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REIT Financial Report for the 9th Fiscal Period

December 19, 2018

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 Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): January 21, 2019
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 Preparing presentation material: Yes
 Holding financial brief meeting: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 9th Fiscal Period

9th Fiscal Period: Fiscal period ended October 2018 (from May 1, 2018 to October 31, 2018)

(1) Management

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
9th	697	(0.0)	271	(0.5)	244	(1.3)	243	(1.3)
8th	697	0.0	273	0.1	247	0.9	246	0.9

Fiscal period	Net income per unit	Net income to unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenue
	yen	%	%	%
9th	3,259	2.3	1.2	35.0
8th	3,302	2.4	1.2	35.5

(2) Distributions

Fiscal period	Distribution amount per unit (including distribution amount in excess of earnings)	Distribution amount per unit (excluding distribution amount in excess of earnings)	Distribution amount in excess of earnings per unit	Total distribution amount (including distribution amount in excess of earnings)	Total distribution amount (excluding distribution amount in excess of earnings)	Total distribution amount in excess of earnings	Dividend payout ratio	Distribution amount to net assets
	yen	yen	yen	million yen	million yen	million yen		
9th	4,130	3,260	870	308	243	64	100.0	2.3
8th	4,163	3,303	860	310	246	64	100.0	2.4

(Note 1) The rate of decrease in surplus, etc. from implementing cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) in the 9th Fiscal Period and the 8th Fiscal Period is 0.007 for both periods. Furthermore, calculation of the rate of decrease in surplus, etc. is pursuant to Article 23, Paragraph 1, Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965; including amendments thereto).

(Note 2) The total distribution amounts in excess of earnings for the 9th and 8th Fiscal Periods are entirely reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose.

(Note 3) Dividend payout ratio and distribution amount to net assets are calculated based on figures excluding distribution amount in excess of earnings.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
9th	21,068	10,344	49.1	138,613
8th	21,146	10,412	49.2	139,516

(4) Cash Flows

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
9th	435	(51)	(310)	1,851
8th	438	(23)	(307)	1,778

2. Management Status Forecasts for the 10th Fiscal Period and the 11th Fiscal Period

10th Fiscal Period: Fiscal period ending April 2019 (from November 1, 2018 to April 30, 2019)

11th Fiscal Period: Fiscal period ending October 2019 (from May 1, 2019 to October 31, 2019)

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
10th	705	1.1	280	3.2	251	3.1	250	3.1
11th	707	0.4	280	(0.1)	251	(0.3)	250	(0.3)

Fiscal period	Distribution amount per unit (including distribution amount in excess of earnings)	Distribution amount per unit (excluding distribution amount in excess of earnings)		Distribution amount in excess of earnings per unit
		yen	yen	
10th		4,230	3,360	870
11th		4,230	3,350	880

(Reference) Estimated net income per unit for the 10th Fiscal Period: 3,360 yen; 11th Fiscal Period: 3,350 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- (i) Changes in accounting policies due to amended accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

(i) Total number of investment units issued and outstanding (including own investment units) at end of period:	9th Fiscal Period	74,632 units
	8th Fiscal Period	74,632 units
(ii) Number of own investment units at end of period:	9th Fiscal Period	– units
	8th Fiscal Period	– units

(Note) Please refer to “Notes to Per Unit Information” on page 25 for the number of investment units used as the basis for calculating the net income per unit.

* Presentation of the status of implementation of audit procedures

This financial report (*kessan tanshin*) is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948; including amendments thereto) (hereinafter referred to as the “Financial Instruments and Exchange Act”) and, at the time of disclosure of this financial report (*kessan tanshin*), the audit procedures pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of the appropriate use of the management status forecasts, and other matters of special note

The forecast figures are forward-looking statements based on information currently available to Nippon Healthcare Investment Corporation and involve uncertainties. Accordingly, the actual operating revenue, operating income, ordinary income, net income and distribution amount per unit may vary due to changes in the status. In addition, the forecast is not a guarantee of the distribution amount. For details on the assumptions underlying the forecast figures above, please refer to “Assumptions for the Management Status Forecasts for the 10th Fiscal Period (from November 1, 2018 to April 30, 2019) and the 11th Fiscal Period (from May 1, 2019 to October 31, 2019)” on page 10.

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1. Affiliated Juridical Persons of the Investment Corporation

1.1. Structure of the Investment Corporation

Disclosure is omitted because there are no significant changes from the “Structure of Investment Corporation” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 18, 2018).

2. Management Policy and Management Status

2.1. Management Policy

Nippon Healthcare Investment Corporation (hereinafter referred to as “NHI”) resolved proposals to partially amend the Articles of Incorporation, including “Targets and Policy of Asset Management,” at the Fourth General Meeting of Unitholders held on July 31, 2018. For sections other than the aforementioned, disclosure is omitted because there are no significant changes from the “Investment Policy,” “Investment Target” and “Distribution Policy” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 18, 2018) as of the date of this document.

[Targets and Policy of Asset Management]

With amendment of the Rules on Real Estate Investment Trusts and Real Estate Investment Corporations of The Investment Trusts Association, Japan (the “JITA Rules”), adding certain shares or equity of overseas real estate holding corporations to real estate, etc. (the meaning defined in Article 3, Paragraph 2 of the JITA Rules), amendments have been made to add the concerned shares or equity of overseas real estate holding corporations to the real estate, etc. in the Articles of Incorporation of NHI.

