

3rd

Fiscal Period Business Report

(Statement of Financial Performance)

May 1, 2015 – October 31, 2015

Hopeful future for Japan

日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

To Our Investors

Message from Executive Director

We would like to express our deep gratitude to all our unitholders for your support of Nippon Healthcare Investment Corporation (“NHI”).

NHI posted financial performance of 555 million yen in operating revenue, 224 million yen in operating income and 200 million yen in net income for the fiscal period ended October 2015 (3rd Fiscal Period). Concerning distributions, NHI declared a distribution amount per unit of 3,299 yen and a distribution amount in excess of earnings per unit of 768 yen, bringing the total distribution amount per unit to 4,067 yen. [See page 3 for Financial and Management Highlights](#)

During the 3rd Fiscal Period, NHI acquired Minna-no-ie Omiya Yoshinocho (acquisition price: 740 million yen), Minna-no-ie Chuo-ku En'nami (acquisition price: 838 million yen) and Silver Heights Hitsujigaoka No.3 (acquisition price: 1,200 million yen). In addition, NHI acquired Alpha Living Okayama Nishigawa Ryokudokoen, Alpha Living Okayama Korakuen, Alpha Living Takamatsu Ekimae and Alpha Living Takamatsu Hyakkenmachi (total acquisition price: 2,550 million yen) with the capital gained through the public offering announced in October 2015, expanding the asset size from 13,280 million yen at the time of listing to 18,608 million yen. NHI will aim to enhance portfolio value through investments in carefully selected properties going forward. [See page 6 for details of External Growth](#)

The number of operators of facilities owned by NHI has increased from 7 at the time of listing to 10 after the public offering. NHI has realized maintenance and improvement of portfolio stability by pressing forward diversification of operators and concluding long-term fixed rent lease agreements. [See page 9 for Stable Management Strategy](#)

On the financial front, NHI has promoted diversification of payment dates. NHI will continue to work to further strengthen its financial standing while reducing refinancing risks in the future. [See page 12 for Financial Conditions](#)

Going forward, NHI will strive to maximize unitholders' value together with the joint efforts by Daiwa Real Estate Asset Management Co. Ltd., the asset manager for NHI, Daiwa Securities Group Inc., the sponsor, and AIP Healthcare Japan GK, the advisor.

We wish for the continued success of our unitholders and ask for your continued support of NHI.



Hiroshi Fujioka Nippon Healthcare Investment Corporation Executive Director

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Please refer to the pages starting from the back cover for information on the operators

Financial and Management Highlights

Steady growth in asset size and maintenance of stable distribution level

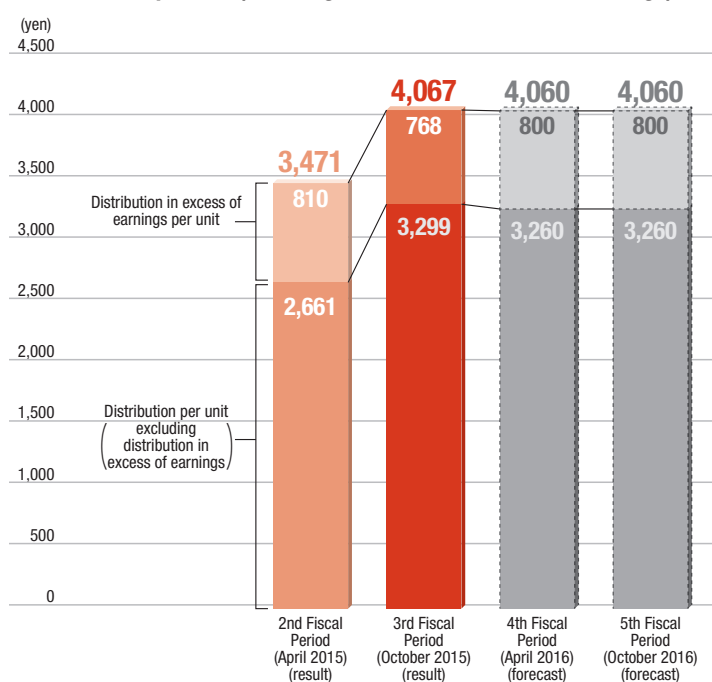
Actual Financial Results for Fiscal Period Ended October 2015 (3rd Fiscal Period), Forecast of Operating Results for Fiscal Period Ending April 2016 (4th Fiscal Period) and Fiscal Period Ending October 2016 (5th Fiscal Period)

	2nd Fiscal Period (April 2015) (result)	3rd Fiscal Period (October 2015) (result)	Difference	4th Fiscal Period (April 2016) (forecast)	Difference from 3rd Fiscal Period	5th Fiscal Period (October 2016) (forecast)	Difference from 4th Fiscal Period
No. of properties owned at end of the fiscal period	14	17	3	21	4	21	-
Operating revenue (million yen)	507	555	47	667	111	676	9
Operating expense (million yen)	261	330	69	388	58	402	13
Recurrent income (million yen)	245	224	-21	278	53	274	-3
Non-operating expenses (million yen)	83	23	-59	34	10	30	-3
Ordinary income (million yen)	162	201	38	244	42	244	0
Net income (million yen)	161	200	38	243	42	243	0

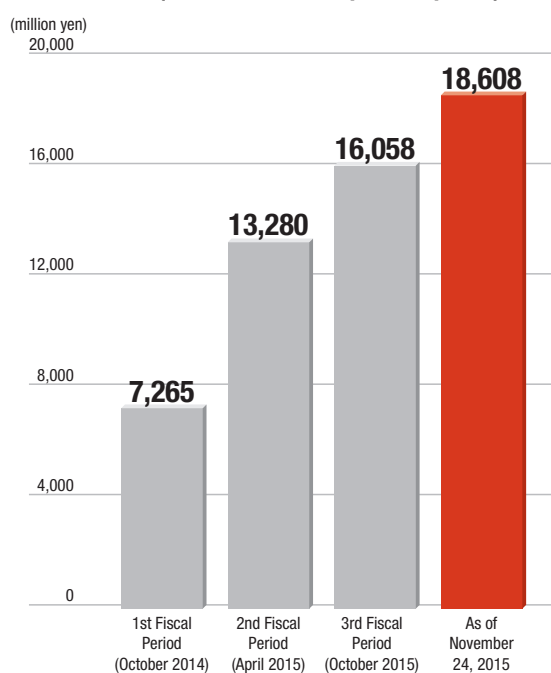
Distribution Result for 3rd Fiscal Period, Distribution Forecast for 4th Fiscal Period and 5th Fiscal Period

	2nd Fiscal Period (April 2015) (result)	3rd Fiscal Period (October 2015) (result)	Difference	4th Fiscal Period (April 2016) (forecast)	Difference from 3rd Fiscal Period	5th Fiscal Period (October 2016) (forecast)	Difference from 4th Fiscal Period
Number of investment units issued and outstanding at the end of the fiscal period (units)	60,800	60,800	-	74,632	13,832	74,632	-
Distribution per unit (including distribution in excess of earnings) (yen)	3,471	4,067	596	4,060	-7	4,060	-
Distribution per unit (excluding distribution in excess of earnings) (yen)	2,661	3,299	638	3,260	-39	3,260	-
Distribution in excess of earnings per unit (yen)	810	768	-42	800	32	800	-

Distribution per Unit (including distribution in excess of earnings)



Asset Size (total amount of acquisition prices)



Characteristics of Nippon Healthcare Investment Corporation

Contributing to society and delivering returns to unitholders through substantial support system

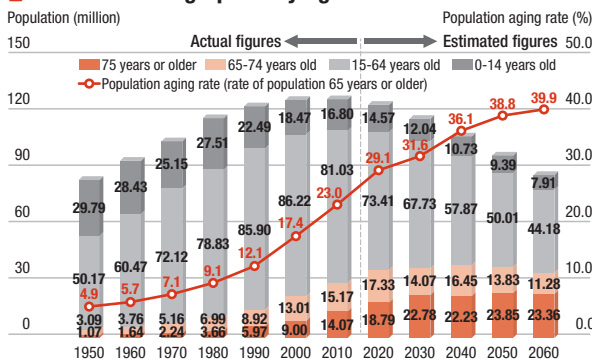
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Growth through investment in the growing senior market

- 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.

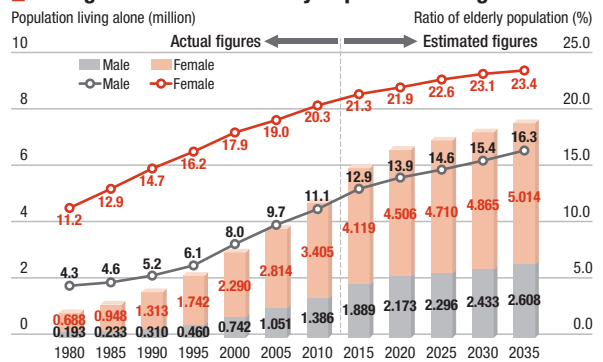
Japan's graying population The ratio of the number of people 65 years or older (elderly population) to the total population (population aging rate) in Japan is expected to rise, and the population of the elderly living alone is expected to grow along with the rising population aging rate.

Domestic Demographics by Age



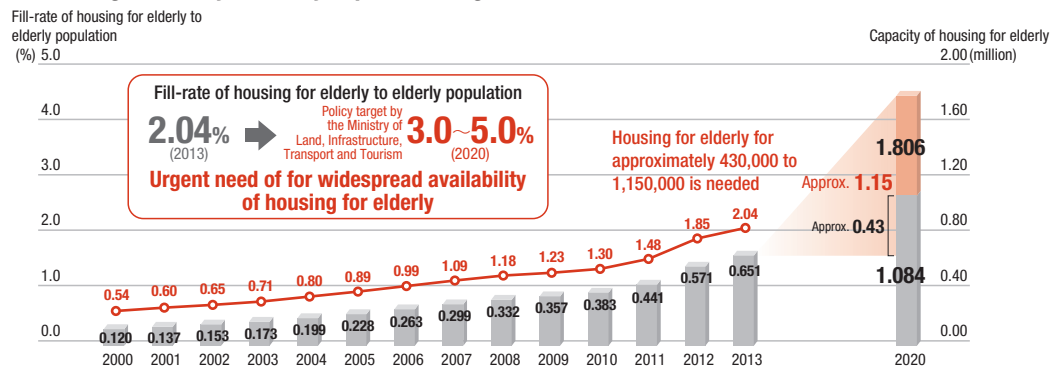
(Source) Cabinet Office "White Paper on Aging Society 2015"

Changes and Ratio of Elderly Population Living Alone



(Source) Cabinet Office "White Paper on Aging Society 2015"

Fill-Rate of Housing for Elderly to Elderly Population Target Rate for 2020



(Source) Cabinet Office, Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research, etc.

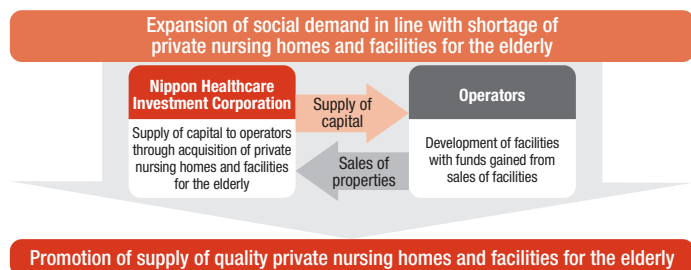
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Investment in social infrastructure to contribute to society

- NHI will contribute to the development of quality healthcare facilities which serve as social infrastructure.

Role of NHI

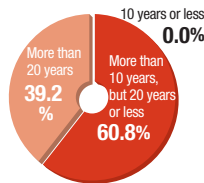
Supply of capital to operators will become possible with NHI's acquisition of private nursing homes and facilities for the elderly using funds procured through financial and capital markets. Operators are expected to develop facilities to expand the healthcare facility operation business with the funds gained through sales of facilities, and as such is expected to encourage supply of private nursing homes and facilities for the elderly.



3 Stable cash flow

- To stabilize cash flow, NHI will sign long-term fixed-rent lease agreements with operating bodies ("operators") of healthcare facilities.

Diversification by Remaining Lease Contract Period (Note)



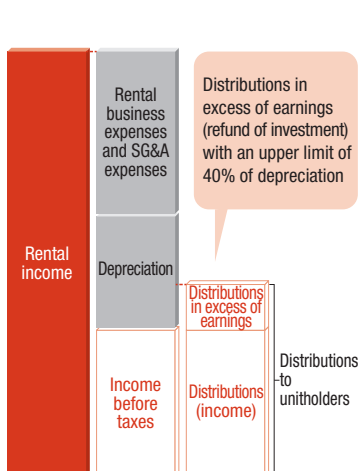
Ratio of Fixed Rent



(Note) The graph indicates the sum total of acquisition price per remaining lease contract period (as of October 31, 2015) expressed as a percentage of the total of the acquisition prices.

4 Unitholder return policy utilizing asset characteristics

- NHI will implement unitholder returns through distributions in excess of earnings utilizing the asset characteristic of a high rate of depreciation.
- NHI offers a unitholder benefits program for the purpose of expanding the horizons of NHI's unitholders, under the agreement with operators of healthcare facilities which NHI owns.



Charm Care Corporation Discount coupon for the initial lump sum payment Free voucher (with meals) for trial stay	Sompo Care Next Inc. (Note) Discount coupon for the initial lump sum payment Discount on room fee Free voucher for a one-day facility tour (with lunch provided)	Sawayaka Club Co., Ltd. Discount on room fee Free voucher (with meals) for trial stay Free voucher for a one-day facility tour (with lunch provided)
Nichii Gakkan Company Free enrollment in COCO Juku, and discount for the course fee Discount voucher for homemaking, childcare and nursing-care at his/her own expense services	Cedar Co., Ltd. Free voucher (with meals) for trial stay Free voucher for a one-day facility tour (with lunch provided)	Nihon Kaigo Iryo Center Co., Ltd. Free voucher (with meals) for trial stay
Wisnet Co., Ltd. Welfare equipment presented to residents Free visiting massage service Free voucher (with meals) for trial stay Gift voucher for trips with nursing care	Silver Heights Sapporo Co., Ltd. Discount coupon for the initial lump sum payment Free voucher (with meals) for trial stay Free voucher for a one-day facility tour (with lunch provided)	Anabuki Medical Care Inc. Furniture presented to new residents of Anabuki Medical Care's facilities that are owned by NHI

(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.

