

8th

Fiscal Period Business Report

(Statement of Financial Performance)

November 1, 2017 - April 30, 2018

Hopeful future for Japan

日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

Stock
Code

3308

I. Overview of 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 697 million yen in operating revenue, 273 million yen in operating income and 246 million yen in net income for the fiscal period ended April 30, 2018 (8th Fiscal Period). Concerning distributions, NHI declared a distribution amount per unit of 3,303 yen and a distribution amount in excess of earnings per unit of 860 yen, bringing the total distribution amount per unit to 4,163 yen. [See page 3 for Financial and Management Highlights](#)

The asset size as of the end of the 8th Fiscal Period stood at 19,318 million yen. NHI will aim to enhance portfolio value through investments in carefully selected properties going forward. [See pages 4 and 5 for details of Growth Strategy](#)

The number of operators of facilities owned by NHI as of the end of the 8th Fiscal Period is 11 companies. 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 7 for Stable Management Strategy](#)

On the financial front, NHI will continue to work to further strengthen its financial standing while reducing refinancing risks in the future. [See page 10 for Financial Conditions](#)

Going forward, NHI will strive to maximize unitholders’ value together with the joint efforts of 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 Takeuchi 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

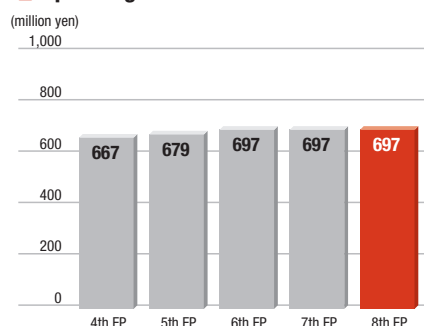
Actual Financial Results for Fiscal Period Ended April 2018 (8th Fiscal Period), and Financial Results Forecasts for Fiscal Period Ending October 2018 (9th Fiscal Period) and Fiscal Period Ending April 2019 (10th Fiscal Period)

	7th Fiscal Period (October 2017) (result)	8th Fiscal Period (April 2018) (result)	Difference	9th Fiscal Period (October 2018) (forecast)	Difference from 8th Fiscal Period	10th Fiscal Period (April 2019) (forecast)	Difference from 9th Fiscal Period
No. of properties owned at the end of the fiscal period	22	22	-	22	-	22	-
Operating revenues (million yen)	697	697	+0	697	-0	697	+0
Operating expenses (million yen)	424	424	+0	427	+2	423	-3
Operating income (million yen)	273	273	+0	270	-2	274	+4
Non-operating expenses (million yen)	27	27	-0	28	+0	27	-0
Ordinary income (million yen)	245	247	+2	242	-5	246	+4
Net income (million yen)	244	246	+2	241	-5	245	+4

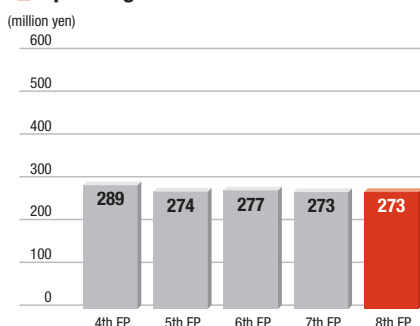
Distribution Result for 8th Fiscal Period, Distribution Forecasts for 9th Fiscal Period and 10th Fiscal Period

	7th Fiscal Period (October 2017) (result)	8th Fiscal Period (April 2018) (result)	Difference	9th Fiscal Period (October 2018) (forecast)	Difference from 8th Fiscal Period	10th Fiscal Period (April 2019) (forecast)	Difference from 9th Fiscal Period
Number of investment units issued and outstanding at the end of the fiscal period (units)	74,632	74,632	-	74,632	-	74,632	-
Distribution per unit (including distribution in excess of earnings) (yen)	4,124	4,163	+39	4,100	-63	4,160	+60
Distribution per unit (excluding distribution in excess of earnings) (yen)	3,274	3,303	+29	3,230	-73	3,290	+60
Distribution in excess of earnings per unit (yen)	850	860	+10	870	+10	870	-

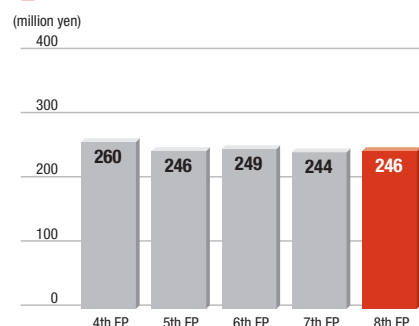
Operating Revenues



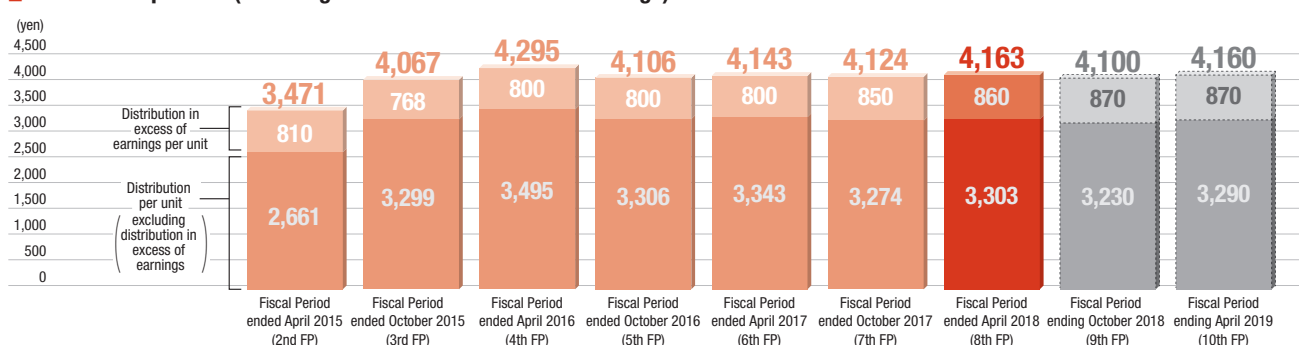
Operating Income



Net Income



Distribution per Unit (including distribution in excess of earnings)



Characteristics and Growth Strategy of Nippon Healthcare Investment Corporation

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

Characteristics of NHI

1 Investment in social infrastructure to contribute to society

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

2 Growth through investment in the growing senior market

Social demand for healthcare facilities is expected to grow through further aging of the population.

3 Stable cash flow

NHI signs long-term fixed-rent lease agreements with operators of healthcare facilities. (Average remaining lease contract period of **17.0** years)

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.

5 Substantial support system and strong independence

NHI will develop the support system that brings together the comprehensive strengths of Daiwa Securities Group Inc. (sponsor) and AIP Healthcare Japan GK (advisor).

Ratios of Investment in Regions

Region	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

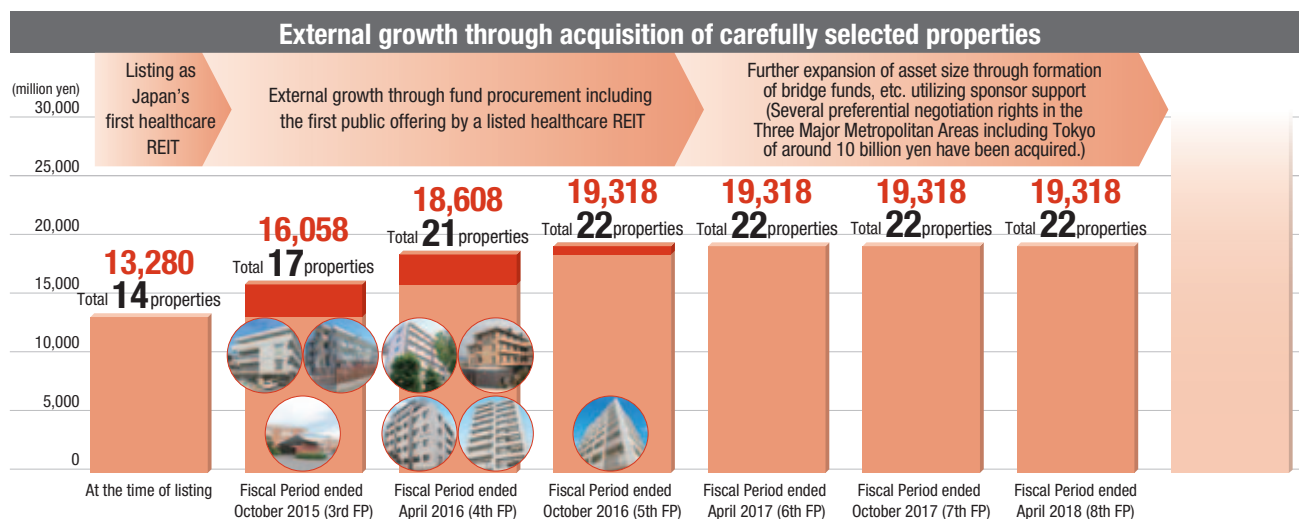
Ratios of Investment in Healthcare Facility Types

Classification of healthcare facility	Target incorporation ratio
Private nursing homes and other facilities for the elderly	60% or more
Fee-based homes for the elderly (Note 1) (with nursing care/health-type/residential-type)	
Elderly housing with supportive services (Note 2)	
Other private nursing homes and facilities for the elderly	
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 with prefectures that meet the registration criteria stipulated by the Act on Securement of Stable Supply for Elderly Persons' Housing.

Asset Size (total amount of acquisition prices)



■ 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	Properties acquired in the 5th FP 1 property/710 million yen	6th FP ~
Asset Management Company's unique network 5 properties/ 3,750 million yen		<div>Off-balancing in line with M&A</div> <div>Silver Heights Hitsujigaoka No.3 Acquisition price: 1,200 million yen</div> <div> <ul style="list-style-type: none"> M&A cases for business succession Needs for securing liquidity on hand </div>	<div>Sales & Leaseback</div> <div> Alpha Living Okayama Nishigawa Ryokudokoen Alpha Living Okayama Korakuen Alpha Living Takamatsu Ekimae Alpha Living Takamatsu Hyakkenmachi 4 properties Acquisition price: 2,550 million yen </div>		<div> <ul style="list-style-type: none"> Acquired properties in the Three Major Metropolitan Areas including Tokyo through formation of bridge funds, etc. by sponsors (Preferential negotiation rights: acquired around 10 billion yen) </div>
Sponsor's bridge funds Approximately 10.0 billion yen			<div> <ul style="list-style-type: none"> Properties sold by developer group which owns operators Exclusive needs for facility management Acquired through bridge funds of sponsors </div>		
Advisor 15 properties/ 13,990 million yen	14 properties/ 13,280 million yen			<div>Change of Owners</div> <div>Sompo no ie Nishitanabeekimae Acquisition price: 710 million yen</div> <div> <ul style="list-style-type: none"> Needs for asset management from owners </div>	
Daiwa Securities Group Inc. 2 properties/ 1,578 million yen		<div>Change of Owners</div> <div>Minna-no-ie Omiya Yoshinocho Minna-no-ie Chuo-ku En'nami 2 properties Acquisition price: 1,578 million yen</div> <div> <ul style="list-style-type: none"> Properties introduced by the sponsor group Needs for asset management from owners </div>			<div> <ul style="list-style-type: none"> Proactively discussing development properties in addition to information on existing facilities obtained from the sourcing routes </div>

Properties Renovated in the 8th Fiscal Period

- “Verger Hirakata” and “Charm Suite Ryokuchi Koen” were constructed 10 years ago and repair work for maintaining the esthetic appearances have been implemented in order to stay competitive with rival properties in the surrounding area.
- Proactive implementation of necessary repair work has led to higher satisfaction of not only the residents and their families but also of facility employees, and has also resulted in a stronger relationship with the operator.