[Asset Management Fees to the Asset Manager]

In order to review the level of asset management fees with the intention to make healthcare REITs more widespread in Japan and for the purpose of making the asset management fee system one that gives weight to management performance, amendments have been made, concerning Management Fee I (based on assets under management), to change it from one that has been linked to total assets on the balance sheet of NHI to one that is linked to total value of opinion of the assets under management of NHI and to lower the maximum rate (per annum) from 0.3% to 0.15%; and concerning Management Fee II (based on property-related operating revenue), which is linked to property-related operating revenue, to raise the maximum rate from 5.0% to 6.5%.

2.2. Management Status

(1) Overview of the Fiscal Period under Review

A. Brief History of the Investment Corporation

NHI was established on January 7, 2014 in accordance with 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 establishment, NHI implemented 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 borrowings.

After having built a track record of approximately seven months since commencement of management, NHI implemented an additional issuance of investment units through public offering (39,000 units) on November 4, 2014. On the following day, NHI listed on the Tokyo Stock Exchange, Inc. (hereinafter referred to as “Tokyo Stock Exchange”) Real Estate Investment Trust Securities Market (securities code: 3308), along with additionally acquiring six properties. In the 3rd Fiscal Period (fiscal period ended October 2015), NHI additionally acquired three properties with borrowings and cash on hand. In the 4th Fiscal Period (fiscal period ended April 2016), NHI implemented an additional issuance of investment units through public offering (12,130 units) on November 17, 2015, and additionally acquired four properties. In the 5th Fiscal Period (fiscal period ended October 2016), NHI additionally acquired one property with borrowings and cash on hand on October 6, 2016. The additional acquisition of properties brought the total acquisition price to 19,318 million yen as of the end of October 2018.

As a Japanese REIT specializing in healthcare facilities in that it invests solely in properties of which the principal use is healthcare facilities, NHI effectively utilizes investor capital to initiate expansion of supply of high-quality healthcare facilities that provide users with high-standard services, while at the same time produce adequate returns to investors for further capital inflow. In this way, NHI aims at creating a new virtuous 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.

B. Investment Environment and Management Performance**a. Investment Environment (from May 1, 2018 to October 31, 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.

In Japan, where the population of the elderly aged 65 years or over (hereinafter referred to as the "Elderly Population") accounts for over one-quarter of the total population as of June 1, 2018 (according to the Ministry of Internal Affairs and Communications' "Population Estimates" (announced on November 20, 2018)), the Elderly Population as a percentage of the total population (hereinafter referred to as the "Elderly Population Percentage") is forecast to continue to rise 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 fiscal period under review (9th Fiscal Period: fiscal period ended October 2018 (from May 1, 2018 to October 31, 2018)), there were no property acquisitions.

Concerning the properties owned as of the end of the 9th Fiscal Period (October 31, 2018), the leasable floor area was 67,298.83m² and the occupancy rate was 100.0%.

C. Overview of Capital Procurement**a. Procurement of Funds for Loan Repayment**

In the 9th Fiscal Period, NHI conducted the following borrowing of funds for use as funds for repayment of loans.

- As funds for repayment of the 500 million yen borrowed from Mizuho Bank, Ltd. due for repayment on September 28, 2018, the same amount was borrowed from Shinsei Bank, Limited on that date.
- As funds for repayment of the total of 2,100 million yen borrowed from Sumitomo Mitsui Trust Bank, Limited, The Dai-ichi Life Insurance Company, Limited and Shinkin Central Bank due for repayment on October 31, 2018, a total of 2,100 million yen was borrowed from Sumitomo Mitsui Trust Bank, Limited, Shinkin Central Bank, Shinsei Bank, Limited and The Dai-ichi Life Insurance Company, Limited on that date.

NHI concluded interest rate swap agreements for loans of 2,400 million yen in total on October 31, 2018 in order to hedge risks of interest rate increases in the future.

b. Status of Interest-Bearing Liabilities at the End of the Fiscal Period under Review

As a result of the above, the balance of interest-bearing liabilities outstanding at the end of the 9th Fiscal Period (October 31, 2018) totaled 9,800 million yen (all are long-term loans payable). Of the long-term loans payable, 2,900 million yen is due for repayment within one year. The average remaining years to maturity as at the end of the 9th Fiscal Period was 2.5 years.

At the end of the 9th Fiscal Period, unitholders' capital in the net amount was 10,101 million yen and the total number of investment units issued and outstanding was 74,632 units.

Balance of Borrowings from Each Financial Institution at the End of the Fiscal Period under Review

Lender	End of the 9th Fiscal Period (October 31, 2018) (million yen)	Share (%) (Note)
Mizuho Bank, Ltd.	2,300	23.47

Resona Bank, Limited	1,700	17.35
Sumitomo Mitsui Trust Bank, Limited	1,700	17.35
Mizuho Trust & Banking Co., Ltd.	1,200	12.24
The Musashino Bank, Ltd.	1,000	10.20
Shinkin Central Bank	900	9.18
Shinsei Bank, Limited	800	8.16
The Dai-ichi Life Insurance Company, Limited	200	2.04
Total	9,800	100.00

(Note) Share is rounded to two decimal places.

