

As of December 21, 2015

# Hopeful future for Japan

## Nippon Healthcare Investment Corporation

Presentation Material for the  
3rd Fiscal Period Ended October 2015



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# Disclaimer

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# Characteristics of Nippon Healthcare Investment Corporation

## 1 Investment in social infrastructure to contribute to society

- Nippon Healthcare Investment Corporation (NHI) will contribute to society by specializing in investment in healthcare facilities, which are part of the social infrastructure.

## 2 Growth through investment in the growing senior market

- Social demand for healthcare facilities is expected to grow in the medium to long term through further aging of the population.
- NHI aims to expand assets under management in the medium to long term using our expertise on healthcare, extensive network and fund raising capabilities.

## 3 Stable cash flow

- To stabilize cash flow, NHI will sign long-term fixed-rent lease agreements with operators of healthcare facilities.
- To stabilize management, NHI will consider business collaborations and mutual management backup with carefully selected operators.

## 4 Unitholder return policy utilizing asset characteristics

- NHI will implement unitholder returns through distributions in excess of earnings (refund of investment) utilizing the asset characteristic of a high rate of depreciation.
- NHI will consider unitholder benefits utilizing the characteristics of healthcare facilities.

## 5 Substantial support system and strong independence

- NHI will develop the support system that brings together the comprehensive strengths of Daiwa Securities Group Inc. (sponsor), an expert finance company, and AIP Healthcare Japan GK (advisor), an expert healthcare company.
- NHI's asset management company is able to establish cooperative relations with a wide range of operators as it is very independent with no participation of operator group.



# Section 1

## **Topics and Highlights**

## ■ Public offering/secondary offering in October 2015

- NHI's first public offering/secondary offering  
Number of investment units offered: 13,832 units, Number of investment units offered through secondary offering: 18,500 units, Issue price: 196,570 yen, Paid-in amount: 189,440 yen, Total paid-in amount: 2,620 million yen
- Acquisition of Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi for a total of 2,550 million yen.
- 21 properties with a total amount of assets (total acquisition price) of 18,608 million yen after the public offering



<Alpha Living  
Okayama  
Nishigawa  
Ryokudokoen>  
Acquisition price:  
730 million yen



<Alpha Living  
Okayama Korakuen>  
Acquisition price:  
610 million yen



<Alpha Living  
Takamatsu  
Ekimae>  
Acquisition price:  
605 million yen



<Alpha Living  
Takamatsu  
Hyakkenmachi>  
Acquisition price:  
605 million yen



# Topics and Highlights

## ■ Properties acquired in the 3rd fiscal period

- June 2015: Minna-no-ie Omiya Yoshinocho (Acquisition price: 740 million yen)  
Minna-no-ie Chuo-ku En'nami (Acquisition price: 838 million yen)
- October 2015: Silver Heights Hitsujigaoka No.3 (Acquisition price: 1,200 million yen)



<Minna-no-ie  
Omiya Yoshinocho>  
Acquisition price:  
740 million yen



<Minna-no-ie  
Chuo-ku En'nami>  
(Acquisition price:  
838 million yen)



<Silver Heights  
Hitsujigaoka No.3>  
(Acquisition price:  
1,200 million yen)

## ■ Financial status

- LTV (based on total assets) End of the 3rd FP: 49.8% (End of the 2nd FP: 42.3%) After the public offering (plan): 44.7%
- Period-end average remaining period End of the 3rd FP: 3.5 years (End of the 2nd FP: 3.7 years)
- Ratio of fixed interest rates End of the 3rd FP: 100.0% (End of the 2nd FP: 100%)

	End of the 2nd FP (April 2015)	End of the 3rd FP (October 2015)	After the public offering
LTV	42.3%	49.8%	44.7%
NAV per unit	174,096 yen	190,907 yen	191,175 yen

(Note 1) LTV after the public offering (plan) = (Total interest-bearing liabilities at the end of the 3rd FP + New borrowings in the 4th FP – Short-term borrowings planned to be repaid with part of proceeds from the public offering) / (Total assets at the end of the 3rd FP + Total paid-in amount of the public offering + New borrowings in the 4th FP – Short-term borrowings planned to be repaid with part of proceeds from the public offering)

(Note 2) NAV after the public offering (plan) = { (Unitholders' equity at the end of the 3rd FP + Total paid-in amount of the public offering - Expected amount of refund of investment from distributions in excess of earnings in the 3rd FP) + (Total appraisal value at the end of the 3rd FP + Appraisal value of properties acquired in the 4th FP at the time of the acquisition) – (Total period-end book value at the end of the 3rd FP + Total acquisition price of properties acquired in the 4th FP) } / Number of investment units issued after the public offering (74,632 units)



# Memorandum





# Section 2

## **Financial Results for the 3rd Fiscal Period**

# Operating Results for 3rd Fiscal Period

## Actual results for 3rd Fiscal Period

(unit: million yen)

	2nd FP (ended Apr. 2015) (results)	3rd FP (ended Oct. 2015) (results)	Difference
Number of properties owned at end of the fiscal period	14	17	3
Operating revenue	507	555	47
Operating expenses	261	330	69
Property-related expense (excluding depreciation)	28	56	28
Depreciation	137	151	14
Operating income	245	224	-21
Non-operating revenue	0	0	0
Non-operating expense	83	23	-59
Interest expense	14	18	3
Ordinary income	162	201	38
Net income	161	200	38

### Increase factor

Revenue (rents and common area fees) from 3 properties acquired during the fiscal period (+43 million yen)

### Increase factor

Tax and public dues (+18 million yen)  
Depreciation (+14 million yen)  
Other commission fees (+9 million yen)  
Asset management fees (+8 million yen)  
Advertising expense (+7 million yen)  
Repair cost (+6 million yen)

### Decrease factor

Investment unit issuance cost (-42 million yen)

Number of investment units issued and outstanding at the end of the fiscal period (units)	60,800	60,800	-
Distribution per unit (yen) (including distribution in excess of earnings)	3,471	4,067	596
Distribution per unit (excluding distribution in excess of earnings)	2,661	3,299	638
Distribution per unit in excess of earnings	810	768	-42

(Reference)

Depreciation per unit (yen)	2,263	2,496
Ratio of distribution in excess of earnings to depreciation per unit	35.8%	30.8%

## Comparison of forecast and actual results for 3rd Fiscal Period

(unit: million yen)

	3rd FP (ended Oct. 2015) (forecast) (Disclosed in June 2015)	3rd FP (ended Oct. 2015) (results)	Difference
Number of properties owned at end of the fiscal period	16	17	1
Operating revenue	551	555	3
Operating expenses	333	330	-2
Net income	193	200	7
Distribution per unit (yen) (including distribution in excess of earnings)	3,950	4,067	117
Distribution per unit (excluding distribution in excess of earnings)	3,182	3,299	117
Distribution per unit (in excess of earnings)	768	768	-

### Increase factor

Revenue (rents and common area fees) from 1 property acquired during the fiscal period (+3 million yen)

### Increase factor

Advertising expense (+5 million yen)  
Repair cost (+3 million yen)

### Decrease factor

Other commission fees (-7 million yen)  
Tax and public dues (-2 million yen)

# Forecast of Operating Results for 4th Fiscal Period and 5th Fiscal Period

## Forecast of the 4th fiscal period

(unit: million yen)

	4th FP (ending Apr. 2016) (forecast)	Difference from the 3rd FP
Number of properties owned at end of the fiscal period	21	4
Operating revenue	667	111
Operating expenses	388	58
Property-related expenses (excluding depreciation)	72	16
Depreciation	186	34
Operating income	278	53
Non-operating revenue	-	-0
Non-operating expense	34	10
Interest expense	23	5
Ordinary income	244	42
Net income	243	42

### Increase factor

Revenue (rents and common area fees) from 4 properties acquired during the fiscal period (+65 million yen)  
Full-year contribution of revenue (rents and common area fees) from 3 properties acquired during the previous fiscal period (+46 million yen)

### Increase factor

Depreciation (+34 million yen)  
Asset management fees (+ 8 million yen)  
Repair cost (+ 5 million yen)

### Decrease factor

Other commission fees (- 4 million yen)

### Increase factor

Interest expense (+5 million yen)  
Investment unit issuance cost (+3 million yen)

	4th FP (ending Apr. 2016) (forecast)	Difference from the 3rd FP
Number of investment units issued and outstanding at the end of the fiscal period (units)	74,632	13,832
Distribution per unit (yen) (including distribution in excess of earnings)	4,060	-7
Distribution per unit (excluding distribution in excess of earnings)	3,260	-39
Distribution per unit in excess of earnings	800	32

### (Reference)

Depreciation per unit (yen)	2,499
Ratio of distribution in excess of earnings to depreciation per unit	32.0%

### Increase factor

Full-year contribution of revenue (rents and common area fees) from 4 properties acquired during the previous fiscal period (+ 9 million yen)

### Increase factor

Tax and public dues (+ 9 million yen)  
Administrative agency remuneration (+ 4 million yen)

### Decrease factor

Repair cost (- 5 million yen)

	5th FP (ending Oct. 2016) (forecast)	Difference from the 4th FP
Number of investment units issued and outstanding at the end of the fiscal period (units)	74,632	-
Distribution per unit (yen) (including distribution in excess of earnings)	4,060	-
Distribution per unit (excluding distribution in excess of earnings)	3,260	-
Distribution per unit in excess of earnings	800	-

### (Reference)

Depreciation per unit (yen)	2,500
Ratio of distribution in excess of earnings to depreciation per unit	32.0%

## Forecast of the 5th fiscal period

(unit: million yen)

	5th FP (ending Oct. 2016) (forecast)	Difference from the 4th FP
Number of properties owned at end of the fiscal period	21	0
Operating revenue	676	9
Operating expenses	402	13
Property-related expenses (excluding depreciation)	77	4
Depreciation	186	0
Operating income	274	-3
Non-operating revenue	-	-
Non-operating expense	30	-3
Interest expense	23	0
Ordinary income	244	0
Net income	243	0



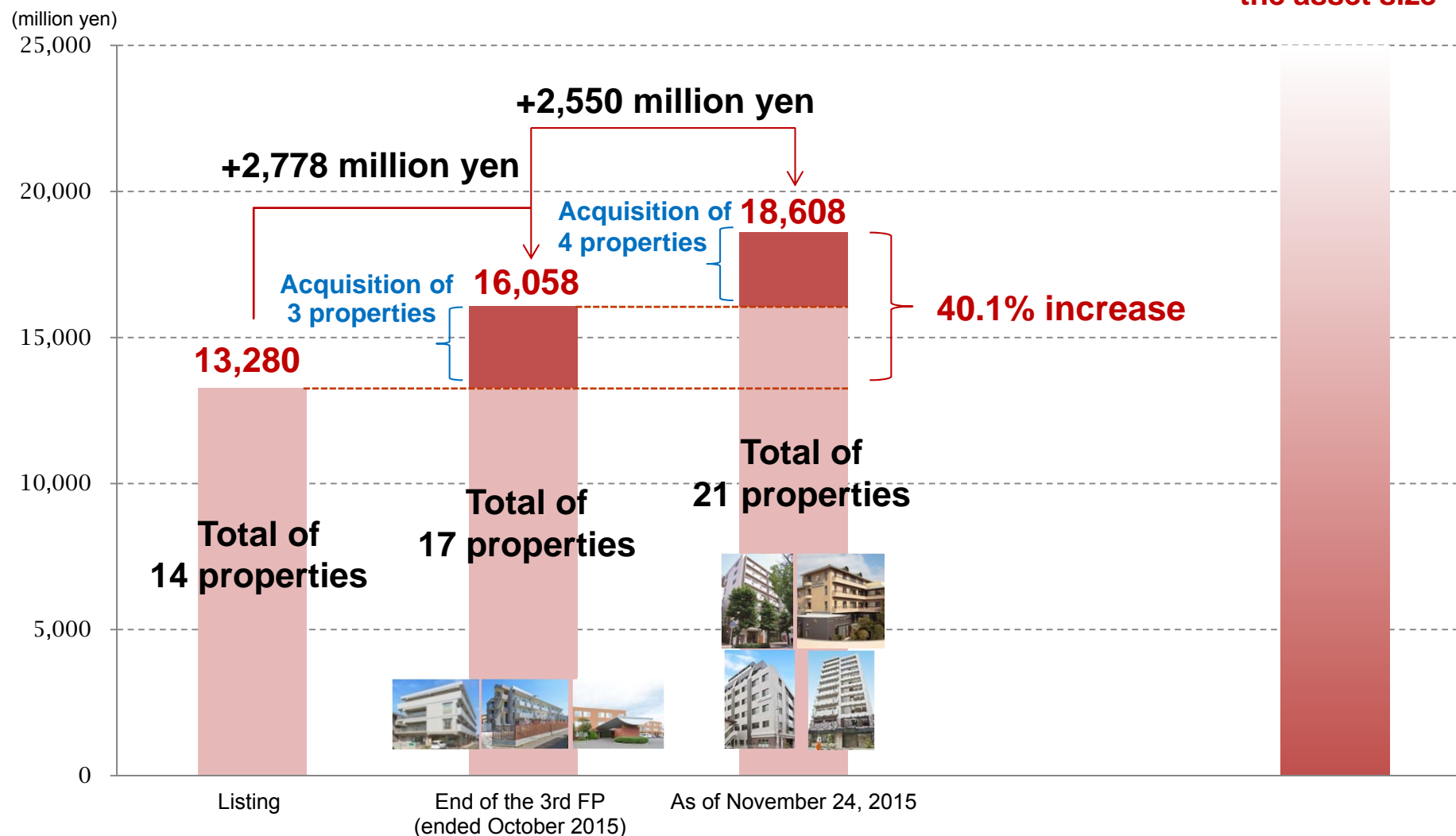
# Section 3

## **External Growth**

# Change in Asset Size

Continuous external growth through acquisition of carefully selected properties

Aim for further  
expansion of  
the asset size





# Properties Acquired in 4th FP (ending April 2016)

\*"Relatively new" buildings refer to buildings completed within the past 5 years

## Alpha Living Okayama Nishigawa Ryokudokoen

Acquisition price: 730 million yen (Acquisition date: November 24, 2015)

Operator: Anabuki Medical Care Inc.

Facility type: Residential type fee-based homes for the elderly

Relatively  
new



Location	6-2 Chuo-cho, Kita-ku, Okayama-shi, Okayama	Appraisal value	760 million yen <sup>(Note)</sup>
Area	533.05 m <sup>2</sup>	Total floor area	2,124.16 m <sup>2</sup>
Structure/ Floors	RC/7F	Construction completion	August 2014

(Note) As of July 31, 2015

### Site Features

The Property is located close to Okayama Station and the prefectural government's office of Okayama, which are in the center of Okayama City. Trees are planted effectively along the nearby Nishigawa River, creating a tasteful community environment with a park on the north side of the Property.

### Locational Features

Within 3km of the Property (Kita-ku, Naka-ku), the population of the elderly people aged 75 years or over is 50.2 thousand accounting for 11.5% of the total population. In Okayama City, the number of the elderly people aged 75 years or over is expected to be 117.4 thousand in year 2035 from the 81.2 thousand in 2015.

### Property Features

The Property completed in year 2014 is relatively new and provides private rooms of around 18 m<sup>2</sup> which is a standard room size for facilities with nursing care. The rooms are equipped with sink and toilet.

## Alpha Living Okayama Korakuen

Acquisition price: 610 million yen (Acquisition date: November 24, 2015)

Operator: Anabuki Medical Care Inc.

Facility type: Residential type fee-based homes for the elderly



Location	1-11-4, Hama, Naka-ku, Okayama-shi, Okayama	Appraisal value	646 million yen <sup>(Note)</sup>
Area	2,095.80 m <sup>2</sup>	Total floor area	(1) 1,988.80 m <sup>2</sup> (2) 131.64 m <sup>2</sup>
Structure/ Floors	(1) RC/4F with tile roofing (2) Steel-framed with galvanized alloy steel sheet roofing/1F	Construction completion	(1) May 1988 (2) December 2014

(Note) As of July 31, 2015

### Site Features

The Property is closely located to the east side of Asahigawa River, which runs north to south in Okayama City. On its south, across an arterial road, is Korakuen, which is one of the three great gardens of Japan and Okayama castle; and quiet residential areas spread on the west and southwest sides.

### Locational Features

Within 3km of the Property (Kita-ku, Naka-ku), the population of the elderly people aged 75 years or over is 50.2 thousand accounting for 11.5% of the total population. In Okayama City, the number of the elderly people aged 75 years or over is expected to be 117.4 thousand in year 2035 from the 81.2 thousand in 2015.

