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## **Main Q&As at Financial Results Briefing for the Fiscal Period Ended April 2018 (8th Fiscal Period) of Nippon Healthcare Investment Corporation**

Date and Time: June 19, 2018 (Tuesday) 14:00-15:00

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

\* Questions are presented in sequential order.

### **Q1. What is NHI's acquisition policy for properties owned by bridge funds?**

(Answer)

The LTV level will be a factor to consider after consulting lenders, but we believe it is possible to discuss gradual acquisition with debt financing. We also regard acquisition with equity financing in the same manner. As a precondition, we believe in financing that maintains or improves DPU, and if acquisition is allowed, we will be deciding on the timing while sufficiently communicating with investors.

### **Q2. If changes to the asset management fee system are approved, the annual management fee will be reduced to nearly 100 million yen. Will that not create a problem in asset management services?**

(Answer)

Management fees will be reduced, but that will not pose a problem to asset management services. We intend to provide high-quality management services over the period of 5 or 10 years by placing suitable personnel at appropriate positions as we have done to date.

### **Q3. Amid the stagnation of external growth, have you been communicating with the government to urge them to take measures for expansion of asset size, such as those implemented at the time of listing?**

(Answer)

We are maintaining communication with governmental agencies responsible for healthcare REITs so we do not miss the timing of policy changes that would lead to external growth.

**Q4. Is there a possibility that the asset management fee system may be revised again in the future?**

(Answer)

We will consider revising the system as needed, taking into account requests from investors, changes in the environment, etc.

**Q5. It was made public by the operator of a facility owned by NHI that a former employee of the operator was sent to the prosecutor's office on charge of professional negligence resulting in death in February. How do you view this incident as an owner of the facility, including the facility governance? Also, was there any request for rent reduction from the operator after the announcement?**

(Answer)

It truly was a regrettable incident and we have been receiving reports on the situation from the operator through the proper procedures. We found no problems with the facility's governance including its reporting system in our monitoring. Following the incident, there has been substantial discussion including that on future preventative measures. We received no request for rent reduction from the operator.

**Q6. If equity financing is to be executed, what would be the appropriate timing to do so?**

(Answer)

We believe that executing equity financing that is likely to result in maintenance/increase in DPU is of utmost importance. Furthermore, given that the figure for total assets is relatively low at present and causing fixed expenses to weigh heavily, the timing wherein equity financing is judged to lead to enhancement of portfolio quality, including expansion of total assets from the perspective of bringing down costs, is considered as appropriate.

**Q7. What is your view on acquisition of hospitals?**

(Answer)

Although we continue to receive information on deals and discuss the subject, we have not performed any acquisitions.

**Q8. You have said that you would give the highest priority to maintenance of DPU upon equity financing. How about NAV per unit?**

(Answer)

It would be ideal if we could execute equity financing that can realize maintenance/increase of NAV per unit alongside maintenance/increase of DPU. However, our stance is to prioritize maintenance/increase of DPU.

**Q9. Have you been discussing acquisition of own investment units?**

(Answer)

We are not very keen to discuss acquisition of own investment units considering NHI's asset size is rather small and returns to unitholders are carried out using distribution in excess of earnings.

**Q10. Has there been any change to your approach on M&As? You've stated that it would be considered if it were to benefit investors?**

(Answer)

Our stance of willing to consider M&As if they serve to benefit unitholders is unchanged. At the moment, however, we are not considering any merger with investment corporations investing in other property types.

End