D. Overview of Financial Performance and Distributions

As a result of the management described above, NHI posted financial performance for the 9th Fiscal Period of 697 million yen in operating revenue, 271 million yen in operating income, 244 million yen in ordinary income and 243 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 from earnings per unit of 3,260 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 64,929,840 yen, which is the amount roughly equivalent to 33% of the 199 million yen in depreciation for the 9th Fiscal Period, as reimbursement of investments in capital which falls under the category of distribution reducing unitholders’ capital for tax purpose. Accordingly, NHI declared a distribution amount in excess of earnings per unit of 860 yen.

(Note) NHI adopts a policy of implementing uninterrupted cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders’ capital for tax purpose) 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 not to 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 owned as of the end of the 9th Fiscal Period (22 properties) is 29 million yen.

(2) Outlook for the Next Fiscal Period

A. Investment Environment

In Japan, where the Elderly Population accounts for over one-quarter of the total population, the Elderly Population Percentage is expected to continue to rise and the population of the elderly living alone is expected to continue to grow. With the development of medical technology, among other factors, record-highs were set in terms of the average life expectancy at birth for Japanese people at 81.09 years for males and 87.26 years for females according to the Ministry of Health, Labour and Welfare’s “Abridged Life Tables for Japan 2017,” and in terms of the Elderly Population at 35.44 million people and the Elderly Population Percentage at 28.0% of the total population of 126.50 million people as of June 1, 2018 according to the Ministry of Internal Affairs and Communications’ “Population Estimates” (announced on November 20, 2018).

According to the National Institute of Population and Social Security Research’s “Population Projections for Japan (2017),” the total population at 122.54 million people and the Elderly Population at 36.77 million people will increase the Elderly Population Percentage to 30.0% in 2025 and then, while the total population will decrease by approximately 38.43 million people from that at present to 88.07 million people, the Elderly Population will become 33.81 million people and the Elderly Population Percentage will reach 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.

B. Future 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.

(i) 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.

(ii) 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.

(iii) 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 to provide to the effect that, in the event that a lease agreement for a healthcare facility owned by NHI has ended or is expected to end due to contract termination, contract cancellation or other reason, where NHI requests another operator of acquired assets to conclude a new lease agreement with NHI and to operate the healthcare facility, 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. Strategy for New Property Investments

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 the adviser.

(i) Track record and network of the Asset Management Company

The Asset Management Company is striving for property acquisitions that utilize the wide range of property sourcing channels based on strong relationship building with various related parties (business companies, financial institutions, major real estate brokerage companies and real estate brokerage parties, etc.) accumulated through asset management of Daiwa Office Investment Corporation (balance of assets for which management is entrusted as of the end of November 2018: approximately 459.7 billion yen and Daiwa Residential Private Investment Corporation (balance of assets for which management is entrusted as of the end of November 2018: approximately 110 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.

(ii) 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.

(iii) 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.

(i) 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.

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

In order to reduce the risk of interest rate increases 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.

(iii) 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 implement 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.

C. Significant Subsequent Events

NHI decided on December 19, 2018 to acquire trust beneficiary interest in real estate as follows.

General Outline of the Asset to Be Acquired

Property name	Irise Komae Bettei
Type of asset	Trust beneficiary interest in domestic real estate (Note)
Location	1-32-5 Higashi-nogawa, Komae-shi, Tokyo
Acquisition price	394.5 million yen (excluding acquisition costs and consumption tax, etc.)
Date of conclusion of purchase agreement	December 20, 2018 (scheduled)
Date of delivery	December 20, 2018 (scheduled)
Seller	GK DA Healthcare 2

(Note) The Investment Corporation plans to acquire 30% quasi-co-ownership of trust beneficiary interest in real estate as primary asset in trust. The remaining 70% quasi-co-ownership of trust beneficiary interest is scheduled to be owned by GK DA Healthcare 2.

D. Outlook for Management Status

NHI forecasts the following management status for the 10th Fiscal Period (from November 1, 2018 to April 30, 2019) and the 11th Fiscal Period (from May 1, 2019 to October 31, 2019). For the assumptions underlying the management status forecasts, please refer to the “Assumptions for the Management Status Forecasts for the 10th Fiscal Period (from November 1, 2018 to April 30, 2019) and the 11th Fiscal Period (from May 1, 2019 to October 31, 2019)” on page 10.

10th Fiscal Period (from November 1, 2018 to April 30, 2019)

Operating revenue	705 million yen
Operating income	280 million yen
Ordinary income	251 million yen
Net income	250 million yen
Distribution amount per unit (excluding distribution amount in excess of earnings)	3,360 yen
Distribution amount in excess of earnings per unit	870 yen
Distribution amount per unit (including distribution amount in excess of earnings)	4,230 yen

11th Fiscal Period (from May 1, 2019 to October 31, 2019)

Operating revenue	707 million yen
Operating income	280 million yen
Ordinary income	251 million yen
Net income	250 million yen
Distribution amount per unit (excluding distribution amount in excess of earnings)	3,350 yen
Distribution amount in excess of earnings per unit	880 yen
Distribution amount per unit (including distribution amount in excess of earnings)	4,230 yen

(Note) Discrepancies between the forecast figures above and the assumptions may arise due to future additional acquisition or sale of real estate, etc., real estate market and other developments, fluctuation in interest rates, change in other circumstances surrounding NHI and other factors. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution amount per unit and distribution amount in excess of earnings per unit may vary as a result. In addition, the forecast is not a guarantee of the distribution amount and distribution amount in excess of earnings.