■ Verger Hirakata (Acquisition price: 950 million yen)



Site Features: Located approximately 3.5km from Kuzuha Station on the Keihan Main Line

Property Features: The Property provides standard size private rooms for facilities designed for people requiring long-term care, and the rooms are equipped with sinks and toilets.

Renovation of exterior walls (Construction amount: 13 million yen)



Before construction work



After construction work

■ Charm Suite Ryokuchi Koen (Acquisition price: 1,950 million yen)



Site Features: Located approximately 1.4km from Ryokuchi Koen Station on the Kita-Osaka Kyuko Railway Namboku Line

Property Features: The Property has spacious common-use areas. In addition to a cafeteria on each floor, a hall has been established on the facility's highest floor, which is being used for activities, etc. In addition, a fountain and flowerbed have been set up in the entrance lobby, giving it a sense of luxury.

Renovation of exterior walls and rooftop waterproofing repair work (Construction amount: 7 million yen)



Before construction work



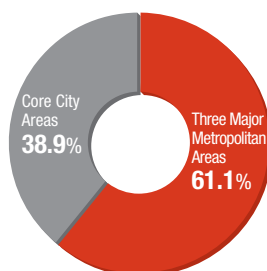
After construction work

Portfolio Status (as of April 30, 2018)

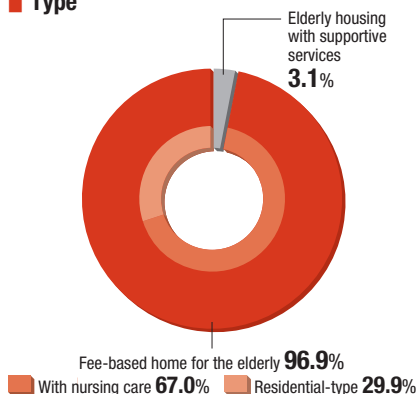
Focusing investment on private nursing homes and other facilities for the elderly for which large demand is expected

Diversification Status

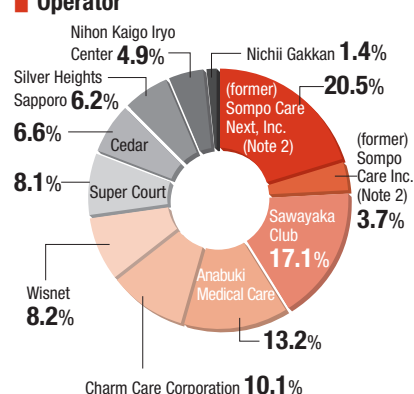
Region



Type



Operator

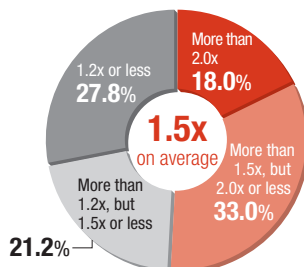


(Note 1) The ratios in the above three pie charts are calculated based on total acquisition prices, and rounded to the first decimal place.

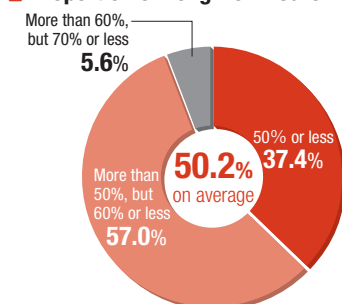
(Note 2) The corporate name of Sompo Care Message Inc. was changed to Sompo Care Inc. as of April 1, 2018 and an absorption-type merger of Sompo Care Next Inc. was conducted as of July 1, 2018. The same applies hereinafter. The ratio for Sompo Care Inc., the new company, is 24.2%.

Portfolio Status

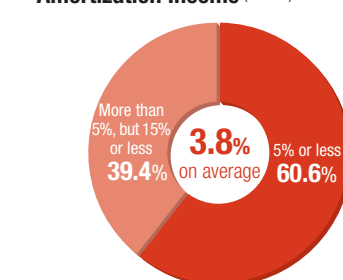
Rent-Paying Capacity (Note 1)



Proportion of Long-Term Care Fee (Note 2)



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



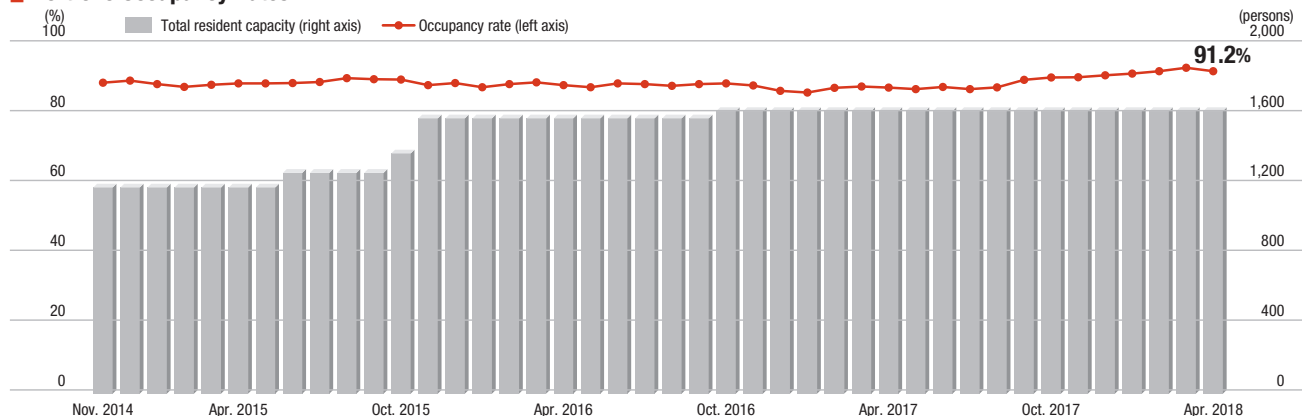
(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective acquired asset's most recent EBITDAR by rent. EBITDAR = Operating Income + Depreciation + Rent

(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 April 2017 to March 2018 disclosed by the respective operators. However, data for Nichii Care Center Fukushima Omori are based on information on business income and expenditures from January 2017 to December 2017; for Silver Heights Hitsujigaoka No.3 from March 2017 to February 2018.

Portfolio Occupancy Rates



Stable occupancy rates

- The overall occupancy rate rose by 1.7% from 89.5% at the end of October 2017 to 91.2% at the end of April 2018.
- The period average rose by 3.5% from 87.3% for the 7th Fiscal Period to 90.8% for the 8th Fiscal Period.

(Note 1) Occupancy rates are obtained by dividing the number of residents based on interviews with all facilities at the end of each month, by resident capacity.

Stable Management Strategy

Concluding long-term fixed rent lease agreements

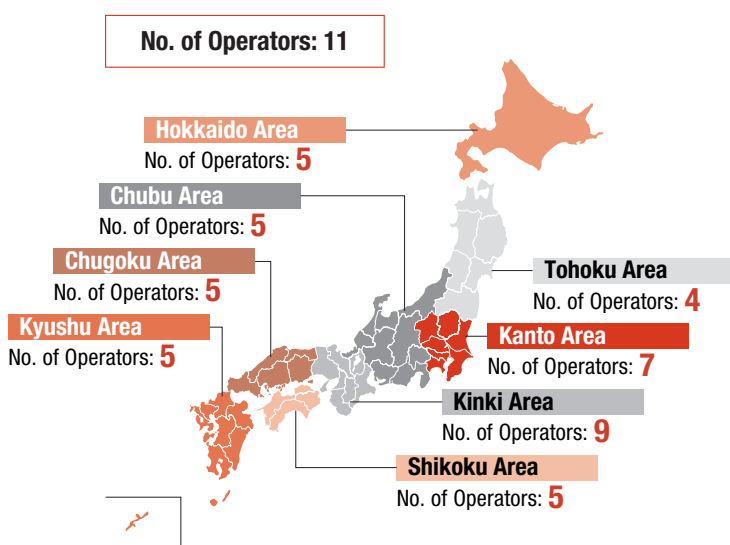
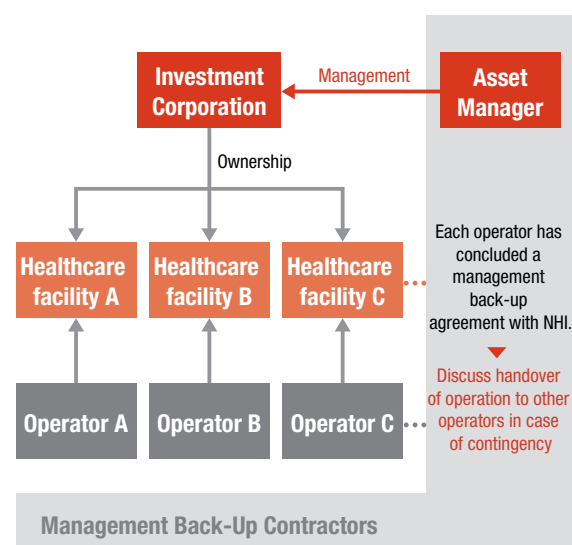
Lease Agreements with Highly Reliable Operators

Operator	Number of facilities operated (cases) (Note 1)	Number of rooms operated (rooms) (Note 1 and 2)	Established	Attributes
Nichiigakkan Co., Ltd.	425	13,822	August 1973	Listed on the first section of the Tokyo Stock Exchange
(former) Somo Care, Inc.	311	17,305	May 1997	Subsidiary of Somo Holdings, Inc., a company listed on the first section of the Tokyo Stock Exchange
Wisnet Co., Ltd.	125	3,497	January 1998	Subsidiary of Sohgo Security Services Co., Ltd. a company listed on the first section of the Tokyo Stock Exchange
(former) Somo Care Next, Inc.	117	8,826	November 1992	Subsidiary of Somo Holdings, Inc., a company listed on the first section of the Tokyo Stock Exchange
Sawayaka Club Co., Ltd.	80	4,735	December 2004	Subsidiary of Uchiyama Holdings Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange
Super Court Co., Ltd.	48	3,209	May 1995	-
Cedar Co., Ltd.	39	2,209	April 1981	Listed on JASDAQ Standard on the Tokyo Stock Exchange
Charm Care Corporation	46	3,214	August 1984	Listed on the second section of the Tokyo Stock Exchange
Anabuki Medical Care Inc.	29	1,291	June 2009	Subsidiary of Anabuki Kosan Inc., a company listed on the first section of the Tokyo Stock Exchange
Nihon Kaigo Iryo Center Co., Ltd.	21	908	October 1997	-
Silver Heights Sapporo Co., Ltd.	3	321	December 1961	-

(Note 1) Number of facilities operated and Number of rooms operated 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 May 31, 2018).

(Note 2) Operators are indicated in order of the number of facilities they operate.

Overview and Status of Management Back-Up Agreement (as of April 30, 2018)



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

Business Operation Cycle

Common items for evaluation at the time of new acquisition and continuous evaluation	
<ul style="list-style-type: none"> Quality and variety of services that the operator provides Credibility and operational skills of the operator 	
Quantitative Perspective	<ul style="list-style-type: none"> Stability, profitability, growth potential and productivity of the operator's finances Stability, profitability, growth potential of the operator's healthcare business The company's history and the number of years in business (The items are confirmed on the basis that such financial data, etc. be provided by the operator.)
Qualitative Perspective	<ul style="list-style-type: none"> The operator's attitude towards information disclosure Degree of importance, etc. of healthcare-related business in the operator group Strength, securement of human resources, etc. at the healthcare facility Working environment and employment situation of facility workers Compliance system at the operator or at each facility (Documents provided by the operator, results of interviews and research by outside experts, etc. are used for confirming the items.)

