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REIT Financial Report for the 3rd Fiscal Period

December 18, 2015

REIT Issuer: Nippon Healthcare Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3308 URL: <http://www.nippon-healthcare.co.jp/>
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 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): January 20, 2016
 Scheduled date of start of distribution payments: January 21, 2016
 Preparing presentation material: Yes
 Holding financial brief meeting: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 3rd Fiscal Period

3rd Fiscal Period: Fiscal period ended October 2015 (from May 1, 2015 to October 31, 2015)

(1) Management

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
3rd	555	9.4	224	(8.6)	201	23.9	200	24.0
2nd	507	43.2	245	45.0	162	24.4	161	24.8

Fiscal period	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
3rd	3,299	2.5	1.2	36.3
2nd	2,705	3.2	1.4	32.0

(2) Distributions

Fiscal period	Distribution amount per unit (including distribution amount in excess of earnings)	Distribution amount per unit (excluding distribution amount in excess of earnings)	Distribution amount in excess of earnings per unit	Total distribution amount (including distribution amount in excess of earnings)	Total distribution amount (excluding distribution amount in excess of earnings)	Total distribution amount in excess of earnings	Dividend payout	Distribution amount to net assets
	yen	yen	yen	million yen	million yen	million yen		
3rd	4,067	3,299	768	247	200	46	100.0	2.5
2nd	3,471	2,661	810	211	161	49	100.0	2.2

(Note 1) The rate of decrease in surplus, etc. from implementing cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) in the 3rd Fiscal Period and the 2nd Fiscal Period is 0.005 and 0.007, respectively. Furthermore, calculation of the rate of decrease in surplus, etc. is pursuant to Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965; including amendments thereto).

(Note 2) Dividend payout for the 2nd Fiscal Period is calculated by the following formula since issuance of new investment units was implemented.

Dividend payout = [Total distribution amount (excluding distribution amount in excess of earnings) ÷ Net income] × 100

(Note 3) Dividend payout and distribution amount to net assets are calculated based on figures excluding distribution amount in excess of earnings.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
3rd	17,666	8,035	45.5	132,160
2nd	15,134	8,045	53.2	132,332

(4) 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
3rd	395	(2,941)	2,189	965
2nd	363	(6,230)	6,282	1,321

2. Management Status Forecasts for the 4th Fiscal Period and the 5th Fiscal Period

4th Fiscal Period: Fiscal period ending April 2016 (from November 1, 2015 to April 30, 2016)

5th Fiscal Period: Fiscal period ending October 2016 (from May 1, 2016 to October 31, 2016)

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
4th	667	20.1	278	23.8	244	21.2	243	21.3
5th	676	1.4	274	(1.4)	244	0.0	243	0.0

Fiscal period	Distribution amount per unit (including distribution amount in excess of earnings)	Distribution amount per unit (excluding distribution amount in excess of earnings)	Distribution amount in excess of earnings per unit
	yen	yen	yen
4th	4,060	3,260	800
5th	4,060	3,260	800

(Reference) Estimated net income per unit for the 4th Fiscal Period: 3,326 yen; 5th Fiscal Period: 3,260 yen

* Other

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

- (i) Changes in accounting policies due to amended accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

(i) Total number of investment units issued and outstanding (including own investment units) at end of period:	3rd Fiscal Period	60,800 units
	2nd Fiscal Period	60,800 units
(ii) Number of own investment units at end of period:	3rd Fiscal Period	– units
	2nd Fiscal Period	– units

(Note) Please refer to “Notes to Per Unit Information” on page 28 for the number of investment units used as the basis for calculating the net income per unit.

* Presentation of the status of implementation of audit procedures

This financial report (*kessan tanshin*) is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948; including amendments thereto) (hereinafter referred to as the “Financial Instruments and Exchange Act”) and, at the time of disclosure of this financial report (*kessan tanshin*), the audit procedures pursuant to the Financial Instruments and Exchange Act have not been completed.

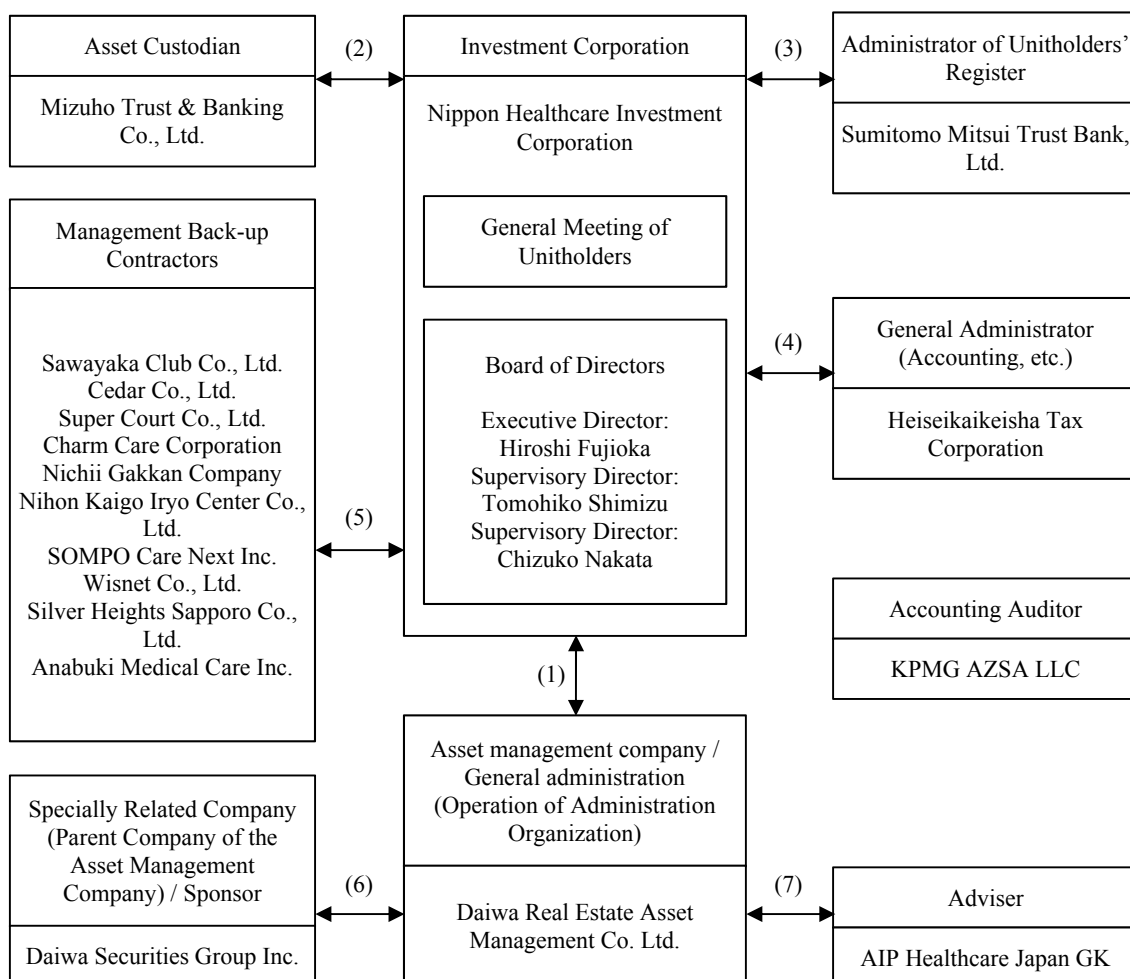
* Explanation of the appropriate use of the management status forecasts, and other matters of special note

The forecast figures are forward-looking statements based on information currently available to Nippon Healthcare Investment Corporation and involve uncertainties. Accordingly, the actual operating revenue, operating income, ordinary income, net income and distribution amount per unit may vary due to changes in the status. In addition, the forecast is not a guarantee of the distribution amount. For details on the assumptions underlying the forecast figures above, please refer to “Assumptions for the Management Status Forecasts for the 4th Fiscal Period (from November 1, 2015 to April 30, 2016) and the 5th Fiscal Period (from May 1, 2016 to October 31, 2016)” on page 11.

1. Affiliated Juridical Persons of the Investment Corporation

1.1. Structure of NHI

Management backup contractors have been added, as shown below, to the “Structure of Investment Corporation” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 27, 2015). Among the management backup contractors, Sompo Care Next Inc. is the new name for Watami No Kaigo Co., Ltd. after the business name change on December 1, 2015.



- (1) Asset management agreement/General administration affairs agreement related to operation
- (2) Asset custodian agreement
- (3) General administrator of unitholders' registry agreement
- (4) General administrator of accounting agreement
- (5) Management back-up agreement
- (6) Sponsor support agreement
- (7) Advisory agreement

(Note) Specially Related Company (as defined in Article 12 Paragraph 3 of the Cabinet Office Ordinance on Disclosure of Information, etc. on Specified Securities (Ordinance of the Ministry of Finance No. 22 of 1993, including subsequent amendments)) of NHI is Daiwa Securities Group Inc. Daiwa Securities Group Inc. is a parent company (as defined in Article 8, Paragraph 3 of the Ordinance for the Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963)) of the Asset Management Company.

1.2. Functions, Names and Details of Work of NHI and NHI's Affiliated Juridical Persons

Function	Company name	Details of work
Investment Corporation	Nippon Healthcare Investment Corporation	Pursuant to the Articles of Incorporation, NHI shall manage capital and such paid in by unitholders through making investments primarily in real estate and other assets.
Asset management company / General administration affairs agreement related to operation	Daiwa Real Estate Asset Management Co., Ltd.	<p>The company concluded an asset management agreement with NHI on January 7, 2014.</p> <p>As an asset management company defined in the Act on Investment Trusts and Investment Corporations (Article 198, Paragraph 1), the company shall, based on the agreement, manage assets in accordance with the investment target and policies stipulated in the Articles of Incorporation of NHI.</p> <p>The following are work entrusted to the asset management company.</p> <p>(1) Work related to management of NHI's assets (2) Work related to fund procurement for NHI (3) Reporting to NHI (4) Other work related or incidental to the above (1) - (3), which NHI entrusts as needed (including participating in NHI's Board of Directors and making reports.)</p> <p>Moreover, the asset management company concluded a general administration affairs agreement related to operation with NHI on January 7, 2014.</p> <p>As a general administrator defined in the Act on Investment Trusts and Investment Corporations (Article 117, Paragraph 4), the company shall, based on the agreement, conduct administrative work of operation of administration organization (excluding dispatching documents related to the General Meeting of Unitholders, receiving voting forms, work related to tallying.)</p>
Asset Custodian	Mizuho Trust & Banking Co., Ltd.	<p>The company concluded an asset custodian agreement with NHI on January 7, 2014.</p> <p>As an asset custodian defined in the Act on Investment Trusts and Investment Corporations (Article 208, Paragraph 1), the company shall, based on the agreement, conduct work related to custody of assets held by NHI. The asset custodian shall also conduct the following work associated with asset custody. (1) Making payments using bank accounts under the name of NHI, (2) Opening/closing of bank accounts under the name of NHI, and (3) Other work corresponding to (1) and (2) .</p>
General administrator of calculation, preparation of accounting record and tax payment	Heiseikaikeisha Tax Corporation	<p>The company concluded a general administrator of accounting agreement with NHI on January 7, 2014.</p> <p>As a general administrator defined in the Investment Trust Law (Article 117, Paragraphs 5 and 6), the company shall, based on the agreement, conduct the following. (1) Work related to calculation, (2) Work related to preparation of accounting record, (3) Work related to tax payment, and (4) Work related or incidental to the above work.</p>
General administrator of unitholders' register	Sumitomo Mitsui Trust Bank, Ltd.	<p>The company concluded a general administrator of unitholders' registry agreement with NHI on December 25, 2013. (The asset management company, the organizer of NHI, concluded the agreement on December 25, 2013, and NHI succeeded the contractual status from the asset management company on January 7, 2014.)</p> <p>As a general administrator defined in the Act on Investment Trusts and Investment Corporations (Article 117, Paragraphs 2, 3 and 6), the company shall, based on the agreement, conduct the following. (1) Work related to preparing, administrating and keeping unitholders' register (2) Work related to issuance of investment securities (3) Work related to conducting the General Meeting of Unitholders (4) Work related to payment of distributions or refunding to unitholders, and (5) Work related to responding to requests from unitholders regarding execution of rights and such.</p>
Special Related Company (Parent Company of the	Daiwa Securities Group Inc.	The company is the parent company of the asset management company, which owns 100% of the total