Assumptions for the Management Status Forecasts for the 10th Fiscal Period (from November 1, 2018 to April 30, 2019) and the 11th Fiscal Period (from May 1, 2019 to October 31, 2019)

Item	Assumption
Accounting period	<ul style="list-style-type: none"> • 10th Fiscal Period Fiscal period ending April 2019: from November 1, 2018 to April 30, 2019 (181 days) • 11th Fiscal Period Fiscal period ending October 2019: from May 1, 2019 to October 31, 2019 (184 days)
Assets under management	<ul style="list-style-type: none"> • 10th Fiscal Period: The assumption is that the 22 properties owned as of October 31, 2018, plus the 30% quasi-co-ownership of Irise Komae Bettei to be acquired on December 20, 2018, to total 23 properties will be held. • 11th Fiscal Period: The assumption is that the above 23 properties will be held. • The actual number of properties may vary due to acquisition of new property, or disposition of portfolio property, etc.
Operating revenue	<ul style="list-style-type: none"> • Real estate rent revenue of acquired assets is calculated on the basis of the rent stated in lease agreements that have been concluded. Furthermore, the period-end occupancy rate for each property is expected to be 100.0% at the end of the 10th Fiscal Period and 100.0% at the end of the 11th Fiscal Period. • The assumption is that there will be no gain (loss) on sales of real estate properties.
Operating expenses	<ul style="list-style-type: none"> • Expenses related to rent business, which constitute a major component of operating expenses, are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in expenses. • Operating income from property leasing (excluding gain on sales of real estate properties) after deduction of expenses related to rent business (including depreciation) is assumed to be 407 million yen for the 10th Fiscal Period and 408 million yen for the 11th Fiscal Period. • Consignment expenses are assumed to be 13 million yen in the 10th Fiscal Period and 13 million yen for the 11th Fiscal Period. • Taxes and dues (fixed property tax, city planning tax, etc.) are assumed to be 50 million yen for the 10th Fiscal Period and 50 million yen for the 11th Fiscal Period. • In general, fixed property tax, city planning tax, etc. upon transactions of real estate, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the current owner, but the amount equivalent to the reimbursement is included in the cost of acquisition and thus not recognized as expenses at the time of acquisition of the property at NHI. Accordingly, in the case of the properties acquired in 2018, fixed property tax, city planning tax, etc. are recognized as expenses starting from fiscal 2019. • Depreciation, which is calculated using the straight-line method, is assumed to be 203 million yen for the 10th Fiscal Period and 204 million yen for the 11th Fiscal Period. • Repair expenses for buildings are assumed based on medium- to long-term repair plans formulated by the Asset Management Company to be 28 million yen for the 10th Fiscal Period and 27 million yen for the 11th Fiscal Period. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable causes may result in repair expenses differing materially from the forecast amount.
Non-operating expenses	<ul style="list-style-type: none"> • 28 million yen is assumed as interest expenses and other borrowing related expenses for the 10th Fiscal Period. • 29 million yen is assumed as interest expenses and other borrowing related expenses for the 11th Fiscal Period.
Interest-bearing liabilities	<ul style="list-style-type: none"> • The assumption is that total interest-bearing liabilities will be 9,800 million yen at the end of the 10th Fiscal Period and 9,800 million yen at the end of the 11th Fiscal Period. • The assumption is that there will be no change in loan balance in the 10th and 11th Fiscal Periods.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> • The assumption is 74,632 units, which is the total number of investment units issued and outstanding as of October 31, 2018. • The assumption is that there will be no change in the number of investment units due to issuance of new investment units, etc. in addition to the above, through to the end of the 11th Fiscal Period.

Item	Assumption
Distribution amount per unit (excluding distribution amount in excess of earnings)	<ul style="list-style-type: none"> • Distribution amount per unit (excluding distribution amount in excess of earnings) is calculated based on the assumption that the entire amount of earnings will be distributed in accordance with the cash distribution policy set forth in the articles of incorporation of NHI. • Distribution amount per unit (excluding distribution amount in excess of earnings) may vary due to various factors, including fluctuation in real estate rent revenue accompanying change in assets under management, change in tenants, etc., or incurrence of unexpected repairs.
Distribution amount in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution amount in excess of earnings per unit is calculated in accordance with the cash distribution policy set forth in the articles of incorporation of NHI. The total distribution amount in excess of earnings is assumed to be 64 million yen for the 10th Fiscal Period and 65 million yen for the 11th Fiscal Period. The concerned total distribution amounts in excess of earnings are the amounts equivalent to 31.9% and 32.0%, respectively, of the depreciations that are expected to arise for the concerned accounting periods. • NHI adopts a policy of implementing uninterrupted cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) 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 not to 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.). • However, regardless of the policy described above, distributions in excess of earnings mentioned above may vary in amount or may not be implemented at all in light of the economic environment, real estate market trends, status of portfolio assets and financial status. In addition, accompanied by decrease in cash on hand, the implementation of distributions in excess of earnings mentioned above may cause a shortage of cash on hand in the event that need arises for capital expenditures, etc. beyond that assumed by NHI due to sudden events, etc. or may cause financial constraints in agile property acquisition.
Other	<ul style="list-style-type: none"> • The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. • The assumption is that there will be no unforeseen serious change in general economic trends and real estate market conditions, etc.

2.3. Investment Risks

Disclosure is omitted because there are no significant changes from “Part I: Fund Information; Section 1: Fund Status; 3. Investment Risks” set out in the most recent periodic securities report (*yuka shoken hokokusho*) (submitted on July 18, 2018).