Conducting the same evaluation as at the time of acquisition even after acquisition	
<ul style="list-style-type: none"> Four 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)	<ul style="list-style-type: none"> The Asset Manager and PM companies visit operators' facilities and conduct examinations every fiscal period.
Interviewing (once or more/year)	<ul style="list-style-type: none"> Confirming the following items with directors and care providers at facilities: <ol style="list-style-type: none"> Responses to residents Employees training program Status of governance (including items to check for prevention of resident mistreatment)

Portfolio List (as of April 30, 2018)

Consists of 22 properties and 11 operators

No (Note 1)	Acquisition period	Property name (Note 1)	Facility type (Note 1)	Operator	Location	Acquisition price (million yen) (Note 2)	Share of portfolio (%)	Appraisal value (million yen) (Note 3)	Number of rooms (rooms) (Note 4)	Occupancy rate in the 7th FP (%) (Note 5)	Occupancy rate in the 8th FP (%) (Note 6)	Difference
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	10.1	3,060	128	98.4	98.4	-0.0
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	8.1	1,750	155	86.4	93.5	7.1
3	1st Fiscal Period	Sompo Care LAVIER Hiroshima Hikarigaoka	Fee-based homes for the elderly with nursing care	(former) Sompo Care Next, Inc.	Hiroshima City, Hiroshima	960	5.0	1,230	80	80.0	97.5	17.5
4	1st Fiscal Period	Sompo Care LAVIER Sagamihara Chuo	Fee-based homes for the elderly with nursing care		Sagamihara City, Kanagawa	1,170	6.1	1,780	80	67.5	71.2	3.7
5	2nd Fiscal Period	Sompo Care LAVIER Kinugasayama Koen	Fee-based homes for the elderly with nursing care		Yokosuka City, Kanagawa	1,839	9.5	2,050	104	86.5	90.3	3.8
6	1st Fiscal Period	Sawayaka Kaikyokan	Fee-based homes for the elderly with nursing care	Sawayaka Club Co., Ltd.	Kitakyushu City, Fukuoka	630	3.3	898	65	93.8	98.4	4.6
7	1st Fiscal Period	Sawayaka Meisuikan	Fee-based homes for the elderly with nursing care		Kitakyushu City, Fukuoka	590	3.1	813	87	100.0	100.0	0.0
8	1st Fiscal Period	Sawayaka Heart Life Nishikyogoku	Residential-type fee-based homes for the elderly		Kyoto City, Kyoto	750	3.9	1,140	84	100.0	98.8	-1.2
9	2nd Fiscal Period	Sawayaka Hinodekan	Fee-based homes for the elderly with nursing care		Niigata City, Niigata	773	4.0	920	50	100.0	100.0	0.0
10	2nd Fiscal Period	Sawayaka Riverside Kurinoki	Residential-type fee-based homes for the elderly		Niigata City, Niigata	266	1.4	323	33	92.3	94.8	2.5
11	2nd Fiscal Period	Sawayaka Obatake Sanbankan	Residential-type fee-based homes for the elderly		Kitakyushu City, Fukuoka	289	1.5	355	50	92.0	100.0	8.0
12	1st Fiscal Period	Nichii Care Center Fukushima Omori	Fee-based homes for the elderly with nursing care	Nichiigakkan Co., Ltd.	Fukushima City, Fukushima	265	1.4	341	52	100.0	100.0	0.0
13	2nd Fiscal Period	La'nassica Arakogawa	Fee-based homes for the elderly with nursing care	Cedar Co., Ltd.	Nagoya City, Aichi	1,279	6.6	1,430	100	99.0	98.0	-1.0
14	1st Fiscal Period	Verger Hirakata	Residential-type fee-based homes for the elderly	Nihon Kaigo Iryo Center Co., Ltd.	Hirakata City, Osaka	950	4.9	1,590	104	68.2	70.0	1.8
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	3.8	777	33	78.7	93.9	15.2
16	3rd Fiscal Period	Minna-no-ie Chuo-ku En'nami	Fee-based homes for the elderly with nursing care		Saitama City, Saitama	838	4.3	860	51	58.8	64.7	5.9
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	6.2	1,340	109	90.0	93.6	3.6
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	3.8	787	53	81.8	87.2	5.4
19	4th Fiscal Period	Alpha Living Okayama Korakuen	Residential-type fee-based homes for the elderly		Okayama City, Okayama	610	3.2	671	45	95.8	89.5	-6.3
20	4th Fiscal Period	Alpha Living Takamatsu Ekimae	Residential-type fee-based homes for the elderly		Takamatsu City, Kagawa	605	3.1	641	43	88.6	90.9	2.3
21	4th Fiscal Period	Alpha Living Takamatsu Hyakkenmachi	Elderly housing with supportive services		Takamatsu City, Kagawa	605	3.1	626	50	88.8	85.1	-3.7
22	5th Fiscal Period	Sompo no ie Nishitanabeekimae	Fee-based homes for the elderly with nursing care	(former) Sompo Care, Inc.	Osaka City, Osaka	710	3.7	739	42	97.6	97.6	-0.0
11 operators 22 properties Total						19,318	100.0	24,121	1,598	-	-	-

(Note 1) Red numbers refer to Three Major Metropolitan Areas and blue numbers to Core City Areas. 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.

(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 the first 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 April 30, 2018.

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

(Note 5) "Occupancy rate" is obtained by dividing the number of residents indicated in the written explanation of important matters received in December 2017 from operators by the resident capacity, rounded down to the first decimal place.

(Note 6) "Occupancy rate" is obtained by dividing the number of residents indicated in the written explanation of important matters received in May 2018 from operators by the resident capacity, rounded down to the first decimal place.

Portfolio Map (as of April 30, 2018)

Making diversified investment in healthcare facilities in Japan

Three Major Metropolitan Areas



Core City Areas



(Note) Red numbers refer to Three Major Metropolitan Areas and blue numbers to Core City Areas. The background colors for property names 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.

Financial Conditions

Stable financial management by converting interest rates into fixed rates and diversifying repayment dates

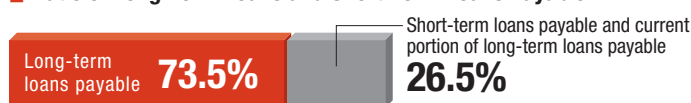
Status of Interest-Bearing Liabilities (as of April 30, 2018)

Term	Lender	Balance (million yen)	Type of interest	Interest rate (%) (Note 1)	Drawdown date	Repayment deadline
Short-term	Mizuho Bank	500	Floating	Tibor+0.300	September 29, 2017	September 28, 2018
Current portion of long-term loans payable	Sumitomo Mitsui Trust Bank (Note 2)	1,200	Fixed	0.431	November 5, 2014	October 31, 2018
	The Dai-ichi Life Insurance	500		0.431		
	Shinkin Central Bank (Note 2)	400		0.293	October 15, 2015	
	Resona Bank (Note 2)	1,200		0.532		
Long-term	Mizuho Bank (Note 2)	1,000	Fixed	0.532	November 5, 2014	October 31, 2019
	Mizuho Trust & Banking (Note 2)	700		0.532		
	Mizuho Bank (Note 2)	500		0.524	June 1, 2015	May 29, 2020
	Mizuho Trust & Banking (Note 2)	500		0.524		
	The Musashino Bank (Note 2)	500		0.524	October 15, 2015	October 30, 2020
	Resona Bank (Note 2)	500		0.474		
	Sumitomo Mitsui Trust Bank (Note 2)	500		0.138	April 28, 2016	April 30, 2020
	Mizuho Bank (Note 2)	800		0.402		
	Shinkin Central Bank (Note 2)	500		0.265	October 31, 2017	October 30, 2020
	The Musashino Bank (Note 2)	500		0.365		
Total		9,800	-	-	-	-

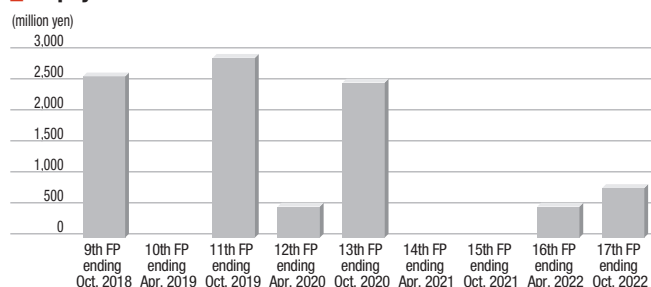
(Note 1) Interest rates are rounded to the third decimal place.

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

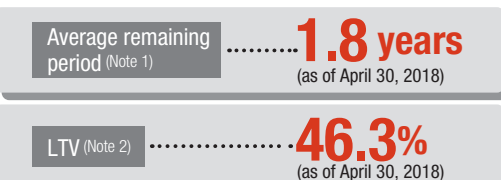
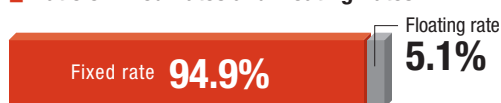
Ratio of Long-Term Loans and Short-Term Loans Payable



Repayment Schedule



Ratio of Fixed Rates and Floating Rates



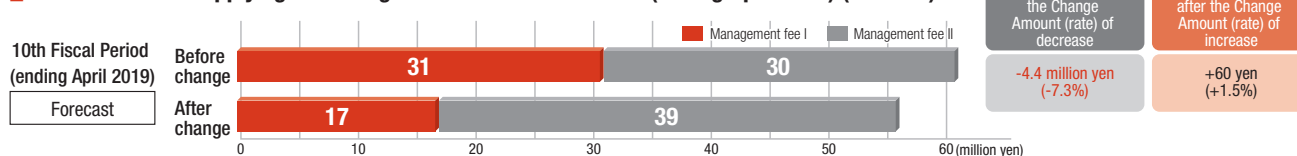
(Note 1) Average remaining period is rounded to the first decimal place.
(Note 2) LTV is calculated based on total assets.

Change in Asset Management Fee System

Reviewing Fee Level and Changing the Asset Management Fee System to System Emphasizing Management Results

Management fee I (based on assets under management)			Management fee II (based on property-related operating revenues)		
	Basis of fee calculation	Rate		Basis of fee calculation	Rate
Before change	Total assets (book value)	0.3% (upper limit)	Before change	NOI	5.0% (upper limit)
After change	Valuation of assets under management (appraisal value) *To calculate the amount based not on book value but on fair value by excluding cash, etc. included in total assets	0.15% (upper limit)	After change	No change NOI	6.5% (upper limit)

Estimation when Applying the Change to the 10th Fiscal Period (ending April 2019) (forecast)



(Note) The amount after the Change is the estimated figure announced in "REIT Financial Report for the 8th Fiscal Period" dated June 18, 2018 and is calculated by assuming that there was a change in the asset management fee system based on the assumptions for the financial results forecast. Moreover, the amount of management fee I before the Change is calculated by assuming that there will be no change in the appraisal value as of the end of the 8th fiscal period. The above forecasted figure and estimated figure are based on certain assumptions and may differ from the actual amount.