### Property Features

The Property which opened in 2015 was converted from a recreation property owned by a local major company in Okayama City. It presents an image of high-quality from the traditional Japanese-style garden with a pond within the premises, etc. The Property provides private rooms of around 18 m<sup>2</sup> to 25 m<sup>2</sup> which is a standard room size for facilities with nursing care. The rooms are equipped with sink and toilet.

# Properties Acquired in 4th FP (ending April 2016)

## Alpha Living Takamatsu Ekimae

Acquisition price: 605 million yen (Acquisition date: November 24, 2015)

Operator: Anabuki Medical Care Inc.

Facility type: Residential type fee-based homes for the elderly

Relatively  
new



Location	1-6, Nishiuchi-machi, Takamatsu-shi, Kagawa	Appraisal value	622 million yen (Note)
Area	502.63 m <sup>2</sup>	Total floor area	1,848.06 m <sup>2</sup>
Structure /Floors	RC/6F	Construction completion	June 2014

(Note) As of July 31, 2015

### Site Features

The Property is located a five-minute walk from Takamatsu Station on the JR Yosan Line, enjoying the transport convenience. The area is also close to a commercial district with local shopping streets, offering daily convenience.

### Locational Features

In Takamatsu City where the Property is located, the population of the elderly people aged 75 years or over is 52 thousand and accounting for 12.1% of the total population. The number of the elderly people aged 75 years or over is expected to be 77.1 thousand in year 2035.

### Property Features

The residential-type Property for the elderly completed in year 2014 is relatively new and provides private rooms of around 18 m<sup>2</sup> which is a standard room size for facilities with nursing care. The rooms are equipped with sink and toilet. There is also a dental clinic on the first floor.

## Alpha Living Takamatsu Hyakkenmachi

Acquisition price: 605 million (Acquisition date: November 24, 2015)

Operator: Anabuki Medical Care Inc.

Facility type: Elderly housing with supportive services



Location	8-11, Hyakken-machi, Takamatsu-shi, Kagawa	Appraisal value	609 million yen (Note)
Area	466.58 m <sup>2</sup>	Total floor area	1,922.18 m <sup>2</sup>
Structure /Floors	RC/10F	Construction completion	June 2010

(Note) As of July 31, 2015

### Site Features

The Property is located a four-minute walk to Kataharamachi Station on Kotohira Line of Takamatsu-Kotohira Electric Railroad and is also within walking distance to Takamatsu Station on the JR Yosan Line. It is fairly close to an area where Takamatsu Mitsukoshi department store and other brand shops are located. There is also a shopping arcade on the west side, boasting excellent living convenience.

### Locational Features

In Takamatsu City where the Property is located, the population of the elderly people aged 75 years or over is 52 thousand and accounting for 12.1% of the total population. The number of the elderly people aged 75 years or over is expected to be 77.1 thousand in year 2035.

### Property Features

The Property which is an elderly housing with supportive services provides private rooms of around 27 m<sup>2</sup> which is larger than the standard size for rooms designed for independent elderly people. The rooms are equipped with mini-kitchen, bathroom, sink and toilet.



# Properties Acquired in 3rd FP (ended October 2015)

## Minna-no-ie Omiya Yoshinocho

Acquisition price: 740 million yen (acquisition date : June 1, 2015)  
Operator: Wisnet  
Facility type: Fee-based homes for the elderly with nursing care

Relatively  
new



Location	2-214-3, Yoshinocho, Kita-ku, Saitama-shi, Saitama	Appraisal value	755 million yen (Note)
Area	877.00m <sup>2</sup>	Total floor area	1,747.89m <sup>2</sup>
Structure/ Floors	RC/4F	Construction completion	April 2012

(Note) As of April 1, 2015

### ■ Site Features

The Property is located approximately 2.5 km from Miyahara Station on JR Takasaki Line. The area boasts excellent environment surrounded by a number of commercial facilities despite itself being a quiet residential area.

### ■ Locational Features

The population in commerce areas within a 3km radius of the Property is approximately 4,000. Changes in the elderly population have been slightly mild than that of the whole Saitama prefecture, though it is projected to increase by approximately 1.7 times of the current population by year 2040.

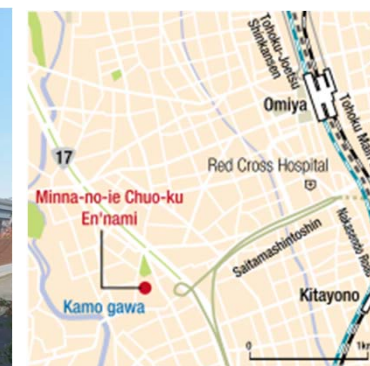
### ■ Property Features

The room areas of the Property are all 18 m<sup>2</sup>, which are designed for single use and the rooms are equipped with sink and toilet.

## Minna-no-ie Chuo-ku En'nami

Acquisition price: 838 million yen (acquisition date : June 1, 2015)  
Operator: Wisnet  
Facility type: Fee-based homes for the elderly with nursing care

Relatively  
new



Location	5-5-17, En'nami, Chuo-ku, Saitama-shi, Saitama	Appraisal value	859 million yen (Note)
Area	1,271.65m <sup>2</sup>	Total floor area	1,917.50m <sup>2</sup>
Structure/ Floors	RC/3F	Construction completion	February 2014

(Note) As of April 1, 2015

### ■ Site Features

The Property is located approximately 2.4 km (road distance) from Kitayono Station on JR Saikyo Line. It stands in a quiet residential area and has excellent accessibility to Omiya Station, the largest terminal station in Saitama prefecture.

### ■ Locational Features

The population in commerce areas within a 3km radius of the Property is approximately little over 5,000. Changes in the elderly population have been slightly milder than that of the whole Saitama prefecture, though it is projected to increase by approximately 1.7 times of the current population by year 2040.

### ■ Property Features

The room areas of the Property are all 18 m<sup>2</sup>, which are designed for single use and the rooms are equipped with sink and toilet.

# Properties Acquired in 3rd FP (ended October 2015)

## Silver Heights Hitsujigaoka No.3

Acquisition price: 1,200 million yen (Acquisition date: October 15, 2015)

Operator: Silver Heights Sapporo Co, Ltd.

Facility type: Fee-based homes for the elderly with nursing care



Location	15-4-38, Tsukisamu Higashi Shijo, Toyohira-ku, Sapporo-shi, Hokkaido	Appraisal value	1,310 million yen (Note)
Area	8,578.56 m <sup>2</sup>	Total floor area	7,267.56 m <sup>2</sup>
Structure/ Floors	RC/3F	Construction completion	April 2003

(Note) As of July 31, 2015

### Site Features

The Property is located approximately a 15-minute walk from Nango Juhatchome Station on the Tozai Line of the Sapporo Municipal Subway. The Property faces Mukogaoka-dori on its southeast side, which serves as a community road for daily life, and the whole block is an orderly developed quiet area.

### Locational Features








In the commercial area of the Property, the proportion of elderly people aged 75 years or over is 10.7% which falls below the national average (12.2%) and that in Sapporo (11.0%). In the future, the aging rate for this area is expected to progress rapidly.

### Property Features

The most common room area size of the Property is 21 m<sup>2</sup> which is a typical size for rooms with nursing care. The public space has a kiosk, a courtyard with many plants, a beauty parlor/barber and a dental clinic, etc. Although it is a property with nursing care, it has as many service facilities as the properties for independent elderly people do.

# Sourcing Route

## Status of property acquisition by sourcing route

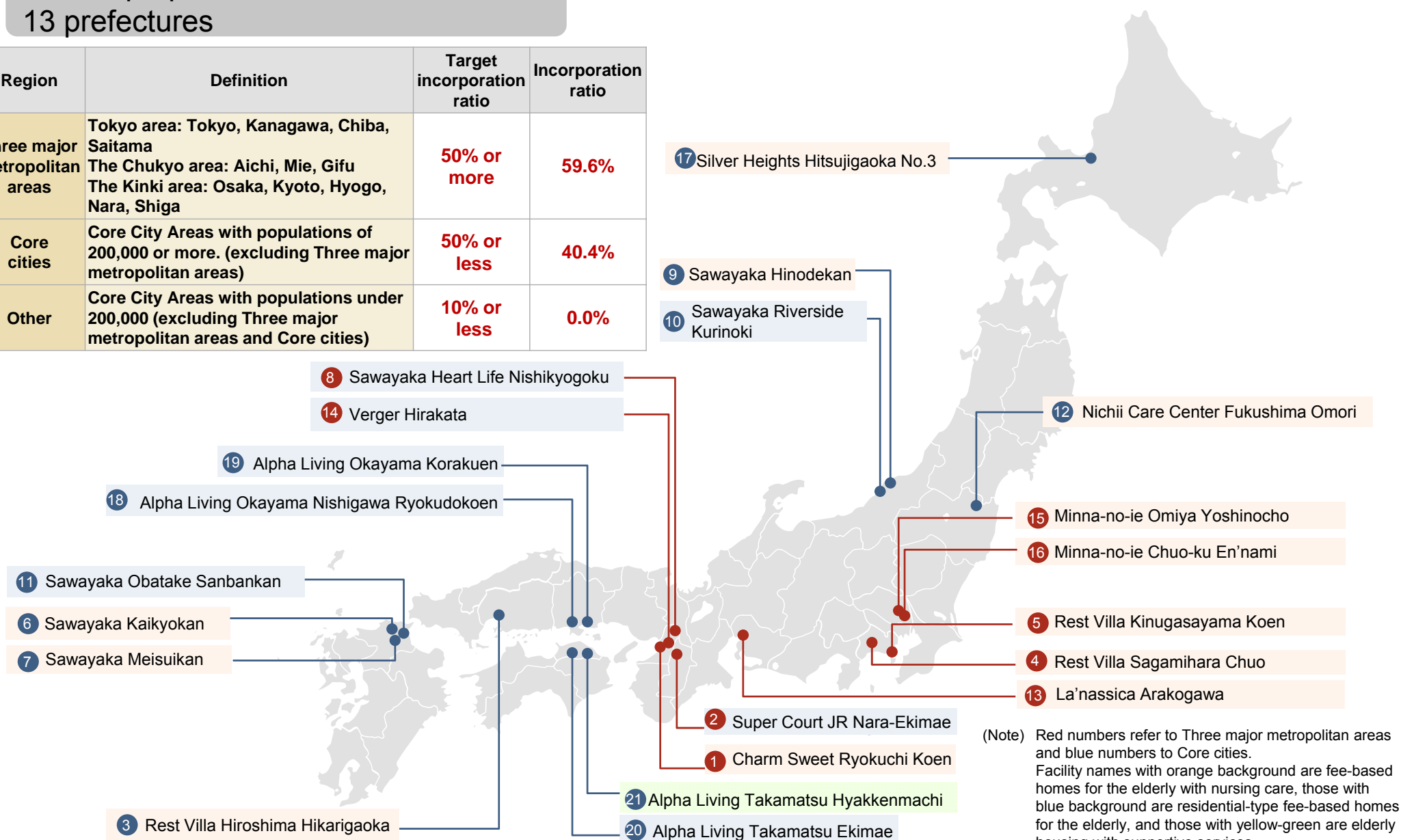
	Properties acquired before listing 14 properties/ 13,280 million yen	Properties acquired in the 3rd FP 3 properties/2,778 million yen	Properties acquired in the 4th FP 4 properties/2,550 million yen	
Asset Management Company's unique network		<p>Off-balancing in line with M&amp;A</p>  <p>Silver Heights Hitsujigaoka No.3 Acquisition price: 1,200 million yen</p> <ul style="list-style-type: none"> <li>• M&amp;A cases for business succession</li> <li>• Needs for securing liquidity on hand</li> </ul>	<p>Sale &amp; lease back</p>  <p>Alpha Living Okayama Nishigawa Ryokudokoen Acquisition price: 730 million yen</p>  <p>Alpha Living Okayama Korakuen Acquisition price: 610 million yen</p>  <p>Alpha Living Takamatsu Ekimae Acquisition price: 605 million yen</p>  <p>Alpha Living Takamatsu Hyakkenmachi Acquisition price: 605 million yen</p> <ul style="list-style-type: none"> <li>• Sales cases by developer groups which have operators as affiliates</li> <li>• Needs to focus entirely on facility operations</li> </ul>	5 properties/ 3,750 million yen
Sponsor group		<p>Change of owners</p>  <p>Minna-no-ie Omiya Yoshinocho Acquisition price: 740 million yen</p>  <p>Minna-no-ie Chuo-ku En'nami Acquisition price: 838 million yen</p> <ul style="list-style-type: none"> <li>• Properties introduced by the sponsor group</li> <li>• Needs for asset management from owners</li> </ul>		2 properties/ 1,578 million yen
Advisor	14 properties/ 13,280 million yen			14 properties/ 13,280 million yen



# Portfolio Map (as of November 24, 2015)

Owned properties are diversified over  
13 prefectures

Region	Definition	Target incorporation ratio	Incorporation ratio
Three major metropolitan areas	Tokyo area: Tokyo, Kanagawa, Chiba, Saitama The Chukyo area: Aichi, Mie, Gifu The Kinki area: Osaka, Kyoto, Hyogo, Nara, Shiga	50% or more	59.6%
Core cities	Core City Areas with populations of 200,000 or more. (excluding Three major metropolitan areas)	50% or less	40.4%
Other	Core City Areas with populations under 200,000 (excluding Three major metropolitan areas and Core cities)	10% or less	0.0%



(Note) Red numbers refer to Three major metropolitan areas and blue numbers to Core cities.  
Facility names with orange background are fee-based homes for the elderly with nursing care, those with blue background are residential-type fee-based homes for the elderly, and those with yellow-green are elderly housing with supportive services.

# Introduction of Operators

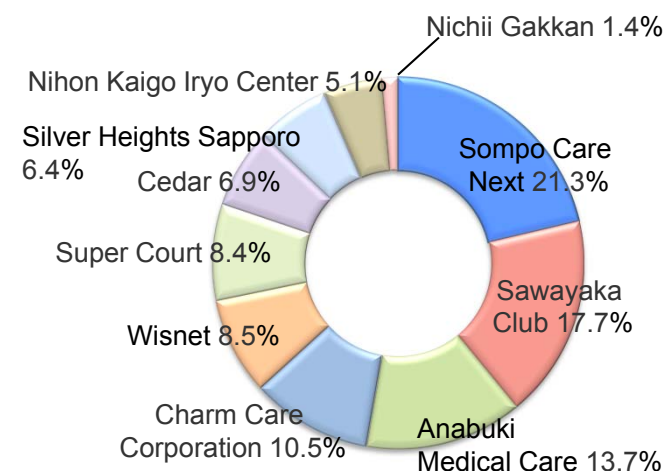
## Highly reliable operators

(\*) Operators are listed in order of the number of facilities they manage

Operator	Number of managed facilities <small>(Note 1)</small>	Number of operating rooms <small>(Note 1)</small>	Established	Attributes
Nichii Gakkan	402	12,573	August 1973	Listed on the first section of the Tokyo Stock Exchange
Wisnet	123	3,355	January 1998	—
Sompo Care Next <small>(Note 2)</small>	115	8,626	November 1992	Subsidiary of Sompo Japan Nipponkoa Holdings, Inc., a company listed on the first section of the Tokyo Stock Exchange
Sawayaka Club	62	3,796	December 2004	Subsidiary of Uchiyama Holdings Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange
Super Court	44	2,949	May 1995	—
Cedar	36	1,872	April 1981	Listed on JASDAQ on the Tokyo Stock Exchange
Charm Care Corporation	28	1,985	August 1984	Listed on JASDAQ on the Tokyo Stock Exchange
Nihon Kaigo Iryo Center	27	1,088	October 1997	—
Anabuki Medical Care	23	1,009	June 2009	Subsidiary of Anabuki Kosan Inc., a company listed on the first section of the Tokyo Stock Exchange
Silver Heights Sapporo	3	321	December 1961	—

## Diversification of Operators

(\*) Operators in order of percentage



Asset size in which lease agreement is concluded with a single operator

**40% or less**

(Note) The total acquisition price by operator as a percentage of the total acquisition price is indicated, rounded to one decimal place.

(Note 1) Number of managed facilities and Number of operating rooms indicate the number of facilities and the number of rooms for fee-based homes for the elderly, group homes and elderly housing with supportive services based on operators' websites and interviews with them (as of September 30, 2015).