Asset Management Company) / Sponsor		number of outstanding shares of the asset management company. The company concluded a sponsor support agreement with the asset management company on June 17, 2009. With the aim for NHI's sustainable and stable growth, the company shall provide, on as-needed basis, the information which Daiwa Securities Group Inc. judges to be beneficial to the asset management company or NHI, among information on properties, etc. for the asset management company and other information related to the operation of the asset management company, as well as cooperating in securing personnel at the asset management company.
Advisor of Asset Management Company	AIP Healthcare Japan GK	The company concluded an advisory agreement with the asset management company on December 27, 2013. With the aim for NHI's sustainable and stable growth through expanding investment opportunities of NHI and enhancing the quality of real estate management by the asset management company, the company shall provide information on management/operation of healthcare facilities with the asset management company, conduct advisory work such as assisting and supporting negotiations with operators, and advise on market research/analysis concerning assets under investment target.
Management Back-up Contractor	Sawayaka Club Co., Ltd. Cedar Co., Ltd. Super Court Co., Ltd. Charm Care Corporation Nichii Gakkan Company Nihon Kaigo Iryo Center Co., Ltd. SOMPO Care Next Inc. Wisnet Co., Ltd. Silver Heights Sapporo Co., Ltd. Anabuki Medical Care Inc.	Each of the companies has concluded a management back-up agreement with NHI. In case a lease agreement related to healthcare facilities owned by NHI is terminated or expected to be terminated due to cancellation, dissolution or other reason, when NHI requests a management back-up contractor to operate the relevant facility upon concluding a new lease agreement for the facility, the relevant management back-up contractor shall sincerely discuss the request with NHI.

2. Management Policy and Management Status

2.1. Management Policy

Disclosure is omitted because there are no significant changes from the "Investment Policy," "Investment Target" and "Distribution Policy" set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 27, 2015) as of the date of this document.

2.2. Management Status

(1) Overview of the Fiscal Period under Review

A. Brief History of the Investment Corporation

Nippon Healthcare Investment Corporation (hereinafter referred to as "NHI") was established on January 7, 2014 in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; including amendments thereto) (hereinafter referred to as the "Investment Trusts Act") with Daiwa Real Estate Asset Management Co. Ltd. (hereinafter referred to as the "Asset Management Company") as the organizer. After its establishment, NHI implemented an additional issuance of investment units through private placement (18,800 units) on April 3, 2014. NHI commenced actual management with the acquisition of eight properties on March 28, 2014 by using the proceeds from the concerned capital increase through private placement and loans.

After having built a track record of approximately seven months since commencement of management, NHI implemented an additional issuance of investment units through a public offering (39,000 units) on November 4, 2014. On the following day, NHI listed on the Tokyo Stock Exchange, Inc. (hereinafter referred to as "Tokyo Stock Exchange") Real Estate Investment Trust Securities Market (securities code: 3308), along with additionally acquiring six properties. In the fiscal period under review (3rd Fiscal Period: fiscal period ended October 2015 (from May 1, 2015 to October 31, 2015)), NHI additionally acquired three properties with borrowings and cash on hand.

As the first Japanese REIT specializing in healthcare facilities in that it invests solely in properties of which the principal use is healthcare facilities, NHI effectively utilizes investor capital to initiate expansion of supply of high-quality healthcare facilities that provide users with high-standard services, while at the same time produce ample and dependable returns to investors for further capital circulation. In this way, NHI aims at creating a new value cycle for healthcare facilities and the services provided, together with

investors. Through these efforts, NHI would like to contribute to the realization of Japan's major policy to improve the residential environment for the elderly by effectively utilizing private sector funds.

B. Investment Environment and Management Performance

a. Investment Environment (from May 1, 2015 to October 31, 2015)

NHI was established to address Japan's structural problem of age demographics where the younger population is decreasing and the ratio of elderly people is increasing, and the associated social demand for the enhancement of private nursing homes and other facilities for the elderly, which are thought to be lacking.

Japan has the population of the elderly aged 65 years or over (hereinafter referred to as the elderly population) accounting for approximately one-quarter of the total population as of June 1, 2015 (according to the Ministry of Internal Affairs and Communications' "Population Estimates"), and the population of the elderly is forecast to continue to account for an increasingly greater proportion and the population of the elderly living alone is forecast to continue to grow. There is thus recognized to be sufficient potential for greater development of housing for the elderly with nursing care services, etc. that are designed for the elderly to reside (referring to "silver housing" (public housing for the elderly), "good rental housing for the elderly," "elderly housing with supportive services," "fee-based homes for the elderly" and "low-cost homes for the elderly;" the same shall apply hereinafter).

The Ministry of Land, Infrastructure, Transport and Tourism has set as a policy target that the ratio of housing for the elderly to the elderly population shall range between 3% and 5% in 2020. In order to accomplish this policy target, new supply of housing for the elderly for between approximately 430,000 people and approximately 1,150,000 people is required by 2020.

In this manner, as social demand is mounting for healthcare facilities – particularly, private nursing homes and other facilities for the elderly – and the enhancement of private nursing homes and other facilities for the elderly is one of the priority tasks even as a national policy, NHI will focus investment for the time being on private nursing homes and other facilities for the elderly among healthcare facilities and thereby seize opportunities to earn cash flows arising from the mounting social demand.

b. Management Performance

In the 3rd Fiscal Period, NHI acquired a total of three properties (sum total of acquisition price: 2,778 million yen); two properties on June 1, 2015 (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami; total acquisition price: 1,578 million yen) and one property on October 15, 2015 (Silver Heights Hitsujigaoka No. 3; acquisition price: 1,200 million yen).

Concerning the properties held as of the end of the 3rd Fiscal Period (October 31, 2015), the leasable floor area was 57,173.22m² and the occupancy rate was 100.0%.

C. Overview of Capital Procurement

a. Procurement of Capital for New Property Acquisitions

In the 3rd Fiscal Period, NHI conducted the following borrowing of funds for use as funds for acquisition, etc. of new properties.

- NHI conducted borrowing of funds on June 1, 2015 from Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and The Musashino Bank, Ltd. totaling 1,500 million yen to be used as funds for acquisition, etc. of new properties that were acquired on the same day (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami).
- NHI conducted borrowing of funds on October 15, 2015 from Resona Bank and Shinkin Central Bank totaling 900 million yen to be used as funds for acquisition, etc. of new property that was acquired on the same day (Silver Heights Hitsujigaoka No. 3).

b. Status of Interest-Bearing Liabilities at End of the Fiscal Period under Review

As a result of the above, the balance of interest-bearing liabilities outstanding at the end of the 3rd Fiscal Period (as of October 31, 2015) totaled 8,800 million yen (all long-term loans payable). None are due for repayment within one year of the end of the 3rd Fiscal Period.

Having borrowed long-term loans with periods ranging between 3 years and 5 years during the 3rd Fiscal Period, the average remaining period at the end of the 3rd Fiscal Period was 3.51 years.

In addition, NHI concluded an interest rate swap agreement for converting future interest rate payable into a fixed rate for a total of 2,400 million yen which was borrowed in the 3rd Fiscal Period, for the purpose of hedging the risk of interest rate fluctuations.

List of Borrowings in the 3rd Fiscal Period

Lender	Loan amount (million yen)	Drawdown date	Repayment deadline	Loan period (years)
Mizuho Bank, Ltd.	500	June 1, 2015	May 29, 2020	5.0
Mizuho Trust & Banking Co., Ltd.	500	June 1, 2015	May 29, 2020	5.0
The Musashino Bank, Ltd.	500	June 1, 2015	May 29, 2020	5.0
Resona Bank, Limited	500	October 15, 2015	October 30, 2020	5.0
Shinkin Central Bank	400	October 15, 2015	October 31, 2018	3.0

Balance of Borrowings from Each Financial Institution (as of October 31, 2015)

Lender	End of the 3rd Fiscal Period (million yen)	Share (Note)
Mizuho Bank, Ltd.	2,300	26.14%
Resona Bank, Limited	1,700	19.32%
Sumitomo Mitsui Trust Bank, Limited	1,200	13.64%
Mizuho Trust & Banking Co., Ltd.	1,200	13.64%
The Musashino Bank, Ltd.	1,000	11.36%
Shinkin Central Bank	900	10.23%
The Dai-ichi Life Insurance Company, Limited	500	5.68%
Total	8,800	100.00%

(Note) Share is rounded to two decimal places.

D. Overview of Financial Performance and Distributions

As a result of the management described above, NHI posted financial performance for the 3rd Fiscal Period of 555 million yen in operating revenue, 224 million yen in operating income, 201 million yen in ordinary income and 200 million yen in net income.

Concerning distributions, to ensure that the amount equivalent to distributions from earnings would be included in the amount of tax-deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (hereinafter referred to as the “Special Taxation Measures Act”)), NHI decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution amount per unit that are less than 1 yen. Accordingly, NHI declared a distribution amount per unit of 3,299 yen.

In addition, in principle, NHI adopts a policy of implementing cash distributions in excess of earnings uninterrupted every fiscal period in accordance with the distribution policy set out in the articles of incorporation (Note). Based on this policy, NHI decided to distribute 46,694,400 yen, which is the amount roughly equivalent to 31% of the 151 million yen in depreciation for the 3rd Fiscal Period, as reimbursement of investments in capital which falls under the category of distribution reducing unitholders’ capital for tax purpose. Accordingly, NHI declared a distribution amount in excess of earnings per unit of 768 yen.

(Note) NHI adopts a policy of implementing uninterrupted cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders’ capital for tax purpose) in an amount not to exceed 40% of depreciation in every accounting period within the scope that would not have adverse impact on the financial position of NHI after setting aside the cash and deposits that NHI deems appropriate, taking into account the status of establishment of lines of credit, etc., in order to not affect long-term repair plans in light of the capital expenditures for each accounting period assumed based on the long-term repair plans and to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI’s working capital, repayment of obligations, payout of distributions, etc.).

The six-month average amount of the sum total amount of emergency repair expenses, short-term repair expenses and long-term repair expenses stated in the engineering report by Tokio Marine & Nichido Risk Consulting Co., Ltd. and Assets Research and Development Inc. for all assets held as of the end of the 3rd Fiscal Period (17 properties) is 24 million yen.

(2) Outlook for the Next Fiscal Period

A. Investment Environment

Japan has the population of the elderly accounting for approximately one-quarter of the total population, and the population of the elderly is expected to continue to account for an increasingly greater proportion and the population of the elderly living alone is expected to continue to grow. With the development of medical technology, among other factors, record-highs were set in terms of the average life expectancy at birth for Japanese people at 80.50 years for males and 86.83 years for females according to the Ministry of Health, Labour and Welfare's "Abridged Life Tables for Japan 2013," and in terms of the population aged 65 years or over at 33 million people and the proportion of the elderly population at 26.5% of the total population of 126 million as of June 1, 2015 according to the Ministry of Internal Affairs and Communications' "Population Estimates."

According to the National Institute of Population and Social Security Research's "Population Projections for Japan (January 2012)," the total population will increase to 124 million people, the elderly population to 36 million people and the proportion of the elderly population to 29.1% in 2020 and then, while the total population will decrease by approximately 40 million people from that at present to 86 million people, the elderly population will reach 34 million people and the proportion of the elderly population to 39.9% in 2060.

To provide for future growth in demand for housing for the elderly, the Ministry of Land, Infrastructure, Transport and Tourism has set as a policy target that the ratio of housing for the elderly to the elderly population shall range between 3% and 5% by 2020. In order to accomplish this policy target, new supply of housing for the elderly for between approximately 430,000 people and approximately 1,150,000 people is required by 2020.

