen)	Capitalization rate (%)	Indicated value (millions of yen)	Discount rate (%) (Note 2)	Terminal capitalization rate (%)			
Paid nursing home-19	Hapine Kobe Uozaki Nibankan	Daiwa Real Estate Appraisal Co., Ltd.	995	1,010	4.6	988	4.4	4.8	667	48	5.2
Paid nursing home-20	Granda Tsuruma-Yamato	The Tanizawa Sogo Appraisal Co., Ltd.	1,060	1,070	4.7	1,050	4.8	4.9	984	53	5.3
Paid nursing home-21	Smiling Home Medice Adachi	The Tanizawa Sogo Appraisal Co., Ltd.	2,440	2,470	4.7	2,430	4.8	4.9	2,420	119	5.3
Paid nursing home-22	AIKOEN ICHIBANKAN Building	The Tanizawa Sogo Appraisal Co., Ltd.	862	866	5.2	860	5.3	5.4	840	45	5.9
Paid nursing home-23	Hanakotoba Minami	Japan Real Estate Institute	1,190	1,200	4.6	1,170	4.4	4.8	692	56	5.2
Paid nursing home-24	Hanakotoba Miura	The Tanizawa Sogo Appraisal Co., Ltd.	664	671	4.9	661	5.0	5.1	581	35	5.7
Paid nursing home-25	SOMPO CARE La vie Re Hama-Kawasaki	JLL Mori Valuation & Advisory K.K.	1,820	1,850	4.6	1,790	4.4	4.8	1,010	89	5.2
Paid nursing home-26	Hanakotoba Shin-Yokohama	Japan Real Estate Institute	2,230	2,260	4.5	2,200	4.3	4.7	1,700	109	5.2
Paid nursing home-27	Hanakotoba Shin-Yokohama II	Japan Real Estate Institute	401	403	4.8	398	4.6	5.0	410	22	5.8
Paid nursing home-28	Hanakotoba Odawara	The Tanizawa Sogo Appraisal Co., Ltd.	948	960	4.9	943	4.8~5.0	5.1	888	49	5.6
Paid nursing home-29	Verde Minowa	Daiwa Real Estate Appraisal Co., Ltd.	1,700	1,710	5.0	1,690	4.8	5.2	1,240	109	6.7
Paid nursing home-30	Verde Hotaka	Daiwa Real Estate Appraisal Co., Ltd.	1,360	1,370	5.6	1,350	5.4	5.8	398	90	7.0
Paid nursing home-31	Sunny Life Kita-Shinagawa	Daiwa Real Estate Appraisal Co., Ltd.	1,970	2,000	4.5	1,950	4.3	4.7	1,900	91	4.9
Serviced housing for the elderly-1	SOMPO CARE Sompo no ie S Awajiekimae	Japan Real Estate Institute	2,170	2,190	5.2	2,140	5.0	5.4	1,620	116	6.0
Serviced housing for the elderly-2	SOMPO CARE Sompo no ie S Kobekamisawa	Japan Real Estate Institute	1,340	1,350	5.2	1,320	5.0	5.4	994	72	6.0
Medical service-related facilities, etc.-1	Niigata Rehabilitation Hospital	Japan Real Estate Institute	2,260	2,270	6.6	2,250	6.4	6.8	1,060	152	7.4
Complex of paid nursing homes, medical service-related facilities, etc.-1	SHIP Senri Building	The Tanizawa Sogo Appraisal Co., Ltd.	14,300	14,400	4.5	14,200	4.5~4.6	4.7	16,300	680	5.2
Total			70,479	71,204	—	69,870	—	—	59,826	3,665	5.6

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

- (Note 2) “Discount rate” represents a yield used to discount net cash flow during an analysis period and terminal value at the end of an analysis period back to present value, and figures used by the respective appraisal organization are shown. For Hanakotoba Odawara, the rate is 4.8% for fiscal 2019 to fiscal 2022 and 5.0% for fiscal 2023 and onward; and for SHIP Senri Building, the rate is 4.5% for fiscal 2019 to fiscal 2022 and 4.6% for fiscal 2023 and onward.
- (Note 3) “Appraisal NOI” indicates net operating income obtained by direct capitalization method stated in real estate appraisal report with July 31, 2019 as appraisal date, and is rounded down to the nearest million yen. In addition, NOI is revenue before deducting depreciation and differs from NCF (net cash flow), which is the amount calculated by adding the gain on investment from security deposits, etc. to NOI and deducting capital expenditures. The same shall apply hereinafter in this document.
- (Note 4) “Appraisal NOI yield” is calculated by the formula below and rounded down to one decimal place. In the column of total appraisal NOI yield, the average appraisal NOI yield, which is calculated by dividing the total appraisal NOI of the respective real estate in trust by the total acquisition price, is shown (rounded down to one decimal place).
 Appraisal NOI yield = Appraisal NOI of the respective real estate in trust / Acquisition price of the respective real estate in trust