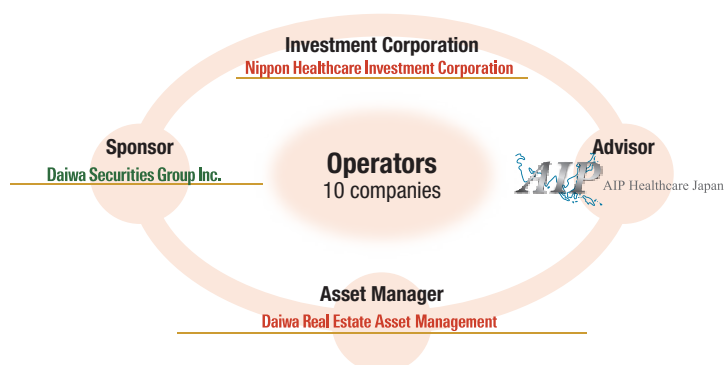
5 Substantial support system by sponsor and advisor

- 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 manager is able to establish cooperative relations with a wide range of operators as it is very independent with no participation of operator groups.

Same Boat Investment by the Daiwa Securities Group

As part of its CSR strategy, it is the Daiwa Securities Group's policy to offer sufficient support for NHI's listing and growth strategy after listing on an ongoing basis. The ownership of NHI's investment units (same boat investment) is therefore in line with this policy.

Daiwa Securities Group's ownership ratio of NHI's investment units	Ownership of 10.2% of issued and outstanding investment units after listing
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External Growth

Continuous development of portfolio through acquisition of carefully selected properties

Overview of the Public Offering

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

Change in Major Indices due to the Public Offering

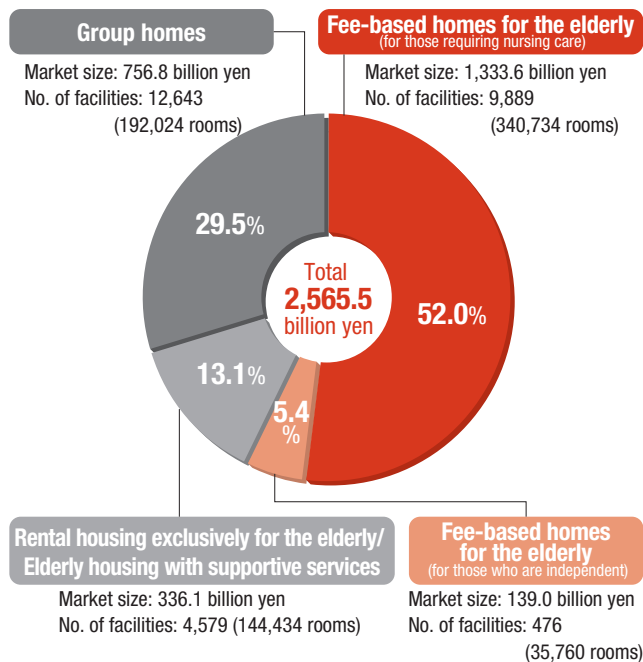
Major indices	Upon listing (as of November 5, 2014)	Assets acquired in 3rd FP (ended October 2015)	The 3rd FP (ended October 2015)	Assets acquired at the time of public offering	After the public offering
Number of properties	14	3	17	4	21
Total assets (total acquisition price) (million yen)	13,280	2,778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

(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)

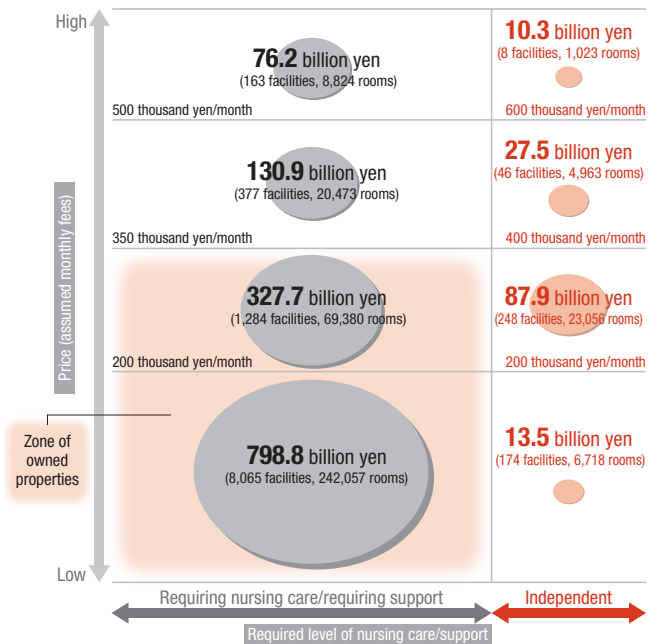
Market Size by Segment

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 (annual net sales)



Market Size by Price (fee-based homes for the elderly requiring nursing care/who are independent)



Source: KPMG Healthcare Japan Co., Ltd.

Properties Acquired in 3rd FP (ended October 2015) and 4th FP (ending April 2016)

Investing in carefully selected properties with an aim to expand the asset size

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		Off-balancing in line with M&A Silver Heights Hitsujigaoka No.3 · M&A cases for business succession · Needs for securing liquidity on hand	Sale & lease back	Alpha Living Okayama Nishigawa Ryokudokoen Alpha Living Okayama Korakuen Alpha Living Takamatsu Ekimae Alpha Living Takamatsu Hyakkenmachi · Sales cases by developer groups which have operators as affiliates · Needs to focus entirely on facility operations
Sponsor group		Change of owners Minna-no-ie Omiya Yoshinocho Minna-no-ie Chuo-ku En'nami · Properties introduced by the sponsor group · Needs for asset management from owners		
Advisor	14 properties/13,280 million yen			14 properties/13,280 million yen

Properties Acquired in 3rd FP (ended October 2015)

Silver Heights Hitsujigaoka No.3



Location	Sapporo-shi, Hokkaido
Acquisition date	October 15, 2015
Acquisition price (million yen)	1,200
Total leased area (m ²)	7,267.56
Structure / floors	RC/3F
Number of rooms (rooms)	109
Resident capacity	111
Range of room size (m ²)	21.00 ~ 42.00
Opening date	June 12, 2003



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.

Property Features The most common room area size of the Property is 21m² 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.

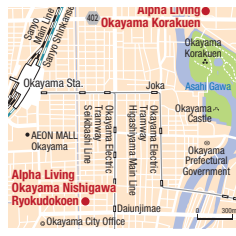
During the 3rd FP, NHI acquired two other properties (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami) on June 1, 2015 besides the above Silver Heights Hitsujigaoka No. 3.

Properties Acquired in 4th FP (ending April 2016)

Alpha Living Okayama Nishigawa Ryokudokoen



Location	Okayama-shi, Okayama
Acquisition date	November 24, 2015
Acquisition price (million yen)	730
Total leased area (m ²)	2,124.16
Structure / floors	RC/7F
Number of rooms (rooms)	53
Resident capacity	55
Range of room size (m ²)	18.06 ~ 36.63
Opening date	October 1, 2014



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

Property Features The Property was completed in 2014 and is relatively new and provides private rooms of around 18m² which is a standard room size for facilities with nursing care. The rooms are equipped with sink and toilet.

Alpha Living Okayama Korakuen



Location	Okayama-shi, Okayama
Acquisition date	November 24, 2015
Acquisition price (million yen)	610
Total leased area (m ²)	2,128.44
Structure / floors	RC/4F
Number of rooms (rooms)	45
Resident capacity	48
Range of room size (m ²)	18.40 ~ 37.94
Opening date	March 1, 2015

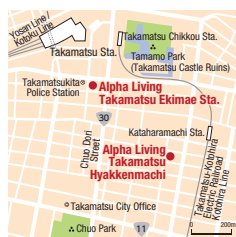
Site Features The Property is closely located to the east side of Asahigawa River, which runs north to south in Okayama City. On its south, across an arterial road, is Korakuen, which is one of the three great gardens of Japan and Okayama castle; and quiet residential areas spread on the west and southwest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

Property Features The Property which opened in 2015 was converted from a recreation property owned by a local major company in Okayama City. The Property provides private rooms of around 18m² to 25m² which is a standard room size for facilities with nursing care. The rooms are equipped with sink and toilet.

Alpha Living Takamatsu Ekimae



Location	Takamatsu-shi, Kagawa
Acquisition date	November 24, 2015
Acquisition price (million yen)	605
Total leased area (m ²)	1,848.06
Structure / floors	RC/6F
Number of rooms (rooms)	43
Resident capacity	44
Range of room size (m ²)	18.00 ~ 45.71
Opening date	July 15, 2014



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.

Property Features The residential-type Property for the elderly completed in year 2014 is relatively new and provides private rooms of around 18m² 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



Location	Takamatsu-shi, Kagawa
Acquisition date	November 24, 2015
Acquisition price (million yen)	605
Total leased area (m ²)	1,929.16
Structure / floors	RC/10F
Number of rooms (rooms)	52
Resident capacity	54
Range of room size (m ²)	21.29 ~ 40.80
Opening date	August 15, 2010

Site Features The Property is located a four-minute walk to Katakaramachi 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.

Property Features The Property which is an elderly housing with supportive services provides private rooms of around 27m² 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.

Portfolio Development Policy and Portfolio Status

Focusing investment on private nursing homes and other facilities for the elderly for which large demand is expected

Ratios of Investment in Regions

Ratios of investment in regions	Definition	Target incorporation ratio
Three Major Metropolitan Areas	The greater Tokyo area: Tokyo, Kanagawa, Chiba and Saitama prefectures The Chukyo area: Aichi, Mie and Gifu prefectures The Kinki area: Osaka, Kyoto, Hyogo, Nara and Shiga prefectures	50% or more
Core City Areas	Cities outside the Three Major Metropolitan Areas with populations of 200,000 or more.	50% or less
Other	Cities outside the Three Major Metropolitan Areas and the Core City Areas with populations under 200,000	10% or less

Ratios of Investment in Healthcare Facility Types

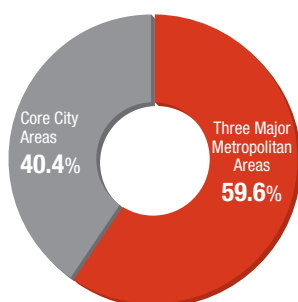
Classification of healthcare facility	Target incorporation ratio
Private nursing homes and other facilities for the elderly	60% or less
Medical facilities	40% or less
Other	10% or less

(Note 1) "Fee-based homes for the elderly" refer to facilities as defined by Article 29 of the Act on Social Welfare for the Elderly. However, this excludes facilities that fall under the category of elderly housing with supportive services.

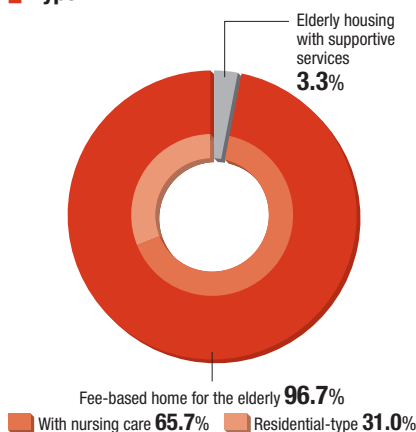
(Note 2) "Elderly housing with supportive services" refers to rental housing registered by prefectures that meet the registration criteria stipulated by the Act on Securement of Stable Supply for Elderly Persons' Housing.

Diversification Status (after public offering)

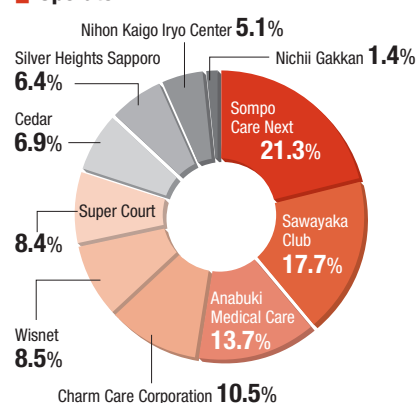
Region



Type



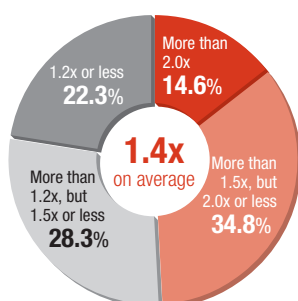
Operator



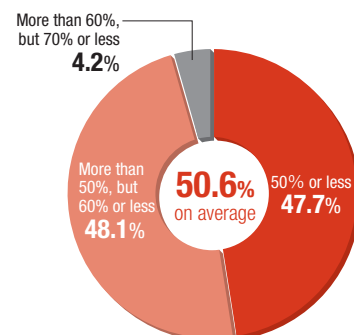
(Note) The ratios in the above three pie charts are calculated based on total acquisition prices, and rounded to one decimal place.

Portfolio Status (after public offering)

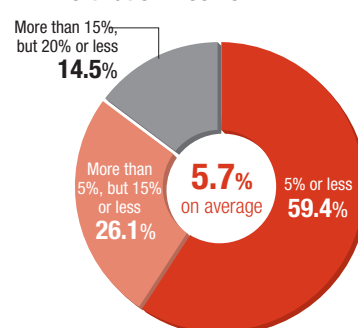
Rent-Paying Capacity (Note 1)



Proportion of Long-Term Care Fee (Note 2)



Proportion of One-Time Entrance Fee Amortization Income (Note 3)



(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective acquired asset's most recent EBITDAR by rent. EBITDAR = Operating Income + Depreciation + Rent

(Note 2) "Proportion of long-term care fee" refers to the proportion of the acquired asset's net sales that is accounted for by long-term 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.