In such an environment, there is recognized to be sufficient potential for greater development of housing for the elderly with nursing care services, etc. that are designed for the elderly to reside through effective utilization of private sector funds.

B. Future Management Policy and Tasks

a. Strategy for Managing Existing Properties

NHI implements the following measures to earn stable revenue and serve to maintain and enhance unitholder value.

(i) Stabilization of earnings

In principle, NHI shall invest in properties with the actual remaining lease contract period at the time of acquisition of 10 years or more, taking into account also the possibility of contract renewal. In view of lease agreements concluded between NHI or trustees and operators realizing conversion of expenses borne by operators into fixed rates and stabilization of earnings of NHI, the policy shall be to make the lease agreements of content that, in principle, operators pay a fixed amount of rent. The lease agreements with operators for the assets that NHI has acquired are all fixed-rent agreements.

(ii) Criteria and methods for selecting operators

In the event of acquisition of healthcare facilities, not only the quality of the facilities as real estate, but also the creditworthiness, operational capabilities, etc. of the operators operating the facilities are regarded as important factors by NHI in realizing stable occupancy. This is because the operators being capable of providing services of a quality and type that matches the entrance fee, monthly service fee, etc. in order to be the residents' choice and the operators being capable of operating the facilities continuously are regarded as important factors in terms of also the profitability and asset value of healthcare facilities.

(iii) Employment of "Backup Operator Membership"

NHI has concluded an agreement on backup of operational management with each and every operator of acquired assets. The main purpose of said agreement is that, in the event that a lease agreement for a healthcare facility held by NHI has ended or is expected to end due to contract termination, contract cancellation or other reason, where NHI requests the operator to operate the healthcare facility by conclusion of a new lease agreement with NHI or the trustee, the operator shall sincerely discuss the request. In addition, NHI shall consider concluding a similar agreement with also the operators of healthcare facilities to be acquired in the future. Such relationship by agreement with operators is referred to as "Backup Operator Membership."

b. Strategy for New Property Investments

NHI aims to realize stable external growth through not only leveraging the track record and network of the Asset Management Company, but also sourcing property information, etc. by working in collaboration with the sponsor group and the adviser.

(i) Track record and network of the Asset Management Company

The Asset Management Company is striving for property acquisitions that utilize the wide range of property sourcing channels based on strong relationship building with various related parties (business companies, financial institutions, major real estate brokerage companies and real estate brokerage parties, etc.) accumulated through asset management of Daiwa Office Investment Corporation (balance of assets for which management is entrusted as of the end of November 2015: approximately 445.7 billion yen) and Daiwa Residential Private Investment Corporation (balance of assets for which management is entrusted as of the end of November 2015: approximately 78.2 billion yen). In addition, in order to expand and boost opportunities to acquire healthcare facilities in which NHI invests, the Asset Management Company has installed an investment team specializing in healthcare facilities and is promoting also the building of relationships with new suppliers and sources of property information (healthcare facility operators, developers, etc.) other than existing property sourcing channels to collect property information.

(ii) Sourcing of property information, etc. by working in collaboration with the sponsor group

The Asset Management Company believes that leveraging the network of branches and clients possessed by the sponsor group, the Daiwa Securities Group, as needed will enable a search across Japan for operators that meet the selection criteria set forth by the Asset Management Company and consideration of the feasibility of collaboration in property acquisition and development, commissioning of facility operation, etc., and thinks that expansion of property acquisition opportunities can thus be expected.

(iii) Sourcing of property information, etc. by working in collaboration with the adviser

The Asset Management Company has concluded an advisory agreement with AIP Healthcare Japan GK, which implements an investment strategy that has been focused on the healthcare sector (hospitals and nursing care facilities) since 2001 and has been engaged in investment specializing in private nursing homes and other facilities for the elderly since 2008. Based on this agreement, the Asset Management Company receives advice on information provision, management and operation of healthcare facilities that are the investment assets of NHI, collaboration with operators, etc. The Asset Management Company believes that this would contribute to realization of stable performance in the medium to long term of NHI.

In the 3rd Fiscal Period (the fiscal period ended October 2015), NHI acquired a total of three properties (sum total of acquisition price: 2,778 million yen); two properties on June 1, 2015 (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami; total acquisition price: 1,578 million yen) and one property on October 15, 2015 (Silver Heights Hitsujigaoka No. 3; acquisition price: 1,200 million yen).

In addition, in the 4th Fiscal Period (fiscal period ending April 2016), NHI has acquired a total of four properties (Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi) for a total acquisition price of 2,550 million yen on November 24, 2015, as stated later in this document in "C. Significant Subsequent Events."

c. Financial Strategy

NHI will procure and manage funds in accordance with the following policy in pursuit of realization of stable revenue and steady growth and efficient management of assets under management.

(i) Additional issuance of investment units

Additional issuance of investment units shall be implemented with agility, while comprehensively taking into account the timing of acquisition of real estate that are to be newly acquired, ratio of interest-bearing liabilities to total assets (hereinafter referred to as “LTV”), economic and market conditions, etc. and also taking into consideration the dilution of investment units.

(ii) Borrowing of funds and issuance of investment corporation bonds

LTV shall be set at a level that takes heed of securing of financing capacity and, in principle, no higher than 60%. However, LTV may temporarily exceed 60% for such purposes as acquisition of new investment assets and reduction of refinancing risk.

In order to build a stable financial base and underpin future growth strategies, NHI shall not only establish a so-called main-bank system of having leading financial institutions as its main banks of account, but also make proactive efforts to diversify fund procurement sources through such means as borrowing from multiple lenders and issuing investment corporation bonds.

Funds shall be procured appropriately by negotiating with several financial institutions over borrowing costs, loan period, whether or not collateral is provided and other terms and conditions upon the borrowing of funds, and comprehensively considering the terms and conditions while taking into consideration interest rate trends, market level, financial agility and security, the balance of lender composition and other factors.

In order to reduce the risk of interest rate increases and refinancing risk, NHI shall consider extending financing periods, converting interest rates to fixed rates, staggering repayment dates, introducing highly-flexible financial covenants, etc. as needed.

NHI shall consider securing committed, revolving or other lines of credit as needed for agile procurement of various required funds.

(iii) Fund management

NHI shall retain at all times the cash and deposits that NHI deems appropriate, taking into account also the status of establishment of lines of credit, etc., in order to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI’s working capital, repayment of obligations, payout of distributions, etc.).

NHI shall pursue efficient fund management whereby, of the amount equivalent to depreciation, the amount remaining after setting aside cash and deposits shall be allocated to implement cash distributions in excess of earnings to unitholders uninterruptedly every fiscal period in an amount not to exceed 40% of depreciation in every accounting period, comprehensively taking into account NHI’s surrounding economic environment and real estate market trends, the status of portfolio assets and financial status of NHI and other factors.

There may be cases where surplus funds will be invested into securities and monetary claims that are highly secure and liquid.

Derivative transactions (Article 2, Paragraph 6 of the Investment Trusts Act) shall be limited to those managed for the purpose of hedging the risk of fluctuations in interest rates on the liabilities of NHI.

C. Significant Subsequent Events**a. Issuance of Investment Units**

NHI resolved issuance of investment units at its Board of Directors Meeting held on October 29, 2015 and November 10, 2015 as follows. Payments are completed on November 17, 2015 and December 16, 2015 respectively.

(i) Issuance of new investment units through public offering (primary offering)

- Number of investment units offered: 12,130 units
- Paid-in amount (issue amount): 189,440 yen per unit
- Total paid-in amount (issue amount): 2,297,907,200 yen
- Payment date: November 17, 2015
- Use of procured funds: Acquisitions of specified assets described in b. below and expenses related to the acquisitions

(ii) Issuance of new investment units through third-party allotment

- Number of investment units offered: 1,702 units
- Paid-in amount (issue amount): 189,440 yen per unit
- Total paid-in amount (issue amount): 322,426,880 yen
- Allotee and the number of investment units allotted: Daiwa Securities Co., Ltd. 1,702 units
- Payment date: December 16, 2015
- Use of procured funds: To be deposited at financial institutions as cash on hand until expenditure, and to be used as part of acquisition funds of specified assets or of repayment of interest-bearing liabilities in the future.

b. Acquisition of Assets

NHI conducted the following acquisition of real estate trust beneficiary interests in two properties (sum total of acquisition price: 2,550 million yen) on November 24, 2015.

Summary of Assets Acquired

Property name	Alpha Living Okayama Nishigawa Ryokudokoen	Alpha Living Okayama Korakuen	Alpha Living Takamatsu Ekimae	Alpha Living Takamatsu Hyakkenmachi
Type of asset	Trust beneficiary interests in real estate			
Type of facility	Fee-based Residential-type home for the elderly	Fee-based Residential-type home for the elderly	Fee-based Residential-type home for the elderly	Elderly housing with supportive service
Location (indication of residential address)	6-2 Chuo-cho, Kita-ku, Okayama-shi, Okayama	1-11-4 Hama, Naka-ku, Okayama-shi, Okayama	1-6 Nishiuchi-cho, Takamatsu-shi, Kagawa	8-11 Hyakkenmachi, Takamatsu-shi, Kagawa
Acquisition price	730 million yen (excluding acquisition costs and consumption tax, etc.)	610 million yen (excluding acquisition costs and consumption tax, etc.)	605 million yen (excluding acquisition costs and consumption tax, etc.)	605 million yen (excluding acquisition costs and consumption tax, etc.)
Date of delivery	November 24, 2015			
Seller	GK DA Healthcare Alpha			
Operator name	Anabuki Medical Care Inc.			

c. Borrowing of Funds

NHI concluded a commitment-type term loan contract on October 29, 2015 and executed borrowing of funds on November 24, 2015 as follows. The borrowed funds were used for the new acquisitions of assets described in the above b. Acquisition of Assets and for expenses incidental to the acquisitions.

Lender	Drawdown date	Loan amount (million yen)	Interest rate	Repayment deadline	Borrowing/Repayment method
Mizuho Bank, Ltd.	November 24, 2015	900	JBA 1-month JPY TIBOR + 0.30% (Note)	May 24, 2016	Secured / Lump-sum repayment

(Note) Interest payment dates shall be the last day of each month and the maturity date (however, if the concerned date is not a business day, then it shall be the next business day; if that next business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date). The base rate applicable to the calculation period for the interest payable on an interest payment date shall be the Japanese Bankers Association (JBA) 1-month Japanese Yen TIBOR two business days prior to the date of commencement of the interest calculation period.

D. Outlook for Management Status

NHI forecasts the following management status for the 4th Fiscal Period (from November 1, 2015 to April 30, 2016) and the 5th Fiscal Period (from May 1, 2016 to October 31, 2016). For the assumptions underlying the management status forecasts, please refer to the “Assumptions for the Management Status Forecasts for the 4th Fiscal Period (from November 1, 2015 to April 30, 2016) and the 5th Fiscal Period (from May 1, 2016 to October 31, 2016)” on page 11.

4th Fiscal Period (from November 1, 2015 to April 30, 2016)

Operating revenue	667 million yen
Operating income	278 million yen
Ordinary income	244 million yen
Net income	243 million yen
Distribution amount per unit (excluding distribution amount in excess of earnings)	3,260 yen
Distribution amount in excess of earnings per unit	800 yen
Distribution amount per unit (including distribution amount in excess of earnings)	4,060 yen

5th Fiscal Period (from May 1, 2016 to October 31, 2016)

Operating revenue	676 million yen
Operating income	274 million yen
Ordinary income	244 million yen
Net income	243 million yen
Distribution amount per unit (excluding distribution amount in excess of earnings)	3,260 yen
Distribution amount in excess of earnings per unit	800 yen
Distribution amount per unit (including distribution amount in excess of earnings)	4,060 yen

(Note) Discrepancies between the forecast figures above and the assumptions may arise due to future additional acquisition or sale of real estate, etc., real estate market and other developments, fluctuation in interest rates, change in other circumstances surrounding NHI and other factors. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution amount per unit and distribution amount in excess of earnings per unit may vary as a result. In addition, the forecast is not a guarantee of the distribution amount and distribution amount in excess of earnings.