3. Financial Statements**3.1. Balance Sheets**

(Unit: thousand yen)

	8th Fiscal Period (As of Apr. 30, 2018)	9th Fiscal Period (As of Oct. 31, 2018)
Assets		
Current assets		
Cash and deposits	1,349,046	1,404,245
Cash and deposits in trust	*1 429,829	*1 447,507
Prepaid expenses	14,227	21,432
Other	1,681	2,833
Total current assets	1,794,785	1,876,019
Non-current assets		
Property, plant and equipment		
Buildings in trust	12,419,559	12,445,248
Accumulated depreciation	(1,322,240)	(1,514,993)
Buildings in trust, net	*1 11,097,318	*1 10,930,254
Structures in trust	205,804	205,804
Accumulated depreciation	(17,011)	(19,574)
Structures in trust, net	*1 188,793	*1 186,230
Machinery and equipment in trust	18,323	18,323
Accumulated depreciation	(732)	(1,282)
Machinery and equipment in trust, net	*1 17,590	*1 17,040
Tools, furniture and fixtures in trust	38,597	45,394
Accumulated depreciation	(7,031)	(10,778)
Tools, furniture and fixtures in trust, net	*1 31,566	*1 34,616
Land in trust	*1 7,949,065	*1 7,949,065
Construction in progress in trust	—	*1 1,004
Total property, plant and equipment	19,284,334	19,118,213
Intangible assets		
Leasehold rights in trust	*1 40,886	*1 40,886
Trademark right	133	122
Software	1,116	749
Total intangible assets	42,136	41,758
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	15,089	22,487
Deferred tax assets	13	12
Total investments and other assets	25,102	32,500
Total non-current assets	19,351,573	19,192,471
Total assets	21,146,359	21,068,491

(Unit: thousand yen)

	8th Fiscal Period (As of Apr. 30, 2018)		9th Fiscal Period (As of Oct. 31, 2018)	
Liabilities				
Current liabilities				
Operating accounts payable		58,318		31,971
Short-term loans payable	*1	500,000		—
Current portion of long-term loans payable	*1	2,100,000	*1	2,900,000
Accounts payable – other		53,697		69,842
Advances received		85,139		85,139
Deposits received		532		647
Income taxes payable		884		869
Accrued consumption taxes		1,109		1,065
Other		4,077		3,772
Total current liabilities		2,803,759		3,093,309
Non-current liabilities				
Long-term loans payable	*1	7,200,000	*1	6,900,000
Tenant leasehold and security deposits		730,216		730,216
Total non-current liabilities		7,930,216		7,630,216
Total liabilities		10,733,975		10,723,525
Net assets				
Unitholders' equity				
Unitholders' capital		10,504,334		10,504,334
Deduction from unitholders' capital		(338,496)		(402,679)
Unitholders' capital, net		10,165,837		10,101,654
Surplus				
Unappropriated retained earnings (undisposed loss)		246,546		243,311
Total surplus		246,546		243,311
Total unitholders' equity		10,412,384		10,344,965
Total net assets	*2	10,412,384	*2	10,344,965
Total liabilities and net assets		21,146,359		21,068,491

3.2. Statements of Income

(Unit: thousand yen)

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)		9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)	
Operating revenue				
Rent revenue – real estate	*1	697,766	*1	697,552
Total operating revenue		697,766		697,552
Operating expenses				
Expenses related to rent business	*1	298,788	*1	290,043
Asset management fee		61,432		62,336
Asset custody fee		736		734
Administrative service fees		10,517		17,331
Trust fee		6,450		6,500
Directors' compensations		4,800		4,800
Audit fee		6,000		6,000
Other operating expenses		35,869		37,925
Total operating expenses		424,594		425,670
Operating income		273,172		271,882
Non-operating income				
Interest income		1		1
Reversal of distribution payable		–		213
Insurance income		1,810		277
Total non-operating income		1,812		493
Non-operating expenses				
Interest expenses		21,199		21,663
Borrowing expenses		6,389		6,566
Total non-operating expenses		27,589		28,230
Ordinary income		247,394		244,144
Income before income taxes		247,394		244,144
Income taxes – current		885		869
Income taxes – deferred		0		0
Total income taxes		885		870
Net income		246,509		243,274
Retained earnings brought forward		37		36
Unappropriated retained earnings (undisposed loss)		246,546		243,311

3.3. Statements of Unitholders' Equity

8th Fiscal Period (from November 1, 2017 to April 30, 2018)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	10,504,334	(275,059)	10,229,274	244,382	244,382	10,473,657	10,473,657
Changes of items during period							
Distribution in excess of earnings		(63,437)	(63,437)			(63,437)	(63,437)
Dividends of surplus				(244,345)	(244,345)	(244,345)	(244,345)
Net income				246,509	246,509	246,509	246,509
Total changes of items during period	—	(63,437)	(63,437)	2,164	2,164	(61,273)	(61,273)
Balance at end of current period	10,504,334	(338,496)	10,165,837	246,546	246,546	10,412,384	10,412,384

9th Fiscal Period (from May 1, 2018 to October 31, 2018)

(Unit: thousand yen)