(Note 2) Watami Co., Ltd. transferred all of issued shares of Watami no Kaigo Co., Ltd. to Sompo Japan Nipponkoa Holdings, Inc. on December 1, 2015. The business name of Watami no Kaigo Co., Ltd. was changed to Sompo Care Next Inc. on the same day. The ratios in the three pie charts on the above right are calculated based on total acquisition prices, and rounded to one decimal place.

# Development of Quality Portfolio through Careful Selection and Continuous Evaluation of Operators

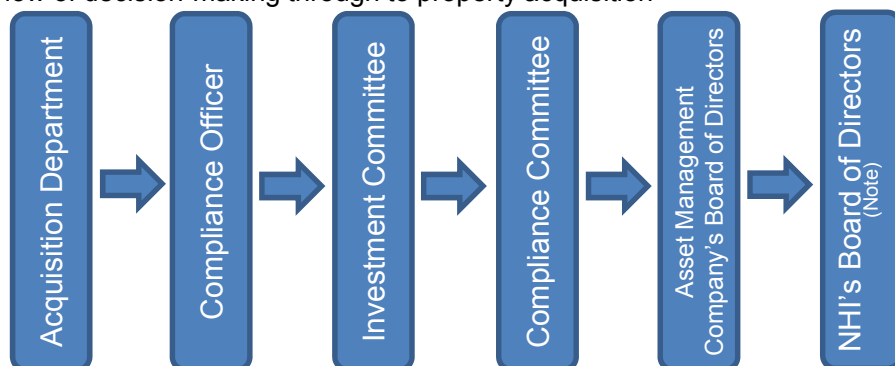
## At the time of new acquisition

### Careful selection of operators

Conducting due diligence utilizing the screening know-how of financial institutions

- Conduct due diligence utilizing the screening know-how held by the sponsor group, which is a financial institution, in order to confirm continuity and superiority of operators' operations

\*Flow of decision-making through to property acquisition



(Note) Approval by NHI's Board of Directors is required for transactions with interested parties.

## At the time of continuous evaluation

### Continuous evaluation

Conducting the same evaluation as at the time of acquisition even after acquisition

- Three members are placed in the Healthcare Management Team.
- Regularly conduct the same evaluation as at the time of property acquisition.
- In addition, visit facilities, etc. and conduct facility monitoring, interviews, etc. including the following.
  - ◎ Monitoring (Twice or more/year)
    - The Asset Management Company and PM companies visit operators' facilities and conduct examination every fiscal period.
  - ◎ Interviewing (Once or more/year)
    - Confirming the following items with directors and care providers at facilities
      - (1) Responses to residents
      - (2) Employees training program
      - (3) Status of governance (including items to check for prevention of resident mistreatment)

## Common items for evaluation at the time of new acquisition and continuous evaluation

- Quality and variety of services that the operator provides
- Credibility and operational skills of the operator

### Quantitative perspective

- Stability, profitability, growth potential and productivity of the operator's finances
- Stability, profitability, growth potential of the operator's healthcare business
- The company's history and the number of years in business  
(The items are confirmed on the basis that such financial data, etc. be provided by the operator.)

### Qualitative perspective

- The operator's attitude towards information disclosure
- Degree of importance, etc. of healthcare-related business in the operator group
- Strength, securement of human resources, etc. at the healthcare facility
- Working environment and employment situation of facility workers
- Compliance system at the operator or at each facility  
(Documents provided by the operator, results of interviews and research by outside experts, etc. are used for confirming the items.)



# Section 4

## **Portfolio Analysis**

# Portfolio List (as of November 24, 2015)

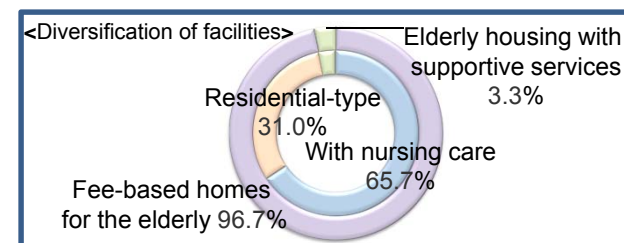
No. (Note 1)	Acquisition period	Property name	Facility type	Operator	Location	Acquisition price (Note 2)		Appraisal value (million yen) (Note 3)	Number of rooms (rooms) (Note 4)
						Price (million yen)	Share of portfolio (%)		
①	1st Fiscal Period	Charm Sweet Ryokuchi Koen	Fee-based homes for the elderly with nursing care	Charm Care Corporation	Toyonaka City, Osaka	1,950	10.5	3,030	128
②	2nd Fiscal Period	Super Court JR Nara-Ekimae	Residential-type fee-based homes for the elderly	Super Court	Nara City, Nara	1,569	8.4	1,690	155
③	1st Fiscal Period	Rest Villa Hiroshima Hikarigaoka	Fee-based homes for the elderly with nursing care	Sompo Care Next	Hiroshima City, Hiroshima	960	5.2	1,220	80
④	1st Fiscal Period	Rest Villa Sagamihara Chuo	Fee-based homes for the elderly with nursing care		Sagamihara City, Kanagawa	1,170	6.3	1,720	80
⑤	2nd Fiscal Period	Rest Villa Kinugasayama Koen	Fee-based homes for the elderly with nursing care		Yokosuka City, Kanagawa	1,839	9.9	1,990	104
⑥	1st Fiscal Period	Sawayaka Kaikyokan	Fee-based homes for the elderly with nursing care	Sawayaka Club	Kitakyushu City, Fukuoka	630	3.4	886	65
⑦	1st Fiscal Period	Sawayaka Meisuikan	Fee-based homes for the elderly with nursing care		Kitakyushu City, Fukuoka	590	3.2	802	87
⑧	1st Fiscal Period	Sawayaka Heart Life Nishikyogoku	Residential-type fee-based homes for the elderly		Kyoto City, Kyoto	750	4.0	1,210	84
⑨	2nd Fiscal Period	Sawayaka Hinodekan	Fee-based homes for the elderly with nursing care		Niigata City, Niigata	773	4.2	923	50
⑩	2nd Fiscal Period	Sawayaka Riverside Kurinoki	Residential-type fee-based homes for the elderly		Niigata City, Niigata	266	1.4	318	33
⑪	2nd Fiscal Period	Sawayaka Obatake Sanbankan	Residential-type fee-based homes for the elderly		Kitakyushu City, Fukuoka	289	1.6	350	50
⑫	1st Fiscal Period	Nichii Care Center Fukushima Omori	Fee-based homes for the elderly with nursing care	Nichii Gakkan	Fukushima City, Fukushima	265	1.4	349	52
⑬	2nd Fiscal Period	La’ nassica Arakogawa	Fee-based homes for the elderly with nursing care	Cedar	Nagoya City, Aichi	1,279	6.9	1,380	100
⑭	1st Fiscal Period	Verger Hirakata	Residential-type fee-based homes for the elderly	Nihon Kaigo Iryo Center	Hirakata City, Osaka	950	5.1	1,570	104
⑮	3rd Fiscal Period	Minna-no-ie Omiya Yoshinocho	Fee-based homes for the elderly with nursing care	Wisnet	Saitama City, Saitama	740	4.0	770	33
⑯	3rd Fiscal Period	Minna-no-ie Chuo-ku En’ nami	Fee-based homes for the elderly with nursing care		Saitama City, Saitama	838	4.5	882	51
⑰	3rd Fiscal Period	Silver Heights Hitsujigaoka No.3	Fee-based homes for the elderly with nursing care	Silver Heights Sapporo	Sapporo City, Hokkaido	1,200	6.4	1,320	109
⑱*	4th Fiscal Period	Alpha Living Okayama Nishigawa Ryokudokoen	Residential-type fee-based homes for the elderly	Anabuki Medical Care	Okayama City, Okayama	730	3.9	760	53
⑲*	4th Fiscal Period	Alpha Living Okayama Korakuen	Residential-type fee-based homes for the elderly		Okayama City, Okayama	610	3.3	646	45
⑳*	4th Fiscal Period	Alpha Living Takamatsu Ekimae	Residential-type fee-based homes for the elderly		Takamatsu City, Kagawa	605	3.3	622	43
㉑*	4th Fiscal Period	Alpha Living Takamatsu Hyakkenmachi	Elderly housing with supportive services		Takamatsu City, Kagawa	605	3.3	609	52
10 operators 21 properties Total						18,608	100.0	23,047	1,558

(Note 1) Red numbers refer to Three major metropolitan areas and blue numbers to Core cities. The background colors for Property name and Facility type columns indicate types of facilities; orange for fee-based homes for the elderly with nursing care, blue for residential-type fee-based homes for the elderly and yellow-green for elderly housing with supportive services. Properties with "\*" are properties acquired in the fiscal period ending April 2016.

(Note 2) "Acquisition price" is excluding consumption tax, local consumption tax and the various expenses required for the acquisition. "Share of portfolio" is the respective acquisition price expressed as a percentage of the total of the acquisition prices, rounded to one decimal place. Therefore the total of "Share of portfolio" may be different from the figure indicated in "Total."

(Note 3) "Appraisal value" is as of July 31, 2015 for properties acquired in the fiscal period ending April 2016, and as of October 31, 2015 for other properties.

(Note 4) "Number of rooms" is the figure indicated in the written explanation of important matters pertaining to the fee-based home for the elderly provided by the operator.

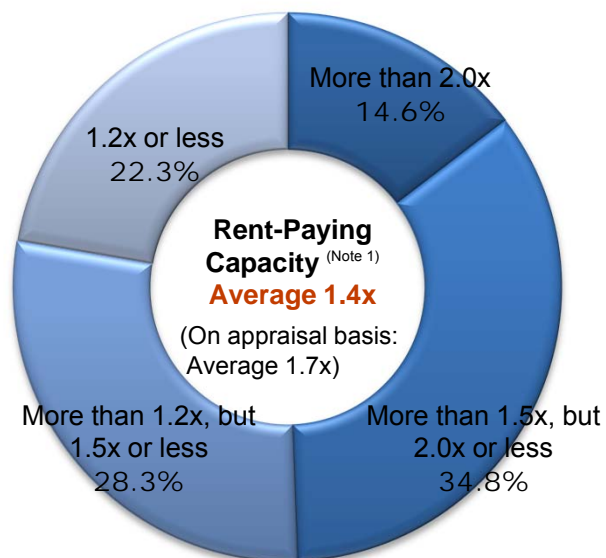


(Note) Total acquisition price by type as a percentage of the total

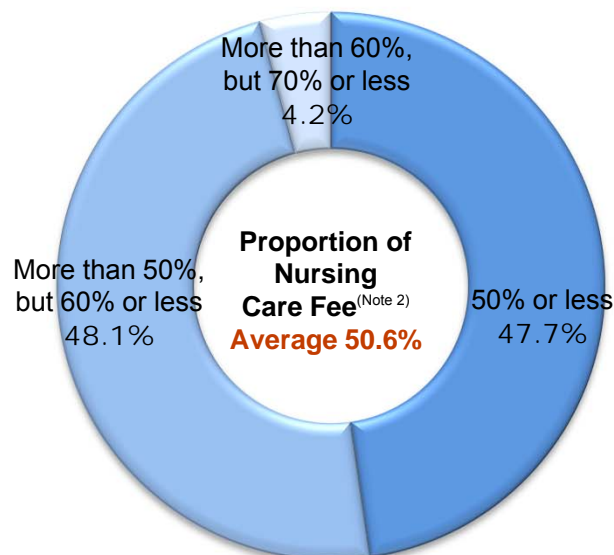


# Status of Portfolio (after new property acquisitions)

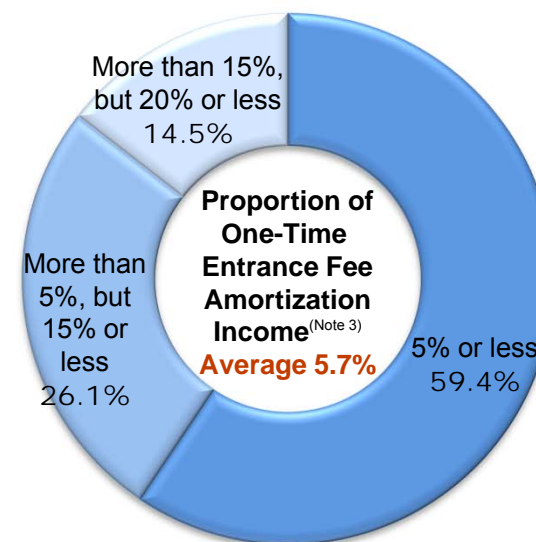
Rent-Paying Capacity



Proportion of Nursing Care Fee



Proportion of One-Time Entrance Fee Amortization Income



(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective acquired asset's most recent EBITDAR by rent.  
\* EBITDAR=asset's operating income+ depreciation + rent

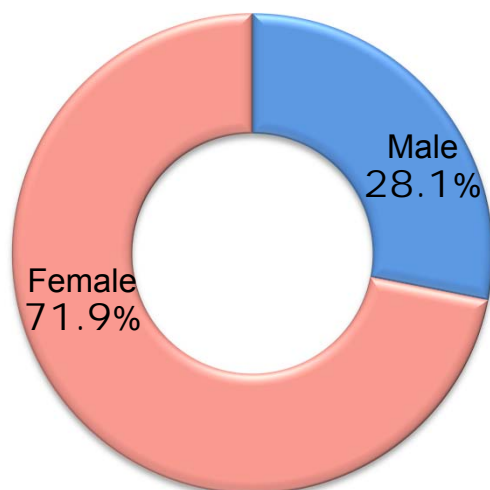
(Note 2) "Proportion of nursing care fee" refers to the proportion of the acquired asset's net sales that is accounted for by nursing care fee (including residents' co-payment portion).

(Note 3) "Proportion of one-time entrance fee amortization income" refers to the proportion of the acquired asset's net sales that is accounted for by one-time entrance fee amortization income.

(\*) Data are based on information on business income and expenditures from October 2014 to September 2015 disclosed by the respective operator. However, data for Nichii Care Center Fukushima Omori are based on information on business income and expenditures from July 2014 to June 2015; for La'nassica Arakogawa from April 2014 to March 2015; for Silver Heights Hitsujigaoka No.3 from February 2014 to January 2015; for Alpha Living Okayama Nishigawa Ryokudokoen from October 2014 to June 2015; for Alpha Living Okayama Korakuen from March 2015 to June 2015; and for Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi from July 2014 to June 2015.

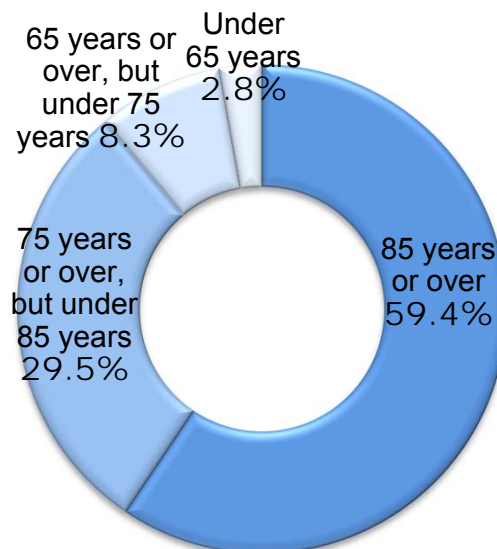
# Portfolio Resident Attributes (after new property acquisitions)

Gender<sup>(Note 1)</sup>



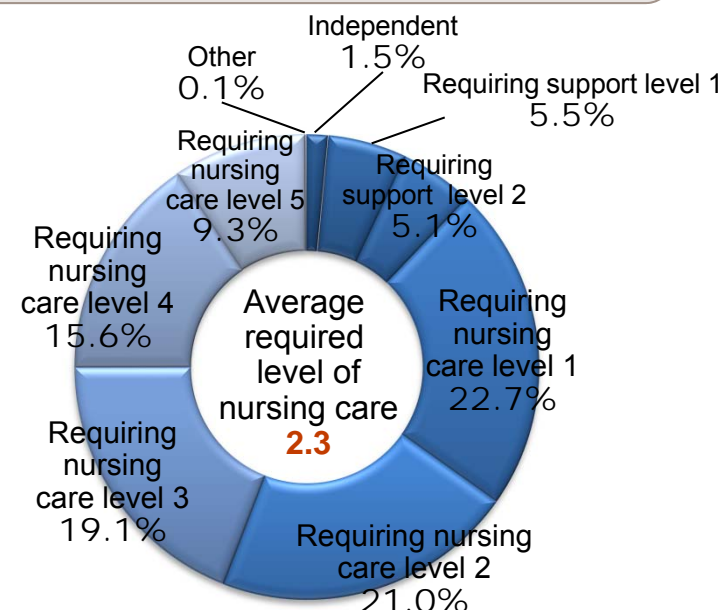
(Note 1) The graph indicates the ratio of the number of residents per gender expressed as a percentage of the total number of residents.