Assumptions for the Management Status Forecasts for the 4th Fiscal Period (from November 1, 2015 to April 30, 2016) and the 5th Fiscal Period (from May 1, 2016 to October 31, 2016)

Item	Assumption
Calculation period	<ul style="list-style-type: none"> • 4th Fiscal Period Fiscal period ending April 2016: from November 1, 2015 to April 30, 2016 (182 days) • 5th Fiscal Period Fiscal period ending October 2016: from May 1, 2016 to October 31, 2016 (184 days)
Assets under management	<ul style="list-style-type: none"> • 4th Fiscal Period and 5th Fiscal Period: The assumption is that the 17 properties held as of October 31, 2015, plus real estate trust beneficiary interests of the four properties acquired on November 24, 2015 (Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi), to total 21 properties will continue to be held and there will be no other acquisition of new property through to the end of the 5th Fiscal Period. • The actual number of properties may vary due to acquisition of new property, or disposition of portfolio property, etc.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue of acquired assets is calculated on the basis of the rent stated in lease agreements that have been concluded. Furthermore, the period-end occupancy rate for each property is expected to be 100.0% at the end of the 4th Fiscal Period and 100.0% at the end of the 5th Fiscal Period. • The assumption is that there will be no gain (loss) on sales of real estate properties.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business, which constitute a major component of operating expenses, are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in expenses. • Operating income from property leasing (excluding gain on sales of real estate properties) after deduction of expenses related to rent business (including depreciation) is assumed to be 407 million yen in the 4th Fiscal Period and 412 million yen in the 5th Fiscal Period. • Consignment expenses are assumed to be 12 million yen in the 4th Fiscal Period and 12 million yen in the 5th Fiscal Period. • Taxes and dues (fixed property tax, city planning tax, etc.) are assumed to be 37 million yen in the 4th Fiscal Period and 47 million yen in the 5th Fiscal Period. • In general, fixed property tax, city planning tax, etc. upon transactions of real estate, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the current owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses at the time of acquisition of the property at NHI. Accordingly, in the case of the assets acquired in fiscal 2015, fiscal 2016 fixed property tax, city planning tax, etc. are recognized as expenses starting from the 4th Fiscal Period (fiscal period ending April 2016). • Depreciation, which is calculated using the straight-line method, is assumed to be 186 million yen in the 4th Fiscal Period and 186 million yen in the 5th Fiscal Period. • Repair expenses for buildings are assumed based on medium- to long-term repair plans formulated by the Asset Management Company to be 19 million yen in the 4th Fiscal Period and 13 million yen in the 5th Fiscal Period. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable causes may result in repair expenses differing materially from the forecast amount.
Non-operating expenses	<ul style="list-style-type: none"> • 34 million yen is assumed for the 4th Fiscal Period, out of which 300,000 yen is assumed as interest expenses and other borrowing related expenses. • 300,000 yen is assumed as interest expenses and other borrowing related expenses for the 5th Fiscal Period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • The assumption is that total interest-bearing liabilities will be 9,300 million yen at the end of the 4th Fiscal Period and at the end of the 5th Fiscal Period. • In the 4th Fiscal Period, NHI made new borrowings in November 2015 for use as the funds for acquisition of the four properties acquired on November 24, 2015. All amount except for 500 million yen out of the new borrowings is assumed to be repaid in the 4th Fiscal Period. • The assumption is that there will be no change in loan balance other than the above through to October 31, 2016.

Item	Assumption
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> For the 4th Fiscal Period and the 5th Fiscal Period, 74,632 units are assumed; which is a total of 60,800 units (the total number of investment units issued and outstanding as of October 31, 2015), and 12,130 units and 1,702 units (new investments units issued through public offering and through third-party allotment, respectively, which were resolved at NHI's Board of Directors Meeting held on October 29, 2015). It is assumed that there will be no change to the number of investment units due to issuance of new investment units, etc. in addition to the above, through to the end of the 5th Fiscal Period.
Distribution amount per unit (excluding distribution amount in excess of earnings)	<ul style="list-style-type: none"> Distribution amount per unit (excluding distribution amount in excess of earnings) is calculated based on the assumption that the entire amount of earnings will be distributed in accordance with the cash distribution policy set forth in the articles of incorporation of NHI. Distribution amount per unit (excluding distribution amount in excess of earnings) may vary due to various factors, including fluctuation in real estate rent revenue accompanying change in assets under management, change in tenants, etc., or incurrance of unexpected repairs.
Distribution amount in excess of earnings per unit	<ul style="list-style-type: none"> Distribution amount in excess of earnings per unit is calculated in accordance with the cash distribution policy set forth in the articles of incorporation of NHI. The total distribution amount in excess of earnings is assumed to be 59 million yen in the 4th Fiscal Period and 5th Fiscal Period. The concerned total distribution amount in excess of earnings is respectively the amount equivalent to 32.0 and 32.0% of the depreciation that is expected to arise in the concerned calculation period. NHI adopts a policy of implementing uninterrupted cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) in an amount not to exceed 40% of depreciation in every accounting period within the scope that would not have adverse impact on the financial position of NHI after setting aside the cash and deposits that NHI deems appropriate, taking into account the status of establishment of lines of credit, etc., in order to not affect long-term repair plans in light of the capital expenditures for each accounting period assumed based on the long-term repair plans and to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI's working capital, repayment of obligations, payout of distributions, etc.). However, regardless of the policy described above, distributions in excess of earnings mentioned above may vary in amount or may not be implemented at all in light of the economic environment, real estate market trends, status of portfolio assets and financial status. In addition, accompanied by decrease in cash on hand, the implementation of distributions in excess of earnings mentioned above may cause a shortage of cash on hand in the event that need arises for capital expenditures, etc. beyond that assumed by NHI due to sudden events, etc. or may cause financial constraints in agile property acquisition.
Other	<ul style="list-style-type: none"> The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. The assumption is that there will be no unforeseen serious change in general economic trends and real estate market conditions, etc.

2.3. Investment Risks

Disclosure is omitted because there are no significant changes from "Part II: Reference Information; Section 2: Supplementary Information to Reference Documents; 6. Investment Risks" set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on October 29, 2015).

3. Financial Statements**3.1. Balance Sheets**

(Unit: thousand yen)

	2nd Fiscal Period (As of Apr. 30, 2015)		3rd Fiscal Period (As of Oct. 31, 2015)	
Assets				
Current assets				
Cash and deposits		964,474		550,649
Cash and deposits in trust	*1	357,044	*1	414,549
Prepaid expenses		11,276		19,141
Deferred tax assets		13		14
Consumption taxes receivable		3,141		2,068
Other		—		873
Total current assets		1,335,951		987,297
Non-current assets				
Property, plant and equipment				
Construction in progress		1,674		1,909
Buildings in trust		8,632,809		10,291,446
Accumulated depreciation		(229,105)		(379,019)
Buildings in trust, net	*1	8,403,703	*1	9,912,426
Structures in trust		133,949		182,611
Accumulated depreciation		(2,746)		(4,576)
Structures in trust, net	*1	131,202	*1	178,034
Equipment in trust		—		1,324
Accumulated depreciation		—		(32)
Equipment in trust, net		—	*1	1,291
Land in trust	*1	5,185,156	*1	6,504,957
Total property, plant and equipment		13,721,736		16,598,619
Intangible assets				
Leasehold rights in trust	*1	40,886	*1	40,886
Trademark right		198		187
Software		3,319		2,952
Total intangible assets		44,404		44,026
Investments and other assets				
Lease and guarantee deposits		10,000		10,000
Long-term prepaid expenses		22,761		26,635
Total investments and other assets		32,761		36,635
Total non-current assets		13,798,902		16,679,282
Total assets		15,134,854		17,666,579

(Unit: thousand yen)

	2nd Fiscal Period (As of Apr. 30, 2015)		3rd Fiscal Period (As of Oct. 31, 2015)	
Liabilities				
Current liabilities				
Operating accounts payable		9,573		16,385
Accounts payable – other		44,910		98,115
Advances received		54,035		69,127
Deposits received		512		597
Income taxes payable		900		896
Other		–		869
Total current liabilities		109,931		185,990
Non-current liabilities				
Long-term loans payable	*1	6,400,000	*1	8,800,000
Tenant leasehold and security deposits		579,123		645,231
Total non-current liabilities		6,979,123		9,445,231
Total liabilities		7,089,055		9,631,222
Net assets				
Unitholders' equity				
Unitholders' capital		7,884,000		7,884,000
Deduction from unitholders' equity		–		(49,248)
Unitholders' capital, net		7,884,000		7,834,752
Surplus				
Unappropriated retained earnings (undisposed loss)		161,798		200,605
Total surplus		161,798		200,605
Total unitholders' equity		8,045,798		8,035,357
Total net assets	*3	8,045,798	*3	8,035,357
Total liabilities and net assets		15,134,854		17,666,579

3.2. Statements of Income

(Unit: thousand yen)

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)		3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)	
Operating revenue				
Rent revenue – real estate	*1	507,642	*1	555,588
Total operating revenue		507,642		555,588
Operating expenses				
Expenses related to rent business	*1	166,035	*1	208,265
Asset management fee		40,652		49,037
Asset custody fee		545		554
Administrative service fees		5,550		8,162
Trust fee		4,367		4,908
Directors' compensations		3,600		3,600
Audit fee		3,000		4,400
Other operating expenses		37,900		51,729
Total operating expenses		261,652		330,657
Operating income		245,989		224,931
Non-operating income				
Interest income		40		26
Other		8		4
Total non-operating income		48		30
Non-operating expenses				
Interest expenses		14,435		18,012
Borrowing expenses		26,569		5,391
Investment unit issuance expenses		42,340		—
Other		—		61
Total non-operating expenses		83,345		23,465
Ordinary income		162,693		201,496
Income before income taxes		162,693		201,496
Income taxes – current		908		901
Income taxes – deferred		5		(0)
Total income taxes		914		901
Net income		161,779		200,595
Retained earnings brought forward		19		10
Unappropriated retained earnings (undisposed loss)		161,798		200,605

3.3. Statements of Unitholders' Equity

2nd Fiscal Period (from November 1, 2014 to April 30, 2015)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' equity	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	1,980,000	—	1,980,000	129,630	129,630	2,109,630	2,109,630
Changes of items during period							
Issuance of new investment units	5,904,000					5,904,000	5,904,000
Dividends of surplus				(129,610)	(129,610)	(129,610)	(129,610)
Net income				161,779	161,779	161,779	161,779
Total changes of items during period	5,904,000	—		32,168	32,168	5,936,168	5,936,168
Balance at end of current period	7,884,000	—		161,798	161,798	8,045,798	8,045,798

3rd Fiscal Period (from May 1, 2015 to October 31, 2015)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' equity	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	7,884,000		7,884,000	161,798	161,798	8,045,798	8,045,798
Changes of items during period							
Distribution in excess of earnings		(49,248)	(49,248)			(49,248)	(49,248)
Dividends of surplus				(161,788)	(161,788)	(161,788)	(161,788)
Net income				200,595	200,595	200,595	200,595
Total changes of items during period	—	(49,248)	(49,248)	38,806	38,806	(10,441)	(10,441)
Balance at end of current period	7,884,000	(49,248)	7,834,752	200,605	200,605	8,035,357	8,035,357