Description of Asset Manager

Organization of Asset Manager (as of June 1, 2018)

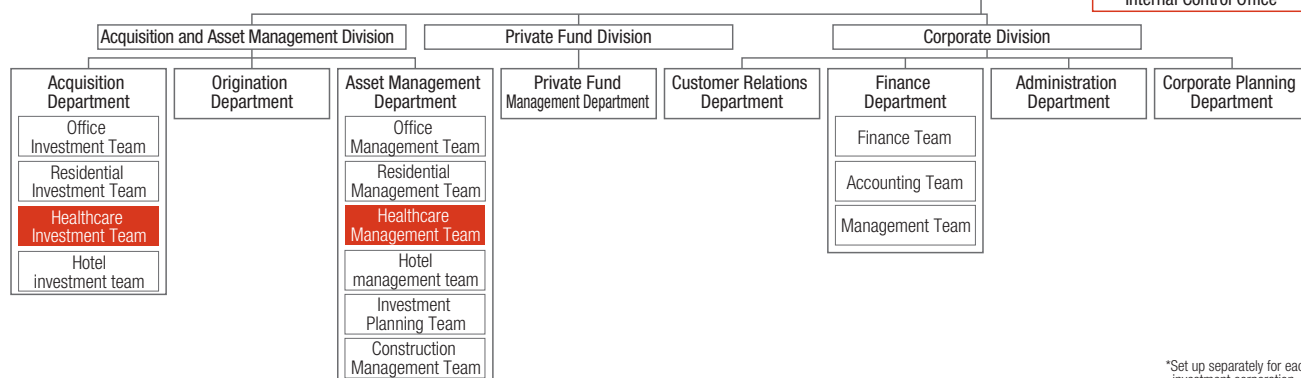
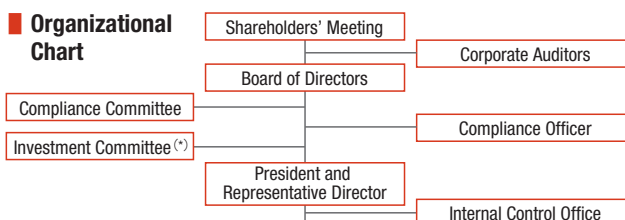
Corporate Profile

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	10 Executive directors: 5 Executive auditors: 1 Non-executive directors: 2; Non-executive auditors: 2
Employees	69 (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

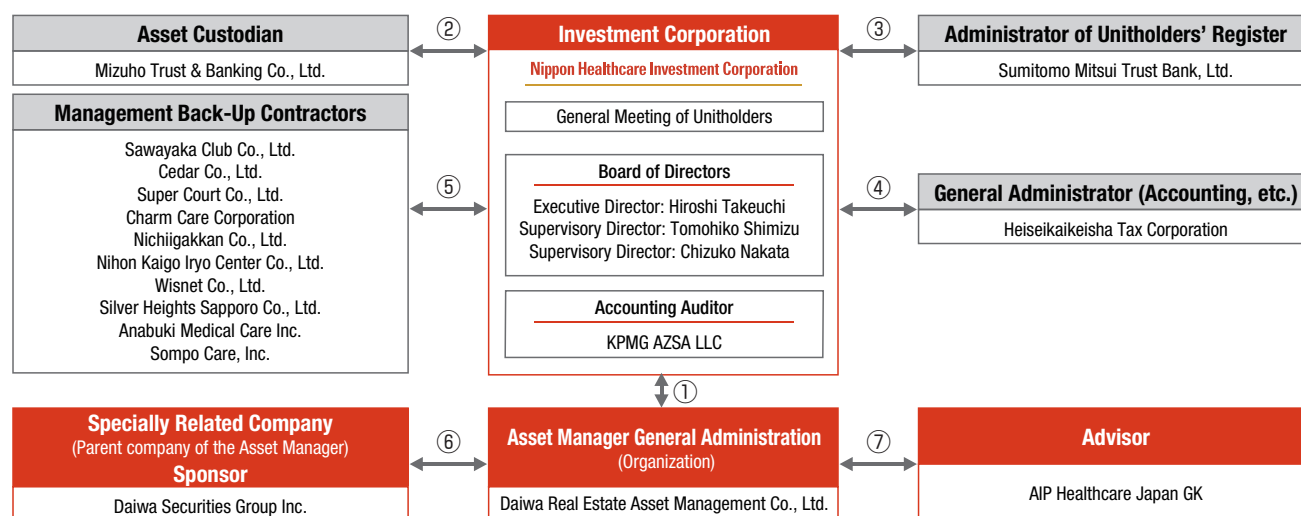
President and Representative Director	Akira Yamanouchi
Vice President and Representative Director	Yuji Shinotsuka
Vice President and Representative Director	Yoshiki Nishigaki
Executive Managing Director	Toshio Fukushima
Director	Hajime Imbe
Director (non-executive)	Mikita Komatsu
Director (non-executive)	Naoya Otani
Auditor	Tamaki Shibayama
Auditor (non-executive)	Morimasa Matsuda
Auditor (non-executive)	Shinji Kiso

Organizational Chart



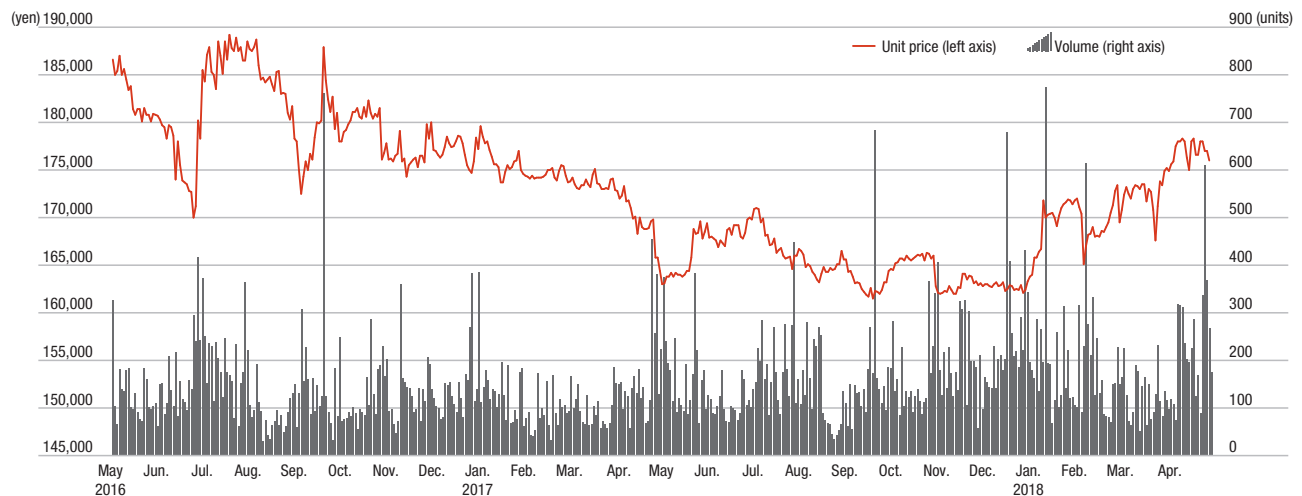
*Set up separately for each investment corporation.

Structure



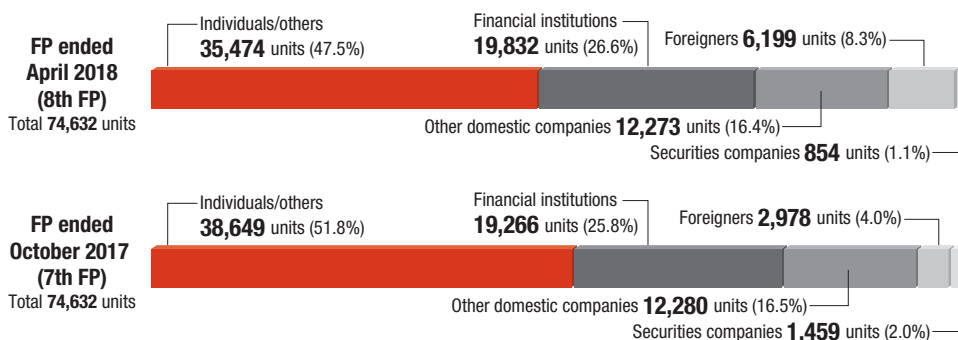
- ① Asset management agreement/General administration affairs agreement related to operation
② Asset custodian agreement
③ General administrator of unitholders' registry agreement
④ General administrator of accounting agreement
⑤ Management back-up agreement
⑥ Sponsor support agreement
⑦ Advisory agreement

History of Investment Unit Prices



Overview of Investment Units and Unitholders (as of April 30, 2018)

No. of Investment Units by Investor Type



No. of Unitholders by Investor Type

Individuals/others	9,108 (97.2%)
Financial institutions	24 (0.3%)
Other domestic companies	133 (1.4%)
Foreigners	80 (0.9%)
Securities companies	23 (0.2%)
Total	9,368

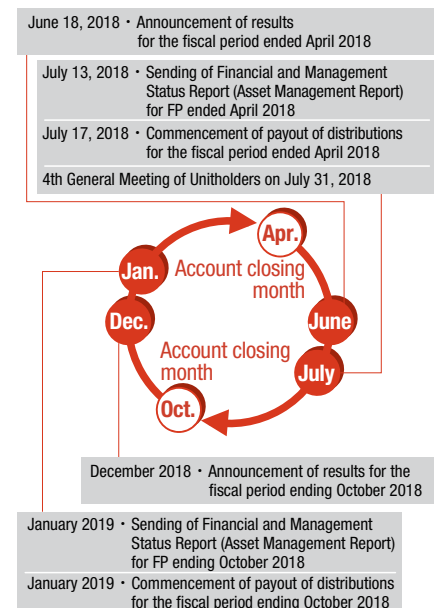
(Note) Rounded to the first decimal place

Top Ten Unitholders (as of April 30, 2018)

Name of Investor	Number of Units Owned (units)	Percentage Share (%)
1. Daiwa Securities Group Inc.	7,600	10.2
2. The Master Trust Bank of Japan, Ltd. (Trust Account)	7,325	9.8
3. Japan Trustee Services Bank Ltd. (Trust Account)	4,649	6.2
4. The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,454	3.3
5. Trust & Custody Services Bank Ltd. (Securities Investment Trust Account)	1,282	1.7
6. STATE STREET BANK AND TRUST COMPANY 505001	1,033	1.4
7. Daiwa Real Estate Asset Management Co., Ltd.	1,000	1.3
8. SCB SG S/A SCB THAILAND AC FOR CIMBPRINCIPAL PROPERTY JP000294300545	953	1.3
9. Fukui Medical Credit Association	945	1.3
10. UENOYA BUILDING Co. Ltd.	903	1.2
Total	28,144	37.7

(Note) Rounded to the first decimal place

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	The Nikkei
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, Suginami-ku, 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 the 4th General Meeting of Unitholders and Briefing Session on Asset Management for 8th Fiscal Period

NHI will hold the 4th General Meeting of Unitholders and a briefing session on asset management for the fiscal period ended April 2018 (8th fiscal period).

- Date and time:** July 31, 2018 (Tuesday)
10:00 a.m.~ (venue opening at 9:40 a.m.)
- Venue:** 17F, GranTokyo North Tower,
1-9-1 Marunouchi,
Chiyoda-ku, Tokyo