Age Group<sup>(Note 2)</sup>



(Note 2) The graph indicates the ratio of the number of residents per age group expressed as a percentage of the total number of residents (except for residents at Rest Villa Sagamihara Chuo and Rest Villa Kinugasayama Koen as there is no such information stated in the written explanation of important matters).

Level of Requiring Nursing Care or Support<sup>(Note 3)</sup>



(Note3) The graph indicates the ratio of the number of residents per level of requiring nursing care or support expressed as a percentage of the total number of residents.  
“Average level of nursing care” indicates the figure obtained by multiplying the respective number of residents categorized as independent, requiring support level 1, requiring support level 2, requiring nursing care levels 1-5 and other by 0, 0.375, 1, 1-5 and 1 respectively, and dividing the sum total by the number of residents.

(\*) Data are based on figures stated in the written explanation of important matters (from July 1, 2015 to December 4, 2015) provided by each operator.  
All percentage figures are rounded to one decimal place.

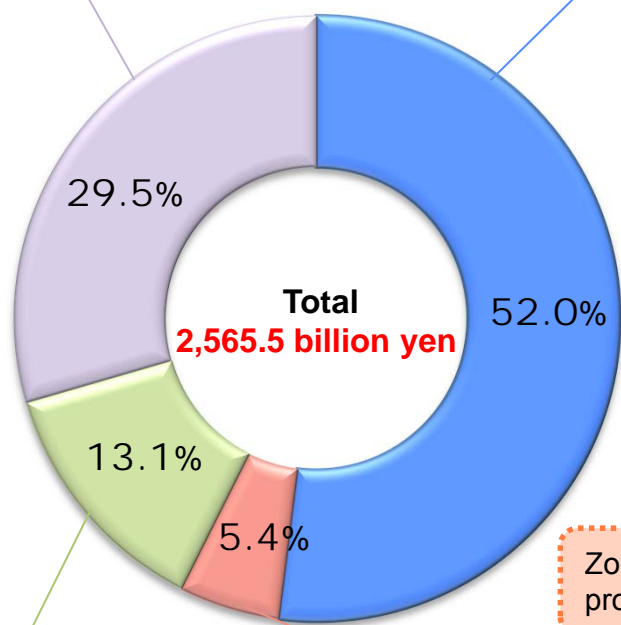
# Market Size by Segment

Market size of fee-based homes for the elderly requiring nursing care is large, therefore there is much room for NHI to expand

## Market size by type of private-sector profit-making facility

Group homes  
Market size: 756.8 billion yen  
No. of facilities: 12,643  
(192,024 rooms)

Fee-based homes for the elderly  
(for those requiring nursing care)  
Market size: 1,333.6 billion yen  
No. of facilities: 9,889  
(340,734 rooms)



Rental housing exclusively for the elderly/ Elderly housing with supportive services  
Market size: 336.1 billion yen  
No. of facilities: 4,579  
(144,434 rooms)

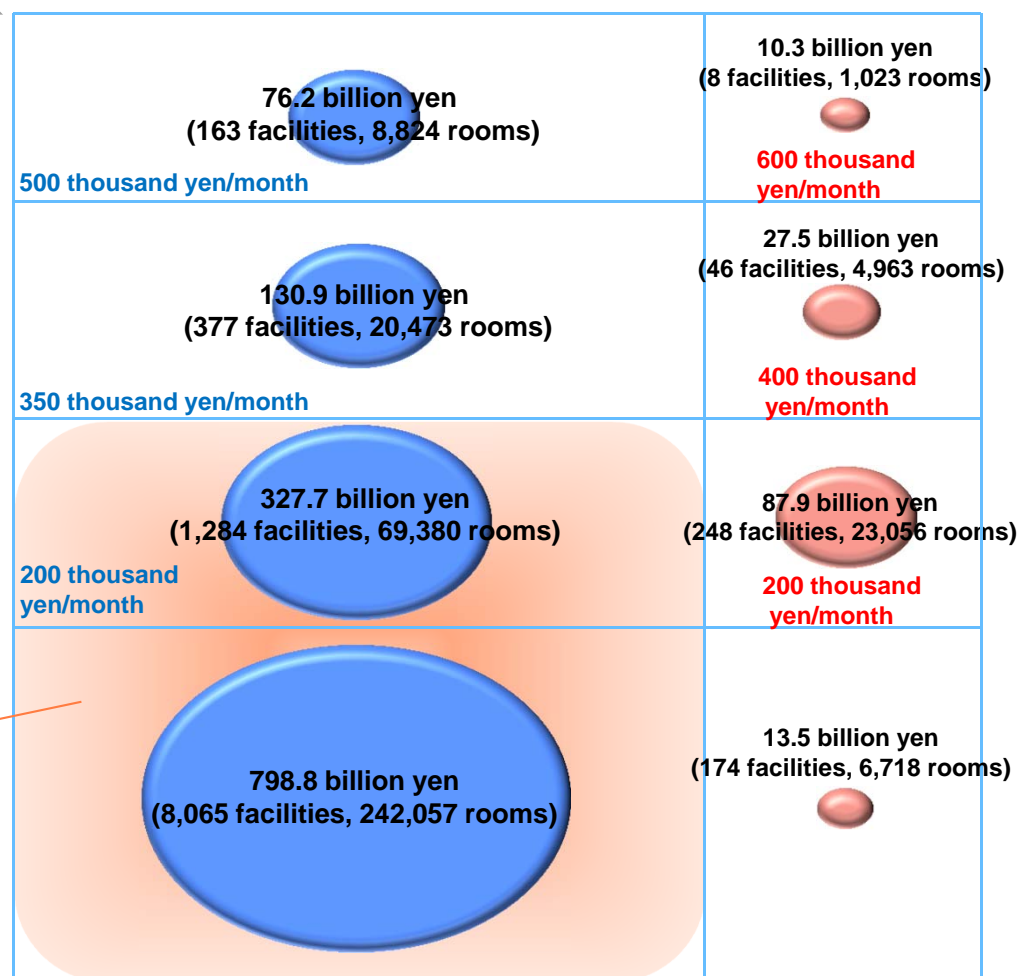
Fee-based homes for the elderly  
(for those who are independent)  
Market size: 139.0 billion yen  
No. of facilities: 476  
(35,760 rooms)

## Market size by price (Fee-based homes for the elderly requiring nursing care/who are independent)

High

Price (assumed monthly fees)

Low



Requiring nursing care/requiring support

Independent

Required level of nursing care/support

Source: KPMG Healthcare Japan Co., Ltd.



# Section 5

## **Financial Status**

# Status of Interest-Bearing Liabilities (end of 3rd Fiscal Period)

## Status of interest-bearing liabilities (as of October 31, 2015)

Term	Lender	Balance (million yen)	Interest rate type	Interest rate <sup>(*)</sup>	Drawdown date	Repayment deadline
Long-term	Mizuho Bank (**)	800	Fixed	0.344%	November 5, 2014	October 31, 2017
		1,000		0.532%		October 31, 2019
	Resona Bank (**)	1,200		0.532%		October 31, 2019
	Sumitomo Mitsui Trust Bank (**)	1,200		0.431%		October 31, 2018
	Mizuho Trust & Banking (**)	700		0.532%		October 31, 2019
	The Musashino Bank (**) (***)	500		0.324%		October 31, 2017
	Shinkin Central Bank	500		0.355%		October 31, 2017
	The Dai-ichi Life Insurance	500		0.431%		October 31, 2018
	Mizuho Bank (**)	500		0.524%	June 1, 2015	May 29, 2020
	Mizuho Trust & Banking (**)	500		0.524%		May 29, 2020
	The Musashino Bank (**)	500		0.524%		May 29, 2020
	Resona Bank (**)	500		0.474%	October 15, 2015	October 30, 2020
	Shinkin Central Bank	400		0.293%		October 31, 2018
	Total	8,800	-	-	-	-

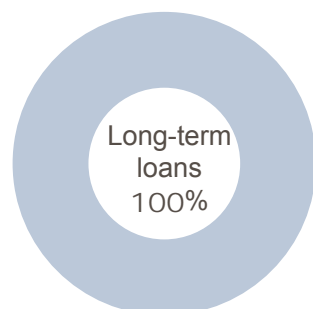
Average  
remaining period<sup>(Note)</sup>  
**3.5 years**  
(End of 3rd  
Fiscal Period)

LTV<sup>(Note)</sup>  
**49.8%**  
(End of 3rd  
Fiscal Period)

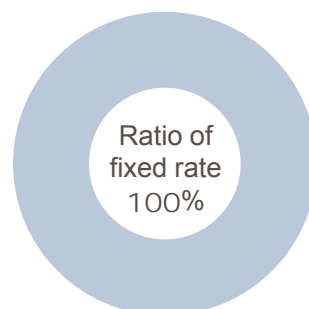
LTV<sup>(Note)</sup>  
**44.7%**  
(After the public  
offering)

(Note) Average remaining period and LTV are calculated based on figures as of October 31, 2015 and are rounded to one decimal place. Furthermore, LTV is calculated based on total assets.

### Ratio of long-term loans and short-term loans



### Ratio of fixed rates and variable rates

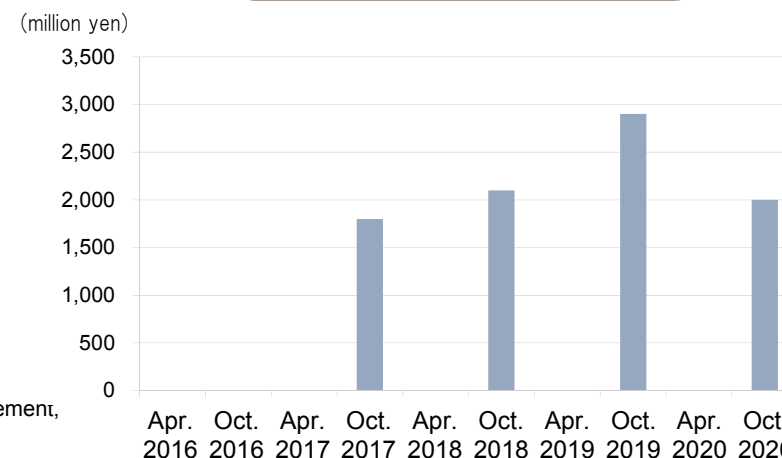


(\*) Interest rates are rounded to three decimal places.

(\*\*) For loans of which variable interest rates have been converted to, in effect, fixed rates through a swap agreement, interest rate indicates the rate after such conversion.

(\*\*\*) Interest rates are converted on a one year=365 days basis.

### Repayment schedule



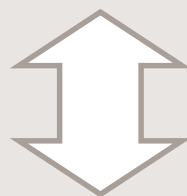


# Policy on Distributions in Excess of Earnings / List of Indices including NHI

## Implementation of distributions in excess of earnings taking advantage of features of healthcare assets

### High depreciation ratio

- Regarding facilities owned by NHI, the ratio of buildings to the entire asset is high, at nearly 70%.
- The ratio of depreciation without cash payout is high.

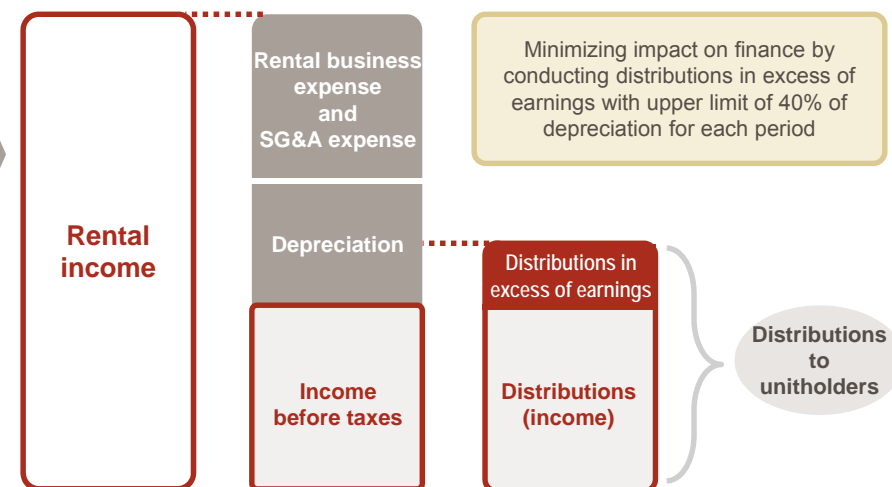


### Low burden of construction expenses

- Repairs to be borne by NHI are limited to building frames and main structural sections
- Expenses required for update of equipment tend to be low

Implement distributions in excess of  
earnings every accounting period with

**an upper limit of 40% of  
depreciation**












## List of Indices including NHI

Month / year	Name of index
December 2015	Thomson Reuters GPR / APREA Investable REIT 100 Index
September 2015	Thomson Reuters GPR / APREA Composite Index

# Overview of Unitholder Benefits Program

With the cooperation of operators who are the tenants, the unitholder benefits program will be offered to unitholders as of the end of fiscal period ended October 2015.

 <p><b>Charm Care Corporation</b></p> <p>Discount coupon for entrance fee</p> <p>Free voucher for an overnight trial stay (with meals)</p>	 <p><b>Sompo Care Next Inc.</b> <sup>(Note)</sup></p> <p>Discount coupon for entrance fee</p> <p>Discount on room fee</p> <p>Free voucher for a one-day facility tour (with lunch provided)</p>	 <p><b>Sawayaka Club Co., Ltd.</b></p> <p>Discount on room fee</p> <p>Free voucher for an overnight trial stay (with meals)</p> <p>Free voucher for a one-day facility tour (with lunch provided)</p>
 <p><b>Nichii Gakkan Company</b></p> <p>Free Enrollment and discount from Tuition of COCO Juku, etc.</p> <p>Discount voucher for homemaking, childcare and nursing-care at his/her own expense services</p>	 <p><b>Cedar Co., Ltd.</b></p> <p>Free voucher for an overnight trial stay (with meals)</p> <p>Free voucher for a one-day facility tour (with lunch provided)</p>	 <p><b>Nihon Kaigo Iryo Center Co., Ltd.</b></p> <p>Free voucher for an overnight trial stay (with meals)</p>
 <p><b>Wisnet Co., Ltd.</b></p> <p>Welfare equipment presented to residents</p> <p>Free service for an overnight trial stay (with meals)</p> <p>Free visiting beauty parlor/barber service</p> <p>Free visiting massage service</p> <p>Gift voucher for trips with nursing care</p>	 <p><b>Silver Heights Sapporo</b></p> <p>Discount voucher for entrance fee</p> <p>Free voucher for an overnight trial stay (with meals)</p> <p>Free voucher for a one-day facility tour (with lunch provided)</p>	 <p><b>Anabuki Medical Care Inc.</b></p> <p>Furniture presented to new residents of Anabuki Medical Care's facilities that are owned by NHI</p>

(Note) Watami Co., Ltd. transferred all of issued shares of Watami no Kaigo Co., Ltd. to Sompo Japan Nipponkoa Holdings, Inc. on December 1, 2015. The business name of Watami no Kaigo Co., Ltd. was changed to Sompo Care Next Inc. on the same day.

The word "Appendix" is centered within a light gray circle. A horizontal bar, composed of a light gray top half and a darker gray bottom half, extends from the right side of the circle across the page. A thin dark gray line runs horizontally through the center of the bar.

# Appendix

# Change in Major Indices due to the Public Offering

Major indices	Upon listing (as of November 5, 2014)	Assets acquired in 3rd FP (ended October 2015)	The 3rd FP (ended October 2015)	Assets acquired at the time of public offering	After the public offering
Number of properties	14 properties	3 properties	17 properties	4 properties	21 properties
Total assets (total acquisition price)	13,280 million yen	2,778 million yen	16,058 million yen	2,550 million yen	18,608 million yen
Total appraisal value	15,138 million yen	2,924 million yen	20,410 million yen	2,637 million yen	23,047 million yen
Average appraisal NOI yield	6.94%	5.60%	6.70%	5.19%	6.49%
Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%
	End of the 2nd FP (ended April 2015)		End of the 3rd FP (ended October 2015)		After the public offering
Total interest- bearing liabilities	6,400 million yen		8,800 million yen		9,300 million yen
LTV	42.3%		49.8%		44.7%
NAV per unit	174,096 yen		190,907 yen		191,175 yen

(Note 1) Figures for Upon listing, The 3rd FP (ended October 2015) are figures as of the respective timing.