3.4. Statements of Cash Distributions

Item	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
	Amount (yen)	Amount (yen)
I. Unappropriated retained earnings	161,798,905	200,605,559
II. Addition of distribution amount in excess of earnings Deduction from unitholders' capital	49,248,000	46,694,400
III. Distribution amount	211,036,800	247,273,600
[Distribution amount per unit]	[3,471]	[4,067]
<i>Of which,</i>		
Distribution amount from earnings	161,788,800	200,579,200
[Distribution amount from earnings per unit]	[2,661]	[3,299]
Distribution amount in excess of earnings	49,248,000	46,694,400
[Distribution amount in excess of earnings per unit]	[810]	[768]
IV. Retained earnings carried forward	10,105	26,359
Method of calculating distribution amount	<p>In accordance with the policy that “NHI shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation” but no more than the amount of earnings pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 1 of its articles of incorporation, NHI decided the distributions from earnings that it shall pay out shall be the maximum value of the integral multiple of the total number of investment units issued and outstanding (60,800 units) in an amount that is not in excess of unappropriated retained earnings. Accordingly, NHI declared a distribution amount of 161,788,800 yen.</p> <p>Furthermore, NHI shall implement cash distributions in excess of earnings (reimbursement of investments in capital) uninterruptedly every fiscal period pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 2 of its articles of incorporation.</p> <p>Based on this policy, NHI decided to distribute 49,248,000 yen, which is the amount roughly equivalent to 36% of the 137,640,283 yen in depreciation for the 2nd Fiscal Period, as cash distributions in excess of earnings (reimbursement of investments in capital).</p>	<p>In accordance with the policy that “NHI shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation” but no more than the amount of earnings pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 1 of its articles of incorporation, NHI decided the distributions from earnings that it shall pay out shall be the maximum value of the integral multiple of the total number of investment units issued and outstanding (60,800 units) in an amount that is not in excess of unappropriated retained earnings. Accordingly, NHI declared a distribution amount of 161,788,800 yen.</p> <p>Furthermore, NHI shall implement cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) uninterruptedly every fiscal period pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 2 of its articles of incorporation.</p> <p>Based on this policy, NHI decided to distribute 46,694,400 yen, which is the amount roughly equivalent to 31% of the 151,776,702 yen in depreciation for the 3rd Fiscal Period, as cash distributions in excess of earnings (reimbursement of investments in capital).</p>

(Note) NHI adopts a policy of implementing uninterrupted distributions in excess of earnings (reimbursement of investments in capital) in an amount not to exceed 40% of depreciation in every accounting period within the scope that would not have adverse impact on the financial position of NHI after setting aside the cash and deposits that NHI deems appropriate, taking into account the status of establishment of lines of credit, etc., in order to not affect long-term repair plans in light of the capital expenditures for each accounting period assumed based on the long-term repair plans and to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI's working capital, repayment of obligations, payout of distributions, etc.).

3.5. Statements of Cash Flows

(Unit: thousand yen)

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Cash flows from operating activities		
Income before income taxes	162,693	201,496
Depreciation	138,003	152,154
Investment unit issuance expenses	42,340	—
Interest income	(40)	(26)
Interest expenses	14,435	18,012
Decrease (increase) in consumption taxes refund receivable	414	1,072
Decrease (increase) in prepaid expenses	(4,601)	(7,865)
Increase (decrease) in operating accounts payable	1,469	6,662
Increase (decrease) in accounts payable – other	9,492	30,593
Increase (decrease) in advances received	16,071	15,092
Decrease (increase) in long-term prepaid expenses	(20,540)	(3,874)
Increase (decrease) in deposits received	294	84
Other, net	19,335	836
Subtotal	379,365	414,239
Interest income received	40	26
Interest expenses paid	(14,435)	(17,902)
Income taxes paid	(1,124)	(905)
Net cash provided by (used in) operating activities	363,846	395,458
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,562)	(1,909)
Purchase of property, plant and equipment in trust	(6,382,199)	(3,005,699)
Purchase of intangible assets	(3,671)	—
Proceeds from tenant leasehold and security deposits	160,798	66,108
Net cash provided by (used in) investing activities	(6,230,635)	(2,941,501)
Cash flows from financing activities		
Increase in short-term loans payable	300,000	—
Decrease in short-term loans payable	(300,000)	—
Proceeds from long-term loans payable	6,400,000	2,400,000
Repayments of long-term loans payable	(5,850,000)	—
Proceeds from issuance of investment units	5,861,659	—
Earnings dividends paid	(129,610)	(161,239)
Distribution in excess of earnings paid	—	(49,038)
Net cash provided by (used in) financing activities	6,282,048	2,189,722
Net increase (decrease) in cash and cash equivalents	415,260	(356,320)
Cash and cash equivalents at beginning of period	906,259	1,321,519
Cash and cash equivalents at end of period	*1 1,321,519	*1 965,198

3.6. Notes to the Going Concern

Not applicable.

3.7. Notes to Significant Accounting Policies

1. Depreciation method for non-current assets	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Buildings</td> <td style="text-align: right;">4~56 years</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">41~47 years</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">6 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	4~56 years	Structures	41~47 years	Equipment	6 years
Buildings	4~56 years						
Structures	41~47 years						
Equipment	6 years						
2. Accounting for deferred assets	<p>Investment unit issuance expenses The entire amount is expensed as incurred.</p>						
3. Standards for revenue and expense recognition	<p>Accounting for fixed property tax, etc. Concerning fixed property tax, city planning tax, depreciated asset tax, etc. on owned real estate or trust beneficiary interests that have real estate as assets in trust, of the tax amount assessed and determined, the method of accounting for the amount corresponding to the concerned fiscal period as expenses related to rent business is adopted. Concerning the amount equivalent to fixed property tax, etc. in the initial fiscal year that shall be borne by NHI in correlation with acquisitions of real estate or trust beneficiary interests that have real estate as assets in trust, the amount is not expensed but is rather included in the cost of acquisition of the concerned real estate property. The amount equivalent to fixed property tax, etc. that was included in the cost of acquisition of real estate properties in the 2nd Fiscal Period is 3,564 thousand yen and 3rd Fiscal Period is 6,876 thousand yen.</p>						
4. Hedge accounting	<p>(1) Hedge accounting approach Deferral hedge accounting is applied. However, special accounting is applied to interest rate swaps that meet the criteria for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>(3) Hedging policy NHI conducts derivative transactions for the purpose of hedging the risks set forth in its articles of incorporation based on its risk management policy.</p> <p>(4) Method for assessing the effectiveness of hedging The effectiveness of hedging is assessed by comparing the accumulated cash-flow changes of hedged items with that of hedging instruments and verifying the ratio of both amounts of changes. However, interest rate swaps that meet the criteria for special accounting are omitted from assessment of the effectiveness.</p>						
5. Scope of funds in the statements of cash flows	<p>The funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.</p>						

<p>6. Other significant matters serving as basis for preparation of financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate properties Concerning owned trust beneficiary interests that have real estate properties as assets in trust, all accounts of assets and liabilities within assets in trust, as well as all accounts of revenue generated and expenses incurred from assets in trust, are recorded in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recorded in the relevant account item are separately listed on the balance sheets. (i) Cash and deposits in trust (ii) Buildings in trust, structures in trust, and land in trust (iii) Leasehold rights in trust</p> <p>(2) Accounting method for consumption taxes Consumption tax and local consumption tax are accounted for by excluding from transaction amounts. Non-deductible consumption taxes on acquisition of assets are included in the cost of acquisition of the relevant asset.</p>
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3.8. Notes to Financial Statements**[Omission of Disclosure]**

Concerning notes to lease transactions, securities, retirement benefits, tax-effect accounting and asset retirement obligations, disclosure is omitted because there is thought to be no substantial need for such disclosure in the financial report (*kessan tanshin*).

[Notes to Balance Sheets]***1. Assets pledged as collateral and secured liabilities**

The following are the assets pledged as collateral.

	(Unit: thousand yen)	
	2nd Fiscal Period (As of Apr. 30, 2015)	3rd Fiscal Period (As of Oct. 31, 2015)
Cash and deposits in trust	357,044	414,549
Buildings in trust	8,403,703	9,912,426
Structures in trust	131,202	178,034
Equipment in trust	—	1,291
Land in trust	5,185,156	6,504,957
Leasehold rights in trust	40,886	40,886
Total	14,117,993	17,052,145

The following are the secured liabilities.

	(Unit: thousand yen)	
	2nd Fiscal Period (As of Apr. 30, 2015)	3rd Fiscal Period (As of Oct. 31, 2015)
Long-term loans payable	6,400,000	8,800,000
Total	6,400,000	8,800,000

***2. In the 3rd Fiscal Period, NHI concluded a commitment-type term loan contract with one of its banks. Furthermore, there is no outstanding borrowings at the end of the 3rd Fiscal Period.**

	(Unit: thousand yen)	
	2nd Fiscal Period (As of Apr. 30, 2015)	3rd Fiscal Period (As of Oct. 31, 2015)
Total amount of commitment-type term loan	—	1,200,000
Outstanding borrowings	—	—
Balance	—	1,200,000

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

	(Unit: thousand yen)	
	2nd Fiscal Period (As of Apr. 30, 2015)	3rd Fiscal Period (As of Oct. 31, 2015)
	50,000	50,000

[Notes to Statements of Income]

*1. Breakdown of property-related operating income (loss)

	(Unit: thousand yen)	
	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
A. Property-related operating revenue		
Rent revenue – real estate	507,642	555,588
Total property-related operating revenue	507,642	555,588
B. Property-related operating expenses		
Consignment expenses	8,877	9,821
Taxes and dues	9,520	30,607
Non-life insurance expenses	1,539	1,184
Repair expenses	7,082	13,675
Depreciation	137,640	151,776
Leasehold and office rents	1,200	1,200
Other lease business expenses	174	—
Total property-related operating expenses	166,035	208,265
C. Property-related operating income (loss) [A – B]	341,606	347,323

[Notes to Statements of Unitholders' Equity]

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
1. Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	60,800 units	60,800 units

[Notes to Statements of Cash Flows]

*1. Reconciliation of balance sheet items to cash and cash equivalents at end of period in the statements of cash flows

	(Unit: thousand yen)	
	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Cash and deposits	964,474	550,649
Cash and deposits in trust	357,044	414,549
Cash and cash equivalents	1,321,519	965,198

[Notes to Financial Instruments]

(1) Matters concerning status of financial instruments

(a) Policy for financial instruments

NHI procures funds through borrowing from financial institutions, issuance of new investment units, etc. for asset acquisitions, repairs and maintenance, distribution payouts, loan repayments, etc. In debt financing, NHI takes heed of extending loan periods, converting interest rates to fixed rates, staggering repayment dates, etc. in order to secure financial stability and hedge future interest rate fluctuation risk.

NHI manages surplus funds through deposits, safe and liquid monetary claims and securities, etc. (in principle, deposits).

Derivative transactions are limited to those that are for the purpose of hedging the risk of fluctuations in interest rates on the liabilities of NHI.

(b) Contents and risks of financial instruments and related risk management system

The funds from debt financing are used mainly for acquisition of assets (such as real estate trust beneficiary interests). These are exposed to liquidity risk upon repayment, but the risk is managed by maintaining LTV at low levels, staggering repayment dates, maintaining the ratio of long-term interest-bearing liabilities to total

interest-bearing liabilities at high levels, and diversifying lenders centering on domestic financial institutions. Loans with floating interest rates are exposed to the risk of fluctuations in the interest rate payable, but derivative transactions (interest rate swap transactions) are used as a hedging instrument for hedging the risk of fluctuations in the interest rate payable and converting interest expenses to fixed rates for all or some of those floating-rate loans of which are long-term loans. In addition, NHI uses a commitment-type term loan to reduce fund procurement risks at the time of property acquisition due to forward commitment, etc.

The effectiveness of hedging is assessed by comparing the accumulated cash-flow changes of hedged items with that of hedging instruments and verifying the ratio of both amounts of changes. However, interest rate swaps that meet the criteria for special accounting are omitted from assessment of the effectiveness.

Execution and management of derivative transactions are carried out based on the regulations defining the basic policy of risk management.

Tenant leasehold and security deposits and tenant leasehold and security deposits in trust are deposits received from tenants and are exposed to liquidity risk at the time that the deposits are to be returned to tenants when they vacate the property, but the risk is limited by retaining a certain percentage of that amount.