A briefing session on asset management is scheduled to be held after the General Meeting of Unitholders at the same venue. The presenter will be 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		8th Period (From Nov. 1, 2017 To Apr. 30, 2018)	7th Period (From May. 1, 2017 To Oct. 31, 2017)	6th Period (From Nov. 1, 2016 To Apr. 30, 2017)	5th Period (From May 1, 2016) To Oct. 31, 2016)	4th Period (From Nov. 1, 2015 To Apr. 30, 2016)
(1) Operating Performance (Millions of yen, except per unit data or where otherwise indicated)						
Operating revenues		698	698	698	679	667
Rental revenues		698	698	698	679	667
Operating expenses		425	425	420	405	377
Property-related expenses		299	297	295	272	258
Operating income		273	273	278	275	290
Ordinary income		247	245	250	248	262
Net income		247	244	249	247	261
(2) Properties, etc. (as of end of period)						
Total assets		21,146	21,218	21,270	21,316	20,848
[period-on-period percentage changes]		[-0.3%]	[-0.2%]	[-0.2%]	[+2.2%]	[+18.0%]
Interest-bearing liabilities		9,800	9,800	9,800	9,800	9,300
Net assets		10,412	10,474	10,538	10,595	10,669
[period-on-period percentage changes]		[-0.6%]	[-0.6%]	[-0.5%]	[-0.7%]	[+32.8%]
Unitholders' capital, net	Note 2	10,166	10,229	10,289	10,349	10,408
(3) Distributions						
Total distribution amount		311	308	309	306	321
Total distribution of retained earnings		247	245	249	246	261
Total distribution in excess of retained earnings		64	63	60	60	60
Dividend payout	Note 3	100%	100%	100%	100%	100%
(4) Per Unit Information						
Total number of units issued (units)		74,632	74,632	74,632	74,632	74,632
Net assets per unit (yen)		139,516	140,337	141,206	141,969	142,958
Distribution per unit (yen)		4,163	4,124	4,143	4,106	4,295
Distribution amount from earnings per unit (yen)		3,303	3,274	3,343	3,306	3,495
Distribution amount in excess of earnings per unit (yen)		860	850	800	800	800
(5) Financial Indicators						
ROA	Notes 4 and 5	1.2%	1.2%	1.2%	1.2%	1.4%
[annual rate]		[2.4%]	[2.3%]	[2.4%]	[2.3%]	[2.7%]
ROE	Notes 5 and 6	2.4%	2.3%	2.4%	2.3%	2.8%
[annual rate]		[4.8%]	[4.6%]	[4.8%]	[4.6%]	[5.6%]
Capital ratio		49.2%	49.4%	49.5%	49.7%	51.2%
[period-on-period percentage changes]		[-0.1%]	[-0.1%]	[-0.2%]	[-1.5%]	[5.7%]
LTV (loan to value)		46.3%	46.2%	46.1%	46.0%	44.6%
Property leasing cash flows (NOI)	Note 7	597	596	597	596	596
(6) Other Referential Information						
Number of investment properties		22	22	22	22	21
Number of tenants	Note 8	22	22	22	22	21
Total rentable area (m ²)		67,298.83	67,298.83	67,298.83	67,298.83	65,203.04
Occupancy rate	Note 9	100.0%	100.0%	100.0%	100.0%	100.0%
Depreciation		198	196	194	188	187
Capital expenditures		26	60	30	20	10

(Note 1) Operating revenues, etc. do not include consumption taxes, etc.

(Note 2) The indicated amounts are unitholders' equity less deduction amount of unitholders' equity.

(Note 3) Dividend payout for the 4th fiscal period is calculated by the following formula since the issuance of new investment units was implemented.

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

(Note 4) ROA: Ordinary income ÷ [(Total assets at beginning of period + Total assets at end of period) ÷ 2] × 100

(Note 5) Annualized figures are calculated by using the asset management period of the respective fiscal period; 182 days for the 4th Fiscal Period; 184 days for the 5th Fiscal Period; 181 days for the 6th Fiscal Period; 184 days for the 7th Fiscal Period and 181 days for the 8th Fiscal Period.

(Note 6) ROE: Net income ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 7) Property leasing cash flows (NOI): Rental revenues – Property-related expenses + Depreciation

(Note 8) Number of tenants is the total number of end tenants.

(Note 9) Occupancy rate: Total leased area ÷ Total rentable area × 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, and in the 4th Fiscal Period, NHI implemented an additional issuance of investment units through public offering (12,130 units) on November 17, 2015 and additionally acquired four properties. Furthermore, in the 5th Fiscal Period, NHI made an additional acquisition of one property on October 6, 2016 with borrowing and cash on hand. Through these additional acquisitions of properties, the total acquisition price of NHI properties is 19,318 million yen as of April 30, 2018.

As the 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 November 1, 2017 to April 30, 2018)

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 more than one-quarter of the total population as of December 1, 2017 (according to the Ministry of Internal Affairs and Communications’ “Population Estimates” announced on May 21, 2018), 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 be 4% in 2025.

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 8th Fiscal Period (fiscal period ended April 30, 2018), NHI acquired no investment properties.

Concerning the properties held as of the end of the 8th Fiscal Period (April 30, 2018), the leasable floor area was 67,298.83m² and the occupancy rate was 100.0%.

(3) Overview of Capital Procurement

In the 8th Fiscal Period (fiscal period ended April 30, 2018), NHI conducted no new borrowing of funds, but concluded interest rate swap agreements for borrowings totaling 1,800 million yen to hedge against interest rate hike risks in the future.

The balance of interest-bearing liabilities outstanding as of the end of the 8th Fiscal Period (April 30, 2018) stood at 9,800 million yen (short-term debt: 500 million yen; long-term debt: 9,300 million yen). The balance of the current portion of long-term debt stood at 2,100 million yen. In addition, the average remaining period at the end of the 6th Fiscal Period was 1.8 years.

The unitholders' capital (net) was 10,166 million yen, and the total number of units issued was 74,632 investment units as of the end of the 8th Fiscal Period.

(4) Capital Expenditures During the Fiscal Period under Review

The following summarizes the main construction work that constitutes capital expenditures conducted during the 8th Fiscal Period. Capital expenditures for the 8th Fiscal Period amounted to 26 million yen and, when combined with the 32 million yen in repair expenses charged to 8th Fiscal Period expenses, totaled 58 million yen in construction work implemented.

Name of Property (Location)	Purpose	Period	Expenditure (Millions of yen)
Sompo Care LAVIERE Hiroshima Hikarigaoka (Hiroshima City, Hiroshima)	Renewal of air-conditioners in common areas	From: April 2018 To: April 2018	17
Sompo Care LAVIERE Hiroshima Hikarigaoka (Hiroshima City, Hiroshima)	Renewal of rooftop decks	From: April 2018 To: April 2018	3
Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)	Replacement of lighting equipment in dwelling units	From: April 2018 To: April 2018	3
Other		From: November 2017 To: April 2018	3
Total			26

(5) Overview of Financial Performance and Distributions

As a result of the management described above, NHI posted financial performance for the 8th Fiscal Period of 698 million yen in operating revenue, 273 million yen in operating income, 247 million yen in ordinary income and 247 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 3,303 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 64,183,520 yen, which is the amount roughly equivalent to 32% of the 198 million yen in depreciation for the 8th Fiscal Period, as reimbursement of investments in capital. Accordingly, NHI declared a distribution amount in excess of earnings per unit of 860 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 8th Fiscal Period (22 properties) is 29 million yen.

3. Future Management Policy and Tasks

(1) Investment Environment

Japan has the population of the elderly accounting for approximately more than 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, the average life expectancy at birth for Japanese people is at 80.98 years for males and 87.14 years for females according to the Ministry of Health, Labour and Welfare's "Abridged Life Tables for Japan 2016," while record-highs were set in terms of the population aged 65 years or over at 35 million people and the proportion of the elderly population is at 27.8% of the total population of 127 million as of December 1, 2017 according to the Ministry of Internal Affairs and Communications' "Population Estimates" (announced on May 21, 2018).

According to the National Institute of Population and Social Security Research's "Population Projections for Japan (2017)," the total population will increase to 123 million people, the elderly population to 37 million people and the proportion of the elderly population to 30.0% in 2025 and then, while the total population will decrease by approximately 39 million people from that at present to 88 million people, the elderly population will reach 34 million people and the proportion of the elderly population to 38.4% in 2065.

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 be 4% by 2025.

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, 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 May 2018: approximately 439.4 billion yen) and Daiwa Residential Private Investment Corporation (balance of assets for which management is entrusted as of the end of May 2018: approximately 110.0 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.

(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

The following summarizes the main capital expenditures in line with currently planned construction works for renovation, etc. Furthermore, the scheduled construction amounts include portions that will be charged as expenses in terms of accounting.

Name of Property (Location)	Purpose	Estimated Period	Estimated Cost (Millions of yen)		
			Total	Payment for the current period	Cumulative amount paid
Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)	Renewal of electric hot water supplying equipment	From: October 2018 To: October 2018	17	–	–
Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)	Renewal of lighting in dwelling units	From: October 2018 To: October 2018	5	–	–

IV. Balance Sheets

As of April 30, 2018 and October 31, 2017

(Thousands of yen)

	As of April 30, 2018	As of October 31, 2017
Assets		
Current Assets:		
Cash and cash equivalents [Notes 3, 4 and 5]	1,778,876	1,671,399
Prepaid expenses	14,228	19,654
Deferred tax assets [Note 12]	14	14
Other current assets	1,681	2,527
Total Current Assets	1,794,799	1,693,594
Investment Properties, at cost: [Notes 4, 6 and 7]		
Land in trust accounts	7,949,066	7,949,066
Buildings and structures in trust accounts	12,625,364	12,600,999
Machinery and equipment in trust accounts	18,324	18,324
Tools, furniture and fixtures in trust accounts	38,598	37,395
Less: accumulated depreciation	(1,347,017)	(1,148,649)
Leasehold rights in trust accounts	40,886	40,886
Total Investment Properties, net	19,325,221	19,498,021
Other Assets:		
Right of trademark	134	145
Software	1,117	1,484
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	15,089	14,813
Total Other Assets	26,340	26,442
Total Assets	21,146,360	21,218,057

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

(Thousands of yen)

	As of April 30, 2018	As of October 31, 2017
Liabilities		
Current Liabilities:		
Operating accounts payable	58,318	59,651
Short-term debt [Notes 4, 5 and 10]	500,000	500,000
Long-term debt due within one year [Notes 4, 5 and 10]	2,100,000	2,100,000
Accounts payable – other	53,697	63,646
Income taxes payable	885	894
Accrued consumption taxes	1,110	1,020
Rent received in advance	85,140	85,140
Deposits received	532	540
Other current liabilities	4,078	3,293
Total Current Liabilities	2,803,760	2,814,184
Long-Term Liabilities:		
Long-term debt [Notes 4, 5 and 10]	7,200,000	7,200,000
Tenant security deposits [Note 5]	730,216	730,216
Total Long-Term Liabilities	7,930,216	7,930,216
Total Liabilities	10,733,976	10,744,400
Net Assets [Notes 9 and 13]		
Unitholders' Equity:		
Unitholders' capital	10,504,334	10,504,334
Deduction from unitholders' capital	(338,496)	(275,059)
Unitholders' capital, net	10,165,838	10,229,275
Units authorized: 10,000,000 units		
Units issued and outstanding: 74,632 units		
Retained earnings	246,546	244,382
Total Unitholders' Equity	10,412,384	10,473,657
Total Net Assets	10,412,384	10,473,657
Total Liabilities and Net Assets	21,146,360	21,218,057

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

V. Statements of Income

For the six months ended April 30, 2018 and October 31, 2017

(Thousands of yen)

	For the six months ended April 30, 2018	For the six months ended October 31, 2017
Operating Revenues and Expenses		
Operating Revenues:		
Rental revenues [Note 8]	697,767	697,553
Total Operating Revenues	697,767	697,553
Operating Expenses:		
Property-related expenses [Note 8]	298,789	297,063
Asset management fees	61,433	61,984
Asset custody fees	737	738
Administrative service fees	10,517	10,195
Trust fees	6,450	6,450
Directors' compensation	4,800	4,800
Audit fees	6,000	6,000
Other operating expenses	35,869	37,302
Total Operating Expenses	424,595	424,532
Operating Income	273,172	273,021
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	2	2
Insurance income	1,811	—
Total Non-Operating Revenues	1,813	2
Non-Operating Expenses:		
Interest expense	21,200	21,511
Borrowing expenses	6,390	6,257
Total Non-Operating Expenses	27,590	27,768
Ordinary Income	247,395	245,255
Income Before Income Taxes	247,395	245,255
Income taxes – current	885	894
Income taxes – deferred	1	(1)
Total Income Taxes [Note 12]	886	893
Net Income	246,509	244,362
Retained Earnings Brought Forward	37	20
Retained Earnings at End of Period	246,546	244,382

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, 2017

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from Unitholders' Capital	Unitholders' Capital, Net	Retained Earnings	Total
Balance as of April 30, 2017	74,632	10,504,334	(215,354)	10,288,980	249,515	10,538,495
Distributions in excess of retained earnings	—	—	(59,705)	(59,705)	—	(59,705)
Distributions of earnings	—	—	—	—	(249,495)	(249,495)
Net income	—	—	—	—	244,362	244,362
Balance as of October 31, 2017	74,632	10,504,334	(275,059)	10,229,275	244,382	10,473,657