⑩ 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 July 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
Niigata Rehabilitation Hospital (Niigata-shi, Niigata)	Rooftop waterproofing	From: September 2019 To: November 2019	31,100	-	-
ASHEIM Hikarigaoka (Nerima-ku, Tokyo)	Work on nurse call systems and other equipment	From: July 2019 To: August 2019	23,734	-	-
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of air conditioners in common areas (2nd phase)	From: October 2019 To: November 2019	19,000	-	-

b. Capital Expenditures During Period

Of construction work falling under the category of capital expenditures conducted in the current fiscal period for assets owned by HCM as of July 31, 2019, the following are the major amounts. The capital expenditures in the current fiscal period amounted to 114,638 thousand yen and repair expenses separately charged to expenses amounted to 12,018 thousand yen for a combined total of 126,656 thousand yen of construction work implemented.

Name of real estate, etc.	Purpose	Period	Construction costs (thousands of yen)
Granda Tsuruma-Yamato (Yamato-shi, Kanagawa)	Exterior wall painting and renewal of rooftop waterproof	From: January 2019 To: April 2019	33,372
Smiling Home Medice Adachi (Adachi-ku, Tokyo)	Renewal of air conditioners in common areas	From: February 2019 To: June 2019	24,174
ASHEIM Bunkyo-hakusan (Bunkyo-ku, Tokyo)	Work on nurse call systems and other equipment	From: May 2019 To: July 2019	20,932
GOOD TIME HOME Fudo-mae (Shinagawa-ku, Tokyo)	Renewal of air conditioners in common areas	From: March 2019 To: April 2019	17,908
Other real estate, etc.	-	-	18,251
Total			114,638

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.

⑪ Information of Major Tenants

“Major tenants” refers to tenants whose leased areas occupy 10% or more of total leased area of the entire portfolio at the end of the current fiscal period (on July 31, 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)	Share (%) (Note 2)	Contract expiration date (Note 3)	Contract renewal method, etc. (Note 4)
GREEN LIFE Co., Ltd.	AQUAMARINE Nishinomiya	5,189.42	2.8	May 31, 2037	Cancellation not allowed through to the end of the contract
	Kobe Gakuentoshi Building (Hapine Kobe Gakuentoshi)	12,636.48	6.9	March 28, 2041	Midterm cancellation not allowed for 9 years from the start date of leasing.
	GreenLife Moriguchi	8,356.85	4.6	October 19, 2039	Cancellation allowed if requested 6 months prior or earlier.
	Hapine Kobe Uozaki Nibankan	1,772.89	1.0	March 28, 2041	Midterm cancellation not allowed for 9 years from the start date of leasing.
	Total	27,955.64	15.3	-	-
Sompo Care Inc.	SOMPO CARE La vie Re Machidaonaji	7,720.17	4.2	October 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Azamino	5,789.25	3.2	June 27, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE La vie Re Hama-Kawasaki	2,535.29	1.4	December 31, 2027	Midterm cancellation not allowed for 15 years from the start date of leasing.
	SOMPO CARE Sompo no ie S Awajiekimae	5,745.15	3.1	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	SOMPO CARE Sompo no ie S Kobekamisawa	4,058.35	2.2	July 31, 2034	Cancellation allowed if requested 1 year prior or earlier.
	Total	25,848.21	14.2	-	-
Benesse Style Care Co., Ltd.	Bonjour Chitose-funabashi	2,342.17	1.3	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonjour Hino	1,984.17	1.1	May 24, 2026	Cancellation not allowed through to the end of the contract
	Bonjour Musashi-shinjo	1,710.43	0.9	November 23, 2026	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonjour Hadanoshibusawa	3,435.79	1.9	May 21, 2027	Cancellation not allowed through to the end of the contract
	Medical Rehabilitation Home Bonjour Komaki	8,858.49	4.9	May 21, 2027	Cancellation not allowed through to the end of the contract
	Bonjour Yotsugi	1,962.89	1.1	January 5, 2026	Cancellation not allowed through to the end of the contract
	Medical Home Bonjour Itami	2,129.87	1.2	May 21, 2027	Cancellation not allowed through to the end of the contract
	Granda Tsuruma-Yamato	3,427.08	1.9	March 31, 2022	Cancellation allowed if requested 6 months prior or earlier.
	Total	25,850.89	14.2	-	-
Ship Healthcare Estate Inc.	SHIP Senri Building	24,813.85	13.6	October 27, 2038	Midterm cancellation not allowed for 15 years from the start date of leasing.
	Total	24,813.85	13.6	-	-

(Note 1) “Leased area” indicates the area stated in lease agreements concluded with each tenant as of July 31, 2019. When a master lease agreement has been concluded, the area for which a lease agreement has been concluded with end tenants and actually leased is shown for properties for which a pass-through master lease agreement under which rent from end tenants is received as is, in principle, is concluded.

(Note 2) “Share” indicates the area of each property leased to its major tenants as a percentage of the total leased area of the properties owned by HCM as of July 31, 2019, and is rounded to one decimal place.

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

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

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.