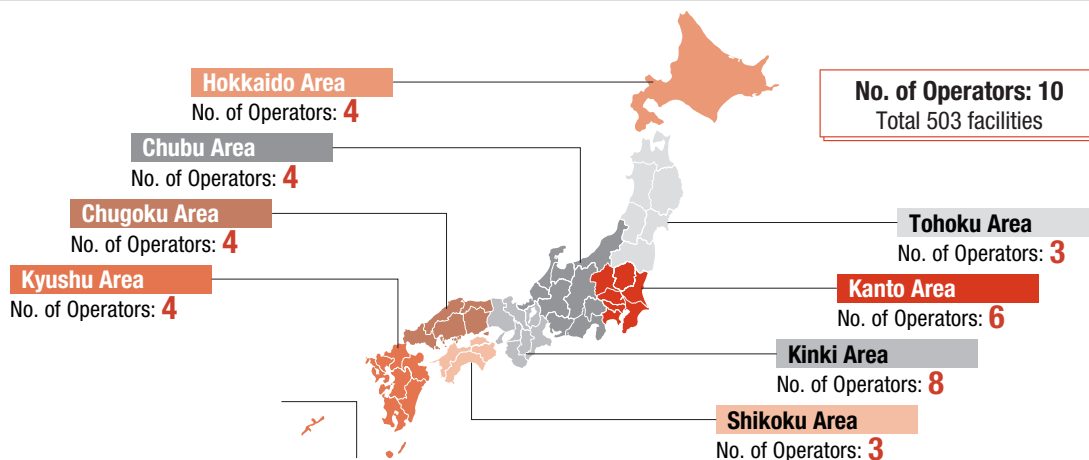
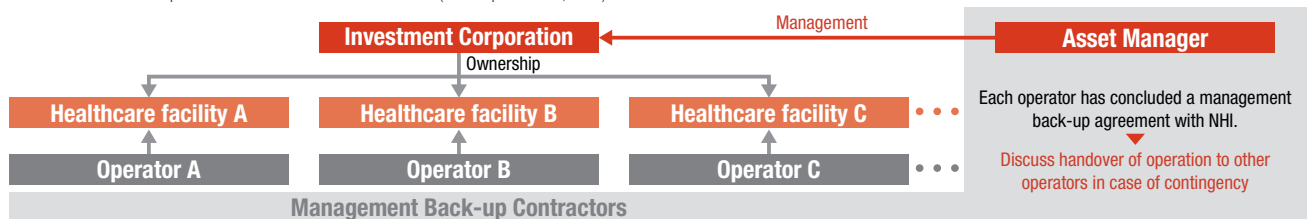
Stable Management Strategy

Concluding long-term fixed rent lease agreements

Lease Agreements with Highly Reliable Operators

Operator	Number of facilities operated (cases)	Number of rooms operated (rooms)	Established	Attributes
Nichii Gakkan Company	402	12,573	August 1973	Listed on the first section of the Tokyo Stock Exchange
Wisnet Co., Ltd.	123	3,355	January 1998	-
Sompo Care Next, Inc.	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 Co., Ltd.	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 Co., Ltd.	44	2,949	May 1995	-
Cedar Co., Ltd.	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 Co., Ltd.	27	1,088	October 1997	-
Anabuki Medical Care Inc.	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 Co., Ltd.	3	321	December 1961	-

(Note) 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).



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

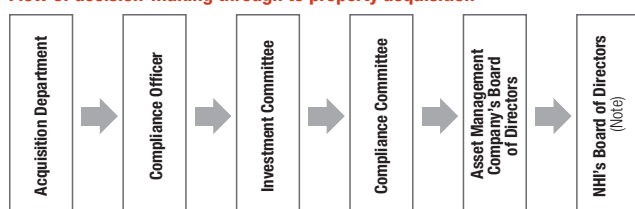
At the Time of New Acquisition

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 examinations every fiscal period.

Interviewing (Once or more/year)

- Confirming the following items with directors and care providers at facilities
 - Responses to residents
 - Employees training program
 - Status of governance (including items to check for prevention of resident mistreatment)

Portfolio List (after public offering)

Consists of 10 operators and 21 properties

No. (Note 1)	Acquisition period	Property name	Facility type	Operator	Location	Acquisition price (million yen) (Note 2)		Appraisal value (million yen) (Note 3)	Number of rooms (Note 4)
							Share of portfolio (%)		
1	1st Fiscal Period	Charm Suite 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 Co., Ltd.	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	Sompō Care Next Inc.	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 Co., Ltd.	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 Company	Fukushima City, Fukushima	265	1.4	349
13	2nd Fiscal Period	La'nassica Arakogawa	Fee-based homes for the elderly with nursing care	Cedar Co., Ltd.	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 Co., Ltd.	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 Co., Ltd.	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 Co., Ltd.	Sapporo City, Hokkaido	1,200	6.4	1,320	109
18*	4th Fiscal Period	Alpha Living Okayama Nishigawa Ryokudoko	Residential-type fee-based homes for the elderly	Anabuki Medical Care Inc.	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.

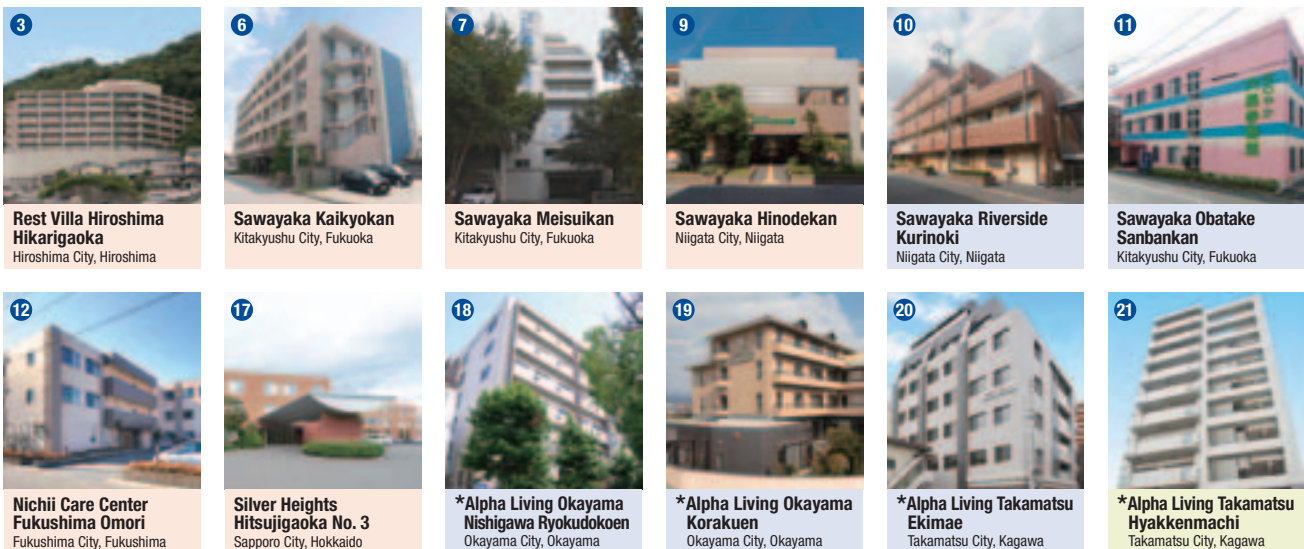
Portfolio Map (after public offering)

Making diversified investment in healthcare facilities in Japan

Three Major Metropolitan Areas



Core Cities



(Note) 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.

Financial Conditions

Conducting stable financial management by converting interest rate into a fixed rate and diversifying repayment dates

Status of Interest-Bearing Liabilities (as of October 31, 2015)

Term	Lender	Balance (million yen)	Type of interest	Interest rate	Drawdown date	Repayment deadline	
Long-term	Mizuho Bank (Note 2)	800	Fixed	0.344	November 5, 2014	October 31, 2017	
		1,000		0.532		October 31, 2019	
	Resona Bank (Note 2)	1,200		0.532		October 31, 2019	
	Sumitomo Mitsui Trust Bank (Note 2)	1,200		0.431		October 31, 2018	
	Mizuho Trust & Banking (Note 2)	700		0.532		October 31, 2019	
	The Musashino Bank (Note 2)	500		0.329		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 (Note 2)	500		0.524		May 29, 2020	
	Mizuho Trust & Banking (Note 2)	500		0.524		June 1, 2015	May 29, 2020
	The Musashino Bank (Note 2)	500		0.524		May 29, 2020	
	Resona Bank (Note 2)	500		0.474		October 15, 2015	October 30, 2020
	Shinkin Central Bank (Note 2)	400		0.293		October 31, 2018	
Total	8,800	-	-	-	-		

(Note 1) Interest rates are rounded to three decimal places.

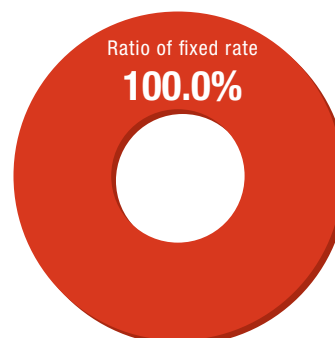
(Note 2) For loans of which variable interest rates have been converted to, in effect, fixed rates through a swap agreement, interest rate indicates the rate after such conversion.

(Note 3) Interest rates are converted on a one year=365 days basis.

Ratio of Long-Term Loans and Short-Term Loans



Ratio of Fixed Rates and Variable Rates



Average remaining period (Note 1)

3.5 years

(End of 3rd Fiscal Period)

LTV (Note 2)

49.8%

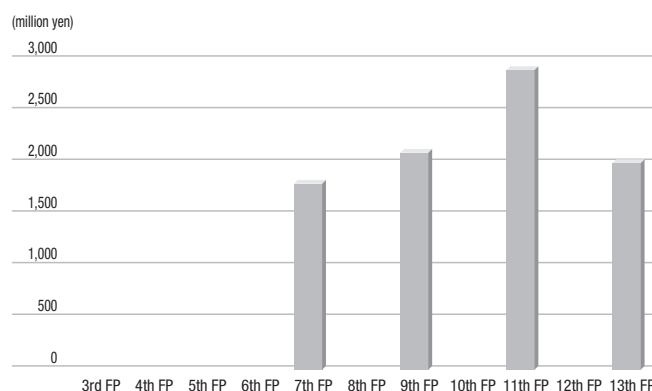
(End of 3rd Fiscal Period)



44.7%

(after public offering)

Repayment Schedule



(Note 1) Average remaining period is rounded to one decimal place.

(Note 2) LTV is calculated based on total assets.

Indices that Include NHI

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

Description of Asset Manager

Organization of Asset Manager (as of November 30, 2015)

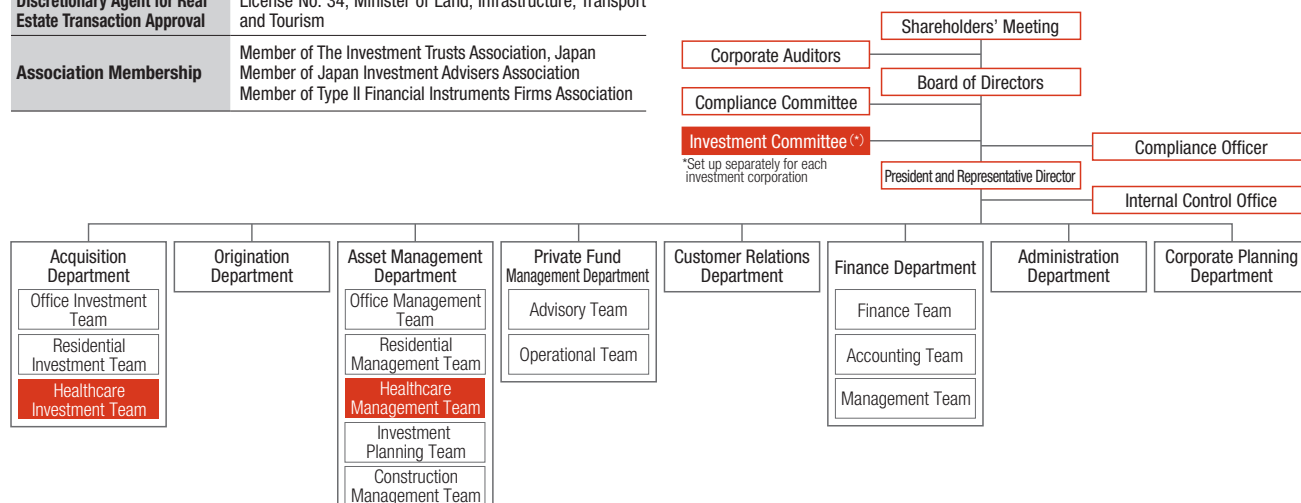
Corporate Profile

Company 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
President	Akira Yamanouchi
Board of Directors	9 Executive directors: 4 / Executive auditors: 1 Non-executive directors: 2 / Non-executive auditors: 2
Employees	64 (excluding dispatched employees)
Registration of Financial Instruments Business Operator	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, Transport 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

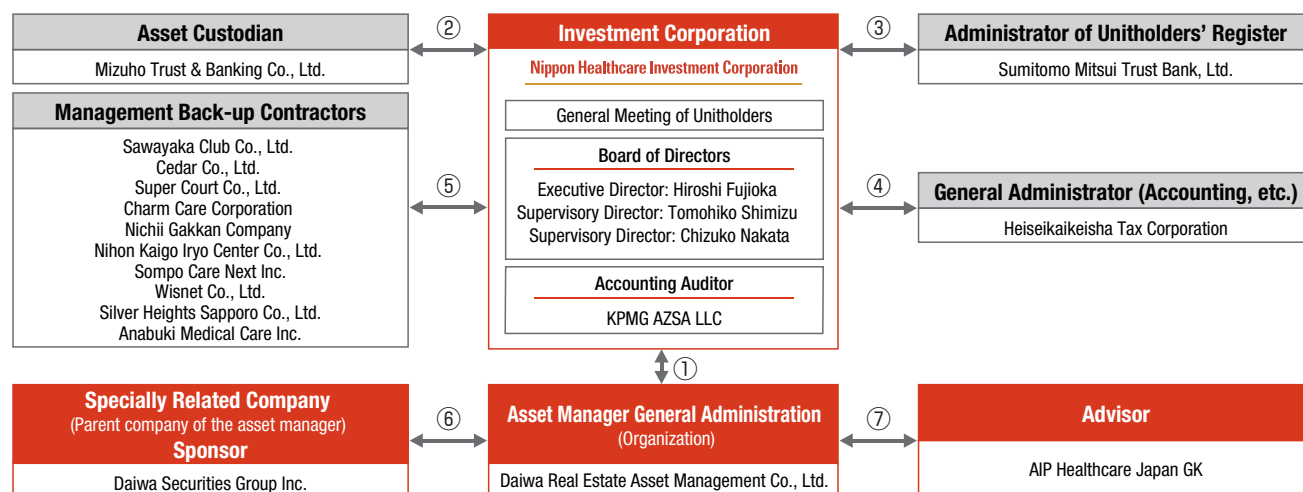
Directors and Auditors

President and Representative Director	Akira Yamanouchi
Vice President and Representative Director	Yuji Shinotsuka
Vice President and Representative Director	Yoshiaki 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