Deposits are used for investing NHI's surplus funds and are exposed to credit risk, such as bankruptcy of the depository financial institutions, but the risk is managed by restricting the tenor of the deposit relatively short, setting a minimum credit rating requirement for the depository financial institutions (excluding checkable deposits), etc.

(c) Supplementary explanation for fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. As certain assumptions are used for the estimation of fair value, the result of such estimation may differ if, for example, different assumptions are used. Also, the contract amount, etc. of derivative transactions do not itself represent the market risk involved in these derivative transactions.

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

The following is the carrying amount, fair value and difference between the two. The financial instruments for which fair value is extremely difficult to estimate are excluded from the following tables (please refer to (Note 2)).

2nd Fiscal Period (as of April 30, 2015)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	964,474	964,474	—
(2) Cash and deposits in trust	357,044	357,044	—
Total assets	1,321,519	1,321,519	—
(3) Long-term loans payable	6,400,000	6,375,873	(24,126)
Total liabilities	6,400,000	6,375,873	(24,126)
Derivative transactions	—	—	—

3rd Fiscal Period (as of October 31, 2015)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	550,649	550,649	—
(2) Cash and deposits in trust	414,549	414,549	—
Total assets	965,198	965,198	—
(3) Long-term loans payable	8,800,000	8,789,863	(10,136)
Total liabilities	8,800,000	8,789,863	(10,136)
Derivative transactions	—	—	—

(Note 1) Methods to estimate fair value of financial instruments and matters concerning derivative transactions

Assets

(1) Cash and deposits; (2) Cash and deposits in trust

As these instruments are settled in a short period of time, their fair value and book value are nearly identical. Therefore, for these items, their book value is assumed as their fair value.

Liabilities

(3) Long-term loans payable

As those with floating interest rates reflect market interest rates in a short period of time and there are no significant changes in NHI's credit risk after borrowing, their fair value and book value are nearly identical. Therefore, for these items, their book value is assumed as their fair value. For those with fixed interest rates, their fair value is based on the sum total amount of principle and interest (*) discounted at the interest rate reasonably estimated to be applied if similar new borrowing is entered into.

(*) For those long-term loans payable qualifying for special accounting of interest rate swaps (please refer to "Derivative transactions" below), the sum total amount of principle and interest by the rate of the interest rate swap

Derivative transactions

Please refer to "Notes to Derivative Transactions" later in this document.

(Note 2) Financial instruments for which fair value is extremely difficult to estimate

	(Unit: thousand yen)	
	2nd Fiscal Period (As of Apr. 30, 2015)	3rd Fiscal Period (As of Oct. 31, 2015)
Tenant leasehold and security deposits	579,123	645,231
Total	579,123	645,231

Tenant leasehold and security deposits that have been deposited from tenants of rental properties are not subject to disclosure of market price, because these are not marketable and the actual deposit period from when tenants move in to when tenants move out cannot be reliably determined, thus making it impossible to reasonably estimate their future cash flows, and therefore, it is considered to be extremely difficult to estimate their fair value.

(Note 3) Redemption schedule for monetary claims due after the settlement of accounts

2nd Fiscal Period (as of April 30, 2015)

	(Unit: thousand yen)					
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	964,474	-	-	-	-	-
Cash and deposits in trust	357,044	-	-	-	-	-
Total	1,321,519	-	-	-	-	-

3rd Fiscal Period (as of October 31, 2015)

	(Unit: thousand yen)					
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	550,649	-	-	-	-	-
Cash and deposits in trust	414,549	-	-	-	-	-
Total	965,198	-	-	-	-	-

(Note 4) Repayment schedule for long-term loans payable due after the settlement of accounts

2nd Fiscal Period (as of April 30, 2015)

	(Unit: thousand yen)					
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Long-term loans payable	-	-	1,800,000	1,700,000	2,900,000	-
Total	-	-	1,800,000	1,700,000	2,900,000	-

3rd Fiscal Period (as of October 31, 2015)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Long-term loans payable	–	1,800,000	2,100,000	2,900,000	2,000,000	–
Total	–	1,800,000	2,100,000	2,900,000	2,000,000	–

[Notes to Derivative Transactions]

(1) Derivative transactions to which hedge accounting is not applied

2nd Fiscal Period (as of April 30, 2015)

Not applicable.

3rd Fiscal Period (as of October 31, 2015)

Not applicable.

(2) Derivative transactions to which hedge accounting is applied

2nd Fiscal Period (as of April 30, 2015)

The following is the contract amount, amount equivalent to the principal provided in the contract, etc. as of the settlement of accounts for each hedge accounting approach for derivative transactions to which hedge accounting is applied.

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of estimation of that fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Receive floating and pay fixed	Long-term loans payable	5,400,000	5,400,000	(*)	–

(*) The fair value of derivative transactions qualifying for special accounting of interest rate swaps is included in that of related long-term loans payable. This is because such interest rate swaps are handled together with hedged long-term loans payable. (Please refer to “Notes to Financial Instruments; (2) Matters concerning fair value, etc. of financial instruments (Note 1); Liabilities (3)” earlier in this document.)

3rd Fiscal Period (as of October 31, 2015)

The following is the contract amount, amount equivalent to the principal provided in the contract, etc. as of the settlement of accounts for each hedge accounting approach for derivative transactions to which hedge accounting is applied.

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of estimation of that fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Receive floating and pay fixed	Long-term loans payable	7,800,000	7,800,000	(*)	–

(*) The fair value of derivative transactions qualifying for special accounting of interest rate swaps is included in that of related long-term loans payable. This is because such interest rate swaps are handled together with hedged long-term loans payable. (Please refer to “Notes to Financial Instruments; (2) Matters concerning fair value, etc. of financial instruments (Note 1); Liabilities (3)” earlier in this document.)

[Notes to Transactions with Related Parties]

2nd Fiscal Period (from April 30, 2015)

Classification	Name of company, etc.	Location	Capital stock or investments in capital	Business description	Percentage of voting rights, etc. held by/in NHI	Nature of transaction	Amount of transaction	Account	Balance at end of period
Major unitholder, interested party	Daiwa Securities Group Inc.	Chiyoda-ku, Tokyo	247.3 billion yen	Holding company	10.00% directly held in NHI 1.65% indirectly held in NHI	Subscription of investment units (Note)	912,000 thousand yen	-	-

Of the amounts above, consumption taxes are not included in transaction amounts.

(Note) Subscription to NHI's capital increase through public offering at 150,000 yen per unit.

3rd Fiscal Period (from October 31, 2015)

Not applicable.

[Notes to Investment and Rental Properties]

NHI owns fee-based homes for the elderly, etc. (including land) in the three major metropolitan areas and core cities. The carrying amount, net change in the carrying amount during period and fair value of the investment and rental properties are as follows:

(Unit: thousand yen)

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Carrying amount		
Balance at beginning of period	7,517,513	13,760,948
Net change during period	6,243,435	2,876,647
Balance at end of period	13,760,948	16,637,595
Fair value at end of period	16,462,000	20,410,000

(Note 1) The carrying amount is the amount after accumulated depreciation is deducted from the cost of acquisition.

(Note 2) Significant changes during period

For the 2nd Fiscal Period, the major reason of increase is acquisition of six properties (6,015,000 thousand yen). The major reason of decrease is depreciation (137,640 thousand yen).

For the 3rd Fiscal Period, the major reason of increase is acquisition of three properties (2,778,000 thousand yen). The major reason of decrease is depreciation (151,776 thousand yen).

(Note 3) The fair value at end of period represents the sum of appraisal values estimated by external real estate appraisers.

Income and loss from investment and rental properties are disclosed in "Notes to Statements of Income."

[Segment Information, etc.]

(1) Segment information

Segment information is omitted because NHI has no segment except the property leasing business.

(2) Related information

2nd Fiscal Period (from November 1, 2014 to April 30, 2015)

① Information about products and services

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

② Information about geographic areas

A. Net sales

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

B. 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 sheets.

③ Information about major customers

Information about major customers is omitted because consent for information about net sales to a single external customer has not been obtained from tenants.

3rd Fiscal Period (from May 1, 2015 to October 31, 2015)

① Information about products and services

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

② Information about geographic areas

A. Net sales

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

B. 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 sheets.

③ Information about major customers

Information about major customers is omitted because consent for information about net sales to a single external customer has not been obtained from tenants.

[Notes to Per Unit Information]

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Net assets per unit	132,332 yen	132,160 yen
Net income per unit	2,705 yen	3,299 yen

(Note 1) Net income per unit is calculated by dividing the net income by the daily weighted average number of investment units.

The diluted net income per unit is not stated as there are no diluted investment units.

(Note 2) The basis for calculating the net income per unit is as follows:

	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Net income (thousand yen)	161,779	200,595
Amount not attributable to common unitholders (thousand yen)	—	—
Net income attributable to common investment units (thousand yen)	161,779	200,595
Average number of investment units during period	59,800	60,800

[Notes to Significant Subsequent Events]

(1) Issuance of investment units

NHI resolved issuance of investment units at its Board of Directors Meeting held on October 29, 2015 and November 10, 2015 as follows. Payments are completed on November 17, 2015 and December 16, 2015 respectively.

① Issuance of new investment units through public offering (primary offering)

- (i) Number of investment units offered: 12,130 units
- (ii) Paid-in amount (issue amount): 189,440 yen per unit
- (iii) Total paid-in amount (issue amount): 2,297,907,200 yen
- (iv) Payment date: November 17, 2015
- (v) Use of procured funds: Acquisitions of specified assets described in (2) below and expenses related to the acquisitions

② Issuance of new investment units through third-party allotment

- (i) Number of investment units offered: 1,702 units
- (ii) Paid-in amount (issue amount): 189,440 yen per unit
- (iii) Total paid-in amount (issue amount): 322,426,880 yen
- (iv) Allottee and the number of investment units allotted: Daiwa Securities Co., Ltd. 1,702 units
- (v) Payment date: December 16, 2015
- (vi) Use of procured funds: To be deposited at financial institutions as cash on hand until expenditure, and to be used as part of acquisition funds of specified assets or of repayment of interest-bearing liabilities in the future.

(2) Acquisition of assets

NHI conducted the following acquisition of real estate trust beneficiary interests in four properties (sum total of acquisition price: 2,550 million yen) on November 24, 2015.

Summary of Assets Acquired

Property name	Alpha Living Okayama Nishigawa Ryokudokoen	Alpha Living Okayama Korakuen	Alpha Living Takamatsu Ekimae	Alpha Living Takamatsu Hyakkenmachi
Type of asset	Trust beneficiary interests in real estate			
Location (indication of residential address)	6-2 Chuo-cho, Kita-ku, Okayama-shi, Okayama	1-11-4 Hama, Naka-ku, Okayama-shi, Okayama	1-6 Nishiuchi-cho, Takamatsu-shi, Kagawa	8-11 Hyakkenmachi, Takamatsu-shi, Kagawa
Acquisition price	730 million yen (excluding acquisition costs and consumption tax, etc.)	610 million yen (excluding acquisition costs and consumption tax, etc.)	605 million yen (excluding acquisition costs and consumption tax, etc.)	605 million yen (excluding acquisition costs and consumption tax, etc.)
Date of delivery	November 24, 2015			
Seller	GK DA Healthcare Alpha			

(3) Borrowing of funds

NHI concluded a commitment-type term loan contract on October 29, 2015 and executed borrowing of funds on November 24, 2015 as follows. The borrowed funds were used for the new acquisitions of assets described in the above (2) Acquisition of assets and for expenses incidental to the acquisitions.

Lender	Drawdown date	Loan amount (million yen)	Interest rate	Repayment deadline	Borrowing/Repayment method
Mizuho Bank, Ltd.	November 24, 2015	900	JBA 1-month JPY TIBOR + 0.30% (Note)	May 29, 2016	Secured / Lump-sum repayment

(Note) Interest payment dates shall be the last day of each month and the maturity date (however, if the concerned date is not a business day, then it shall be the next business day; if that next business day falls into the next calendar month, then it shall be the business day immediately preceding the concerned date). The base rate applicable to the calculation period for the interest payable on an interest payment date shall be the Japanese Bankers Association (JBA) 1-month Japanese Yen TIBOR two business days prior to the date of commencement of the interest calculation period.