For the six months ended April 30, 2018

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from Unitholders' Capital	Unitholders' Capital, Net	Retained Earnings	Total
Balance as of October 31, 2017	74,632	10,504,334	(275,059)	10,229,275	244,382	10,473,657
Distributions in excess of retained earnings	—	—	(63,437)	(63,437)	—	(63,437)
Distributions of earnings	—	—	—	—	(244,345)	(244,345)
Net income	—	—	—	—	246,509	246,509
Balance as of April 30, 2018	74,632	10,504,334	(338,496)	10,165,838	246,546	10,412,384

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

VII. Statements of Cash Flows

For the six months ended April 30, 2018 and October 31, 2017

(Thousands of yen)

	For the six months ended April 30, 2018	For the six months ended October 31, 2017
Cash Flows from Operating Activities:		
Income before income taxes	247,395	245,255
Depreciation and amortization	198,746	196,226
Interest expense	21,200	21,511
Increase (Decrease) in accounts payable	(13,447)	10,296
Cash payments of interest expense	(20,847)	(21,744)
Other, net	5,188	(9,524)
Net Cash Provided by Operating Activities	438,235	442,020
Cash Flows from Investing Activities:		
Payments for purchases of investment properties in trust accounts	(23,406)	(56,875)
Net Cash Used in Investing Activities	(23,406)	(56,875)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	—	500,000
Repayments of short-term debt	—	(500,000)
Proceeds from long-term debt	—	1,800,000
Repayments of long-term debt	—	(1,800,000)
Payments of distributions of earnings	(244,027)	(249,318)
Payments of distributions in excess of retained earnings	(63,325)	(59,658)
Net Cash Used in Financing Activities	(307,352)	(308,976)
Net Change in Cash and Cash Equivalents	107,477	76,169
Cash and Cash Equivalents at Beginning of Period	1,671,399	1,595,230
Cash and Cash Equivalents at End of Period (Note 3)	1,778,876	1,671,399

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

VIII. Notes to Financial Statements

For the six months ended April 30, 2018 and October 31, 2017

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 April 30, 2018, NHI had trust beneficiary interests in 22 healthcare facilities with approximately 67,299 square meters of healthcare facilities space and had leased space to 22 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 stated at cost, which includes the allocated purchase price, related costs and expenses for acquisition of the properties. Investment properties 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 April 30, 2018	As of October 31, 2017
Buildings and structures	3-58 years	3-58 years
Machinery and equipment	17 years	17 years
Tools, furniture and fixtures	2-15 years	2-15 years

Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add value to 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.

There were no capitalized real estate taxes for the six months ended April 30, 2018 and the six months ended October 31, 2017.

Consumption Taxes

Consumption taxes are excluded from 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 April 30, 2018 and October 31, 2017 consisted of the following:

	(Thousands of yen)	
	As of April 30, 2018	As of October 31, 2017
Cash and deposits	1,349,047	1,223,990
Cash and deposits in trust accounts	429,829	447,409
Cash and cash equivalents	1,778,876	1,671,399

Note 4 – Pledged Assets and Secured Liabilities

The carrying amount of assets pledged as collateral and the secured liabilities as of April 30, 2018 and October 31, 2017 were as follows:

	(Thousands of yen)	
	As of April 30, 2018	As of October 31, 2017
Assets pledged:		
Cash and deposits in trust accounts	429,829	447,409
Land in trust accounts	7,949,066	7,949,066
Buildings and structures in trust accounts	11,286,112	11,456,030
Machinery and equipment in trust accounts	17,591	18,140
Tools, furniture and fixtures in trust accounts	31,566	33,899
Leasehold rights in trust accounts	40,886	40,886
Total	19,755,050	19,945,430
Secured liabilities:		
Short-term debt	500,000	500,000
Long-term debt due within one year	2,100,000	2,100,000
Long-term debt	7,200,000	7,200,000
Total	9,800,000	9,800,000

Note 5 – Financial Instruments

(For the six months ended April 30, 2018 and October 31, 2017)

(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.

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 April 30, 2018 and October 31, 2017 are as follows. The financial instruments whose fair value is extremely difficult to estimate are excluded from the following table.

(As of April 30, 2018)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	1,778,876	1,778,876	–
Total	1,778,876	1,778,876	–
Short-term debt	500,000	500,000	–
Long-term debt due within one year	2,100,000	2,100,278	278
Long-term debt	7,200,000	7,200,558	558
Total	9,800,000	9,800,836	836
Derivative transactions	–	–	–

(As of October 31, 2017)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	1,671,399	1,671,399	—
Total	1,671,399	1,671,399	—
Short-term debt	500,000	500,000	—
Long-term debt due within one year	2,100,000	2,100,546	546
Long-term debt	7,200,000	7,209,162	9,162
Total	9,800,000	9,809,708	9,708
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) Short-term debt, long-term debt due within one year and long-term debt

For short-term debt, long-term debt due within one year and 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 short-term debt, long-term debt due within one year and 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 due within one year and 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 April 30, 2018)

(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 due within one year and long-term debt	8,800,000 (7,200,000)	—(**)
Total			8,800,000 (7,200,000)	—

(As of October 31, 2017)

(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 due within one year and long-term debt	7,000,000 (5,400,000)	—(**)
Total			7,000,000 (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 (with the book value of 730,216 thousand yen as of April 30, 2018 and October 31, 2017) 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 April 30, 2018)

(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	1,778,876	–	–	–	–	–
Total	1,778,876	–	–	–	–	–

(As of October 31, 2017)

(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	1,671,399	–	–	–	–	–
Total	1,671,399	–	–	–	–	–

4. Redemption schedule for long-term debt

(As of April 30, 2018)

(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
Short-term debt	500,000	–	–	–	–	–
Long-term debt due within one year	2,100,000	–	–	–	–	–
Long-term debt	–	3,400,000	2,500,000	500,000	800,000	–
Total	2,600,000	3,400,000	2,500,000	500,000	800,000	–

(As of October 31, 2017)

(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
Short-term debt	500,000	–	–	–	–	–
Long-term debt due within one year	2,100,000	–	–	–	–	–
Long-term debt	–	2,900,000	3,000,000	–	1,300,000	–
Total	2,600,000	2,900,000	3,000,000	–	1,300,000	–

Note 6 – Schedule of Tangible Fixed Assets of Investment Properties

Investment properties as of April 30, 2018 and October 31, 2017 consisted of the following:

(Thousands of yen)

	As of April 30, 2018			As of October 31, 2017		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land in trust accounts	7,949,066	–	7,949,066	7,949,066	–	7,949,066
Buildings and structures in trust accounts	12,625,364	(1,339,252)	11,286,112	12,600,999	(1,144,969)	11,456,030
Machinery and equipment in trust accounts	18,324	(733)	17,591	18,324	(184)	18,140
Tools, furniture and fixtures in trust accounts	38,598	(7,032)	31,566	37,395	(3,496)	33,899
Total	20,631,352	(1,347,017)	19,284,335	20,605,784	(1,148,649)	19,457,135

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 April 30, 2018)

(Thousands of yen)

Book Value			Fair value as of April 30, 2018
As of October 31, 2017	Change during the period(*1)	As of April 30, 2018	
19,498,021	(172,800)	19,325,221	24,121,000

(For the six months ended October 31, 2017)

(Thousands of yen)

Book Value			Fair value as of October 31, 2017
As of April 30, 2017	Change during the period(*2)	As of October 31, 2017	
19,634,316	(136,295)	19,498,021	24,184,000

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

(Note 2) Significant changes

(*1) For the six months ended April 30, 2018, the major reason of decrease is depreciation (198,368 thousand yen).

(*2) For the six months ended October 31, 2017, the major reason of decrease is depreciation (195,848 thousand yen).

(Note 3) The fair values as of April 30, 2018 and October 31, 2017 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 April 30, 2018 and October 31, 2017 are disclosed in Note 8.

Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended April 30, 2018 and October 31, 2017 were as follows:

(Thousands of yen)

	For the six months ended April 30, 2018	For the six months ended October 31, 2017
A. Revenues from property leasing		
Rental revenues	697,767	697,553
Total revenues from property leasing	697,767	697,553
B. Property-related expenses		
Consignment expenses	13,109	12,445
Utilities expenses	2,523	379
Taxes and dues	50,036	50,009
Non-life insurance expenses	1,480	1,520
Repair expenses	32,073	35,662
Depreciation	198,368	195,848
Leasehold fees	1,200	1,200
Total property-related expenses	298,789	297,063
C. Operating income from property leasing [A – B]	398,978	400,490

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 – Short-term debt, long-term debt due within one year and long-term debt

Short-term debt, long-term debt due within one year and long-term debt as of April 30, 2018 and October 31, 2017 consisted of the following:

(Thousands of yen)

	As of April 30, 2018	As of October 31, 2017
Secured loans due 2017 to 2022, principally from banks and insurance companies with interest rates mainly ranging from 0.3% to 0.6%	9,800,000	9,800,000
Total	9,800,000	9,800,000

[Note] The interest rates presented are daily weighted average interest rates. As for long-term debts due within one year and 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 short-term debt, long-term debt due within one year and long-term debt as of April 30, 2018 were as follows:

	(Thousands of yen)
Due within one year	2,600,000
Due after one to two years	3,400,000
Due after two to three years	2,500,000
Due after three to four years	500,000
Due after four to five years	800,000
Due after five years	—

Note 11 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2018 and October 31, 2017 were as follows:

	(Thousands of yen)	
	As of April 30, 2018	As of October 31, 2017
Due within one year	1,393,218	1,393,218
Due after one year	10,399,125	11,052,426
Total	11,792,343	12,445,644

Note 12 – 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 0.36% for the six months ended April 30, 2018 and for the six months ended October 31, 2017. The following table summarizes the significant differences between the statutory tax rates and NHI's effective tax rates for financial statement purposes.

	For the six months ended April 30, 2018	For the six months ended October 31, 2017
Statutory tax rate	31.74%	31.74%
Deductible dividends	(31.63)	(31.62)
Others	0.25	0.24
Effective tax rate	0.36%	0.36%

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 April 30, 2018 and October 31, 2017 were as follows:

	(Thousands of yen)	
	As of April 30, 2018	As of October 31, 2017
Deferred tax assets:		
Accrued enterprise tax	14	14
Total deferred tax assets	14	14
Net deferred tax assets	14	14

Note 13 – Per Unit Information

Information about net assets per unit and net income per unit as of April 30, 2018 and October 31, 2017 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 April 30, 2018	For the six months ended October 31, 2017
Net assets at period end per unit	139,516 yen	140,337 yen
Net income per unit	3,302 yen	3,274 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 April 30, 2018	For the six months ended October 31, 2017
Net income (thousands of yen)	246,509	244,362
Amount not available to ordinary unitholders (thousands of yen)	–	–
Net income available to ordinary unitholders (thousands of yen)	246,509	244,362
Average number of units during the period (units)	74,632	74,632

Note 14 – 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 246,509,496 yen for the fiscal period ended April 30, 2018, which is the maximum integral multiple to 74,632 units issued and outstanding as the distribution of earnings, and 244,345,168 yen for the fiscal period ended October 31, 2017, which is the maximum integral multiple to 74,632 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 64,183,520 yen, which is calculated as the approximate equivalent of 32% of 198,367,756 yen of the depreciation amount posted for the fiscal period ended April 30, 2018, as distributions in excess of earnings (refund of capital contribution to unitholders) and 63,437,200 yen for the fiscal period ended October 31, 2017, which is calculated as the approximate equivalent of 32% of 195,847,818 yen of the depreciation amount posted for the fiscal period ended October 31, 2017.