Organizational Chart



Structure



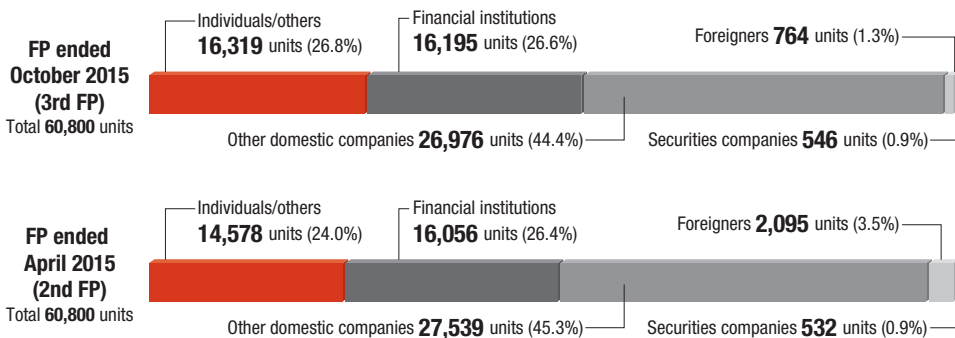
- ① Asset management agreement/General administration affairs agreement related to operation ④ General administrator of accounting agreement ⑦ Advisory agreement
 ② Asset custodian agreement ⑤ Management back-up agreement
 ③ General administrator of unitholders' registry agreement ⑥ Sponsor support agreement

History of Investment Unit Prices



Overview of Investment Units and Unitholders (as of October 31, 2015)

No. of Investment Units by Investor Type



No. of Unitholders by Investor Type

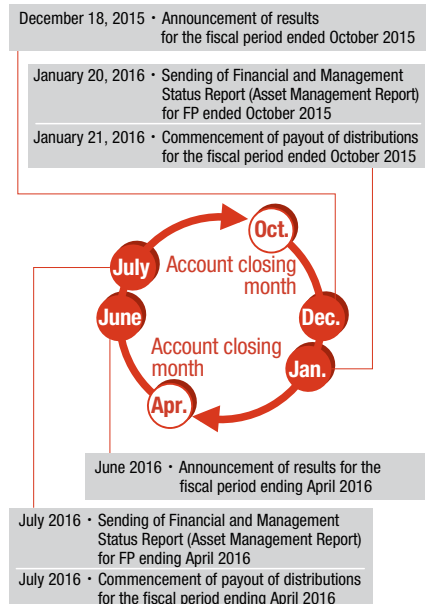
Individuals/others	4,923 (96.8%)
Financial institutions	27 (0.5%)
Other domestic companies	84 (1.7%)
Foreigners	31 (0.6%)
Securities companies	22 (0.4%)
Total	5,087

Top Ten Unitholders (as of October 31, 2015)

Name of Investor	Number of Units Owned (units)	Percentage Share (%)
1. JHC-LPS	9,900	16.28
2. ASIA CUATRO-LPS	8,600	14.14
3. Daiwa Securities Group Inc.	6,080	10.00
4. The Master Trust Bank of Japan, Ltd. (Investment Trust Account)	5,192	8.54
5. Japan Trustee Services Bank Ltd. (Trust Investment Trust Account)	4,018	6.61
6. Trust & Custody Services Bank Ltd. (Trust Investment Trust Account)	1,905	3.13
7. The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,189	1.96
8. Daiwa Real Estate Asset Management Co., Ltd.	1,000	1.64
9. Chugoku Bank, Ltd.	667	1.10
10. Trust & Custody Services Bank Ltd. (Cash in Trust Taxable Account)	483	0.79
Total	39,034	64.20

(Note) Rounded to two decimal places.

IR Calendar



Investor Memo

End of fiscal period	April 30 and October 31 of each year
General Meeting of Unitholders	Held at least once every two years
Date for finalizing Unitholders with voting rights for the General Meeting of Unitholders	Date publicly announced beforehand
Reference date for finalizing payment of distributions	April 30 and October 31 of each year (distributions are paid within three months of the reference date)
Listed financial instruments exchange	Tokyo Stock Exchange (securities code: 3308)
Newspaper in which notice is posted	Nihon Keizai Shimbun
Manager of Unitholder Registry, etc.	Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233
Office handling administrative affairs	Transfer Agency Department of Sumitomo Mitsui Trust Bank, Limited, 2-8-4 Izumi, Suginamiku, Tokyo 168-0063 Phone 0120-782-031 (toll-free in Japan)
Service counter	Head Office and all branches of the Sumitomo Mitsui Trust Bank nationwide

Procedures for Changing Address, Etc.

Please notify the securities company you are dealing with for changes in address, name, etc. For procedures concerning investment units recorded in special account, please contact Stock Transfer Agency Department at Sumitomo Mitsui Trust Bank, Limited (TEL: 0120-782-031 (toll-free in Japan)).

Distributions

Distributions will be payable upon presenting the “Receipt for Distributions” at a post office nearby. In case the due date has been passed, please designate the method of receiving on the back of the receipt and send it to Stock Transfer Agency Department at Sumitomo Mitsui Trust Bank, Limited, or bring it to the head office or branch offices of the bank to receive it. Please note that distributions will not be payable after three years of the payment start date as specified by the Articles of Incorporation of NHI. If you wish to receive distributions via bank transfer, etc. in the future, please contact the securities company you are dealing with.

Notice

[Concerning Statement of Distributions]

The “Statement of Distributions” sent upon payment of distributions serves as a “Notice of Payment” required pursuant to the Act on Special Measures Concerning Taxation. The document may be used to confirm the amount of distributions after receiving, or can serve as an attachment document upon filing a tax return. Thus please make sure to keep it if you are planning to file a tax return. However, if you have selected the method of allocation of dividends in proportion to the number of shares, the amount of withholding tax will be calculated by the securities company, etc. Please confirm with the securities company you are dealing with for any attachment document required for filing a tax return.

Provision of Information via Website



In order to have unitholders deepen understanding of NHI, NHI has been putting forth effort to communicate information through its website. It provides information on the overview of the portfolio and operators as well as healthcare REIT structure. A service providing e-mail notification of news release updates and such to those registered on “IR Email Distribution Service” is also available.

NHI's website

<http://www.nippon-healthcare.co.jp/en/>

Notice on Briefing Session on Asset Management for 3rd Fiscal Period

NHI will hold a briefing session on asset management for the fiscal period ended October 2015 (3rd fiscal period).

- Date and time:** January 29, 2016 (Friday)
10:00 a.m.~ (venue opening at 9:40 a.m.)
- Venue:** 18F, GranTokyo North Tower,
1-9-1 Marunouchi,
Chiyoda-ku, Tokyo
- Presenter:** Akira Yamanouchi, President of
Daiwa Real Estate Asset
Management Co., Ltd.

III. Asset Management Report

1. Management Status and Other Performance Highlights Data

Fiscal Period		3rd Period (From May 1, 2015 To Oct. 31, 2015)	2nd Period (From Nov. 1, 2014 To Apr. 30, 2015)	1st Period (From Jan. 7, 2014 To Oct. 31, 2014)
(1) Operating Performance (Millions of yen, except per unit data or where otherwise indicated)				
Operating revenues		556	508	355
Rental revenues		556	508	355
Operating expenses		331	262	185
Property-related expenses		208	166	113
Operating income		225	246	170
Ordinary income		201	163	131
Net income		201	162	130
(2) Properties, etc. (as of end of period)				
Total assets		17,667	15,135	8,466
[period-on-period percentage changes]		[+16.7%]	[+78.8%]	[-]
Interest-bearing liabilities		8,800	6,400	5,850
Net assets		8,035	8,046	2,110
[period-on-period percentage changes]		[-0.1%]	[+281.4%]	[-]
Unitholders' capital, net	Note 3	7,835	7,884	1,980
(3) Distributions				
Total distribution amount		247	211	130
Total distribution of retained earnings		200	162	130
Total distribution in excess of retained earnings		47	49	-
Dividend payout	Note 4	100%	100%	100%
(4) Per Unit Information				
Total number of units issued (units)		60,800	60,800	19,800
Net assets per unit (yen)		132,160	132,332	106,546
Distribution per unit (yen)		4,067	3,471	6,546
Distribution amount from earnings per unit (yen)		3,299	2,661	6,546
Distribution amount in excess of earnings per unit (yen)		768	810	-
(5) Financial Indicators				
ROA	Notes 5 and 6	1.2%	1.4%	1.5%
[annual rate]		[2.4%]	[2.8%]	[2.6%]
ROE	Notes 6 and 7	2.5%	3.2%	6.1%
[annual rate]		[4.9%]	[6.4%]	[10.3%]
Capital ratio		45.5%	53.2%	24.9%
[period-on-period percentage changes]		[-7.7%]	[28.2%]	[-]
LTV (loan to value)		49.8%	42.3%	69.1%
Property leasing cash flows (NOI)	Note 8	499	479	336
(6) Other Referential Information				
Number of investment properties		17	14	8
Number of tenants	Note 9	17	14	8
Total rentable area (m ²)		57,173.22	46,142.60	27,793.71
Occupancy rate	Note 10	100.0%	100.0%	100.00%
Depreciation		152	138	94
Capital expenditures		2	0	1

(Note 1) The Fund has two fiscal periods per year, a six months period from May 1 to October 31, and November 1 to April 30 of the following year. However, the first fiscal period of the Fund is from the date of incorporation (January 7, 2014) to the end of October 2014.

(Note 2) Operating revenues, etc. do not include consumption taxes, etc.

(Note 3) The indicated amounts are unitholders' equity less deduction amount of unitholders' equity.

(Note 4) Since issuance of new investment units was implemented, dividend payout ratios for the 1st and 2nd fiscal periods are calculated using the following formula.

Dividend payout: $[\text{Total distribution amount (excluding distribution in excess of earnings)} \div \text{Net income}] \times 100$

(Note 5) ROA: $\text{Ordinary income} \div [(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2] \times 100$

(Note 6) Figures for the 1st Fiscal Period are the annualized figures calculated based on 218 days of management, which is from the date of commencement of actual management on March 28, 2014 to October 31, 2014. Figures for the 2nd Fiscal Period and 3rd Fiscal Period are the annualized figures calculated based on 181 days and 184 days of management, respectively.

ROA and ROE for the 1st Fiscal Period are calculated based on total assets at end of period and net assets at end of period, respectively.

(Note 7) ROE: $\text{Net income} \div [(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2] \times 100$

(Note 8) Property leasing cash flows (NOI): $\text{Rental revenues} - \text{Property-related expenses} + \text{Depreciation}$

(Note 9) Number of tenants is the total number of end tenants.

(Note 10) Occupancy rate: $\text{Total leased area} \div \text{Total rentable area} \times 100$

2. Developments in Asset Management in the Fiscal Period under Review

(1) Brief History of the Investment Corporation

Nippon Healthcare Investment Corporation (hereinafter referred to as “NHI”) was incorporated on January 7, 2014 under 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 incorporation, NHI conducted 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 accumulating a track record for roughly seven months after the start of asset management, in the previous fiscal period, NHI conducted a public offering through the issuance of an additional 39,000 investment units on November 4, 2014. On the following day, NHI made additional acquisitions of six properties concurrently with the listing on the REIT Securities Section of the Tokyo Stock Exchange (the “TSE”) (Securities code: 3308). In the 3rd Fiscal Period, NHI made additional acquisitions of three properties with borrowing 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.

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

(3) Overview of Capital Procurement

(A) Procurement of Funds for Acquisitions

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

- (a) A total of 1,500 million yen was borrowed from Mizuho Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and The Musashino Bank, Ltd. on June 1, 2015 to fund the acquisition of new properties (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami) acquired on the same day.
- (b) A total of 900 million yen was borrowed from Resona Bank, Ltd. and Shinkin Central Bank on October 15, 2015 to fund the acquisition of a new property (Silver Heights Hitsujigaoka No.3) acquired on the same day.

(B) Status of Interest-Bearing Liabilities

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 loans in a total amount of 2,400 million yen for the purpose of hedging the risk of interest rate fluctuations.

(4) Capital Expenditures During the Fiscal Period under Review

The following summarizes the main construction work that constitutes capital expenditures conducted during the 3rd Fiscal Period. Capital expenditures for the 3rd 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 Property (location)	Purpose	Period	Expenditure (thousands of 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 SagamiharaChuo (Sagamihara-shi, Kanagawa)	Replacement of air-conditioning panel, compressor, etc.	From: July 2015 To: August 2015	435
Other		From: May 2015 To: October 2015	449
Total			2,078

(5) Overview of Financial Performance and Distributions

As a result of the management described above, NHI posted financial performance for the 3rd Fiscal Period of 556 million yen in operating revenue, 225 million yen in operating income, 201 million yen in ordinary income and 201 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 uninterruptedly 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 152 million yen in depreciation for the 3rd Fiscal Period, as reimbursement of investments in capital. Accordingly, NHI declared a distribution amount in excess of earnings per unit of 768 yen.

(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.).

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 25 million yen.

3. Future Management Policy and Tasks

(1) 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 2014," and in terms of the population aged 65 years or over at 34 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.

(2) 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.

(a) 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.

(b) 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.

(c) 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) Investment Strategy for New Properties

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 adviser.

(a) 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.

(b) 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.

(c) 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 (fiscal period ended October 2015), NHI acquired two properties (Minna-no-ie Omiya Yoshinocho and Minna-no-ie Chuo-ku En'nami; sum total of acquisition price: 1,578 million yen) on June 1, 2015 and one property (Silver Heights Hitsujioka No.3; acquisition price: 1,200 million yen) on October 15, 2015 for a total of two properties (sum total of acquisition price: 2,778 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; sum total of acquisition price: 2,550 million yen) as stated later in this document in "VIII. Notes to Financial Statements – Note 18 – Significant Subsequent Events" on November 24, 2015.

(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.

(a) 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.

(b) 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, borrowing 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 the balance of interest rate trends, market level, financial agility and security, lender composition and other factors.

In order to reduce the risk of interest rate fluctuations 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.

(c) 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 implementing 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.

(D) Schedule of Capital Expenditures

Not applicable.