3.9. Increase (Decrease) in Total Number of Investment Units Issued and Outstanding

The following is the increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital since the establishment of NHI through to the end of the 3rd Fiscal Period.

Payment date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (million yen) (Note 1)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Jan. 7, 2014	Establishment through private placement	1,000	1,000	100	100	(Note 2)
Apr. 3, 2014	Capital increase through private placement	18,800	19,800	1,880	1,980	(Note 3)
Nov. 4, 2014	Capital increase through public offering	39,000	58,800	5,616	7,596	(Note 4)
Dec. 3, 2014	Capital increase by way of third-party allotment	2,000	60,800	288	7,884	(Note 5)
July 17, 2015	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	-	60,800	(49)	7,834	(Note 6)

(Note 1) Figures indicate amounts obtained by subtracting deduction from unitholders' equity from unitholders' capital.

(Note 2) NHI was established at an issue price of 100,000 yen per unit. The subscriber for underwriting of investment units at establishment was Daiwa Real Estate Asset Management Co. Ltd.

(Note 3) Investment units were additionally issued to JHC-LPS and ASIA CUATRO-LPS at an issue price of 100,000 yen per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.

(Note 4) New investment units were issued through public offering at an issue price of 150,000 yen (issue amount of 144,000 yen) per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.

(Note 5) New investment units were issued by way of third-party allotment at an issue amount of 144,000 yen per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.

(Note 6) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) in amount of 810 yen per unit at its Board of Directors Meeting held on June 19, 2015 as cash distribution for the 2nd fiscal period (fiscal period ended April 2015), and started the payout from July 17, 2015.

4. Changes in Directors

4.1. Changes in Directors at the Investment Corporation

Not applicable.

4.2 Changes in Directors at the Asset Management Company

Not applicable.

5. Reference Information**5.1. Investment Status**

Type of asset	Use		Region	3rd Fiscal Period (as of October 31, 2015)	
				Total amount held (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate trust beneficiary interests	Private nursing homes and other facilities for the elderly	Fee-based homes for the elderly	Three major metropolitan areas (Note 3)	11,452	64.8
			Core city areas (Note 4)	5,185	29.3
			Other (Note 5)	–	–
		Elderly housing with supportive services	–	–	
		Other private nursing homes and other facilities for the elderly	–	–	
		Subtotal	16,637	94.2	
	Medical facilities	–	–		
	Other	–	–		
	Total	16,637	94.2		
	Deposits and other assets			1,028	5.8
Total assets (Note 6)			17,666	100.0	
			[16,637]	[94.2]	

(Note 1) “Total amount held” is the carrying amount (book value after deducting depreciation in the case of real estate trust beneficiary interests).

(Note 2) “(Total amount held) As a percentage of total assets” is rounded to one decimal place.

(Note 3) “Three major metropolitan areas” refers to the greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama prefectures), the Chukyo area (Aichi, Mie and Gifu prefectures) and the Kinki area (Osaka, Kyoto, Hyogo, Nara and Shiga prefectures). The same shall apply hereinafter.

(Note 4) “Core city areas” refers to cities (outside the three major metropolitan areas) with populations of 200,000 or more. The same shall apply hereinafter.

(Note 5) “Other” refers to cities (outside the three major metropolitan areas and the core city areas) with populations under 200,000. The same shall apply hereinafter.

(Note 6) The figure in brackets [] under “Total assets” is the portion of the applicable assets that, in effect, corresponds to the holding of real estate properties. The amount of construction in progress (including construction in progress in trust) is not included in the amount of real estate trust beneficiary interests.

5.2. Investment Real Estate Properties**5.2.1. Price and Investment Ratio of Investment Real Estate Properties**

The following is an overview of the real estate in trust of trust beneficiary interests held as of October 31, 2015 by NHI.

Type of specified asset	Region	Property name	Acquisition price (million yen) (Note 1)	Carrying amount (million yen) (Note 2)	Opinion of value at end of period (million yen) (Note 3)	Investment ratio (%) (Note 4)
Real estate trust beneficiary interests	Three major metropolitan areas	Rest Villa Sagamihara Chuo	1,170	1,186	1,720	7.3
		Charm Suite Ryokuchi Koen	1,950	1,973	3,030	12.1
		Sawayaka Heart Life Nishikyogoku	750	764	1,210	4.7
		Verger Hirakata	950	962	1,570	5.9
		Rest Villa Kinugasayama Koen	1,839	1,911	1,990	11.5
		La'nassica Arakogawa	1,279	1,321	1,380	8.0
		Super Court JR Nara-Ekimae	1,569	1,633	1,690	9.8
		Mina-no-ie Omiya Yoshinocho	740	796	770	4.6
		Mina-no-ie Chuo-ku En'nami	838	902	882	5.2
		Subtotal	11,085	11,452	14,242	69.0
	Core city areas	Nichii Care Center Fukushima Omori	265	269	349	1.7
		Rest Villa Hiroshima Hikarigaoka	960	977	1,220	6.0
		Sawayaka Kaikyokan	630	642	886	3.9
		Sawayaka Meisuikan	590	602	802	3.7
		Sawayaka Hinodekan	773	797	923	4.8
		Sawayaka Riverside Kurinoki	266	279	318	1.7
		Sawayaka Obatake Sanbankan	289	304	350	1.8
		Silver Heights Hitsujigaoka No. 3	1,200	1,312	1,320	7.5
		Subtotal	4,973	5,185	6,168	31.0
Total (17 properties)			16,058	16,637	20,410	100.0

(Note 1) "Acquisition price" is excluding acquisition costs, fixed property tax, city planning tax, consumption tax and local consumption tax.

(Note 2) "Carrying amount" is the book value after deducting depreciation as of October 31, 2015.

(Note 3) "Opinion of value at end of period" is the value with April 30, 2015 as the date of value stated in the appraisal report prepared by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. or The Tanizawa Sōgō Appraisal Co., Ltd. in accordance with the articles of incorporation of NHI and the rules of The Investment Trusts Association, Japan.

(Note 4) "Investment ratio" is the respective property acquisition price expressed as a percentage of the total amount of the acquisition prices, rounded to one decimal place.

5.2.2. Summary of Building and Leasing of Investment Real Estate

The respective property annual rent is not disclosed because consent for disclosure has not been obtained from tenants. Annual rent of real estate in trust held as of October 31, 2015 by NHI totaled 1,202 million yen (Note).

(Note) The amount obtained by adding up the monthly rent in the respective lease agreement valid as of October 31, 2015 in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

Region	Property name	Structure / Floors (Note 1)	Construction completion (Note 2)	Total leasable area (m ²) (Note 3)	Total leased area (m ²) (Note 4)	Total number of tenants (Note 5)	Occupancy rate (%) (Note 6)	Appraisal NOI (million yen) (Note 7)
Three major metropolitan areas	Rest Villa Sagamihara Chuo	RC / 5F	Mar. 31, 2008	3,732.95	3,732.95	1	100.0	88
	Charm Suite Ryokuchi Koen	RC / B1/5F	Sept. 20, 2006	5,329.73	5,329.73	1	100.0	143
	Sawayaka Heart Life Nishikyogoku	RC / 6F	Aug. 6, 2007	2,459.19	2,459.19	1	100.0	60
	Verger Hirakata	RC / 5F	Feb. 26, 2007	2,925.25	2,925.25	1	100.0	85
	Rest Villa Kinugasayama Koen	RC / B1/5F	Mar. 3, 2011	4,265.88	4,265.88	1	100.0	100
	La'nassica Arakogawa	S / 4F	Apr. 17, 2008	3,590.40	3,590.40	1	100.0	74
	Super Court JR Nara-Ekimae	RC / 7F	June 17, 2009	5,057.07	5,057.07	1	100.0	91
	Mina-no-ie Omiya Yoshinocho	RC / 4F	April 3, 2012	1,800.03	1,800.03	1	100.0	40
	Mina-no-ie Chuo-ku En'nami	RC / 3F	Feb. 27, 2014	1,963.03	1,963.03	1	100.0	44
Subtotal				31,123.53	31,123.53	9	100.0	730
Core city areas	Nichii Care Center Fukushima Omori	S / 3F	Mar. 30, 2007	1,964.68	1,964.68	1	100.0	22
	Rest Villa Hiroshima Hikarigaoka	RC / 7F	Dec. 15, 2005	4,133.82	4,133.82	1	100.0	69
	Sawayaka Kaikyokan	RC / 6F	Oct. 23, 2003	2,694.42	2,694.42	1	100.0	50
	Sawayaka Meisuikan	RC / B1/6F	Mar. 25, 2005	4,553.67	4,553.67	1	100.0	47
	Sawayaka Hinodekan	S / 3F	July 11, 2007	2,674.37	2,674.37	1	100.0	47
	Sawayaka Riverside Kurinoki	S / 4F	Oct. 20, 2009	1,349.39	1,349.39	1	100.0	17
	Sawayaka Obatake Sanbankan	S / 3F	Sept. 13, 2011	1,411.78	1,411.78	1	100.0	18
	Silver Heights Hitsujigaoka No. 3	RC / 3F	April 18, 2003	7,267.56	7,267.56	1	100.0	70
	Subtotal				26,049.69	26,049.69	8	100.0
Total (17 properties)				57,173.22	57,173.22	17	100.0	1,075

(Note 1) "Structure / Floors" is the entry in the real estate registry of the building of the respective property. "S" refers to steel-framed structure, "RC" refers to reinforced concrete structure, "B" refers to floors below ground and "F" refers to floors above ground.

(Note 2) "Construction completion" is the entry in the real estate registry of the building of the respective property.

(Note 3) "Total leasable area," which is the floor area available for leasing of the building of the respective property, is the area indicated in the lease contract, etc. (including store compartments and office compartments), excluding the total leasable area of land (including level parking space).

(Note 4) "Total leased area" is the sum total of the area that is actually leased based on a lease agreement concluded with end-tenants as of October 31, 2015.

(Note 5) "Total number of tenants" is the number of end-tenants. When there is a tenant occupying multiple buildings, the concerned tenant is counted and stated for each individual building.

- (Note 6) “Occupancy rate” is the figure obtained by dividing total leased area by leasable area, rounded down to one decimal place.
- (Note 7) “Appraisal NOI” is the net operating income obtained by subtracting operating expenses from operating revenue appraised by real estate appraisers as stated in the appraisal report. The appraisal NOI above is the NOI derived by the direct capitalization method. “Appraisal NOI” is rounded down to the nearest million yen.