(Note 2) Appraisal NOI at the time of acquisition is used for NOI yield for assets acquired after the public offering.

(Note 3) Figures for After the public offering are calculated based on actual figures as of the end of the 3rd FP (ended October 2015).

(Note 4) LTV after the public offering (plan) = (Total interest-bearing liabilities at the end of the 3rd FP + New borrowings in the 4th FP – Short-term borrowings planned to be repaid with part of proceeds from the public offering) / (Total assets at the end of the 3rd FP + Total paid-in amount of the public offering + New borrowings in the 4th FP - Short-term borrowings planned to be repaid with part of proceeds from the public offering)

(Note 5) NAV after the public offering (plan) = {( Unitholders' equity at the end of the 3rd FP + Total paid-in amount of the public offering - Expected amount of refund of investment from distributions in excess of earnings in the 3rd FP) + (Total appraisal value at the end of the 3rd FP + Appraisal value of properties acquired in the 4th FP at the time of the acquisition) – (Total period-end book value at the end of the 3rd FP + Total acquisition price of properties acquired in the 4th FP) } / Number of investment units issued after the public offering (74,632 units)

# Overview of Public Offering in October 2015

## Overview of the public offering

<b>Issuance type</b>	Public offering (primary offering, secondary offering)
<b>Issuance resolution date</b>	October 29, 2015
<b>Pricing date</b>	November 10, 2015
<b>Subscription period</b>	November 11 – November 12, 2015
<b>Payment date</b>	Primary offering: November 17, 2015 Third-party allotment: December 16, 2015
<b>Number of Investment Units Outstanding before the public offering</b>	60,800 units
<b>Number of investment units offered</b>	Total: 13,832 units (Primary offering: 12,130 units, third-party allotment: 1,702 units, secondary offering: 18,500 units)
<b>Number of Investment Units Outstanding after the public offering</b>	74,632 units
<b>Issue price</b>	196,570 yen
<b>Paid-in amount</b>	189,440 yen
<b>Total paid-in amount</b>	Primary offering: 2,620 million yen (including third-party allotment) Secondary offering: 3,504 million yen

## Assets acquired at the time of public offering (Acquisition date: November 24, 2015)



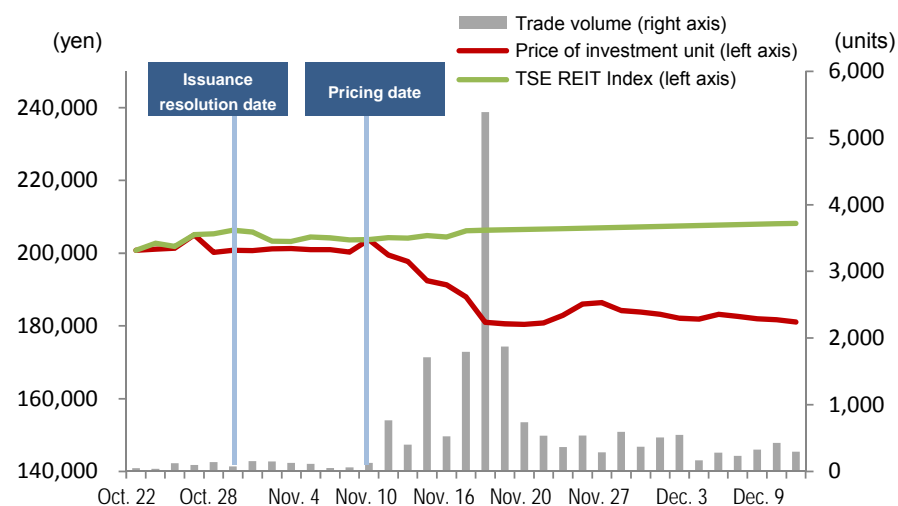
<Alpha Living Okayama Nishigawa Ryokudokoen>  
Acquisition price:  
730 million yen

<Alpha Living Okayama Korakuen>  
Acquisition price:  
610 million yen

<Alpha Living Takamatsu Ekimae>  
Acquisition price:  
605 million yen

<Alpha Living Takamatsu Hyakkenmachi>  
Acquisition price:  
605 million yen

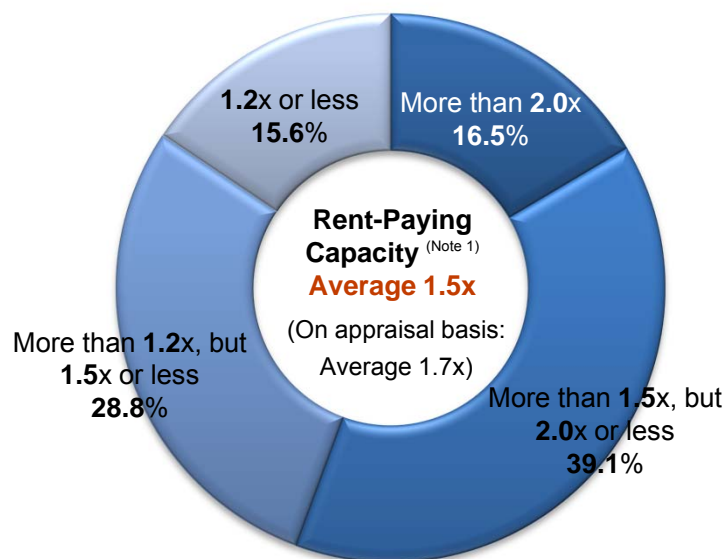
## Change in investment value (daily)



(\*) TSE REIT Index is calculated using the index on October 22, 2015 as the closing price of NHI's investment unit (200,800 yen).

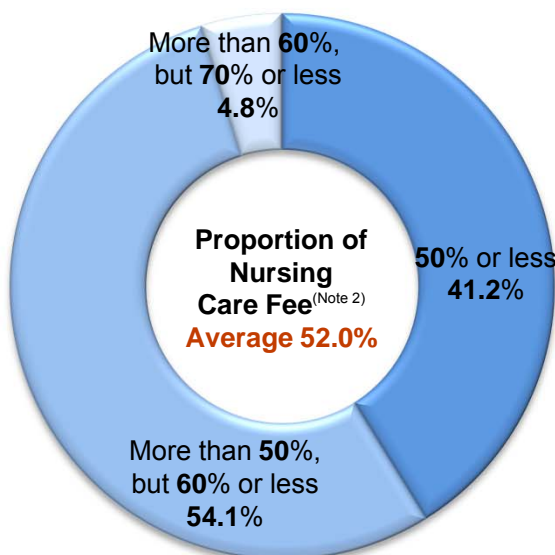
# Status of Portfolio (as of October 31, 2015)

Rent-Paying Capacity



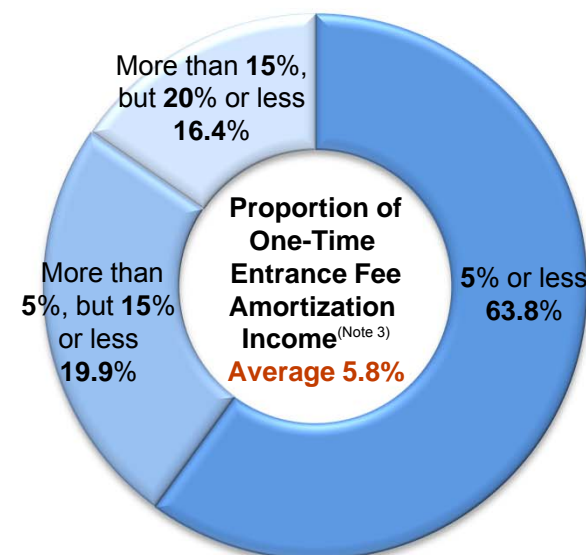
(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective acquired asset's most recent EBITDAR by rent.  
\* EBITDAR=asset's operating income+ depreciation + rent

Proportion of Nursing Care Fee



(Note 2) "Proportion of nursing care fee" refers to the proportion of the acquired asset's net sales that is accounted for by nursing care fee (including residents' co-payment portion).

Proportion of One-Time Entrance Fee Amortization Income



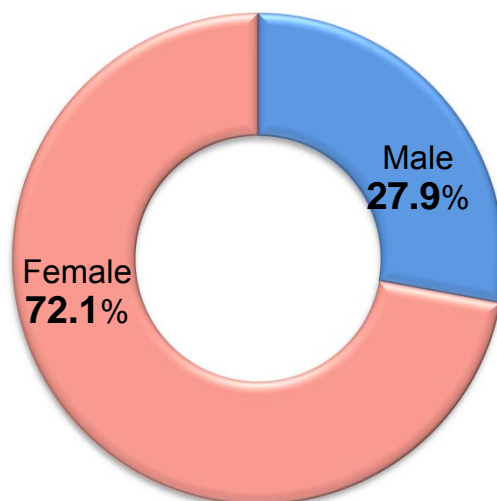
(Note 3) "Proportion of one-time entrance fee amortization income" refers to the proportion of the acquired asset's net sales that is accounted for by one-time entrance fee amortization income.

(\*) Data are based on information on business income and expenditures from October 2014 to September 2015 disclosed by the respective operator. However, data for Nichii Care Center Fukushima Omori are based on information on business income and expenditures from July 2014 to June 2015; for La'nassica Arakogawa from April 2014 to March 2015; for Silver Heights Hitsujigaoka No.3 from February 2014 to January 2015.



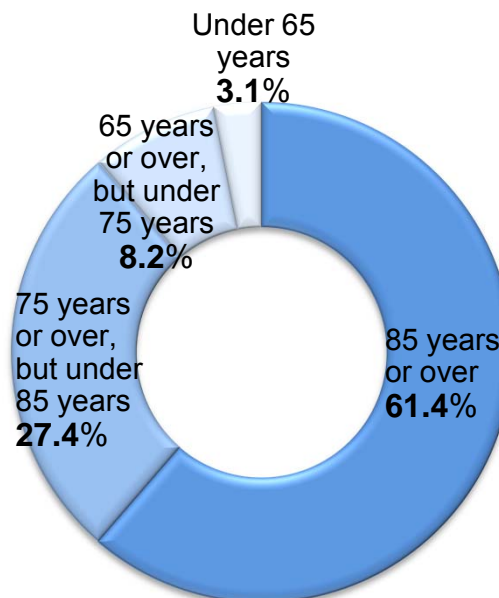
# Portfolio Resident Attributes (as of October 31, 2015)

Gender<sup>(Note1)</sup>



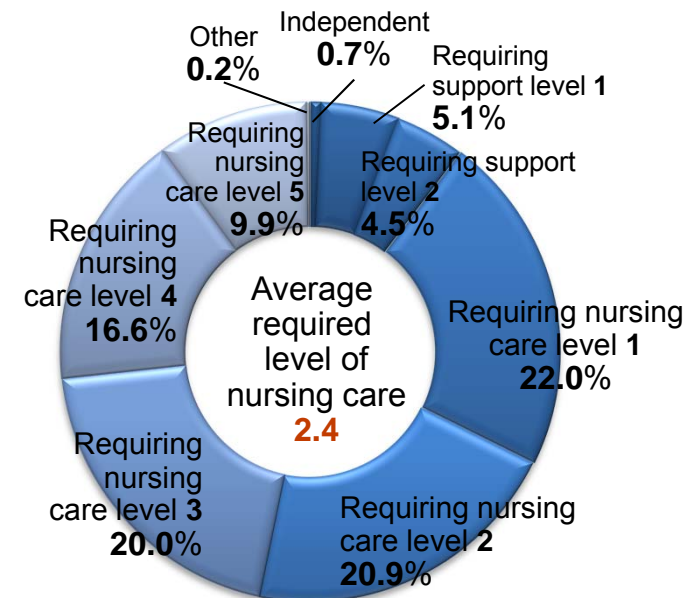
(Note 1) The graph indicates the ratio of the number of residents per gender expressed as a percentage of the total number of residents.

Age Group<sup>(Note2)</sup>



(Note 2) The graph indicates the ratio of the number of residents per age group expressed as a percentage of the total number of residents (except for residents at Rest Villa Sagamihara Chuo and Rest Villa Kinugasayama Koen as there is no such information stated in the written explanation of important matters).

Level of Requiring Nursing Care or Support<sup>(Note 3)</sup>



(Note3) The graph indicates the ratio of the number of residents per level of requiring nursing care or support expressed as a percentage of the total number of residents.

“Average level of nursing care” indicates the figure obtained by multiplying the respective number of residents categorized as independent, requiring support level 1, requiring support level 2, requiring nursing care levels 1-5 and other by 0, 0.375, 1, 1-5 and 1 respectively, and dividing the sum total by the number of residents.

(\*) Data are based on figures stated in the written explanation of important matters (from July 2015 to October 2015) provided by each operator.  
All percentage figures are rounded to one decimal place.

# Remaining Lease Contract Period of Each Property

Operator	Property name	Contract expiry date	Remaining lease contract period
Wisnet	Minna-no-ie Chuo-ku En'nami	March 31, 2044	28.4 years
	Minna-no-ie Omiya Yoshinocho	February 28, 2037	21.3 years
Super Court	Super Court JR Nara-Ekimae	July 14, 2039	23.7 years
Charm Care Corporation	Charm Sweet Ryokuchi Koen	August 28, 2038	22.8 years
Silver Heights Sapporo	Silver Heights Hitsujigaoka No.3	November 30, 2035	20.1 years
Anabuki Medical Care	Alpha Living Okayama Nishigawa Ryokudokoen	June 30, 2035	19.7 years
	Alpha Living Okayama Korakuen		
	Alpha Living Takamatsu Ekimae		
	Alpha Living Takamatsu Hyakkenmachi		
Sompo Care Next	Rest Villa Kinugasayama Koen	September 11, 2034	18.9 years
	Rest Villa Hiroshima Higarigaoka	March 28, 2034	18.4 years
	Rest Villa Sagamihara Chuo		
Sawayaka Club	Sawayaka Hinodekan	November 30, 2034	19.1 years
	Sawayaka Riverside Kurinoki		
	Sawayaka Obatake Sanbankan		
	Sawayaka Kaikyokan	March 27, 2034	18.4 years
	Sawayaka Meisuikan		
	Sawayaka Heart Life Nishikyogoku		
Nichii Gakkan	Nichii Care Center Fukushima Omori	March 31, 2034	18.4 years
Nihon Kaigo Iryo Center	Verger Hirakata	March 28, 2034	18.4 years
Cedar	La'nassica Arakogawa	March 31, 2028	12.4 years
Average remaining period			19.9 years

(Note) "Remaining Lease Contract Period" indicates period remaining as of October 31, 2015. Although Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi were acquired on November 24, 2015, their figures are also calculated as of October 31, 2015. "Average remaining period" is a weighted average with acquisition prices, rounded to one decimal place.