IV. Balance Sheets

As of October 31, 2015 and April 30, 2015

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Assets		
Current Assets:		
Cash and cash equivalents [Notes 3, 4 and 5]	965,199	1,321,520
Consumption tax refundable	2,069	3,141
Prepaid expenses	19,142	11,276
Deferred tax assets [Note 13]	14	14
Other current assets	874	-
Total Current Assets	987,298	1,335,951
Investment Properties, at cost: [Notes 4, 6 and 7]		
Land in trust accounts	6,504,957	5,185,156
Buildings and structures in trust accounts	10,474,057	8,766,759
Tools, furniture and fixtures in trust accounts	1,325	-
Construction in progress including trust accounts	1,910	1,674
Less: accumulated depreciation	(383,629)	(231,852)
Leasehold rights in trust accounts	40,886	40,886
Total Investment Properties, net	16,639,506	13,762,623
Other Assets:		
Right of trademark	188	199
Software	2,952	3,320
Lease and guarantee deposits in trust	10,000	10,000
Long-term prepaid expenses	26,636	22,761
Total Other Assets	39,776	36,280
Total Assets	17,666,580	15,134,854

The accompanying notes are an integral part of these financial statements.

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Liabilities		
Current Liabilities:		
Operating accounts payable	16,385	9,573
Accounts payable – other	98,115	44,911
Income taxes payable	896	900
Rent received in advance	69,127	54,035
Deposits received	598	513
Other current liabilities	870	-
Total Current Liabilities	185,991	109,932
Long-Term Liabilities:		
Long-term debt [Notes 4, 5 and 10]	8,800,000	6,400,000
Tenant security deposits [Note 5]	645,231	579,123
Total Long-Term Liabilities	9,445,231	6,979,123
Total Liabilities	9,631,222	7,089,055
Net Assets [Notes 9 and 14]		
Unitholders' Equity:		
Unitholders' capital	7,884,000	7,884,000
Deduction from unitholders' capital	(49,248)	-
Unitholders' capital, net	7,834,752	7,884,000
Units authorized: 10,000,000 units		
Units issued and outstanding: 60,800 units		
Retained earnings	200,606	161,799
Total Unitholders' Equity	8,035,358	8,045,799
Total Net Assets	8,035,358	8,045,799
Total Liabilities and Net Assets	17,666,580	15,134,854

The accompanying notes are an integral part of these financial statements.

V. Statements of Income

For the six months ended October 31, 2015 and April 30, 2015

(Thousands of yen)

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
Operating Revenues and Expenses		
Operating Revenues:		
Rental revenues [Note 8]	555,589	507,643
Total Operating Revenues	555,589	507,643
Operating Expenses:		
Property-related expenses [Note 8]	208,266	166,036
Asset management fees	49,037	40,652
Asset custody fees	554	545
Administrative service fees	8,163	5,551
Trust fees	4,909	4,368
Directors' compensation	3,600	3,600
Audit fees	4,400	3,000
Other operating expenses	51,729	37,901
Total Operating Expenses	330,658	261,653
Operating Income	224,931	245,990
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	26	40
Other non-operating revenues	4	8
Total Non-Operating Revenues	30	48
Non-Operating Expenses:		
Interest expense	18,013	14,435
Borrowing expenses	5,391	26,570
New Investment units issuance costs	-	42,340
Other non-operating expenses	61	-
Total Non-Operating Expenses	23,465	83,345
Ordinary Income	201,496	162,693
Income Before Income Taxes	201,496	162,693
Income taxes – current	901	908
Income taxes – deferred	(0)	6
Total Income Taxes [Note 13]	901	914
Net Income [Note 14]	200,595	161,779
Retained Earnings Brought Forward	11	20
Retained Earnings at End of Period	200,606	161,799

The accompanying notes are an integral part of these financial statements.

VI. Statements of Changes in Net Assets

For the six months ended October 31, 2015

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from unitholders' capital	Unitholders' Capital, net	Retained Earnings	Total
Balance as of April 30, 2015	60,800	7,884,000	-	7,884,000	161,799	8,045,799
Distributions in excess of retained earnings	-	-	(49,248)	(49,248)	-	(49,248)
Distributions of earnings	-	-	-	-	(161,788)	(161,788)
Net income	-	-	-	-	200,595	200,595
Balance as of October 31, 2015	60,800	7,884,000	(49,248)	7,834,752	200,606	8,035,358

For the six months ended April 30, 2015

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from unitholders' capital	Unitholders' Capital, net	Retained Earnings	Total
Balance as of October 31, 2014	19,800	1,980,000	-	1,980,000	129,631	2,109,631
Issuance of new investment units	41,000	5,904,000	-	5,904,000	-	5,904,000
Distributions of earnings	-	-	-	-	(129,611)	(129,611)
Net income	-	-	-	-	161,779	161,779
Balance as of April 30, 2015	60,800	7,884,000	-	7,884,000	161,799	8,045,799

The accompanying notes are an integral part of these financial statements.

VII. Statements of Cash Flows

For the six months ended October 31, 2015 and April 30, 2015

(Thousands of yen)

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
Cash Flows from Operating Activities:		
Income before income taxes	201,496	162,693
Depreciation and amortization	152,155	138,003
New investment units issuance costs	-	42,340
Interest expense	18,013	14,435
Increase (Decrease) in accounts payable	37,256	10,961
Increase (Decrease) in rent received in advance	15,092	16,071
Cash payments of interest expense	(17,902)	(14,435)
(Increase) Decrease in consumption taxes refundable	1,072	414
Other, net	(11,724)	(6,635)
Net Cash Provided by Operating Activities	395,458	363,847
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	(3,007,609)	(6,387,762)
Payments for purchases of intangible assets	-	(3,671)
Proceeds from tenant security deposits	66,108	160,798
Net Cash Used in Investing Activities	(2,941,501)	(6,230,635)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	-	300,000
Repayment of short-term debt	-	(300,000)
Proceeds from long-term debt	2,400,000	6,400,000
Repayments of long-term debt	-	(5,850,000)
Proceeds from issuance of new investment units	-	5,861,660
Payments of distributions of earnings	(161,240)	(129,611)
Payments of distributions in excess of retained earnings	(49,038)	-
Net Cash Provided by Financing Activities	2,189,722	6,282,049
Net Change in Cash and Cash Equivalents	(356,321)	415,261
Cash and Cash Equivalents at Beginning of Period	1,321,520	906,259
Cash and Cash Equivalents at End of Period (Note 3)	965,199	1,321,520

The accompanying notes are an integral part of these financial statements.

VIII. Notes to Financial Statements

For the six months ended October 31, 2015 and April 30, 2015

Note 1 – Organization and Basis of Presentation

Organization

Nippon Healthcare Investment Corporation (hereinafter referred to as “NHI”) was established on January 7, 2014 as an investment corporation under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the “Investment Trust Act”) by the founder (Daiwa Real Estate Asset Management (hereinafter referred to as “DREAM”).

NHI is an externally managed real estate fund, established as an investment corporation. DREAM, as NHI’s asset management company, is engaged in acquiring, managing, leasing, and renovating healthcare facilities. Daiwa Securities Group Inc. currently owns 100% of DREAM.

On November 4, 2014, NHI had raised 5,616,000 thousand yen through an initial public offering of units. Those units were listed on the J-REIT section of the Tokyo Stock Exchange.

As of October 31, 2015, NHI had trust beneficiary interests in 17 healthcare facilities with approximately 57,173 square meters of healthcare facilities space and had leased space to 17 tenants. The occupancy rate for the healthcare facilities was 100%

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act, the Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements have been reformatted and translated into English from the financial statements of NHI prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, relevant notes have been expanded and certain reclassifications have been made from the Japanese GAAP financial statements. Certain supplementary information included in the statutory Japanese GAAP financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

NHI maintains its accounting records in Japanese yen.

Note 2 – Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of acquisition.

Investment Properties

Investment properties are recorded at cost, which includes the allocated purchase price, related costs and expenses for acquisition of the properties. Property and equipment balances are depreciated using the straight-line method over the estimated useful lives. The estimated useful lives of the principal tangible fixed assets (including assets held in trust) are as follows:

	As of October 31, 2015	As of April 30, 2015
Buildings and structures	4-58 years	4-56 years
Tools, furniture and fixtures	6 years	-

Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value of a property or prolong its useful life are expensed as incurred.

New Investment Units Issuance Costs

The issuance costs of investment units are expensed when incurred.

Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred taxes.

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NHI capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to 6,877 thousand yen for the six months ended October 31, 2015 and 3,564 thousand yen for the six months ended April 30, 2015.

Consumption Taxes

Consumption taxes are excluded from the transaction amount.

Non-deductible consumption taxes on acquisition of assets are included in the acquisition costs of the relevant asset.

Hedge Accounting

NHI conducts derivative transactions in order to hedge against risks defined in its Articles of Incorporation based on its risk management policy. NHI utilizes derivative financial instruments such as interest-rate swap agreements only for the purpose of hedging its exposure to changes in interest rates. NHI deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap agreements because its interest-rate agreements met the criteria for deferral hedging accounting.

However, NHI applies special treatment to the interest-rate swap agreements that meet the criteria for such special treatment. Under the special treatment, interest-rate swaps are not remeasured at fair value; instead, the net amount paid or received under the interest-rate swap agreements is recognized and included in interest expense. The hedge effectiveness for interest-rate swap agreements is assessed each fiscal period except for those that meet the criteria of special treatment.

Revenue Recognition

Operating revenues consist of fixed rental revenues, which are recognized on an accrual basis over the life of each lease.

Accounting Treatment of Beneficiary Interests in Trust Assets Including Real Estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheet and income statement accounts.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents stated on the accompanying balance sheets and statements of cash flows as of October 31, 2015 and April 30, 2015 consisted of the following:

	As of October 31, 2015	As of April 30, 2015
Cash and deposits	550,649	964,475
Cash and deposits in trust	414,550	357,045
Cash and cash equivalents	965,199	1,321,520

Note 4 – Pledged Assets and Secured Liabilities

The carrying amount of assets pledged as collateral and the secured liabilities as of October 31, 2015 and April 30, 2015 were as follows:

	As of October 31, 2015	As of April 30, 2015
Assets pledged:		
Cash and cash equivalents	414,550	357,045
Land in trust accounts	6,504,957	5,185,156
Buildings and structures in trust accounts	10,090,461	8,534,907
Tools, furniture and fixtures in trust accounts	1,292	-
Leasehold rights in trust accounts	40,886	40,886
Total	17,052,146	14,117,994
Secured liabilities:		
Long-term debt	8,800,000	6,400,000
Total	8,800,000	6,400,000

Note 5 – Financial Instruments

(For the six months ended October 31, 2015 and April 30, 2015)

(1) Status of Financial Instruments

(A) Policy for financial instruments

NHI procures funds through various financing methods (such as borrowings, issuance of investment units) for acquisition and renovation of investment properties, payments of dividends and reimbursement of bank borrowings.

In financing through interest-bearing debt, to secure stable financing capacity and reduce future risk of rising interests, NHI secures long-term fixed-rate borrowings with well-diversified maturities.

NHI manages surplus funds with safe and highly liquid money claims and securities (in principle, deposits).

Derivative transactions are conducted only for the purpose of reducing risk of future interest rate fluctuations.

(B) Types and risks of financial instruments and related risk management system

Proceeds from debt financing are used mainly for acquisition of investment properties. While these debts are exposed to liquidity risk upon repayment, NHI manages the risk by maintaining the LTV ratio at low levels, diversifying maturities, keeping the ratio of long-term debt to total debt at high levels, and diversifying lenders with particular focus on domestic financial institutions. Bank borrowings with floating interest rates are exposed to the risk of future interest rate fluctuations and NHI manages that by using derivative transactions such as interest-rate swap agreements. Furthermore, in order to reduce financing risks at the time of property acquisitions with forward commitment, etc., NHI utilizes commitment-type term loans.

NHI evaluates the effectiveness of hedges by comparing the accumulated cash-flow changes of hedged items and that of hedging items, and then verifies the ratio of both amounts of changes. Furthermore, NHI omits assessment of hedge effectiveness for the interest-rate swap agreements which meet the criteria of special treatment. Execution and management of derivative transactions have been carried out based on the regulations defined in the basic policy of risk management.

Tenant security deposits represent funds deposited by tenants, and NHI is exposed to the risk of refunding deposits in the event that a tenant terminates the contract. However, such risk is limited by reserving some parts of the funds.

Deposits are used for investing NHI's surplus funds. These deposits are exposed to credit risks such as bankruptcy of the depository financial institutions. NHI manages credit risk by restricting the tenor of the deposit relatively short and setting a minimum credit rating requirement for the depository financial institutions.

(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 different assumptions are used. Also, the contractual amounts of derivative transactions do not represent the market risk involved in these derivative transactions.

(2) Estimated Fair Value of Financial Instruments

The book value, fair value and difference between the two as of October 31, 2015 and April 30, 2015 are as follows. The financial instruments whose fair value is extremely difficult to estimate are excluded from the following table.

(As of October 31, 2015)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	965,199	965,199	–
Total	965,199	965,199	–
Long-term debt	8,800,000	8,789,863	(10,137)
Total	8,800,000	8,789,863	(10,137)
Derivative transactions	–	–	–

(As of April 30, 2015)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	1,321,520	1,321,520	–
Total	1,321,520	1,321,520	–
Long-term debt	6,400,000	6,375,873	(24,127)
Total	6,400,000	6,375,873	(24,127)
Derivative transactions	–	–	–

Notes:

1. Methods to estimate fair value of financial instruments and derivative transactions

Assets

(1) Cash and cash equivalents

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

Liabilities

(1) Long-term debt

For long-term debt with floating interest rates, their fair value and book value are nearly identical and there are no significant changes in NHI's credit risk after borrowing. Therefore, for these items, their book value is assumed as their fair value. For long-term debt with fixed interest rates, their fair value is based on the present value of principle and interest cash flows discounted at the current interest rate estimated to be applied if similar new debt is entered into. However, the fair value of certain floating-rate long term debt that qualifies for the special treatment of interest-rate swaps is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swaps.

Derivative Transactions

(1) Derivatives to which hedge accounting is applied

(As of October 31, 2015)

(Thousands of yen)

Method of Hedge Accounting	Type of Derivative Transactions	Hedged Items	Contract Amount (due after one year)	Fair Value(*)
Special treatment for interest rate swap transactions	Interest rate swap transactions Receive floating and pay fixed	Long-term debt	7,800,000 (7,800,000)	–(**)
Total			7,800,000 (7,800,000)	–

(As of April 30, 2015)

(Thousands of yen)

Method of Hedge Accounting	Type of Derivative Transactions	Hedged Items	Contract Amount (due after one year)	Fair Value(*)
Special treatment for interest rate swap transactions	Interest rate swap transactions Receive floating and pay fixed	Long-term debt	5,400,000 (5,400,000)	–(**)
Total			5,400,000 (5,400,000)	–

*The fair value is provided by the financial institution.