(Yen)

	For the six months ended April 30, 2018		For the six months ended October 31, 2017	
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	246,546,358		244,382,227	
Distributions in excess of retained earnings	64,183,520		63,437,200	
Deduction from unit holders' capital				
Distributions				
Distributions of retained earnings	246,509,496	3,303	244,345,168	3,274
Distributions in excess of retained earnings	64,183,520	860	63,437,200	850
Total distributions	310,693,016	4,163	307,782,368	4,124
Retained earnings brought forward	36,862		37,059	

Note 15 – Transactions with Related Parties

(For the six months ended April 30, 2018)

No related-party transaction was entered into for the six months ended April 30, 2018.

(For the six months ended October 31, 2017)

No related-party transaction was entered into for the six months ended October 31, 2017.

Note 16 – Segment Information

For the six months ended April 30, 2018 and October 31, 2017

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 17 – Significant Subsequent Events

Not applicable.

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 April 30, 2018 and October 31, 2017, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months periods 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 misstatement, 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 April 30, 2018 and October 31, 2017, 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.

CPMG AZSA LLC

July 18, 2018
Tokyo, Japan

Overview of Alpha Living Facilities


We open elderly housing in locations that are very convenient, utilizing the foundation of the Anabuki Group.

We are particular with the locations of the facilities so that it is easy for families to visit, but another feature is that it becomes easy for the staff to come to work as well.

Kagawa			
<p>1  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Takamatsu Hyakkenmachi</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 8-11 Hyakkenmachi, Takamatsu-shi, Kagawa Total number of rooms: 50 (resident capacity of 54 persons) Type of residential rights: Lease Completed: July 2010 <p>Opened: August 2010</p> <p>Facility owned by the Investment Corporation</p>	<p>2  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Takamatsu Fuseishi Sunflower-dori</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 2111-2 Fuseishicho, Takamatsu-shi Total number of rooms: 36 (resident capacity of 38 persons) Type of residential rights: Lease Completed: August 2012 <p>Opened: October 2012</p>	<p>3  Elderly housing with supportive services</p> <p>Alpha Living Takamatsu Matsunawa</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 1006-20, etc. Matsunawacho, Takamatsu-shi Total number of rooms: 40 (resident capacity of 42 persons) Type of residential rights: Lease Completed: November 2013 <p>Opened: January 2014</p>	<p>4  Residential-type fee-based home for the elderly</p> <p>Alpha Living Takamatsu Ekimae</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 1-6 Nishiuchimachi, Takamatsu-shi Total number of rooms: 43 (resident capacity of 44 persons) Type of residential rights: Rights to use Completed: June 2014 <p>Opened: July 2014</p> <p>Facility owned by the Investment Corporation</p>
Kagawa		Ehime	
<p>5  Elderly housing with supportive services</p> <p>Alpha Living Takamatsu Fuseishi Minami</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 2171-1 Fuseishicho, Takamatsu-shi Total number of rooms: 45 (resident capacity of 45 persons) Type of residential rights: Lease Completed: November 2016 <p>Opened: January 2017</p>	<p>6  Residential-type fee-based homes for the elderly with nursing care <small>Day services center also built</small></p> <p>Alpha Living Takamatsu Konyacho</p> <ul style="list-style-type: none"> Type: Residential-type fee-based homes for the elderly with nursing care Location: 5-3 Konyacho, Takamatsu-shi Total number of rooms: (With nursing care) 19 (resident capacity of 19 persons); (Residential-type) 46 (resident capacity of 48 persons) Type of residential rights: Rights to use Completed: September 2016 <p>Opened: April 2017</p> <p> Dentist clinic also built</p> <p><small>*There are two facilities, one with nursing care and the other residential-type.</small></p>	<p>7  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Matsuyama Kumanodai</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 1217 Kumanodai, Matsuyama-shi Total number of rooms: 48 (resident capacity of 51 persons) Type of residential rights: Lease Completed: August 2012 <p>Opened: October 2012</p>	<p>8  Elderly housing with supportive services</p> <p>Alpha Living Matsuyama Honmachi</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 6-3-3, etc. Honmachi, Matsuyama-shi Total number of rooms: 51 (resident capacity of 55 persons) Type of residential rights: Lease Completed: November 2013 <p>Opened: January 2014</p> <p> Medical and dentist clinic also built</p>
Ehime		Hiroshima	
<p>9  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Matsuyama Yotsuba Circulation Clinic-mae</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 4-5-40 Minamiedo, Matsuyama-shi Total number of rooms: 54 (resident capacity of 54 persons) Type of residential rights: Lease Completed: September 2014 <p>Opened: November 2014</p>	<p>10  Fee-based home for the elderly with nursing care</p> <p>Alpha Living Hiroshima Nakahiro</p> <ul style="list-style-type: none"> Type: Fee-based home for the elderly with nursing care Location: 2-1-7 Nakahiro-machi, Nishi-ku, Hiroshima-shi Total number of rooms: 36 (resident capacity of 36 persons) Type of residential rights: Rights to use Completed: September 2011 <p>Opened: November 2011</p>	<p>11  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Fukuyama Tajime</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 2-22-10 Tajimecho, Fukuyama-shi Total number of rooms: 52 (resident capacity of 55 persons) Type of residential rights: Rights to use Completed: February 2012 <p>Opened: April 2012</p>	<p>12  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Hiroshima Yoshijima-dori</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 1-2-23 Konan, Naka-ku, Hiroshima-shi Total number of rooms: 38 (resident capacity of 41 persons) Type of residential rights: Rights to use Completed: April 2012 <p>Opened: June 2012</p>
Hiroshima		Okayama	
<p>13  Residential-type fee-based home for the elderly</p> <p>Alpha Living Hiroshima Danbara</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 2-7-5 Danbarahinoe, Minami-ku, Hiroshima-shi Total number of rooms: 37 (resident capacity of 37 persons) Type of residential rights: Rights to use Completed: January 2013 <p>Opened: March 2013</p>	<p>14  Elderly housing with supportive services</p> <p>Alpha Living Hiroshima Kanonhonmachi</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 13-24 Kanonhonmachi, Nishi-ku, Hiroshima-shi Total number of rooms: 55 (resident capacity of 55 persons) Type of residential rights: Lease Completed: August 2016 <p>Opened: November 2016</p>	<p>15  Elderly housing with supportive services</p> <p>Alpha Living Hiroshima Furue Ekimae</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 1-3 Furueshimachi, Nishi-ku, Hiroshima-shi Total number of rooms: 47 (resident capacity of 47 persons) Type of residential rights: Lease Completed: March 2018 <p>Opened: May 2018</p>	<p>16  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Kurashiki Ekimae-dori</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 1-2-5-7 Hinochocho, Kurashiki-shi Total number of rooms: 42 (resident capacity of 46 persons) Type of residential rights: Rights to use Completed: October 2012 <p>Opened: November 2012</p>
Okayama			
<p>17  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Okayama Nishigawa Ryokudokoen</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 6-2 Chucho, Kita-ku, Okayama-shi Total number of rooms: 53 (resident capacity of 55 persons) Type of residential rights: Rights to use Completed: August 2014 <p>Opened: October 2014</p> <p>Facility owned by the Investment Corporation</p>	<p>18  Residential-type fee-based home for the elderly</p> <p>Alpha Living Okayama Ekinishi</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 11-21 Showacho, Kita-ku, Okayama-shi Total number of rooms: 44 (resident capacity of 44 persons) Type of residential rights: Rights to use Completed: September 2014 <p>Opened: November 2014</p>	<p>19  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Okayama Korakuen</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 1-11-4 Hama, Naka-ku, Okayama-shi Total number of rooms: 45 (resident capacity of 48 persons) Type of residential rights: Rights to use Completed: January 2015 <p>Opened: March 2015</p> <p>Facility owned by the Investment Corporation</p>	<p>20  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Okayama Noda</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 3-8-8 Noda, Kita-ku, Okayama-shi Total number of rooms: 42 (resident capacity of 42 persons) Type of residential rights: Rights to use Completed: March 2015 <p>Opened: May 2015</p>
Okayama		Hyogo	
<p>21  Residential-type fee-based home for the elderly</p> <p>Alpha Living Kurashiki Saiwaicho</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 5-36 Saiwaicho, Kurashiki-shi Total number of rooms: 35 (resident capacity of 35 persons) Type of residential rights: Rights to use Completed: January 2016 <p>Opened: April 2016</p>	<p>22  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Kawanishi-Noseguchi Ekimae</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 1-6-8 Obana, Kawanishi-shi Total number of rooms: 55 (resident capacity of 55 persons) Type of residential rights: Lease Completed: August 2015 <p>Opened: October 2015</p>	<p>23  Elderly housing with supportive services <small>Day services center also built</small></p> <p>Alpha Living Himeji Josai</p> <ul style="list-style-type: none"> Type: Elderly housing with supportive services Location: 272-1 Kotookacho, Himeji-shi Total number of rooms: 42 (resident capacity of 42 persons) Type of residential rights: Lease Completed: March 2016 <p>Opened: July 2016</p>	<p>24  Residential-type fee-based home for the elderly <small>Day services center also built</small></p> <p>Alpha Living Fukuoka Nanakuma</p> <ul style="list-style-type: none"> Type: Residential-type fee-based home for the elderly Location: 7-8-8 Nanakuma, Jonan-ku, Fukuoka-shi Total number of rooms: 43 (resident capacity of 43 persons) Type of residential rights: Rights to use Completed: June 2014 <p>Opened: August 2014</p>

Fukuoka


25 **Elderly housing with supportive services** (Day services center also built)
Alpha Living Hakata Minami



- Type: Elderly housing with supportive services
- Location: 3-6-1 Yanaga, Minami-ku, Fukuoka-shi
- Total number of rooms: 42 (resident capacity of 42 persons)
- Type of residential rights: Lease
- Completed: October 2014

Opened: December 2014

26 **Residential-type fee-based home for the elderly** (Day services center also built)
Alpha Living Fukuoka Hara




- Type: Residential-type fee-based home for the elderly
- Location: 3-760-1 Hara, Sawara-ku, Fukuoka-shi
- Total number of rooms: 42 (resident capacity of 42 persons)
- Type of residential rights: Rights to use
- Completed: August 2014

Opened: October 2014

Nagasaki


27 **Elderly housing with supportive services** (Day services center also built)
Alpha Living Nagasaki Suwanomori



- Type: Elderly housing with supportive services
- Location: 41 Katsuyamamachi, Nagasaki-shi
- Total number of rooms: 62 (resident capacity of 66 persons)
- Type of residential rights: Lease
- Completed: June 2014

Opened: August 2014

28 **Elderly housing with supportive services**
Alpha Living Nagasaki Oura




- Type: Elderly housing with supportive services
- Location: 12-1, etc. Shitamachi, Nagasaki-shi
- Total number of rooms: 47 (resident capacity of 47 persons)
- Type of residential rights: Lease

Scheduled to open: early summer 2019

Kagoshima

29 **Residential-type fee-based home for the elderly** (Day services center also built)
Alpha Living Kagoshima Uenonso



- Type: Residential-type fee-based home for the elderly
- Location: 4-15 Uenonsocho, Kagoshima-shi
- Total number of rooms: 47 (resident capacity of 49 persons)
- Type of residential rights: Rights to use
- Completed: September 2013