	Unitholders' equity						Total net assets
	Unitholders' capital			Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	10,504,334	(338,496)	10,165,837	246,546	246,546	10,412,384	10,412,384
Changes of items during period							
Distribution in excess of earnings		(64,183)	(64,183)			(64,183)	(64,183)
Dividends of surplus				(246,509)	(246,509)	(246,509)	(246,509)
Net income				243,274	243,274	243,274	243,274
Total changes of items during period	—	(64,183)	(64,183)	(3,235)	(3,235)	(67,418)	(67,418)
Balance at end of current period	10,504,334	(402,679)	10,101,654	243,311	243,311	10,344,965	10,344,965

3.4. Statements of Cash Distributions

Item	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
	Amount (yen)	Amount (yen)
I. Unappropriated retained earnings	246,546,358	243,311,299
II. Addition of distribution amount in excess of earnings		
Deduction from unitholders' capital	64,183,520	64,929,840
III. Distribution amount	310,693,016	308,230,160
[Distribution amount per unit]	[4,163]	[4,130]
<i>Of which,</i>		
Distribution amount from earnings	246,509,496	243,300,320
[Distribution amount from earnings per unit]	[3,303]	[3,260]
Distribution amount in excess of earnings	64,183,520	64,929,840
[Distribution amount in excess of earnings per unit]	[860]	[870]
IV. Retained earnings carried forward	36,862	10,979
Method of calculating distribution amount	<p>In accordance with the policy that "NHI shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation" but no more than the amount of earnings pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 1 of its articles of incorporation, NHI decided the distributions from earnings that it shall pay out shall be the maximum value of the integral multiple of the total number of investment units issued and outstanding (74,632 units) in an amount that is not in excess of unappropriated retained earnings. Accordingly, NHI declared a distribution amount of 246,509,496 yen.</p> <p>Furthermore, NHI shall implement cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) uninterruptedly every fiscal period pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 2 of its articles of incorporation.</p> <p>Based on this policy, NHI decided to distribute 64,183,520 yen, which is the amount roughly equivalent to 32% of the 198,367,756 yen in depreciation for the 8th Fiscal Period, as cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purposes).</p>	<p>In accordance with the policy that "NHI shall distribute an amount in excess of the amount equivalent to 90% of its distributable earnings as defined in Article 67-15 of the Act on Special Measures Concerning Taxation" but no more than the amount of earnings pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 1 of its articles of incorporation, NHI decided the distributions from earnings that it shall pay out shall be the maximum value of the integral multiple of the total number of investment units issued and outstanding (74,632 units) in an amount that is not in excess of unappropriated retained earnings. Accordingly, NHI declared a distribution amount of 243,300,320 yen.</p> <p>Furthermore, NHI shall implement cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) uninterruptedly every fiscal period pursuant to the cash distribution policy set forth in Article 33, Paragraph 1, Item 2 of its articles of incorporation.</p> <p>Based on this policy, NHI decided to distribute 64,929,840 yen, which is the amount roughly equivalent to 33% of the 199,612,253 yen in depreciation for the 9th Fiscal Period, as cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purposes).</p>

(Note) NHI adopts a policy of implementing uninterrupted cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) 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 not to 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.).

3.5. Statements of Cash Flows

(Unit: thousand yen)

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Cash flows from operating activities		
Income before income taxes	247,394	244,144
Depreciation	198,745	199,990
Interest income	(1)	(1)
Interest expenses	21,199	21,663
Decrease (increase) in prepaid expenses	5,426	(7,204)
Increase (decrease) in operating accounts payable	(3,498)	(8,034)
Increase (decrease) in accounts payable – other	(9,948)	16,145
Increase (decrease) in accrued consumption taxes	89	(44)
Decrease (increase) in long-term prepaid expenses	(276)	(7,397)
Increase (decrease) in deposits received	(7)	115
Other, net	849	(1,188)
Subtotal	459,974	458,188
Interest income received	1	1
Interest expenses paid	(20,846)	(22,017)
Income taxes paid	(894)	(885)
Net cash provided by (used in) operating activities	438,234	435,287
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(23,406)	(51,766)
Net cash provided by (used in) investing activities	(23,406)	(51,766)
Cash flows from financing activities		
Decrease in short-term loans payable	—	(500,000)
Proceeds from long-term loans payable	—	2,600,000
Repayments of long-term loans payable	—	(2,100,000)
Earnings dividends paid	(244,026)	(246,462)
Distribution in excess of earnings paid	(63,324)	(64,181)
Net cash provided by (used in) financing activities	(307,351)	(310,644)
Net increase (decrease) in cash and cash equivalents	107,477	72,876
Cash and cash equivalents at beginning of period	1,671,399	1,778,876
Cash and cash equivalents at end of period	*1 1,778,876	*1 1,851,753

3.6. Notes to the Going Concern

Not applicable.