# (Reference) History of Revisions to Nursing Care Fees

Time of revision	Main points of revision	Rate of revision
<b>FY2003 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Enhancement of appropriateness of facility services, etc.</b> <ul style="list-style-type: none"> <li>➢ Improvement in service quality and appropriateness</li> </ul> </li> <li>▪ Adjusting service fees by taking into account the difference in income and expenditure of facilities           <ul style="list-style-type: none"> <li>➢ Assessment of at-home services for encouraging self-support</li> </ul> </li> <li>▪ Enhancing livelihood support of home-visit nursing care, additional payment for rehabilitation implemented individually, etc.</li> </ul>	-2.3% [At-home: +0.1%] [Facility: -4.0%]
<b>FY2005 revision (Enforced in October 2005)</b>	<ul style="list-style-type: none"> <li>■ <b>Securement of fairness between at-home care and facility services, etc.</b> <ul style="list-style-type: none"> <li>➢ Review of nursing care fees related to living costs and meal costs</li> </ul> </li> </ul>	
<b>FY2006 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Promotion of encouraging self-support and at-home nursing care</b> <ul style="list-style-type: none"> <li>➢ Promotion of nursing care prevention and rehabilitation               <ul style="list-style-type: none"> <li>▪ Changing prevention benefits provision from piecework payment to comprehension payment by month</li> </ul> </li> <li>➢ Reinforcement of support for those requiring medium- to high- levels of nursing care               <ul style="list-style-type: none"> <li>▪ Additional payment for home-visit long-term care and home-visit nursing care provided to those requiring high level of cares, etc.</li> </ul> </li> </ul> </li> </ul>	-0.5% <b>【-2.4%】</b> [At-home: -0.1%] <b>【-1.0%】</b> [Facility: ±0.0%] <b>【-4.0%】</b> <b>【】</b> : Rate of revision including revision in FY2005
<b>FY2009 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Improvement in working conditions of care providers</b> <ul style="list-style-type: none"> <li>➢ Securement of care providers / improvement of working conditions of care providers               <ul style="list-style-type: none"> <li>▪ Additional payment in accordance with care providers' expertise, career, etc.</li> </ul> </li> </ul> </li> </ul>	+3.0% [At-home: +1.7%] [Facility: +1.3%]
<b>FY2012 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Securement of improved working conditions for care staff and promotion of community comprehensive care</b> <ul style="list-style-type: none"> <li>➢ Foundation of additional payment for improving working conditions</li> <li>➢ Establishment of new services such as around-the-clock periodical door-to-door service</li> </ul> </li> </ul>	+1.2% [At-home: +1.0%] [Facility: +0.2%]
<b>FY2014 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Response to increased burden due to the consumption tax hike</b></li> </ul>	+ 0.63%
<b>FY2015 revision</b>	<ul style="list-style-type: none"> <li>■ <b>Initiatives for building a “community comprehensive care system”</b> <ul style="list-style-type: none"> <li>➢ Further reinforcement of care for those requiring medium- to high- levels of nursing care and those with dementia</li> <li>➢ Promotion of securing care staff</li> <li>➢ Enhancement of appropriateness of service assessment and establishment of efficient system for providing services</li> </ul> </li> </ul>	-2.27% [At-home: -1.42%] [Facility: -0.85%]

# Introduction of Operators



Company name	Nichii Gakkan Company
Head office	2-9 Kanda-Surugadai, Chiyoda-ku, Tokyo
Representative director	Chairman, President and CEO, Akihiko Terada
Established	August 2, 1973
Capital	11,933 million yen
Attributes (listed market)	Listed company (First Section of the Tokyo Stock Exchange, Securities code: 9792)
Principal businesses	Medical Support Business, Nursing Care and Health Care Business, Education Business and Child-care Business



Nichii Care Center Fukushima Omori



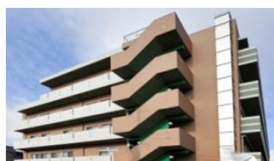
Company name	Sompo Care Next Inc.
Head office	1-1-3 Haneda, Ota-ku, Tokyo
Representative director	Representative director, Ken Endo
Established	November 11, 1992
Capital	5,095 million yen
Attributes (listed market)	Consolidated subsidiary of Sompo Japan Nipponkoa Holdings, Inc. (First Section of the Tokyo Stock Exchange, Securities code: 8630)
Principal businesses	Fee-based nursing homes for the elderly, fee-based assisted-living homes for the elderly, outpatient day long-term care (day service) business, home-visit long-term care (home help service) business, home-visit nursing business, in-home long-term care support business
Parent company	Sompo Japan Nipponkoa Holdings, Inc.



Rest Villa Kinugasayama Koen



Rest Villa Hiroshima Hikarigaoka



Rest Villa Sagamihara Chuo



Company name	Sawayaka Club Co., Ltd.
Head office	2-10-10 Kumamoto, Kokura-kita-ku, Kitakyushu-shi, Fukuoka
Representative director	Representative director, Fumiharu Uchiyama
Established	December 1, 2004
Capital	200 million yen
Attributes (listed market)	Consolidated subsidiary of Uchiyama Holdings Co., Ltd. (First Section of the Tokyo Stock Exchange, Securities code: 6059)
Principal businesses	Operation of fee-based homes for the elderly, elderly housing with supportive services, group homes, short-stay facilities, helper stations, care plan centers, nursing care day service centers and multifunctional nursing care in a small group home setting
Parent company	Uchiyama Holdings Co., Ltd.



Sawayaka Hinodekan



Sawayaka Obatake Sanbankan



Sawayaka Meisuikan



Sawayaka Kaikyokan



Company name	Cedar Co., Ltd.
Head office	1-7-19 Obatake, Kokura-kita-ku, Kitakyushu-shi, Fukuoka
Representative director	Representative director, Yoshitada Yamasaki
Established	April 25, 1981
Capital	432 million yen
Attributes (listed market)	Listed company (JASDAQ of the Tokyo Stock Exchange, Securities code: 2435)
Principal businesses	Operation of fee-based homes for the elderly, elderly housing with supportive services, group homes, short-stay facilities, helper stations, care plan centers, nursing care day service centers and multifunctional nursing care in a small group home setting



La'nassica Arakogawa



# Introduction of Operators



Company name	Charm Care Corporation
Head office	3-6-32 Nakanoshima, Kita-ku, Osaka-shi, Osaka
Representative director	Representative director Takahiko Shimomura
Established	August 22, 1984
Capital	192 million yen
Attributes (listed market)	Listed company (JASDAQ of the Tokyo Stock Exchange, Securities code: 6062)
Principal businesses	Operation of fee-based nursing homes for the elderly with care and fee-based assisted-living homes for the elderly



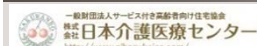
Charm Sweet Ryokuchi Koen



Company name	Super Court Co., Ltd.
Head office	1-7-7 Nishihonmachi, Nishi-ku, Osaka-shi, Osaka
Representative director	Representative director Akiyoshi Yamamoto
Established	May 19, 1995
Capital	50 million yen
Attributes (listed market)	Unlisted company
Principal businesses	Operation/management of fee-based homes for the elderly and housing for the elderly, design/supervision of "Super Hotel," operation/management of buildings and condominiums, planning/design/construction of rental apartments, a nursing care worker nurturing and training business, etc.
Parent company	Super Holdings Co., Ltd.



Super Court JR Nara-Ekimae



Company name	Nihon Kaigo Iryo Center Co., Ltd.
Head office	2-4-1 Hannancho, Abeno-ku, Osaka-shi, Osaka
Representative director	Representative director Yusuke Taniguchi
Established	October 7, 1997
Capital	10 million yen
Attributes (listed market)	Unlisted company
Principal businesses	In-home nursing care support business, home-visit nursing care business, operation of rental housing for the elderly, selling and rental of equipment covered by public aid, care worker training business, real estate business



Verger Hirakata



Company name	Wisnet Co., Ltd.
Head office	2-795 Mihashi, Omiya-ku, Saitama-shi, Saitama
Representative director	Representative director Yukinori Takahashi
Established	January 1998
Capital	347 million yen
Attributes (listed market)	Unlisted company
Principal business	Operation and management of group home for dementia, fee-based homes for the elderly with nursing care, elderly housing with supportive services, helper station, day service center, small scale multi-function home care, home care support office, visiting nursing station



Minna-no-ie Omiya Yoshinocho



Minna-no-ie Chuo-ku En'nami

# Introduction of Operators



Company name	Silver Heights Sapporo Co., Ltd.
Head office	3-41, Fukuzumisanjou, Toyohira-ku, Sapporo-shi, Hokkaido
Representative director	Representative director, Hirofumi Kaneko
Established	December 1961
Capital	50 million yen
Attributes (listed market)	Unlisted company
Principal businesses	Operation of fee-based homes for the elderly, homecare service specified in the Long-Term Care Insurance Act, homecare support specified in the Long-Term Care Insurance Act, purchase/sales, arrangement, lease and management of real estate, etc.



Silver Heights Hitsujigaoka No.3



Company name	Anabuki Medical Care Inc.
Head office	2-8, Togyamachi, Takamatsu, Kagawa
Representative director	Representative director, Yoshihisa Otani
Established	June 2009
Capital	80 million yen
Attributes (listed market)	Consolidated subsidiary of Anabuki Kosan Inc. (First Section of the Tokyo Stock Exchange, Securities code: 8928)
Principal businesses	Nursing care-related business (nursing care business, operation of fee-based homes for the elderly, etc.), real estate management, advertising, etc.



Alpha Living  
Okayama  
Nishigawa  
Ryokudokoen



Alpha Living Okayama  
Korakuen



Alpha Living  
Takamatsu Ekimae



Alpha Living  
Takamatsu  
Hyakkenmachi



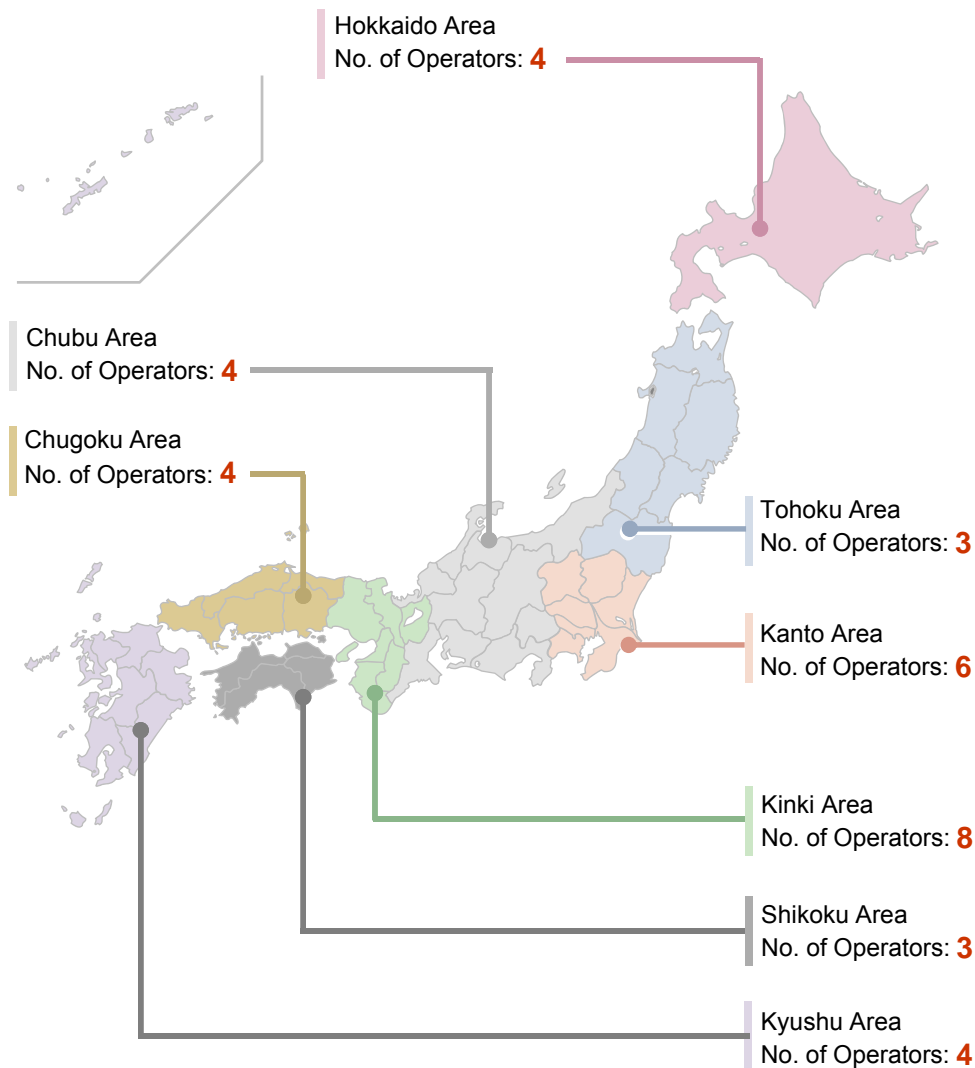
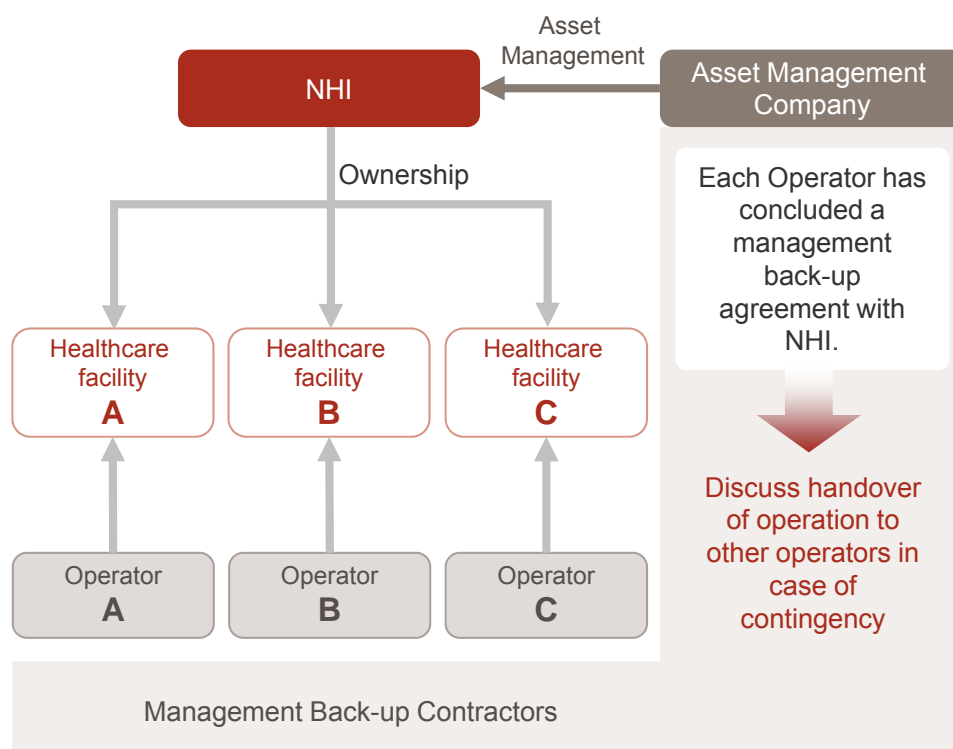
## Backup operator for Silver Heights Hitsujigaoka No.3

Living Platform, Ltd. agreed with Silver Heights Sapporo Co., Ltd. to mutually complement each other managerially and financially, and concluded, on September 7, 2015, a business partnership agreement which confirms development of management system together as group companies.

Company name	Living Platform, Ltd.
Head office	20-291, Minami Nijo-nishi, Chuo-ku, Sapporo-shi, Hokkaido
Representative director	Representative director, Hirofumi Kaneko
Established	June 2011
Capital	79 million yen
Attributes (listed market)	Unlisted company
Principal businesses	Operation of nursing care-related business, childcare-related business and business related to services for the disabled.



# Management Back-up Agreement








# Appraisal Value at End of Fiscal Period (as of October 31, 2015)

Property name	Appraiser	End of 3rd FP							End of 2nd FP	Difference (End of 3rd FP - End of 2nd FP) (million yen)
		Appraisal value  (million yen)	Overview of appraisal report						Appraisal value  (million yen)	
			Direct capitalization method		DCF Method			Appraisal NOI  (million yen)		
			Price  (million yen)	Cap rate  (%)	Price  (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	332	17
Rest Villa Hiroshima Hikarigaoka	Japan Real Estate Institute	1,220	1,230	5.3	1,200	5.1	5.5	69	1,150	70
Rest Villa Sagamihara Chuo	Daiwa Real Estate Appraisal Co., Ltd.	1,720	1,740	5.0	1,710	4.8	5.2	88	1,630	90
Charm Sweet Ryokuchi Koen	Daiwa Real Estate Appraisal Co., Ltd.	3,030	3,070	4.7	3,010	4.5	4.9	143	2,760	270
Sawayaka Kaikyokan	Japan Real Estate Institute	886	894	5.4	877	5.2	5.6	50	840	46
Sawayaka Meisuikan	Japan Real Estate Institute	802	808	5.4	795	5.2	5.6	47	760	42
Sawayaka Heart Life Nishikyogoku	Daiwa Real Estate Appraisal Co., Ltd.	1,210	1,220	4.9	1,200	4.7	5.1	60	1,100	110
Verger Hirakata	Daiwa Real Estate Appraisal Co., Ltd.	1,570	1,580	5.3	1,560	5.1	5.5	85	1,440	130
Rest Villa Kinugasayama Koen	The Tanizawa Sōgō Appraisal Co., Ltd.	1,990	2,000	5.0	1,980	5.1	5.2	100	1,950	40
La'nassica Arakogawa	The Tanizawa Sōgō Appraisal Co., Ltd.	1,380	1,390	5.3	1,380	5.4	5.5	74	1,360	20
Sawayaka Hinodekan	Daiwa Real Estate Appraisal Co., Ltd.	923	935	5.0	918	4.8	5.2	47	863	60
Sawayaka Riverside Kurinoki	Daiwa Real Estate Appraisal Co., Ltd.	318	324	5.1	316	4.9	5.3	17	292	26
Sawayaka Obatake Sanbankan	Daiwa Real Estate Appraisal Co., Ltd.	350	355	5.2	348	5.0	5.4	18	325	25
Super Court JR Nara-Ekimae	The Tanizawa Sōgō Appraisal Co., Ltd.	1,690	1,700	5.2	1,680	5.3	5.4	91	1,660	30
Minna-no-ie Omiya Yoshinocho	The Tanizawa Sōgō Appraisal Co., Ltd.	770	778	5.1	766	5.2	5.3	40	-	-
Minna-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	16,462	976

(Note) Difference of appraisal value does not include properties acquired in the 3rd FP.