**The values of derivatives qualifying for special treatment of interest rate swap transactions are included in that of related long-term debt. This is because such swaps are handled together with hedged long-term debt.

2. Financial instruments whose fair value is extremely difficult to estimate.

Tenant security deposits including trust accounts (with a book value of 645,231 thousand yen as of October 31, 2015 and 579,123 thousand yen as of April 30, 2015) that have been deposited from tenants are not marketable and the actual deposit period 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.

3. Redemption schedule for money claims

(As of October 31, 2015)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and cash equivalents	965,199	–	–	–	–	–
Total	965,199	–	–	–	–	–

(As of April 30, 2015)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and cash equivalents	1,321,520	–	–	–	–	–
Total	1,321,520	–	–	–	–	–

4. Redemption schedule for long-term debt

(As of October 31, 2015)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term debt	–	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	–

(As of April 30, 2015)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term debt	–	–	1,800,000	1,700,000	2,900,000	–
Total	–	–	1,800,000	1,700,000	2,900,000	–

Note 6 – Schedule of Tangible Fixed Assets of Investment Properties

Investment properties as of October 31, 2015 and April 30, 2015 consisted of the following:

(Thousands of yen)

	As of October 31, 2015			As of April 30, 2015		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land in trust accounts	6,504,957	–	6,504,957	5,185,156	–	5,185,156
Buildings and structures in trust accounts	10,474,057	(383,596)	10,090,461	8,766,759	(231,852)	8,534,907
Tools, furniture and fixtures in trust accounts	1,325	(33)	1,292	–	–	–
Construction in progress including trust accounts	1,910	–	1,910	1,674	–	1,674
Total	16,982,249	(383,629)	16,598,620	13,953,589	(231,852)	13,721,737

Note 7 – 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 book value, net change in the book value and the fair value of the investment and rental properties are as follows:

(For the six months ended October 31, 2015)

(Thousands of yen)

Book Value			Fair value as of October 31, 2015
As of April 30, 2015	Change during the period(*1)	As of October 31, 2015	
13,760,949	2,876,647	16,637,596	20,410,000

(For the six months ended April 30, 2015)

(Thousands of yen)

Book Value			Fair value as of April 30, 2015
As of October 31, 2014	Change during the period(*2)	As of April 30, 2015	
7,517,514	6,243,435	13,760,949	16,462,000

(Note 1) The book value represents the acquisition costs less accumulated depreciation.

(Note 2) Significant changes

(*1) For the six months ended October 31, 2015, the major reason of increase is acquisition of three properties (2,778,000 thousand yen). The major reason of decrease is depreciation (151,777 thousand yen).

(*2) For the six months ended April 30, 2015, 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).

(Note 3) The fair values as of October 31, 2015 and April 30, 2015 represent the sum of appraisal values estimated by external real estate appraisers.

Income and loss from investment and rental properties for the six months ended October 31, 2015 and April 30, 2015 are disclosed in Note 8.

Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended October 31, 2015 and April 30, 2015 were as follows:

(Thousands of yen)

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
A. Revenues from property leasing		
Rental revenues	555,589	507,643
Total revenues from property leasing	555,589	507,643
B. Property-related expenses		
Consignment expenses	9,821	8,878
Taxes and dues	30,608	9,521
Non-life insurance expenses	1,185	1,540
Repair expenses	13,675	7,083
Depreciation	151,777	137,640
Leasehold fees	1,200	1,200
Other property-related expenses	-	174
Total property-related expenses	208,266	166,036
C. Operating income from property leasing [A – B]	347,323	341,607

Note 9 – Net Assets

NHI issues only non-par value units in accordance with the Investment Trust Act and all of the issue prices of new units are designated as stated capital. NHI maintains at least 50,000 thousand yen as the minimum amount of net assets, as required by the Investment Trust Act.

Note 10 – Long-Term Debt

Long-term debt as of October 31, 2015 and April 30, 2015 consisted of the following:

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Secured loans due 2017 to 2020, principally from banks and insurance companies with interest rates mainly ranging from 0.3% to 0.5%	8,800,000	6,400,000
Total	8,800,000	6,400,000

[Note] The interest rate presented is the spot rate as of October 31, 2015. As for long-term debts which were hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used.

The annual maturities of long-term debt as of October 31, 2015 were as follows:

(Thousands of yen)

Due within one year	-
Due after one to two years	1,800,000
Due after two to three years	2,100,000
Due after three to four years	2,900,000
Due after four to five years	2,000,000
Due after five years	-

Note 11 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2015 and April 30, 2015 were as follows:

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Due within one year	1,162,805	1,022,633
Due after one year	11,845,138	11,335,655
Total	13,007,943	12,358,288

Note 12 – Commitment-Type Term Loans

NHI has entered into credit facilities in the form of commitment-type term loan agreements with one bank as of October 31, 2015 as follows:

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Total amount of commitment-type term loans	1,200,000	-
Borrowing execution balance	-	-
Net unused balance	1,200,000	-

Note 13 – Income Taxes

NHI is subject to income taxes in Japan. The effective tax rate on NHI's income based on applicable Japanese tax law was estimated as 0.45% for the six months ended October 31, 2015 and 0.56% for the six months ended April 30, 2015. The following table summarizes the significant differences between the statutory tax rates and NHI's effective tax rates for financial statement purposes.

(Thousands of yen)

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
Statutory tax rate	32.31%	34.15%
Deductible dividends	(32.16)	(33.96)
Others	0.30	0.37
Effective tax rate	0.45%	0.56%

NHI was established as an investment corporation under the Investment Trust Act, and as long as an investment corporation distributes to its unitholders at least 90% of earnings available for dividends for a period and other requirements prescribed in the Special Taxation Measures Law of Japan are met, the investment corporation is allowed to deduct the total amount of dividends, excluding distribution in excess of earnings, in calculating its taxable income under Japanese tax regulations.

The significant components of deferred tax assets and liabilities as of October 31, 2015 and April 30, 2015 were as follows:

(Thousands of yen)

	As of October 31, 2015	As of April 30, 2015
Deferred tax assets:		
Accrued enterprise tax	14	14
Total deferred tax assets	14	14
Net deferred tax assets	14	14

Note 14 – Per Unit Information

Information about net assets per unit and net income per unit as of October 31, 2015 and April 30, 2015 and for the periods then ended were as follows. The computation of net income per unit is based on the daily weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at each period end.

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
Net assets at period end per unit	132,160yen	132,332 yen
Net income per unit	3,299yen	2,705 yen

Net income per unit is calculated by dividing the net income by the daily weighted average number of investment units issued and outstanding. The diluted net income per unit is not stated as there are no diluted investment units.

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

	For the six months ended October 31, 2015	For the six months ended April 30, 2015
Net income (thousands of yen)	200,595	161,779
Amount not available to ordinary unitholders (thousands of yen)	–	–
Net income available to ordinary unitholders (thousands of yen)	200,595	161,779
Average number of units during the period (units)	60,800	59,800

Note 15 – Distribution

In accordance with the cash distribution policy described in Article 33-1-1 of the Articles of Incorporation of NHI, NHI determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its earnings as the maximum amount. Following this policy, NHI has decided that it shall distribute 200,579,200 yen for the fiscal period ended October 2015, which is the maximum integral multiple to 60,800 units issued and outstanding as the distribution of earnings, and 161,788,800 yen for the fiscal period ended April 2015, which is the maximum integral multiple to 60,800 units. In addition, NHI will continue to make distributions in excess of earnings (refund of capital contribution to unitholders) every period in accordance with the cash distribution policy described in Article 33-1-2 of the Articles of Incorporation of NHI. Based on the policy, NHI has decided that it shall distribute 46,694,400 yen, which is calculated as the approximate equivalent of 31% of 151,776,702 yen of the depreciation amount posted for the fiscal period ended October 2015, as distributions in excess of earnings (refund of capital contribution to unitholders) and 49,248,000 yen for the fiscal period ended April 2015, which is calculated as the approximate equivalent of 36% of 137,640,283 yen of the depreciation amount posted for the fiscal period ended April 2015.

(yen)

	For the six months ended October 31, 2015		For the six months ended April 30, 2015	
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	200,605,559		161,798,905	
Distributions in excess of retained earnings Deduction from unit holders' capital	46,694,400		49,248,000	
Distributions				
Distributions of retained earnings	200,579,200	3,299	161,788,800	2,661
Distributions in excess of retained earnings	46,694,400	768	49,248,000	810
Total distributions	247,273,600	4,067	211,036,800	3,471
Retained earnings brought forward	26,359		10,105	

Note 16 – Transactions with Related Parties

(For the six months ended October 31, 2015)

No related-party transaction was entered into for the six months ended October 31, 2015

(For the six months ended April 30, 2015)

Classification	Major unitholder, interested party
Name of company, etc.	Daiwa Securities Group Inc.
Business description	Holding company
Percentage of voting rights, etc. held by related party (held in NHI)	10.00% directly held in NHI 1.65% indirectly held in NHI
Nature of transaction	Subscription of investment units (Note)
Amount of transaction (thousands of yen)	912,000
Account	–
Balance at end of period (thousands of yen)	–

Consumption taxes are not included in transaction amounts.

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

Note 17 – Segment Information

For the six months ended October 31, 2015 and April 30, 2015

Segment Information

Segment information has been omitted as NHI has only one segment, which is the property leasing business.

Related Information

Information about Products and Services

Disclosure of this information has been omitted as operating revenues to external customers for a single product/service category account for more than 90% of the operating revenues on the statements of income and retained earnings.

Information about Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as domestic operating revenues account for more than 90% of total operating revenues.

(2) Investment properties

Disclosure of this information has been omitted as domestic investment properties account for more than 90% of the book value of the total investment properties.

Information about Major Tenants

Disclosure of this information has been omitted as there is no tenant that accounts for 10% or more of the operating revenues recorded in the statements of income and retained earnings.

Note 18 – Significant Subsequent Events

(1) Issuance of New Investment Units

At the meetings of the board of directors held on October 29, 2015 and November 10, 2015, NHI resolved on the issuances of new investment units as described below. The payments for the issues were completed on November 17, 2015 and December 16, 2015, respectively.

a. Issuance of new investment units through public offering (primary offering)

(i) Number of investment units issued	12,130 units
(ii) Paid-in amount (issue price)	189,440 yen per unit
(iii) Total paid-in amount (total issue price)	2,297,907,200 yen
(iv) Payment date	November 17, 2015
(v) Use of the proceeds	To use for acquisition of the specified assets described in “(2) Acquisition of Assets,” below as well as the various expenses associated with the acquisitions

b. Issuance of new investment units through third-party allotment

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

(2) Acquisition of Assets

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

Overview of acquired asset /Property name	Alpha Living Okayama Nishigawa Ryokudokoen	Alpha Living Okayama Korakuen	Alpha Living Takamatsu Ekimae	Alpha Living Takamatsu Hyakkenmachi
Type of asset acquired	Trust beneficiary interests in real estate			
Type of facility	Residential-type fee-based homes for the elderly	Residential-type fee-based homes for the elderly	Residential-type fee-based homes for the elderly	Elderly housing with supportive services
Location	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
Acquisition price	730 million yen (excluding acquisition-related costs, consumption tax, etc.)	610 million yen (excluding acquisition-related costs, consumption tax, etc.)	605 million yen (excluding acquisition-related costs, consumption tax, etc.)	605 million yen (excluding acquisition-related costs, consumption tax, etc.)
Date of delivery	November 24, 2015			
Seller	DA Healthcare Alpha LLC			
Lessee	Anabuki Medical Care Inc.			

(3) Borrowing of Funds

NHI concluded the following commitment-type term loan contract on October 29, 2015 and borrowing of funds on November 24, 2015. The loans are for use as the funds for acquisition of the new properties stated above in “(2) Acquisition of Assets,” as well as the various expenses associated with the acquisitions.

Lender	Mizuho Bank, Ltd.
Date of loan	November 24, 2015
Balance (thousands of yen)	900,000
Interest rate	1 month Japanese Yen TIBOR +0.30% (Note)
Date of maturity	May 24, 2016
Repayment method	Bullet payment
Notes	Secured

(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.

Independent Auditor's Report

To the Board of Directors of
Nippon Healthcare Investment Corporation

We have audited the accompanying financial statements of Nippon Healthcare Investment Corporation (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at October 31, 2015 and April 30, 2015, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Healthcare Investment Corporation as at October 31, 2015 and April 30, 2015 and their financial performance and cash flows for each of the six months periods then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 18 to the financial statements, which states issuance of new investment units, acquisition of assets and borrowing of funds.

KPMG AZSA LLC

January 20, 2016
Tokyo, Japan

Industry-Academia-Government Partnership Project



At the signing ceremony.

From left: Dr. Toyoki Kunitake, President of Kitakyushu Foundation for the Advancement of Industry, Science and Technology; Fumiharu Uchiyama, President and Representative Director of Uchiyama Holdings Co., Ltd.; and Dr. Tatsuji Nishihara, Chair of the Board of Directors and President of Kyushu Dental University

Partnership agreement with Kyushu Dental University

Uchiyama Holdings Co., Ltd. signed an industry-academia-government partnership agreement with Kyushu Dental University and Kitakyushu Foundation for the Advancement of Industry, Science and Technology on October 20, 2014. This partnership agreement is part of the initiatives taken by **Kitakyushu Medical, Dental and Engineering Collaborative Study Group** and aims to provide higher quality services in oral care as well as to improve quality of life (QOL)

Fields of cooperation:

- (1) Conducting joint research and exchanging researchers and engineers associated with the research
- (2) Providing internship opportunities at nursing care facilities to students of Kyushu Dental University
- (3) Providing research opportunities at Kyushu Dental University to employees of nursing care facilities
- (4) Other cooperation and support for activities which promote partnership

In order to further promote the initiative, an endowed course for learning how to support the elderly was launched at Kyushu Dental University in April 2015. Upholding “Creating a society where every person can continue eating, talking and laughing” as the course’s vision, it aims to improve the types of food customers eat by cultivating care workers with the knowledge of oral care and providing adequate oral care at nursing care facilities.