3.7. Notes to Significant Accounting Policies

<p>1. Depreciation method for non-current assets</p>	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is adopted. The useful life of principal property, plant and equipment is as follows: Buildings 3–58 years Structures 10–49 years Machinery and equipment 17 years Tools, furniture and fixtures 2–15 years</p> <p>(2) Intangible assets The straight-line method is adopted.</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2. Standards for revenue and expense recognition</p>	<p>Accounting for fixed property tax, etc. Concerning fixed property tax, city planning tax, depreciated asset tax, etc. on owned real estate or trust beneficiary interests that have real estate as assets in trust, of the tax amount assessed and determined, the method of accounting for the amount corresponding to the concerned fiscal period as expenses related to rent business is adopted. Concerning the amount equivalent to fixed property tax, etc. in the initial fiscal year that shall be borne by NHI in correlation with acquisitions of real estate or trust beneficiary interests that have real estate as assets in trust, the amount is not expensed but is rather included in the cost of acquisition of the concerned real estate property. The amount equivalent to fixed property tax, etc. that was included in the cost of acquisition of real estate properties in the 8th Fiscal Period is nil and 9th Fiscal Period is nil.</p>
<p>3. Hedge accounting</p>	<p>(1) Hedge accounting approach Deferral hedge accounting is applied. However, special accounting is applied to interest rate swaps that meet the criteria for special accounting.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on loans</p> <p>(3) Hedging policy NHI conducts derivative transactions for the purpose of hedging the risks set forth in its articles of incorporation based on its risk management policy.</p> <p>(4) Method for assessing the effectiveness of hedging The effectiveness of hedging is assessed by comparing the accumulated cash-flow changes of hedged items with that of hedging instruments and verifying the ratio of both amounts of changes. However, interest rate swaps that meet the criteria for special accounting are omitted from assessment of the effectiveness.</p>
<p>4. Scope of funds in the statements of cash flows</p>	<p>The funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.</p>

5. Other significant matters serving as basis for preparation of financial statements	<p>(1) Accounting method for trust beneficiary interests in real estate properties Concerning owned trust beneficiary interests that have real estate properties as assets in trust, all accounts of assets and liabilities within assets in trust, as well as all accounts of revenue generated and expenses incurred from assets in trust, are recorded in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recorded in the relevant account item are separately listed on the balance sheets.</p> <p>(i) Cash and deposits in trust (ii) Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust, and construction in progress in trust (iii) Leasehold rights in trust</p> <p>(2) Accounting method for consumption taxes Consumption tax and local consumption tax are accounted for by excluding from transaction amounts. Non-deductible consumption taxes on acquisition of assets are included in the cost of acquisition of the relevant asset.</p>
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3.8. Notes to Changes in Presentation or Classification

As NHI started application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the 9th Fiscal Period, changes are made to indicate deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

3.9. Notes to Financial Statements

[Omission of Disclosure]

Concerning notes to lease transactions, securities, retirement benefits, tax-effect accounting and asset retirement obligations, disclosure is omitted because there is thought to be no substantial need for such disclosure in the financial report (*kessan tanshin*).

[Notes to Balance Sheets]

*1. Assets pledged as collateral and secured liabilities

The following are the assets pledged as collateral.

	(Unit: thousand yen)	
	8th Fiscal Period (As of Apr. 30, 2018)	9th Fiscal Period (As of Oct. 31, 2018)
Cash and deposits in trust	429,829	447,507
Buildings in trust	11,097,318	10,930,254
Structures in trust	188,793	186,230
Machinery and equipment in trust	17,590	17,040
Tools, furniture and fixtures in trust	31,566	34,616
Land in trust	7,949,065	7,949,065
Construction in progress in trust	—	1,004
Leasehold rights in trust	40,886	40,886
Total	19,755,050	19,606,607

The following are the secured liabilities.

	(Unit: thousand yen)	
	8th Fiscal Period (As of Apr. 30, 2018)	9th Fiscal Period (As of Oct. 31, 2018)
Short-term loans payable	500,000	—
Current portion of long-term loans payable	2,100,000	2,900,000
Long-term loans payable	7,200,000	6,900,000

Total	9,800,000	9,800,000
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*2. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	(Unit: thousand yen)	
	8th Fiscal Period (As of Apr. 30, 2018)	9th Fiscal Period (As of Oct. 31, 2018)
	50,000	50,000

[Notes to Statements of Income]

*1. Breakdown of property-related operating income (loss)

	(Unit: thousand yen)	
	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
A. Property-related operating revenue		
Rent revenue – real estate	697,766	697,552
Total property-related operating revenue	697,766	697,552
B. Property-related operating expenses		
Consignment expenses	13,108	13,138
Utility expenses	2,523	1,861
Taxes and dues	50,036	49,973
Non-life insurance expenses	1,479	1,432
Repair expenses	32,072	22,824
Depreciation	198,367	199,612
Leasehold and office rents	1,200	1,200
Total property-related operating expenses	298,788	290,043
C. Property-related operating income (loss) [A – B]	398,978	407,509

[Notes to Statements of Unitholders' Equity]

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	74,632 units	74,632 units

[Notes to Statements of Cash Flows]

*1. Reconciliation of balance sheet items to cash and cash equivalents at end of period in the statements of cash flows

	(Unit: thousand yen)	
	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Cash and deposits	1,349,046	1,404,245
Cash and deposits in trust	429,829	447,507
Cash and cash equivalents	1,778,876	1,851,753

[Notes to Financial Instruments]

(1) Matters concerning status of financial instruments

(a) Policy for financial instruments

NHI procures funds through borrowing from financial institutions, issuance of new investment units, etc. for asset acquisitions, repairs and maintenance, distribution payouts, loan repayments, etc. In debt financing, NHI takes heed of extending loan periods, converting interest rates to fixed rates, staggering repayment dates, etc. in order to secure financial stability and hedge future interest rate fluctuation risk.

NHI manages surplus funds through deposits, safe and liquid monetary claims and securities, etc. (in principle, deposits).

Derivative transactions are limited to those that are for the purpose of hedging the risk of fluctuations in interest rates on the liabilities of NHI.