# Portfolio List (1)

Property name	Nichii Care Center Fukushima Omori	Rest Villa Hiroshima Hikarigaoka	Rest Villa Sagamihara Chuo	Charm Sweet Ryokuchi Koen	Sawayaka Kaikyokan
					
Location (residential address)	21-3 Omori Ojibouchi, Fukushima-shi, Fukushima	2-40 Hikarigaoka, Higashi-ku, Hiroshima-shi, Hiroshima	3-6-3 Chuo, Chuo-ku, Sagamihara-shi, Kanagawa	3-2-21 Nishiizumigaoka, Toyonaka-shi, Osaka	1-11-13 Hama-machi, Wakamatsu-ku, Kitakyushu-shi, Fukuoka
Access	Approximately 2.2km from Fukushima Station on the JR Tohoku Main Line	Approximately 1.1km from Hiroshima Station on the JR Sanyo Main Line	Approximately 1.2km from Sagamihara Station on the JR Yokohama Line	Approximately 1.4km from Ryokuchi-koen Station on the Kita-Osaka Kyuko Railway Namboku Line	Approximately 1.1km from Wakamatsu Station on the JR Chikuhō Main Line
Acquisition price (million yen)	265	960	1,170	1,950	630
Real estate appraisal value (million yen) (Note 1)	349	1,220	1,720	3,030	886
NOI yield (%) (Note 2)	8.5	7.2	7.6	7.4	8.0
Depreciation (million yen) (Note 3)	4	9	9	15	17
Structure / floors (Note 4)	S/3F	RC/7F	RC/5F	RC/B1・5F	RC/6F
Leasable area (m <sup>2</sup> )	1,964.68	4,133.82	3,732.95	5,329.73	2,694.42
Total leased area (m <sup>2</sup> )	1,964.68	4,133.82	3,732.95	5,329.73	2,694.42
Number of rooms (rooms)	52	80	80	128	65
Occupancy rate (%) (Note 5)	100.0	88.7	58.7	97.6	93.8
Operator	Nichii Gakkan Company	Sompo Care Next Inc.	Sompo Care Next Inc.	Charm Care Corporation	Sawayaka Club Co., Ltd.
Remaining lease contract period (year) (Note 6)	18.4	18.4	18.4	22.8	18.4

(Note 1) Appraisal values are as of October 31, 2015.

(Note 2) NOI yields are calculated by dividing the appraisal NOI by the acquisition price.


(Note 3) Figures for depreciation are actual figures of the 3rd FP.

(Note 4) For description of structure, "S" refers to steel-framed structure and "RC" refers to reinforced concrete structure.

(Note 5) Occupancy rates are obtained by dividing the number of residents indicated in the written explanation of important matter by the number of rooms, rounded to one decimal place.

(Note 6) Remaining lease contract periods are as of October 31, 2015.

## Portfolio List (2)

Property name	Sawayaka Meisukan	Sawayaka Heart Life Nishikyogoku	Verger Hirakata	Rest Villa Kinugasayama Koen	La'nassica Arakogawa
					
Location (residential address)	5-7-6 Higashinarumizu, Yahatanishi-ku, Kitakyushu-shi, Fukuoka	8 Tsutsumishita-cho, Nishikyogoku, Ukyo-ku, Kyoto-shi, Kyoto	2-20-4 Koyamichi, Hirakata-shi, Osaka	4-8-15 Koyabe, Yokosuka-shi, Kanagawa	4-34-1 Takagi-cho, Minato-ku, Nagoya-shi, Aichi
Access	Approximately 2km from Kurosaki Station on the JR Kagoshima Main Line	Approximately 1.2km from Nishikyogoku Station on the Hankyu Kyoto Line	Approximately 3.5km from Kuzuha Station on the Keihan Main Line	Approximately 1.2km from Kinugasa Station on the JR Yokosuka Line	Approximately 1.4km from Arakogawa-koen Station on the Nagoya Rinkai-kosoku Railway Aonami Line
Acquisition price (million yen)	590	750	950	1,839	1,279
Real estate appraisal value (million yen) (Note 1)	802	1,210	1,570	1,990	1,380
NOI yield (%) (Note 2)	8.1	8.1	9.0	5.5	5.8
Depreciation (million yen) (Note 3)	7	6	9	16	17
Structure / floors (Note 4)	RC/B1・6F	RC/6F	RC/5F	RC/B1・5F	S/4F
Leasable area (m <sup>2</sup> )	4,553.67	2,459.19	2,925.25	4,265.88	3,590.40
Total leased area (m <sup>2</sup> )	4,553.67	2,459.19	2,925.25	4,265.88	3,590.40
Number of rooms (rooms)	87	84	104	104	100
Occupancy rate (%) (Note 5)	97.7	97.6	72.8	90.3	88.0
Operator	Sawayaka Club Co., Ltd.	Sawayaka Club Co., Ltd.	Nihon Kaigo Iryo Center Co., Ltd.	Sompo Care Next Inc.	Cedar Co., Ltd.
Remaining lease contract period (year) (Note 6)	18.4	18.4	18.4	18.9	12.4

(Note 1) Appraisal values are as of October 31, 2015.

(Note 2) NOI yields are calculated by dividing the appraisal NOI by the acquisition price.






(Note 3) Figures for depreciation are actual figures of the 3rd FP.

(Note 4) For description of structure, "S" refers to steel-framed structure and "RC" refers to reinforced concrete structure.

(Note 5) Occupancy rates are obtained by dividing the number of residents indicated in the written explanation of important matter by the number of rooms, rounded to one decimal place.

(Note 6) Remaining lease contract periods are as of October 31, 2015.

# Portfolio List (3)

Property name	Sawayaka Hinodekan	Sawayaka Riverside Kurinoki	Sawayaka Obatake Sanbankan	Super Court JR Nara-Ekimae	Minna-no-ie Omiya Yoshinocho
					
Location (residential address)	2-2-33 Hinode, Chuo-ku, Niigata-shi, Niigata	2-2-43 Hinode, Chuo-ku, Niigata-shi, Niigata	1-6-37 Obatake, Kokurakita-ku, Kitakyushu-shi, Fukuoka	1-5-35 Omiyacho, Nara-shi, Nara	2-214-3 Yoshinocho, Kita-ku, Saitama-shi, Saitama
Access	Approximately 1.7km from Niigata Station on the JR Joetsu Shinkansen Shinetsu Main Line	Approximately 1.65km from Niigata Station on the JR Joetsu Shinkansen Shinetsu Main Line	Approximately 2.5km from Kokura Station on the JR Kagoshima Main Line	Approximately 280m from Nara Station on the JR Kansai Main Line	Approximately 2.5km from Miyahara Station on the JR Takasaki Line
Acquisition price (million yen)	773	266	289	1,569	740
Real estate appraisal value (million yen) (Note 1)	923	318	350	1,690	770
NOI yield (%) (Note 2)	6.2	6.4	6.5	5.8	5.5
Depreciation (million yen) (Note 3)	8	3	4	17	5
Structure / floors (Note 4)	S/3F	S/4F	S/3F	RC/7F	RC/4F
Leasable area (m <sup>2</sup> )	2,674.37	1,349.39	1,411.78	5,057.07	1,800.03
Total leased area (m <sup>2</sup> )	2,674.37	1,349.39	1,411.78	5,057.07	1,800.03
Number of rooms (rooms)	50	33	50	155	33
Occupancy rate (%) (Note 5)	100.0	82.0	92.0	86.4	93.9
Operator	Sawayaka Club Co., Ltd.	Sawayaka Club Co., Ltd.	Sawayaka Club Co., Ltd.	Super Court Co., Ltd	Wisnet Co., Ltd.
Remaining lease contract period (year) (Note 6)	19.1	19.1	19.1	23.7	21.3

(Note 1) Appraisal values are as of October 31, 2015.

(Note 2) NOI yields are calculated by dividing the appraisal NOI by the acquisition price.

(Note 3) Figures for depreciation are actual figures of the 3rd FP.





(Note 4) For description of structure, "S" refers to steel-framed structure and "RC" refers to reinforced concrete structure.

(Note 5) Occupancy rates are obtained by dividing the number of residents indicated in the written explanation of important matter by the number of rooms, rounded to one decimal place.

(Note 6) Remaining lease contract periods are as of October 31, 2015. Although Alpha Living Okayama Nishigawa Ryokudokoen was acquired on November 24, 2015, its figure is calculated as of October 31, 2015.



# Portfolio List (4)

Property name	Minna-no-ie Chuo-ku En'nami	Silver Heights Hitsujigaoka No.3	Alpha Living Okayama Nishigawa Ryokudokoen	Alpha Living Okayama Korakuen	Alpha Living Takamatsu Ekimae	Alpha Living Takamatsu Hyakkenmachi
						
Location (residential address)	5-5-17 En'nami, Chuo-ku, Saitama-shi, Saitama	15-4-38, Tsukisamu Higashi Shijo, Toyohira-ku, Sapporo-shi, Hokkaido	6-2 Chuo-cho, Kita-ku, Okayama-shi, Okayama	1-11-4, Hama, Naka-ku, Okayama-shi, Okayama	1-6, Nishiuchi-machi, Takamatsu-shi, Kagawa	8-11, Hyakken-machi, Takamatsu-shi, Kagawa
Access	Approximately 2.4km from Kitayono Station on the JR Saikyo Line	Approximately 1.2km from Nango Juhatchome Station on the Tozai Line of the Sapporo Municipal Subway	Approximately 1.5km from Okayama Station on the JR Sanyo Main Line	Approximately 1.9km from Okayama Station on the JR Sanyo Main Line	Approximately a five- minute walk from Takamatsu Station on the JR Yosan Line	Approximately 1.1km from Takamatsu Station on the JR Yosan Line
Acquisition price (million yen)	838	1,200	730	610	605	605
Real estate appraisal value (million yen) (Note 1)	882	1,320	760	646	622	609
NOI yield (%) (Note 2)	5.4	5.9	5.1	5.3	5.1	5.2
Depreciation (million yen) (Note 3)	6	1	-	-	-	-
Structure / floors (Note 4)	RC/3F	RC/3F	RC/7F	RC/4F	RC/6F	RC/10F
Leasable area (m <sup>2</sup> )	1,963.03	7,267.56	2,124.16	2,128.44	1,848.06	1,929.16
Total leased area (m <sup>2</sup> )	1,963.03	7,267.56	2,124.16	2,128.44	1,848.06	1,929.16
Number of rooms (rooms)	51	109	53	45	43	52
Occupancy rate (%) (Note 5)	68.6	87.3	61.8	43.7	97.7	100.0
Operator	Wisnet Co., Ltd.	Silver Heights Sapporo Co., Ltd.	Anabuki Medical Care Inc.	Anabuki Medical Care Inc.	Anabuki Medical Care Inc.	Anabuki Medical Care Inc.
Remaining lease contract period (year) (Note 6)	28.4	20.1	19.7	19.7	19.7	19.7

(Note 1) Appraisal values are those as of July 31, 2015 for Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi (hereinafter, the "Four Alpha Living Properties") and those as of October 31, 2015 for other properties.

(Note 2) NOI yields are calculated by dividing the appraisal NOI by the acquisition price.

(Note 3) Figures for depreciation are actual figures of the 3rd FP.

(Note 4) For description of structure, "S" refers to steel-framed structure and "RC" refers to reinforced concrete structure.

(Note 5) Occupancy rates are obtained by dividing the number of residents indicated in the written explanation of important matter by the number of rooms, rounded to one decimal place.

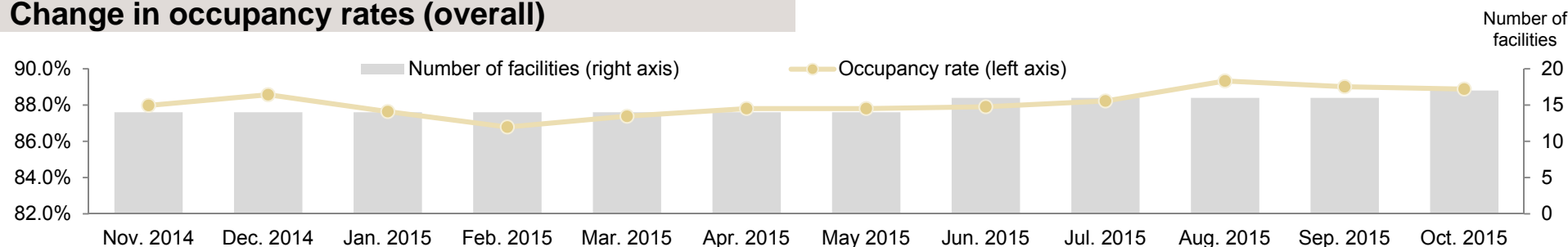
(Note 6) Although the Four Alpha Living Properties were acquired on November 24, 2015, their Remaining lease contract periods are calculated as of October 31, 2015.

# Status of Portfolio

Name of facility	Occupancy rate (%)	One-time entrance fee (thousand yen)	Monthly rent (yen)	Date of acquiring the written explanation of important matters
Charm Sweet Ryokuchi Koen	97.6	2,400~4,800	150,333~196,333	August 1, 2015
Super Court JR Nara-Ekimae	86.4		150,080	October 1, 2015
Rest Villa Hiroshima Hikarigaoka	88.7	4,500~6,800	186,690	July 1, 2015
Rest Villa Sagamihara Chuo	58.7	6,600~7,800	196,214	October 1, 2015
Rest Villa Kinugasayama Koen	90.3	3,800~7,800	199,071	December 1, 2015
Sawayaka Kaikyokan	93.8		142,600~145,600	October 1, 2015
Sawayaka Meisuikan	97.7		103,440~138,440	October 1, 2015
Sawayaka Heart Life Nishikyogoku	97.6		161,000~181,600	October 1, 2015
Sawayaka Hinodekan	100.0		196,820	October 16, 2015
Sawayaka Riverside Kurinoki	82.0		157,762	October 16, 2015
Sawayaka Obatake Sanbankan	92.0		122,300	October 1, 2015
Nichii Care Center Fukushima Omori	100.0		162,743	November 1, 2015
La'nassica Arakogawa	88.0	1,260~2,100	150,180~152,180	November 1, 2015
Verger Hirakata	72.8		112,000~135,000	December 4, 2015
Minna-no-ie Omiya Yoshinocho	93.9		163,207	October 1, 2015
Minna-no-ie Chuo-ku En'nami	68.6		168,800	October 1, 2015
Silver Heights Hitsujigaoka No.3	87.3	2,000~4,000	162,540	October 1, 2015
Alpha Living Okayama Nishigawa Ryokudokoen	61.8	1,380~2,760	137,700~231,500	October 1, 2015
Alpha Living Okayama Korakuen	43.7	1,620~3,000	136,800~251,600	October 1, 2015
Alpha Living Takamatsu Ekimae	97.7	1,200~2,400	139,690~147,690	October 1, 2015
Alpha Living Takamatsu Hyakkenmachi	100.0	960~1,920	134,760~190,760	October 1, 2015

(Note) One-time entrance fee and monthly rent for facilities with one-time entrance fee are indicated on a one-time entrance fee basis (one-time entrance fee and monthly fee are indicated separately) whereas those for facilities without one-time entrance fee are indicated on a monthly payment basis. Occupancy rates are obtained by dividing the number of residents indicated in the written explanation of important matter by resident capacity, rounded down to one decimal place.

## Change in occupancy rates (overall)



(Note) Occupancy rates are obtained by dividing the number of residents based on interviews with all facilities, by resident capacity.