Participation in Kyushu University’s “Support project for reinforcement of university, etc. seeds and needs creation (COI vision dialogue program)”

Led by Yasuyuki Hirai, associate professor at the faculty of design of the Kyushu University, Uchiyama Holdings Co., Ltd. and Kitakyushu Foundation for the Advancement of Industry, Science and Technology participated in “**Social inclusion COI from the Elderly’s viewpoint**” of “**Support project for reinforcement of university, etc. seeds and needs creation (COI vision dialogue program)**,” for which Kyushu University was chosen to conduct.

*COI = Center of Innovation

Four workshops using “design thinking” were held in fiscal 2014 with Associate Professor Yasuyuki Hirai of the Kyushu University playing a central role. At the workshops, ideas were brainstormed under the theme of “Would be nice to have nursing care facilities like this,” and a number of unique designs were suggested. Five prototypes were created through these workshops.



What is Sawayaka Club like?

A facility guide tool for residents to ease anxiety of entering the facility

Life Map

A tool to open customers’ minds by illustrating their past and future

With-Family Program

A tool to support actions to achieve goals with the families



Image Cards

A tool (sets of photographs) to draw out conversation by evoking memories of events, things and relationships with other people

Guinness-teki Book

A tool to draw special skills from customers to motivate them



Message from President

People's smiles and joy are the driving force of my life and business



Fumiharu Uchiyama

President and Representative Director

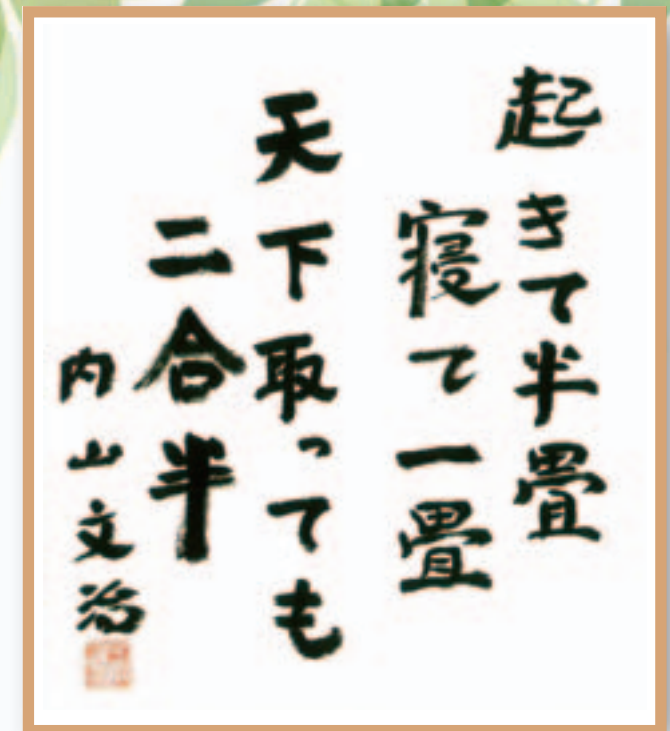
I was four years old when World War II ended. After the war was a period of poverty with everything burnt to the ground and nothing to eat or wear. I used to ask occupation American soldiers to “give me chocolate” as snacks. When I shared them with neighbors’ children and my siblings instead of eating them all by myself, their faces would light up with big smiles.

Giving people something without expecting a reward will surely make them happy, and that, in return, gives me the power to take action – The smiles I saw on their faces inspired the basis of my life of “wanting people to be happy” and of myself as a business manager.

Uchiyama Holdings Co., Ltd., which has Sawayaka Club Co., Ltd. as its affiliate, mainly develops business in nursing care, karaoke and restaurants. Currently, consolidated sales stands at around 25 billion yen. Having listed on the first section of the Tokyo Stock Exchange in September 2014, our future vision includes a focus on opening new shops in the Tokyo metropolitan area, particularly in central Tokyo. Having said this, however, the start of my career as a business man was not under fortunate or ideal circumstances. Just as I turned 20, my father, who was running a rice shop, suddenly fell ill and I had to take over the business.

I set my mind on thinking that “If I am going to do it, I want to be the number one rice merchant” and “I will do work that will make people happy,” and then worked hard. When I was reaching my late 20s, a turning point came. First, our branch store and then our main store became subject to governmental land acquisition for constructing roads. I purchased land with the money I received and soon the land prices nearly doubled, partly due to high economic growth that Japan was experiencing. Encouraged by this incident, I decided to switch to the real estate business and founded Uchiyama Building Co., Ltd. (currently Uchiyama Holdings Co., Ltd.) in 1971 at the age of 30, making a full-fledged entry to the rental building business.

Helped by the strong economy, my real estate business steadily grew and I entered the restaurant/karaoke business utilizing vacated shops in 1991. However, I thought just “singing” would not please families, so I focused on the food and drinks when I opened our first “Croquette Club”



in Kurosaki, Kitakyushu City. We installed a glass-walled open kitchen and clean restrooms. Furthermore, we were the first in Japan to start providing around-the-clock service.

However, we continued to be in the red even after six months of operation and were unable to gain any profits. We were almost forced to consider possible withdrawal from the business, but then I realized that I couldn't just give up. I once again went back to the fundamentals, remembering that the top priority lies in making customers smile and happy, and continued to make dedicated efforts and improvements. Through such experiences, a proverb sank in as my guide in life. It is; “Half a tatami mat for standing up, a single tatami mat for sleeping. Two and a half bowls of rice, even if you conquer the nation,” meaning there is only so much that you can have as luxuries and desiring more than what is needed, will only make you feel empty.

Based on this teaching, I donated my personal wealth of about 200 million yen to establish the social welfare corporation Hakkenkai in 1998 after overcoming the crisis following the collapse of the bubble economy. Capitalizing on the knowhow gained at Hakkenkai, we, as Uchiyama Building Co., Ltd., made a full-scale entry into the elderly nursing care business in 2003. The nursing care business is what we are focusing on at the moment. We call it “the ultimate service business” since it is appreciated by residents, their families and also by people in the community, as well as looking after people's lives.

Since Japan has one of the world's highest proportions of the elderly, I have a sense of mission to quickly develop a nursing care system so that people can be happy living a meaningful life to the very end. I also think that if people forget what we owe to the elderly who worked so hard after the war to rebuild this country from scratch and do not take good care of them, this country will go into decline.

Another one of my favorite sayings is a Native American Indian proverb; “When you were born, you cried and the world rejoiced. Live your life so that when you die, the world cries and you rejoice.” My hope is to see as many people as possible lead such a happy life. To that end, I will continue to work, with all my heart, on this business that can bring joy to people.

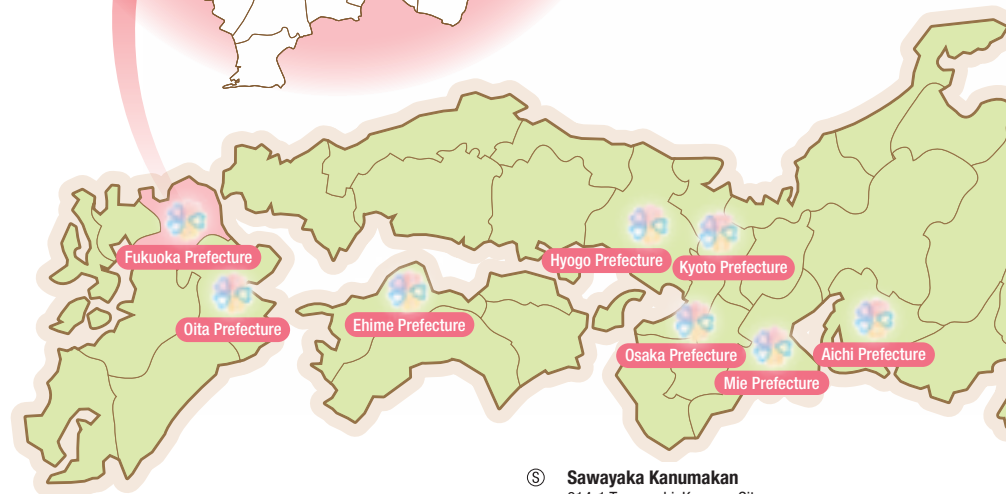
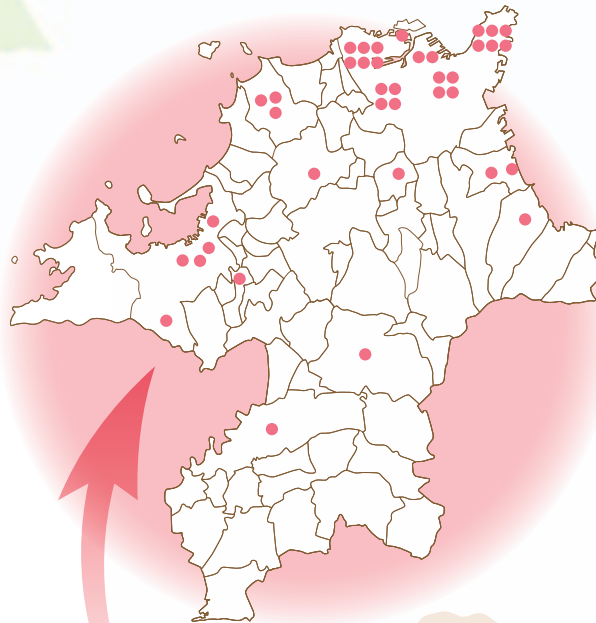
Cherish the “Smiles,” “Gratitude” and “Excitement” Further Expand S

Sawayaka Club will contribute to communities by responding to people’s exp



We offer total support for those who re
by utilizing our strong netw
local medical and

Sawayaka Cl
69 facilit
137 offices a
(as of Novem



Fee-based homes for the elderly with nursing care

Fukuoka Prefecture

- ④ ① **Sawayaka Shimojikan**
1543-1 Oaza Hata, Moji-ku, Kitakyushu City
- ① ② **Sawayaka Mekarikan**
1-9-15 Okubo, Moji-ku, Kitakyushu City
- ① **Sawayaka Parkside Shinkawa**
2-13 Shinkawamachi, Tobata-ku, Kitakyushu City
- Sawayaka Kaikyokan**
1-11-13 Hamamachi, Wakamatsu-ku, Kitakyushu City
- Sawayaka Hanamikan**
3-4-30 Takasuhigashi, Wakamatsu-ku, Kitakyushu City
- ① ② **Sawayaka Meisuikan**
5-7-6 Higashinarumizu, Yahatanishi-ku, Kitakyushu City
- ④ ① **Sawayaka Lakeside Nakanoharu**
② 2-19-2 Nakanoharu, Yahatanishi-ku, Kitakyushu City
- ① ② **Sawayaka Keifukan**
11-15 Naganohigashimachi, Kokuraminami-ku, Kitakyushu City
- ① ② **Sawayaka Munakatakan**
1-13-2 Ishimaru, Munakata City
- ① ② **Sawayaka Yukuhashi Nibankan**
3-11-4 Kitaizumi, Yukuhashi City
- ② **Sawayaka Yukuhashikan**
3-11-3 Kitaizumi, Yukuhashi City
- ① ② **Sawayaka Nogatakan**
442-1 Oaza Yamabe, Nogata City
- ② **Sawayaka Tagawakan**
393-1 Oaza Ita, Tagawa City
- ① ② **Sawayaka Tachibanakan**
③ 173-15 Ryugeji, Hakata-ku, Fukuoka City
- ② **Sawayaka Kasugakan**
4-11 Shirouzu, Kasuga City
- Sawayaka Izumikan**
260-1 Amagi, Asakura City
- ② **Sawayaka Cosmoskan**
2 Kitanomachi Imayama, Kurume City

Oita Prefecture

- ② **Sawayaka Sakanoichikan**
3-16-22 Sakanoshi Chuo, Oita City

Ehime Prefecture

- ① ② **Sawayaka Niihamakan**
3-chome, Otsu, 11-77 Touda, Niihama City

Hyogo Prefecture

- ② **Sawayaka Riverside Nishiwaki**
168-2 Aza Dejima, Wabucho, Nishiwaki City

Osaka Prefecture

- Sawayaka Hirakatakan**
2-21-7 Shodai Otani, Hirakata City
- Sawayaka Sumiyoshikan**
10-6-20 Karita, Sumiyoshi-ku, Osaka City

Mie Prefecture

- ② **Sawayaka Seaside Toba**
300-73 Aza Hamabe, Ohamacho, Toba City

Aichi Prefecture

- ② **Sawayaka Nanyokan**
1921 Higashikanita, Minato-ku, Nagoya City
- Sawayaka Kasaderakan**
58-2 Aza Matsuhigashi Kasaderacho, Minami-ku, Nagoya City

Chiba Prefecture

- ② **Sawayaka Yukinosato**
254-1 Kawadocho, Chuo-ku, Chiba City
- Sawayaka Naritakan**
142-28 Namikicho, Narita City

Saitama Prefecture

- Sawayaka Iwatsukikan**
4-21-30 Kakura, Iwatsuki-ku, Saitama City
- Sawayaka Omiyakan**
1082-1 Uchino Hongo, Nishi-ku, Saitama City

Tochigi Prefecture

- ② **Sawayaka Suzumenomiya**
2-18-26 Wakamatsuhara, Utsunomiya City
- ② **Sawayaka Sanokan**
3261-1 Horigomecho, Sano City

- ② **Sawayaka Kanumakan**
914-1 Teramachi, Kanuma City

- ② **Sawayaka Nasushiobaranan**
3-4 Nishiasahicho, Nasushiobara City

Niigata Prefecture

- Sawayaka Hinodekan**
2-2-33 Hinode, Chuo-ku, Niigata City
- ① **Sawayaka Minatokan**
5155-3 Jusanbancho, Furumachidori, Chuo-ku, Niigata City

Akita Prefecture

- ② **Sawayaka Sakurakan**
126-2 Nakadomari, Nishinagano, Kakunodatemachi, Senboku City
- Sawayaka Sakura Nibankan**
1-10-3 Oroshimachi, Akita City