Opened: November 2013

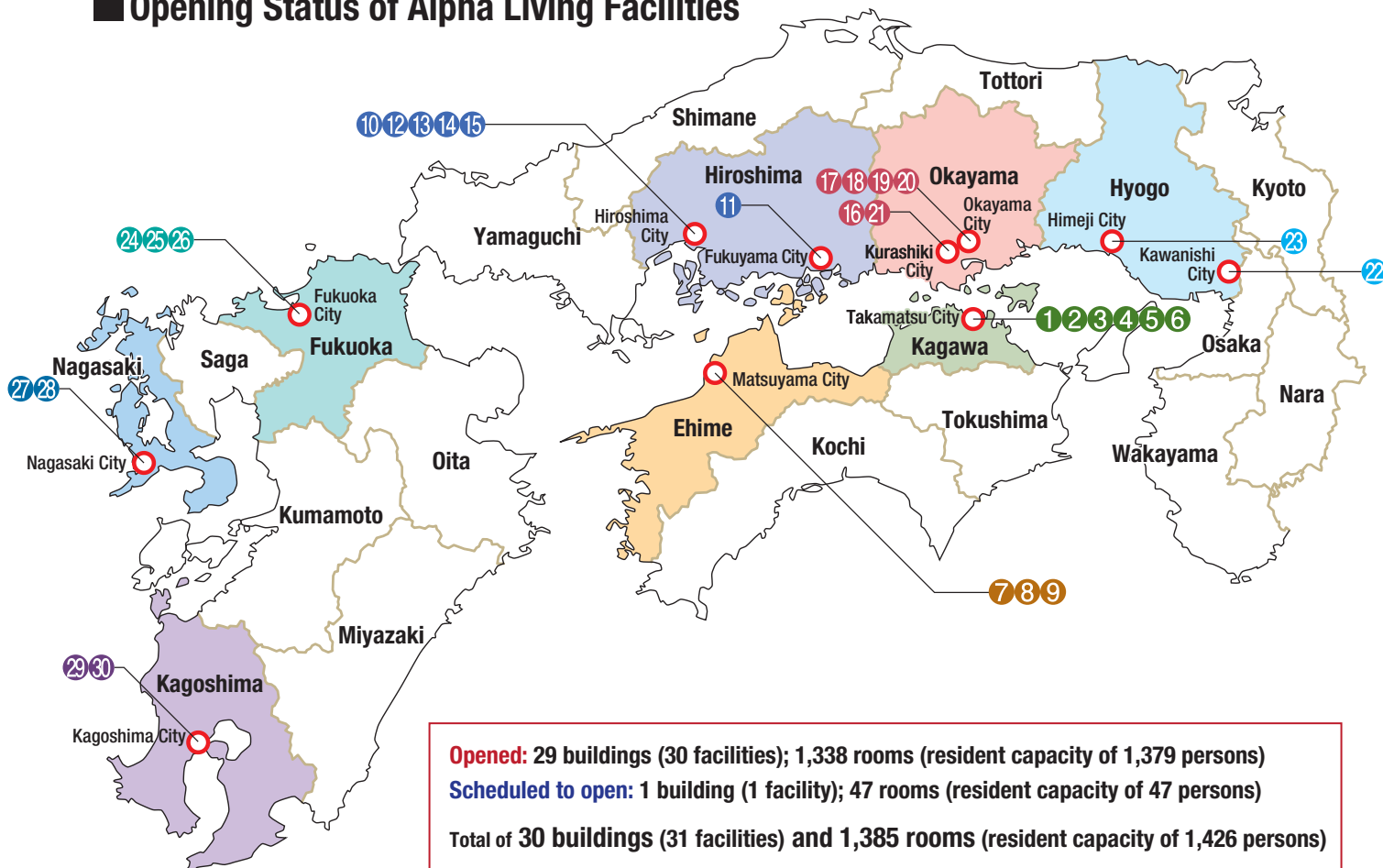
30 **Residential-type fee-based home for the elderly**
Alpha Living Kagoshima Higashisengoku



- Type: Residential-type fee-based home for the elderly
- Location: 4-7 Higashisengokucho, Kagoshima-shi
- Total number of rooms: 47 (resident capacity of 49 persons)
- Type of residential rights: Rights to use
- Completed: January 2014

Opened: March 2014

Opening Status of Alpha Living Facilities



As of the end of May 2018

*Properties shown above with photos include those which the Investment Corporation does not own. Furthermore it is not indicated that the Investment Corporation plans to own these properties in the future.

Supporting the Growth of Staff and an Excellent Work Environment

Certification Assistance System (Expenses Support)

We assist with up to 100,000 yen per certification for acquisition expenses and provide a maximum of 30,000 yen as a gift to those that succeed. Staff can join without any certifications and use this system to get certified while working.

*Certifications related to nursing care are targeted for assistance.

*Part-time workers are also eligible if they participate in the care worker induction course

Class-Based Training and Training for Reception Manners

We deal not only with nursing care skills but also train for reception manners and human skills.

The training also serves to create a space of interaction for coworkers in various areas as well as for staff in the same field of work.



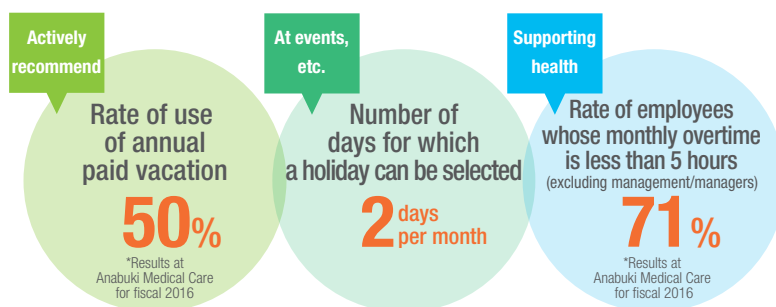
▲ Class-based training



▲ Training for reception manners

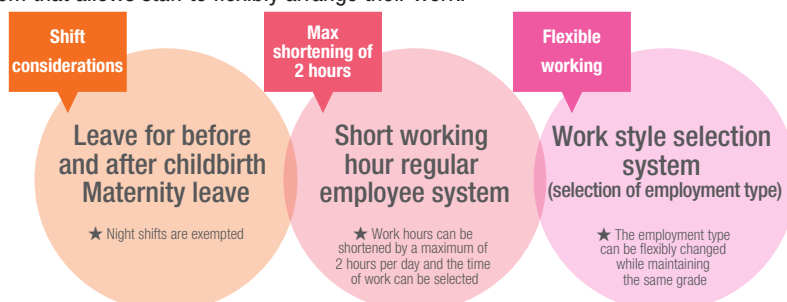
Efforts for Work-Life Balance

We support a **synergy of “work” and “living”** so that our staff do not have to give up or start to let go of either of the two, but rather are able to revitalize both by completing work within the scheduled time and enjoy living that is vibrant.



Childcare Support System

We have unique support systems such as the short working hour regular employee system where staff with small children can have time for child rearing while continuing their work as well as a system that allows staff to flexibly arrange their work.



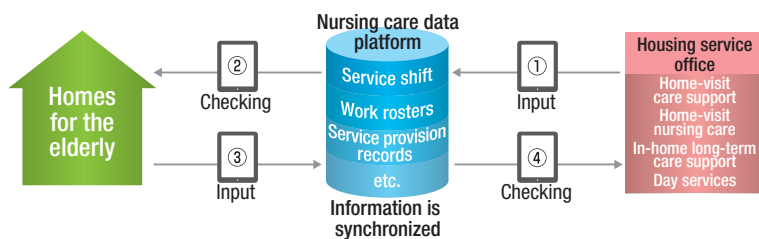
Randoseru school bags are given as gifts when the child enters elementary school

Initiatives and Systems in View of the Future

Originally Developed Nursing Care System

With the principle of supporting authentic living, we developed a care-record management and work shift system that aims to better the sharing of information among different job classifications, minimize the work burden of staff and improve operational efficiency. Its main function is the automation of creation of work rosters and shifts, check on the status of inputting service provision records, extraction of medical information and information concerning nursing care and living as well as calculation of productivity metrics.

The improvement of operational efficiency creates more time that can be allotted to meetings, technical training and such and this in turn results in improved quality of services, supplementation of labor shortage and prevention of nursing care accidents.



Active Recruitment of “Foreign Nursing Care Students”

Anabuki Medical Care has established a foreign nursing care student scholarship program in which foreigners who wish to become care workers in Japan are given loans to pay for part of their entrance fees and schooling expenses for training schools in Japan.

As of May 2018, about 30 people have come to Japan, mainly from Vietnam and the Philippines, as eligible persons for the program. They are working at Alpha Living facilities which we established while attending a Japanese language school operated by the Anabuki College Group. We will continue to our work to nurture care workers so that they can become excellent human resources in the field of nursing care.



Introduction of a Remote Monitoring System for Residents through IoT

We have introduced a remote monitoring system developed by Fujitsu Limited at some of the Alpha Living facilities. Special devices are installed in residential rooms to pick up information on sound and movement of people to get a real-time understanding of the situation of the rooms. If there is anything out of the ordinary, staff are notified through their devices so that they can rush to the scene. IoT technology, which connects the net with things, will reduce the risk of accidents at facilities and further make operations more efficient to improve services. There is also the aim of reducing the burden of staff as a shortage of personnel is also an issue.

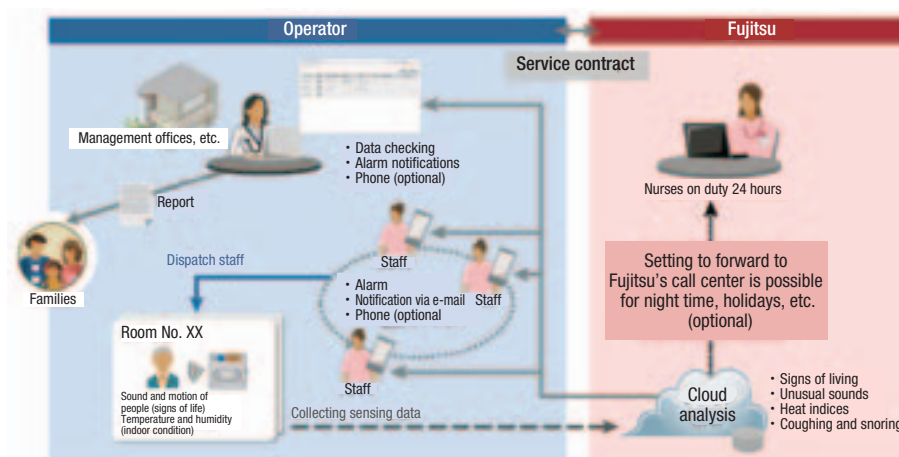


Image of the remote monitoring system

Providing secure livelihoods

through safe and comfortable

Safe housing at
excellent locations

Risk
management and
legal compliance

Prevention and
care of cognitive
impairment

24 hours a day
all year round

For secure living...

Expert attention
to care

Meals that
support health

A nursing and
caring system
supporting the local
community

Supporting
individual
self-reliance



The desire and determination of Anabuki Medical Care is to help clients be themselves

Since its founding in 2009 under the management philosophy of helping clients be themselves, Anabuki Medical Care Inc. has aimed to provide clients with living environments where they feel as though it is their peaceful home.

Japan is seeing the progression of a super aging society that the world has yet to experience. We are entering an age in which nursing care can no longer be dismissed as merely the business of others. It will be a real problem that every person will have to face. While the nursing industry is dealing with many social and regional challenges, it is also a developing industry and can be said to be full of innovative possibilities.

We will earnestly confront the social and regional challenges to find solutions with our spirit of moving forward on a daily basis, which is our business creed, and utilizing the Anabuki Group's foundation, and together with our staff continue to evolve as a regional leading company.

Anabuki Medical Care Inc. Representative director **Yoshihisa Otani**

and the joy of authentic living

housing and heartfelt service.



Overview of Anabuki Medical Care Inc.

Company name Anabuki Medical Care Inc.

Head office Anabuki Central Building 5F, 2-8
Togiyamachi, Takamatsu, Kagawa 760-0026

Established June 24, 2009

Paid-in capital 80 million yen

Business activities Senior-related business (nursing care business, operation of fee-based homes for the elderly, etc.), real estate management business, etc.

Representative director Yoshihisa Otani

Phone 087-825-0561

Fax 087-825-0562



Official character
of the Anabuki Group

あーなちゃん

Ana-chan



Introduction of Operators



Anabuki Medical Care Inc.

