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## **Main Q&As at Financial Results Briefing for the Fiscal Period Ended April 2016 (4th Fiscal Period) of Nippon Healthcare Investment Corporation**

Date and Time: June 22, 2016 (Wednesday) 15:30 – 16:25

Presenter: Akira Yamanouchi, President and Representative Director, Daiwa Real Estate Asset Management Co., Ltd.

\*Questions are listed according to the order they were asked.

### **Q1. How is the current property acquisition environment? Have you recognized any changes such as the surge in property prices subsiding?**

(Answer)

The surge in property prices has subsided compared to a year ago. Competitors in property acquisition are the same and their appetite for acquisition continues to be strong.

### **Q2. Has there been any progress in new developments of healthcare facilities?**

(Answer)

Yes, new developments are progressing but not significantly. One of the reasons would be that there are few developments that can generate profit while the construction costs remain high. On the other hand, nursing care operators are very eager for new developments. We have heard that some operators are planning developments on their own.

### **Q3. Is there a difference in demand for healthcare facilities between those with fees in the higher range and those with fees in the more standard lower range?**

(Answer)

Facilities with fees in the 100,000 yen range or less, or around 100,000 yen are mostly sought. Healthcare REITs try to acquire facilities with higher fees, in the medium to high range. With regard to facilities with medium-range fees, some facilities in some areas are experiencing low occupancy rates due to excessive supply. Facilities with high-range fees seem to be maintaining a certain level of supply-demand balance as the supply decreased amid rising construction costs.

### **Q4. How is the outlook of external growth? Has there been any change to the stated target of achieving an asset size of 100 billion yen in the next 4 years?**

(Answer)

If we can expect to acquire hospitals going forward, etc., the target of "100 billion yen in 4 years" is

feasible. However, the current pipeline is not sufficient for reaching this target, and we do not think it is appropriate to commit to the target within a set timeframe at this point. We would like to continue making selective acquisitions of prime properties rather than hurrying to achieve an asset size of 100 billion yen.

**Q5. Page 31 of the presentation materials indicates the existence of a large demand for nursing care type facilities in the medium-fee range. What percentage of such healthcare facilities are REITs able to acquire?**

(Answer)

Most of such healthcare facilities, probably around 50%, are owned by individuals and there are not many that REITs can acquire due to the hardware (facilities) aspects and such. Out of those, probably about 20% to 30% are fit for acquisition by REITs considering cap rates and other factors.

**Q6. There was government support such as political measures and guidelines for healthcare REITs at the time of establishment. Since then, have you received any additional support or submitted requests in cooperation with other REITs?**

(Answer)

We have already received as much support as possible. We have not submitted any requests or such in cooperation with other REITs at this time.

End