Hokkaido Prefecture

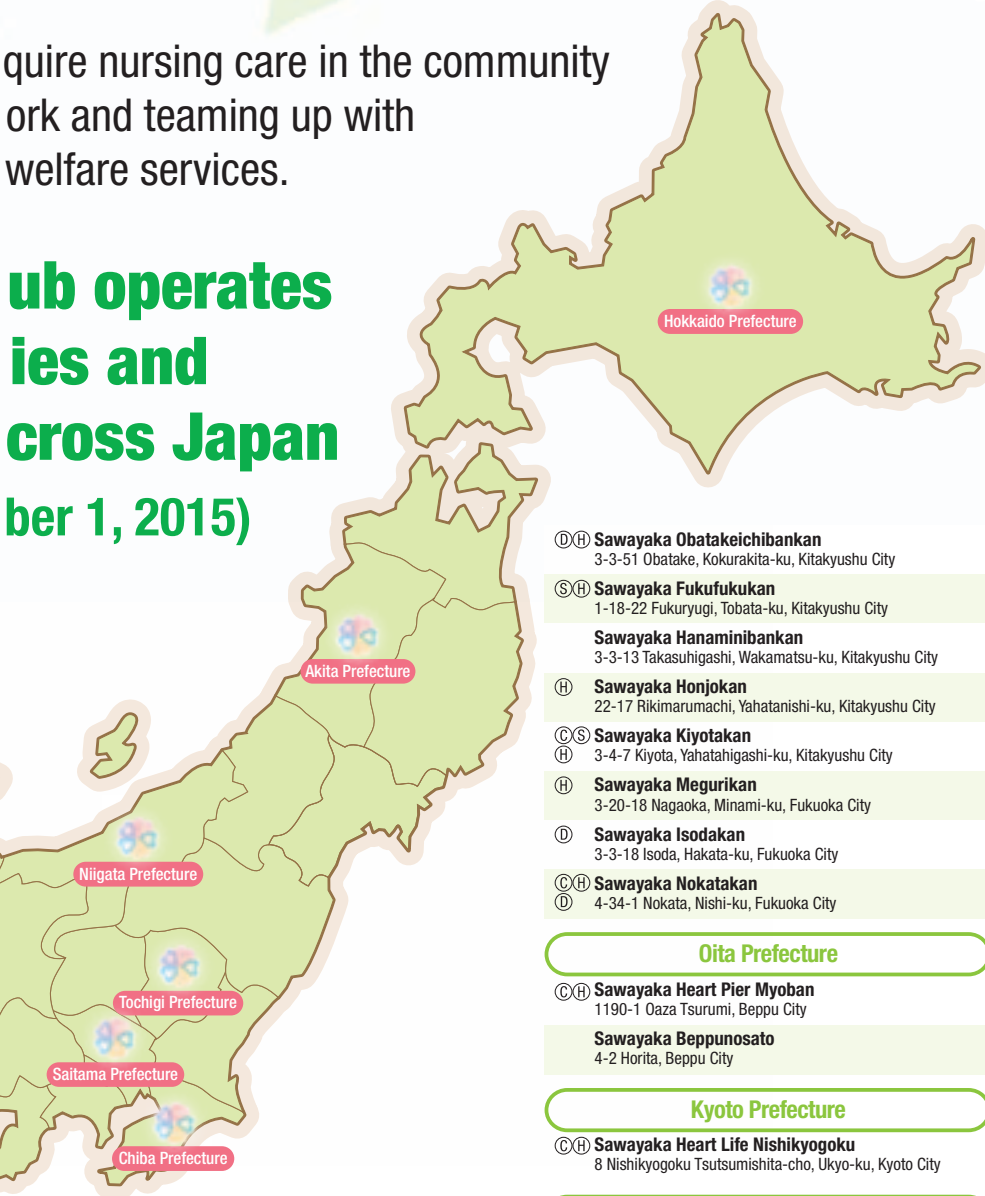
- ② **Sawayaka Higashi Kagurakan**
2-9-18 Kita 1-jo Higashi, Higashikaguracho, Kamikawagun

... and enjoy an active life filled with smiles and awayaka Network

...ectations and trust with our nationwide network from Hokkaido to Kyushu.

...quire nursing care in the community
...ork and teaming up with
...welfare services.

...ub operates
...ies and
...ross Japan
...ber 1, 2015)



Group Home Kagayaki
2-10-14 Kantake, Kokurakita-ku, Kitakyushu City

Group Home Hikari
11-16 Naganohigashimachi, Kokuraminami-ku, Kitakyushu City

Group Home Munakatanomori
2-17-1 Jiyugaoka, Munakata City

Group Home Aoiomi
1-12-33 Nishinomiyaichi, Yukuhashi City

Tochigi Prefecture

Sawayaka Group Home Nasumachi
3967-21 Oaza Terako Otsu, Nasumachi, Nasugun

Scheduled for opening

Sawayaka Group Home Iikura
Iikura, Fukuoka City, Fukuoka Prefecture (Sawayaka Club Main Office)

Sawayaka Group Home Murooran
Murooran City, Hokkaido (Sawayaka Club Main Office)

Single-functional day service

① **Sawayaka Sakura Sanso**
5-34 Higashikawagashiramachi, Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture

① **Sawayaka Rehabilitation Day Service Obatakenbankan**
1-6-26 Obatake, Kokurakita-ku, Kitakyushu City, Fukuoka Prefecture

① **Sawayaka Rehabilitation Day Service Kimachi**
3-13-17 Kimachi, Kokurakita-ku, Kitakyushu City, Fukuoka Prefecture

① **Sawayaka Day Service Center Nishikyogoku**
6 Kisshoin Nishinoshomukaidacho, Minami-ku, Kyoto City, Kyoto Prefecture

Small-scale multi-functional homecare

Sawayaka Otsumikan
1175-8 Otsumi, Moji-ku, Kitakyushu City, Fukuoka Prefecture

Sawayaka small-scale multi-functional Nakabarukan
3-5-18 Nakabarunishi, Tobata-ku, Kitakyushu City, Fukuoka Prefecture

Sawayaka small-scale multi-functional Seinoukan
2-11-13 Seinou, Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture

Sawayaka Munakatanomori
2-17-1 Jiyugaoka, Munakata City, Fukuoka Prefecture

Hot spring hotels

Sawayaka Heart Pier Myoban
1190-1 Oaza Tsurumi, Beppu City, Oita Prefecture

Sawayaka Beppunosato
4-2 Horita, Beppu City, Oita Prefecture

After school daycare service

Sawayaka Ainoie
2F, 2-10-28 Kumamoto, Kokurakita-ku, Kitakyushu City, Fukuoka Prefecture

④⑧ **Sawayaka Obatakeichibankan**
3-3-51 Obatake, Kokurakita-ku, Kitakyushu City

④⑧ **Sawayaka Fukufukukan**
1-18-22 Fukuryugi, Tobata-ku, Kitakyushu City

Sawayaka Hanaminibankan
3-3-13 Takasuhigashi, Wakamatsu-ku, Kitakyushu City

⑧ **Sawayaka Honjokan**
22-17 Rikimarumachi, Yahatanishi-ku, Kitakyushu City

④⑧ **Sawayaka Kiyotakan**
⑧ 3-4-7 Kiyota, Yahatahigashi-ku, Kitakyushu City

⑧ **Sawayaka Megurikan**
3-20-18 Nagaoka, Minami-ku, Fukuoka City

④ **Sawayaka Isodakan**
3-3-18 Isoda, Hakata-ku, Fukuoka City

④⑧ **Sawayaka Nokatakan**
④ 4-34-1 Nokata, Nishi-ku, Fukuoka City

Oita Prefecture

④⑧ **Sawayaka Heart Pier Myoban**
1190-1 Oaza Tsurumi, Beppu City

Sawayaka Beppunosato
4-2 Horita, Beppu City

Kyoto Prefecture

④⑧ **Sawayaka Heart Life Nishikyogoku**
8 Nishikyogoku Tsutsumishita-cho, Ukyo-ku, Kyoto City

Niigata Prefecture

④⑧ **Sawayaka Riverside Kurinoki**
2-2-43 Hinode, Chuo-ku, Niigata City

Elderly housing with supportive services

Sawayaka Tachibananibankan
173-15 Ryugeji, Hakata-ku, Fukuoka City, Fukuoka Prefecture

Group homes

Fukuoka Prefecture

Sawayaka Group Home Nakabaru
3-5-18 Nakabarunishi, Tobata-ku, Kitakyushu City

Sawayaka Group Home Seinou
2-11-13 Seinou, Yahatanishi-ku, Kitakyushu City

Group Home Midorinoki
1-9-2 Okubo, Moji-ku, Kitakyushu City

Group Home Taiyo
1174-1 Otsumi, Moji-ku, Kitakyushu City

⑧ **Sawayaka Muroankan**
9-8 Saiwaicho, Murooran City

Scheduled for opening

Sawayaka Inazawakan
Inazawa City, Aichi Prefecture (Sawayaka Club Main Office)

⑧ **Sawayaka Kashiwakan**
Minamisakaj, Kashiwa City, Chiba Prefecture (Sawayaka Club Main Office)

Sawayaka Sakadokan
Sakado City, Saitama Prefecture (Sawayaka Club Main Office)

Residential type fee-based homes for the elderly

Fukuoka Prefecture

⑧ **Sawayaka Mekaribankan**
1-9-20 Okubo, Moji-ku, Kitakyushu City

Sawayaka Obatakesanbankan
1-6-37 Obatake, Kokurakita-ku, Kitakyushu City

④ = Day Service Center

⑧ = Short Stay

⑧ = Helper Station

④ = Care Plan Center

Corporate Profile (as of June 30, 2015)

Company name	Sawayaka Club Co., Ltd.
Established	December 2004
Representative	Fumiharu Uchiyama, President and Representative Director
Paid-in Capital	200,800,000 yen
Headquarters address	Uchiyama Dai20 Building, 2-10-10 Kumamoto, Kokurakita-ku, Kitakyushu City Telephone: +81-93-551-5555 FAX: +81-93-513-3222
No. of employees	2,039
Business details	<p>Operation of nursing care facilities for the elderly</p> <ul style="list-style-type: none"> • Fee-based homes for the elderly (with nursing care/residential type) • Elderly housing with supportive services • Community-based daily life care responding to dementia patients (Group homes) • Short-term in-facility daily life care (Short-stay service) • Small-scale multi-functional homecare • Outpatient nursing care (Day service) • Home-visit nursing care (Home help service) • In-home nursing care support (Care plan center) <p>Operation of hot spring hotels</p> <p>Operation of facilities for the disabled</p> <ul style="list-style-type: none"> • After school daycare service



Structure of the Uchiyama Group



The Uchiyama Group History

- June 1971** Established Uchiyama Building Co., Ltd. in Kitakyushu City, Fukuoka
- April 1991** Opened “Croquette Club Kurosaki,” its first karaoke box shop, in Kitakyushu City, Fukuoka
- June 1994** Established Kouno Ltd. (current: Bonheure Co., Ltd.) in Kitakyushu City, Fukuoka
- November 1995** Opened an izakaya “Shuzenbo Zen,” its first restaurant, in Kitakyushu City, Fukuoka
- April 2003** Opened “Sawayaka Parkside Shinkawa,” a facility combining a fee-based home for the elderly with nursing care and a day service center in Kitakyushu City, Fukuoka
- December 2004** Established Sawayaka Club Co., Ltd. in Kitakyushu City, Fukuoka
- October 2006** Established Uchiyama Holdings Co., Ltd. in Kitakyushu City, Fukuoka as a holding company of Sawayaka Club Co., Ltd. and Bonheure Co., Ltd.
- July 2008** Opened “Sawayaka Heart Pier Myoban,” a facility combining a hotel and a residential-type fee-based home for the elderly in Beppu City, Oita
- November 2009** Established Sawayaka Amanogawa Co., Ltd. in Hirakata City, Osaka as a subsidiary of Sawayaka Club Co., Ltd.
- April 2012** Uchiyama Holdings Co., Ltd. listed its shares on JASDAQ market of Osaka Securities Exchange (current: Tokyo Stock Exchange)
- December 2012** Sawayaka Club Co., Ltd. conducted absorption-type merger to Sawayaka Amanogawa Co., Ltd.
- December 2013** Uchiyama Holdings Co., Ltd. changed its listing market to the second section of Tokyo Stock Exchange
- August 2014** Established Bonheure (Thailand) Co., Ltd. in Thailand as an overseas joint company of Bonheure Co., Ltd.
- September 2014** Uchiyama Holdings Co., Ltd. was designated to be listed on the first section of Tokyo Stock Exchange
- November 2015** Opened “Ainoie,” an after school daycare service center as support business for disabled children, in Kitakyushu City, Fukuoka

Basic Principles

“Spirit of Love” “Respect Dignity” “Customers First”

Slogan

Co-existence of children, young people and the elderly

Aim to create a society where children, young people and the elderly can all lead a happy life.

Strive for “Japan’s number one service and operation”

**Through operations based on our aim of
“bringing purpose to life” to residents and users,
we would like to be a “facility that is needed.”**



Offering an “easy-to-enter and easy-to-leave system” such as “no one-time entrance fees,” from the perspective of residents and their families

Most of our facilities operate under a “no one-time entrance fee” system, and only some facilities require deposits. Furthermore, monthly fees are set at an average level to greatly benefit the residents. Our operating system is established considering the standpoint of residents and their families, and thus is known as an “easy-to-enter and easy-to-leave system.”

Securing significantly high occupancy rates compared to other facilities in the industry against a backdrop of providing high hospitality services based on our aim of “bringing purpose in life.”

By providing thorough service training so that staff will learn to value the dignity of residents, we pursue building trust relationships. In addition to the basics such as addressing residents with “sama” (honorific name suffix to show respect), we place importance on providing occasions where residents can feel a purpose in life; including, for instance, holding birthday parties, growing vegetables in a field, cooking, taking overnight trips to hot springs and holding other seasonal events, as well as having residents provide facility tours for visitors.

As a result of these efforts, our nursing care facilities have secured high occupancy rates that surpass the industry average.

Developing various “community-based” nursing care services centering on fee-based homes for the elderly (with nursing care/residential type) in order to respond to a wide range of nursing care needs by families

We select locations with convenient transportation access to allow easy visitation by families and locations with good natural environments to promote the health of residents of our facilities.

With community-based development centering on fee-based homes for the elderly (with nursing care/residential type) as a hub, we develop day services, short stays, helper stations, care plan centers, etc. to respond to the wide range of nursing care needs of families.



Feature

Introduction of Operators

Vol. 2



Sawayaka Club Co., Ltd.

<http://www.sawayakclub.jp>



• HEART & EARTH •