# Balance Sheets for 3rd Fiscal Period Ended October 2015

		The 2nd FP Actual		The 3rd FP Actual	
		Amount (million yen)	Ratio	Amount (million yen)	Ratio
Assets	Current Assets	1,335	8.8%	987	5.6%
	Cash and deposits	964		550	
	Cash and deposits in trust	357		414	
	Other current assets	14		22	
	Fixed Assets	13,798	91.2%	16,679	94.4%
	Tangible fixed assets	13,721	90.7%	16,598	94.0%
	Buildings and others (including trust property)	8,534		10,091	
	Land and others (including trust property)	5,185		6,504	
	Other tangible fixed assets	1		1	
	Intangible fixed assets	44	0.3%	44	0.2%
	Leasehold rights and leasehold rights in trust	40		40	
	Other intangible fixed assets	3		3	
	Investments and other assets	32	0.2%	36	0.2%
	Leasehold and security deposits paid in trust	10		10	
	Long-term prepaid expenses	22		26	
	Other investments and other assets	-		-	
<b>Total Assets</b>		<b>15,134</b>	<b>100.0%</b>	<b>17,666</b>	<b>100.0%</b>

		The 2nd FP Actual		The 3rd FP Actual	
		Amount (million yen)	Ratio	Amount (million yen)	Ratio
Liabilities	Current Liabilities	109	0.7%	185	1.1%
	Operating account payables	9		16	
	Short-term loans payable	-		-	
	Current portion of long-term loans payable	-		-	
	Account payables – other	44		98	
	Advances received	54		69	
	Other current liabilities	1		2	
	Fixed Liabilities	6,979	46.1%	9,445	53.5%
	Long-term loans payable	6,400		8,800	
	Tenant leasehold and security deposits	579		645	
Net Assets	Tenant leasehold and security deposits in trust	-		-	
	<b>Total Liabilities</b>	<b>7,089</b>	<b>46.8%</b>	<b>9,631</b>	<b>54.5%</b>
	Unitholders' equity (net)	7,884		7,834	44.3%
	Unitholders' equity	7,884		7,884	
	Deduction from unitholders' equity	-		-49	
	Unappropriated retained earnings	161		200	1.1%
Total Liabilities and Net Assets	Valuation, translation adjustments and others	-		-	-
	<b>Total Net Assets</b>	<b>8,045</b>	<b>53.2%</b>	<b>8,035</b>	<b>45.5%</b>
<b>Total Liabilities and Net Assets</b>		<b>15,134</b>	<b>100.0%</b>	<b>17,666</b>	<b>100.0%</b>

# Status of Unitholders as of the end of October 2015

## Ownership ratio of investment units by category

Category of unitholders	Number of units at the end of 2nd FP	Number of units at the end of 3rd FP	Increase/decrease from the previous FP	Ratio at the end of 3rd FP*
Individuals/others	14,578	16,319	1,741	26.84%
Financial institutions	16,056	16,195	139	26.64%
Major city banks	0	0	0	0.00%
Regional banks	1,984	1,878	-106	3.09%
Trust banks	12,867	12,787	-80	21.03%
Life insurance companies	286	286	0	0.47%
Non-life insurance companies	0	0	0	0.00%
Other financial institutions	919	1,244	325	2.05%
Other domestic companies	27,539	26,976	-563	44.37%
Foreigners	2,095	764	-1,331	1.26%
Securities companies	532	546	14	0.90%
<b>Total</b>	<b>60,800</b>	<b>60,800</b>	<b>0</b>	<b>100.00%</b>

\*Rounded to two decimal places.

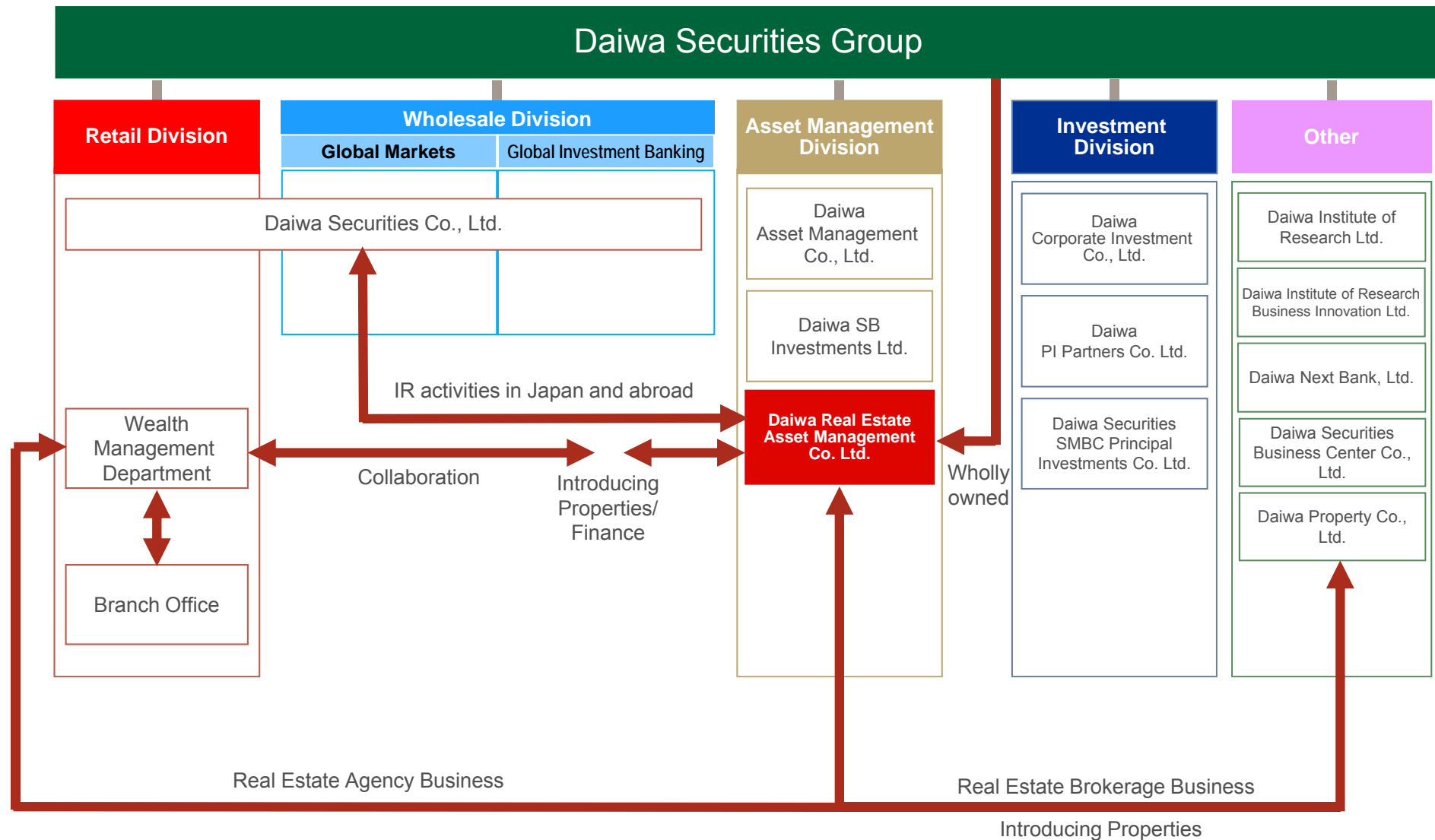
## Major unitholders (top 10)

No.	Name	Number of units held at the end of 2nd FP	Number of units held at the end of 3rd FP	Increase/decrease from the previous FP	Ratio at the end of 3rd FP*
1	JHC-LPS	9,900	9,900	0	16.28%
2	ASIA CUATRO-LPS	8,900	8,600	-300	14.14%
3	Daiwa Securities Group Inc.	6,080	6,080	0	10.00%
4	The Master Trust Bank of Japan, Ltd. (Investment Trust Account)	5,283	5,192	-91	8.54%
5	Japan Trustee Services Bank Ltd. (Trust Investment Trust Account)	3,763	4,018	255	6.61%
6	Trust & Custody Services Bank Ltd. (Trust Investment Trust Account)	2,016	1,905	-111	3.13%
7	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,300	1,189	-111	1.96%
8	Daiwa Real Estate Asset Management Co. Ltd.	1,000	1,000	0	1.64%
9	Chugoku Bank, Ltd.	667	667	0	1.10%
10	Trust & Custody Services Bank, Ltd. (Cash in Trust Taxable Account)	505	483	-22	0.79%
<b>Total</b>		<b>39,414</b>	<b>39,034</b>	<b>-380</b>	<b>64.20%</b>

\*Rounded to two decimal places.

# Introduction of Asset Management Company

## Position of the Asset Management Company in Daiwa Securities Group

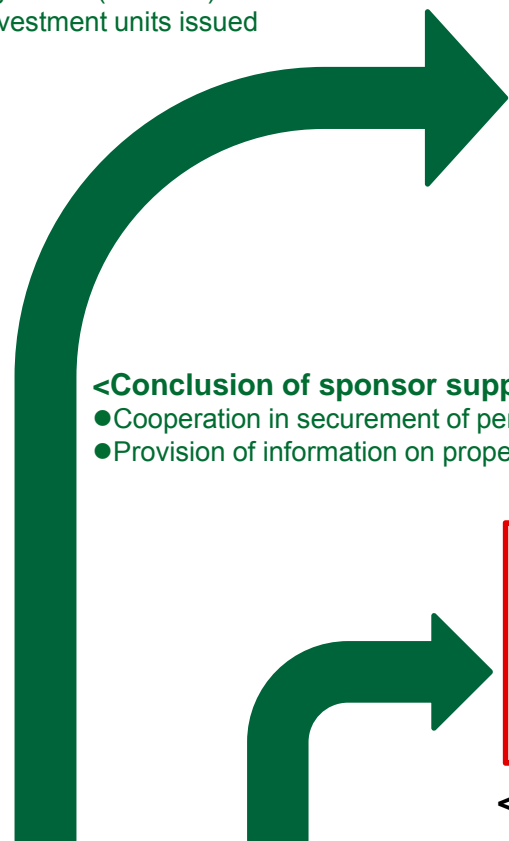






# Support and Independence

<Same boat investment in NHI by the Daiwa Securities Group Inc.>  
Holding 10.2% (after PO) of NHI's investment units issued



## <Conclusion of sponsor support agreement>

- Cooperation in securement of personnel
- Provision of information on properties, etc.

### Investment Corporation

日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

### Asset Management

### Asset Management Company

大和リアル・エステート・アセット・マネジメント

Daiwa Real Estate Asset Management

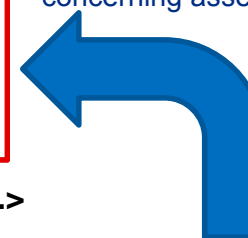
<Invested 100% by Daiwa Securities Group Inc.>

### Operator

- Sawayaka Club Co., Ltd.
- Super Court Co., Ltd.
- Nichii Gakkan Company
- Sompo Care Next Inc.
- Cedar Co., Ltd.
- Charm Care Corporation
- Nihon Kaigo Iryo Center Co., Ltd.
- Wisnet Co., Ltd.
- Silver Heights Sapporo Co., Ltd.
- Anabuki Medical Care Inc.

## <Conclusion of advisory agreement>

- Provision of information on management/operation of healthcare facilities
- Provision of advisory work such as assisting and supporting negotiations with operators
- Provision of advice on market research/analysis concerning assets under investment target



### Sponsor

大和証券グループ本社

Daiwa Securities Group Inc.

Support

### Advisor



AIP Healthcare Japan



# Overview of Asset Management Company (1)

## Corporate Profile

As of November 30, 2015

Corporate name	Daiwa Real Estate Asset Management Co. Ltd.
Address	6-2-1 Ginza, Chuo-ku, Tokyo
Established	October 21, 2004
Paid-in capital	200 million yen
Representative Director	Akira Yamanouchi
Board of Directors	9 Executive directors: 4 / Executive auditors: 1 Non-executive directors: 2 / Non-executive auditors: 2
No. of Employees	64 (excluding dispatched employees)
Registered financial instruments firm	Registration No. 355 (Financial Instruments), Director-General, Kanto Local Finance Bureau (Kinsho)
Building lots and buildings transaction business license	License No. (3) 83920, Governor of Tokyo
Discretionary agent for real estate transaction approval	License No. 34, Minister of Land, Infrastructure, Transportation and Tourism
Association membership	Member of The Investment Trusts Association, Japan Member of Japan Investment Advisers Association Member of Type II Financial Instruments Firms Association

## Directors

As of November 30, 2015

President and Representative Director	Akira Yamanouchi
Vice President and Representative Director	Yuji Shinotsuka
Vice President and Representative Director	Yoshiki Nishigaki
Director	Naoyuki Owa
Director (non-executive)	Toshihiro Matsui
Director (non-executive)	Mikita Komatsu
Auditor	Tamaki Shibayama
Auditor (non-executive)	Masaru Shirataki
Auditor (non-executive)	Shinji Kiso

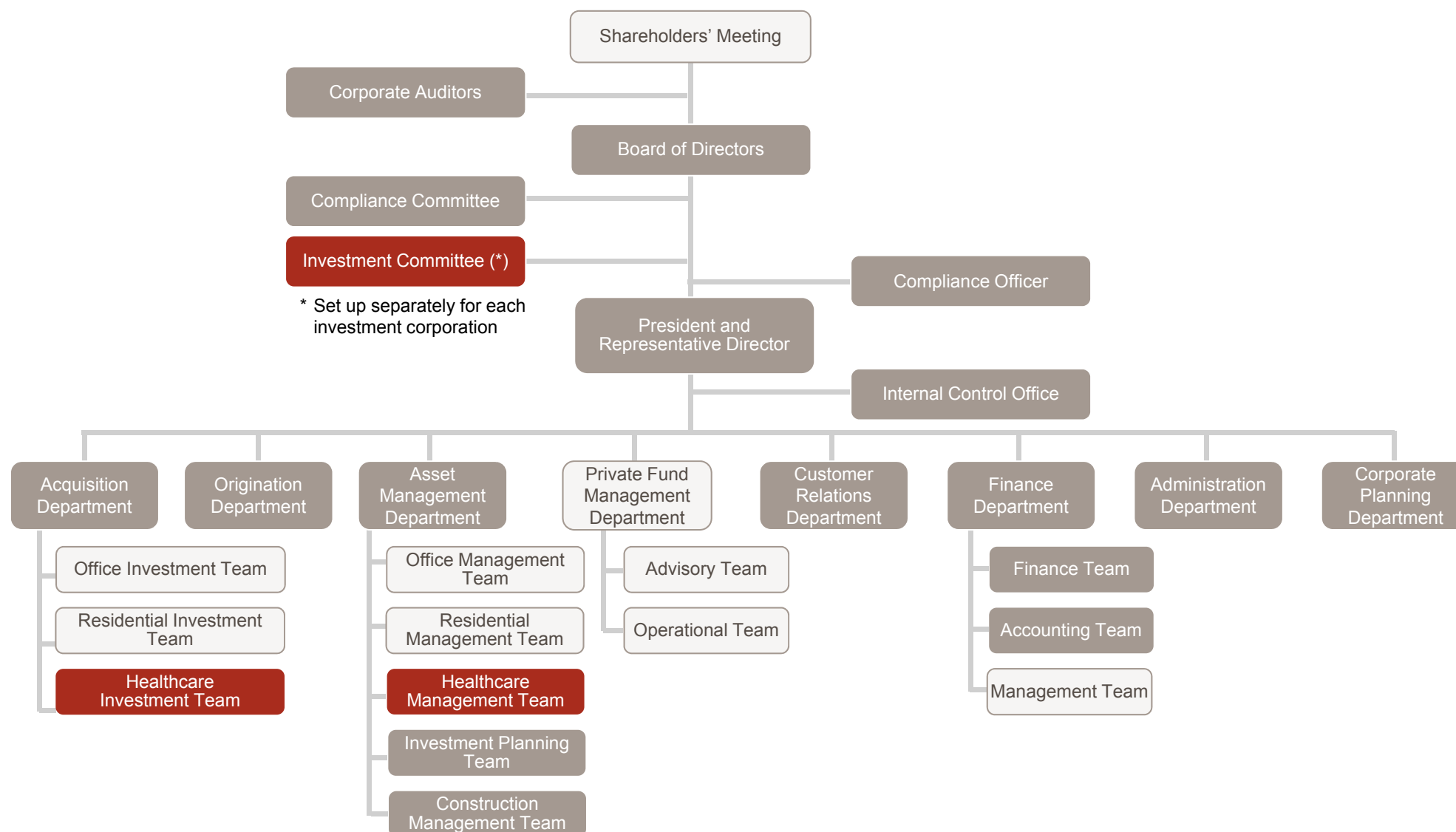
## REITs which entrust the asset management to the Asset Management Company

As of November 30, 2015

Daiwa Office Investment Corporation	Listed REIT focusing on office buildings Asset size: approximately 445.7 billion yen (50 properties)
Daiwa Residential Private Investment Corporation	Unlisted REIT focusing on residential properties Asset size: approximately 78.2 billion yen (47 properties)
Nippon Healthcare Investment Corporation	Japan's first listed REIT focusing on healthcare facilities Asset size: approximately 18.6 billion yen (21 properties)

# Overview of Asset Management Company (2)

## Organization of Asset Management Company





# Memorandum



# Memorandum