5.2.3. Summary of Appraisal Report

Property name	Appraisal firm	Appraisal value (million yen)	Summary of appraisal report					Appraisal NOI (million yen)
			Direct capitalization method		DCF method			
			Indicated value (million yen)	Cap rate (%)	Indicated value (million yen)	Discount rate (%)	Terminal cap rate (%)	
Nichii Care Center Fukushima Omori	Japan Real Estate Institute	349	352	5.8	345	5.6	6.0	22
Rest Villa Hiroshima Hikarigaoka	Japan Real Estate Institute	1,220	1,230	5.3	1,200	5.1	5.5	69
Rest Villa Sagamihara Chuo	Daiwa Real Estate Appraisal Co., Ltd.	1,720	1,740	5.0	1,710	4.8	5.2	88
Charm Suite Ryokuchi Koen	Daiwa Real Estate Appraisal Co., Ltd.	3,030	3,070	4.7	3,010	4.5	4.9	143
Sawayaka Kaikyokan	Japan Real Estate Institute	886	894	5.4	877	5.2	5.6	50
Sawayaka Meisuikan	Japan Real Estate Institute	802	808	5.4	795	5.2	5.6	47
Sawayaka Heart Life Nishikyogoku	Daiwa Real Estate Appraisal Co., Ltd.	1,210	1,220	4.9	1,200	4.7	5.1	60
Verger Hirakata	Daiwa Real Estate Appraisal Co., Ltd.	1,570	1,580	5.3	1,560	5.1	5.5	85
Rest Villa Kinugasayama Koen (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	1,990	2,000	5.0	1,980	5.1	5.2	100
La'nassica Arakogawa (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	1,380	1,390	5.3	1,380	5.4	5.5	74
Sawayaka Hinodekan	Daiwa Real Estate Appraisal Co., Ltd.	923	935	5.0	918	4.8	5.2	47
Sawayaka Riverside Kurinoki	Daiwa Real Estate Appraisal Co., Ltd.	318	324	5.1	316	4.9	5.3	17
Sawayaka Obatake Sanbankan	Daiwa Real Estate Appraisal Co., Ltd.	350	355	5.2	348	5.0	5.4	18
Super Court JR Nara-Ekimae (Note 4)	The Tanizawa Sōgō Appraisal Co., Ltd.	1,690	1,700	5.2	1,680	5.3	5.4	91
Mina-no-ie Omiya Yoshinocho	The Tanizawa Sōgō Appraisal Co., Ltd.	770	778	5.1	766	5.2	5.3	40
Mina-no-ie Chuo-ku En'nami	Japan Real Estate Institute	882	891	5.0	872	4.8	5.2	44
Silver Heights Hitsujigaoka No. 3	Daiwa Real Estate Appraisal Co., Ltd.	1,320	1,330	5.0	1,310	4.8	5.2	70
Total		20,410	20,597	—	20,267	—	—	1,075

(Note 1) The summary is based on the appraisal report with October 31, 2015 as the date of value.

(Note 2) The discount rate for Rest Villa Kinugasayama Koen is the discount rate for the 11th and subsequent fiscal years (discount rate up to the 10th fiscal year: 5.0%).

(Note 3) The discount rate for La'nassica Arakogawa is the discount rate for the 11th and subsequent fiscal years (discount rate up to the 10th fiscal year: 5.3%).

(Note 4) The discount rate for Super Court JR Nara-Ekimae is the discount rate for the 10th and subsequent fiscal years (discount rate up to the 9th fiscal year: 5.2%).

5.2.4. Capital Expenditures for Assets under Management

A. Schedule of Capital Expenditures

Not applicable.

B. Capital Expenditures during the 3rd Fiscal Period

The following summarizes the main construction work that constitutes capital expenditures conducted during the 3rd Fiscal Period. Capital expenditures for the 2nd Fiscal Period amounted to 2,078 thousand yen and, when combined with the 13,675 thousand yen in repair expenses charged to 3rd Fiscal Period expenses, totaled 15,753 thousand yen in construction work implemented.

Name of real estate property (Location)	Purpose	Period	Construction amount (thousand yen)
Rest Villa Hiroshima Hikarigaoka (Hiroshima-shi, Hiroshima)	Replacement of water heater	From: August 2015 To: September 2015	744
Rest Villa Hiroshima Hikarigaoka (Hiroshima-shi, Hiroshima)	Replacement of electrical water heater	From: October 2015 To: October 2015	450
Rest Villa Sagamihara Chuo (Sagamihara-shi, Kanagawa)	Replacement of air-conditioning substrate, compressor, etc.	From: July 2015 To: August 2015	434
Other		From: May 2015 To: October 2015	449
Total			2,078

C. Reserve Amount for Long-Term Repair Plans (Reserve for Repairs)

NHI sets aside the following reserve for repairs from cash flows during the fiscal period for future payment of large-scale repairs and other funds.

(Unit: million yen)

Fiscal period	1st Fiscal Period (From: Jan. 7, 2014 To: Oct. 31, 2014)	2nd Fiscal Period (From: Nov. 1, 2014 To: Apr. 30, 2015)	3rd Fiscal Period (From: May 1, 2015 To: Oct. 31, 2015)
Balance of reserve at beginning of period	-	19	47
Provision of reserve during period	19	28	15
Reversal of reserve during period	-	-	-
Reserve carried forward	19	47	63

(Note) In principle, NHI adopts a policy of implementing cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) uninterruptedly every fiscal period. Upon deciding on the implementation and amount of such, NHI shall give due consideration to the amount of capital expenditures required to maintain and enhance the competitiveness of portfolio assets.

5.2.5. Status of Pledged Collateral

The following outlines the collateral on acquired assets as of October 31, 2015.

Property name	Status of collateral	Type of collateral	Appraisal value (million yen)	Security interests holder
Nichii Care Center Fukushima Omori Rest Villa Hiroshima Hikarigaoka Rest Villa Sagamihara Chuo Charm Suite Ryokuchi Koen Sawayaka Kaikyokan Sawayaka Meisuikan Sawayaka Heart Life Nishikyogoku Verger Hirakata Rest Villa Kinugasayama Koen La'nassica Arakogawa Sawayaka Hinodekan Sawayaka Riverside Kurinoki Sawayaka Obatake Sanbankan Super Court JR Nara-Ekimae Mina-no-ie Omiya Yoshinocho Mina-no-ie Chuo-ku En'nami Silver Heights Hitsujigaoka No. 3	Pledged as collateral (joint collateral)	Revolving pledge	20,410	Mizuho Bank, Ltd. Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Musashino Bank, Ltd. Shinkin Central Bank The Dai-ichi Life Insurance Company, Limited

5.2.6. Matters Concerning Entire Portfolio (Status of Leasing)**A. Diversification by Rent-Paying Capacity**

Rent-paying capacity (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
More than 2.0x	197	19.3
More than 1.5x, but 2.0x or less	571	55.8
More than 1.2x, but 1.5x or less	157	15.4
1.2x or less	96	9.5
Total	1,022	100.0

(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective real estate in trust's most recent EBITDAR by rent (monthly rent in the respective lease agreement with operators in the annualized amount calculated by multiplying by 12; the same shall apply hereinafter).

"EBITDAR" refers to the respective real estate in trust's operating income, plus depreciation and rent. However, in the case of operators adopting the method of accounting as a finance lease, the amount equivalent to lease payments is taken into consideration.

Furthermore, operating income and depreciation are based on information on business income and expenditures from October 2014 to September 2015 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2014 to June 2015, La'nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2014 to March 2015 and Silver Heights Hitsujigaoka No.3, in which case these are based on information on business income and expenditures from February 2014 to January 2015. The same shall apply hereinafter in this "A. Diversification by Rent-Paying Capacity."

(Note 2) "Annual rent" is the amount obtained by adding up the monthly rent in the respective lease agreement with operators per rent-paying capacity in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) "Share" is the sum total of annual rent per rent-paying capacity expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average rent-paying capacity (Note)
1.5x

(Note) "Average rent-paying capacity" is the multiple obtained by dividing the total of EBITDAR by the total of rents for real estate in trust, rounded to one decimal place.

B. Diversification by Appraisal Rent-Paying Capacity

Appraisal Rent-paying capacity (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
More than 2.0x	492	41.2
More than 1.5x, but 2.0x or less	646	54.1
More than 1.2x, but 1.5x or less	57	4.8
1.2x or less	–	–
Total	1,196	100.0

(Note 1) “Appraisal Rent-paying capacity” refers to the multiple obtained by dividing the respective acquired asset’s assumed EBITDAR (figures that are calculated based on information on business income and expenditure provided by the respective operator, under the same conditions for EBITDAR calculation standards described in A above), which is calculated by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sōgō Appraisal Co., Ltd., by rent.

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement with operators per rent-paying capacity in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per rent-paying capacity expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average Appraisal rent-paying capacity (Note)
1.7x

(Note) “Average Appraisal rent-paying capacity” is the multiple obtained by dividing the total of EBITDAR by the total of rents for real estate in trust, rounded to one decimal place.

C. Diversification by Proportion of Long-Term Care Fee

Proportion of long-term care fee (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
50% or less	492	41.2
More than 50%, but 60% or less	646	54.1
More than 60%, but 70% or less	57	4.8
More than 70%	–	–
Total	1,196	100.0

(Note 1) “Proportion of long-term care fee” refers to the proportion of the respective real estate in trust’s net sales that is accounted for by long-term care fee (including residents’ co-payment portion). Furthermore, net sales and long-term care fee are based on information on business income and expenditures from October 2014 to September 2015 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2014 to June 2015, La’nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2014 to March 2015 and Silver Heights Hitsujigaoka No.3, in which case these are based on information on business income and expenditures from February 2014 to January 2015. The same shall apply hereinafter in this “C. Diversification by Proportion of Long-Term Care Fee.”

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement per proportion of long-term care fee in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per proportion of long-term care fee expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average proportion of long-term care fee (Note)
52.0%

(Note) “Average proportion of long-term care fee” is the proportion of the total of net sales that is accounted for by long-term care fee (including residents’ co-payment portion) for real estate in trust, rounded to one decimal place.

D. Diversification by Proportion of One-Time Entrance Fee Amortization Income

Proportion of one-time entrance fee amortization income (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
5% or less	762	63.8
More than 5%, but 15% or less	237	19.9
More than 15%, but 25% or less	195	16.4
More than 25%	–	–
Total	1,196	100.0

(Note 1) “Proportion of one-time entrance fee amortization income” refers to the proportion of the real estate in trust’s net sales that is accounted for by one-time entrance fee amortization income.

Furthermore, net sales and one-time entrance fee amortization income are based on information on business income and expenditures from October 2014 to September 2015 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2014 to June 2015, La’nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2014 to March 2015 and Silver Heights Hitsujigaoka No.3, in which case these are based on information on business income and expenditures from February 2014 to January 2015. The same shall apply hereinafter in this “D. Diversification by Proportion of One-Time Entrance Fee Amortization Income.”

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement per proportion of one-time entrance fee amortization income in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per proportion of one-time entrance fee amortization income expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average proportion of one-time entrance fee amortization income (Note)
5.8%

(Note) “Average proportion of one-time entrance fee amortization income” is the proportion of the total of net sales that is accounted for by one-time entrance fee amortization income for real estate in trust, rounded to one decimal place.

5.2.7. Information about Major Assets

“Major assets” refers to those assets of which the concerned asset’s total rent income accounts for 10% or more of the entire portfolio’s total rent income as at the end of the 3rd Fiscal Period (October 31, 2015). This is the following for the portfolio of 17 investment real estate properties. Annual rent is not disclosed because consent for disclosure has not been obtained from tenants.

Property name	Number of tenants	Appraisal NOI (million yen)	Total leasable area (m ²)	Total leased area (m ²)	Occupancy rate (%)
Charm Suite Ryokuchi Koen	1	143	5,329.73	5,329.73	100.0

5.2.8. Information about Major Tenants

“Major tenants” refers to those tenants of which the area leased to the concerned tenant accounts for 10% or more of the entire portfolio’s total leased area as at the end of the 3rd Fiscal Period (October 31, 2015). This is the following for the portfolio of 17 investment real estate properties. Annual rent and lease and guarantee deposits are not disclosed because consent for disclosure has not been obtained from tenants.

Name of major tenant	Property name	Date of contract expiration	Appraisal NOI (million yen)	Total leased area (m ²)	Share (%) (Note 1)
Sawayaka Club Co., Ltd.	Sawayaka Kaikyokan	March 27, 2034	243	15,142.82	26.5
	Sawayaka Meisuiikan				
	Sawayaka Heart Life Nishikyogoku				
	Sawayaka Hinodekan	November 30, 2034			
	Sawayaka Riverside Kurinoki				
	Sawayaka Obatake Sanbankan				
SOMPO Care Next Inc. (Note 2)	Rest Villa Hiroshima Hikarigaoka	March 28, 2034	258	12,132.65	21.2
	Rest Villa Sagamihara Chuo				
	Rest Villa Kinugasayama Koen	September 11, 2034			
Silver Heights Sapporo Co., Ltd.	Silver Heights Hitsujigaoka No.3	November 30, 2035	70	7,267.56	12.7

(Note 1) “Share” is the area leased to major tenants expressed as a percentage of the total leased area, rounded to one decimal place.

(Note 2) The business name was changed from Watami No Kaigo Co., Ltd. to Sompo Care Next Inc. on December 1, 2015.