(b) Contents and risks of financial instruments and related risk management system

The funds from debt financing are used mainly for acquisition of assets (such as real estate trust beneficiary interests). These are exposed to liquidity risk upon repayment, but the risk is managed by maintaining LTV at low levels, staggering repayment dates, maintaining the ratio of long-term interest-bearing liabilities to total interest-bearing liabilities at high levels, and diversifying lenders centering on domestic financial institutions. Loans with floating interest rates are exposed to the risk of fluctuations in the interest rate payable, but derivative transactions (interest rate swap transactions) are used as a hedging instrument for hedging the risk of fluctuations in the interest rate payable and converting interest expenses to fixed rates for all or some of those floating-rate loans of which are long-term loans.

The effectiveness of hedging is assessed by comparing the accumulated cash-flow changes of hedged items with that of hedging instruments and verifying the ratio of both amounts of changes. However, interest rate swaps that meet the criteria for special accounting are omitted from assessment of the effectiveness.

Execution and management of derivative transactions are carried out based on the regulations defining the basic policy of risk management.

Tenant leasehold and security deposits are deposits received from tenants and are exposed to liquidity risk at the time that the deposits are to be returned to tenants when they vacate the property, but the risk is limited by retaining a certain percentage of that amount.

Deposits are used for investing NHI's surplus funds and are exposed to credit risk, such as bankruptcy of the depository financial institutions, but the risk is managed by restricting the tenor of the deposit relatively short, setting a minimum credit rating requirement for the depository financial institutions (excluding checkable deposits), etc.

(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, for example, different assumptions are used. Also, the contract amount, etc. of derivative transactions do not itself represent the market risk involved in these derivative transactions.

(2) Matters concerning fair value, etc. of financial instruments

The following is the carrying amount, fair value and difference between the two. The financial instruments for which fair value is extremely difficult to estimate are excluded from the following tables (please refer to (Note 2)).

8th Fiscal Period (as of April 30, 2018)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	1,349,046	1,349,046	—
(2) Cash and deposits in trust	429,829	429,829	—
Total assets	1,778,876	1,778,876	—
(3) Short-term loans payable	500,000	500,000	—
(4) Current portion of long-term loans payable	2,100,000	2,100,277	277
(5) Long-term loans payable	7,200,000	7,200,558	558
Total liabilities	9,800,000	9,800,836	836
Derivative transactions	—	—	—

9th Fiscal Period (as of October 31, 2018)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	1,404,245	1,404,245	—
(2) Cash and deposits in trust	447,507	447,507	—
Total assets	1,851,753	1,851,753	—
(4) Current portion of long-term loans payable	2,900,000	2,903,831	3,831
(5) Long-term loans payable	6,900,000	6,889,593	(10,406)
Total liabilities	9,800,000	9,793,425	(6,574)
Derivative transactions	—	—	—

(Note 1) Methods to estimate fair value of financial instruments and matters concerning derivative transactions

Assets

(1) Cash and deposits; (2) Cash and deposits in trust

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

Liabilities

(3) Short-term loans payable; (4) Current portion of long-term loans payable; (5) Long-term loans payable

As those with floating interest rates reflect market interest rates in a short period of time and there are no significant changes in NHI's credit risk after borrowing, their fair value and book value are nearly identical. Therefore, for these items, their book value is assumed as their fair value. For those with fixed interest rates, their fair value is based on the sum total amount of principle and interest (*) discounted at the interest rate reasonably estimated to be applied if similar new borrowing is entered into.

(*) For those long-term loans payable qualifying for special accounting of interest rate swaps (please refer to "Derivative transactions" below), the sum total amount of principle and interest by the rate of the interest rate swap

Derivative transactions

Please refer to "Notes to Derivative Transactions" later in this document.

(Note 2) Carrying amount of financial instruments for which fair value is extremely difficult to estimate

(Unit: thousand yen)

	8th Fiscal Period (As of Apr. 30, 2018)	9th Fiscal Period (As of Oct. 31, 2018)
Tenant leasehold and security deposits	730,216	730,216
Total	730,216	730,216

Tenant leasehold and security deposits that have been deposited from tenants of rental properties are not subject to disclosure of market price, because these are not marketable and the actual deposit period from when tenants move in to when tenants move out 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.

(Note 3) Redemption schedule for monetary claims due after the settlement of accounts

8th Fiscal Period (as of April 30, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	1,349,046	—	—	—	—	—
Cash and deposits in trust	429,829	—	—	—	—	—
Total	1,778,876	—	—	—	—	—

9th Fiscal Period (as of October 31, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	1,404,245	—	—	—	—	—
Cash and deposits in trust	447,507	—	—	—	—	—
Total	1,851,753	—	—	—	—	—

(Note 4) Repayment schedule for short-term loans payable, current portion of long-term loans payable and long-term loans payable due after the settlement of accounts

8th Fiscal Period (as of April 30, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	500,000	—	—	—	—	—
Current portion of long-term loans payable	2,100,000	—	—	—	—	—
Long-term loans payable	—	3,400,000	2,500,000	500,000	800,000	—
Total	2,600,000	3,400,000	2,500,000	500,000	800,000	—

9th Fiscal Period (as of October 31, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Current portion of long-term loans payable	2,900,000	—	—	—	—	—
Long-term loans payable	—	3,000,000	—	2,900,000	1,000,000	—
Total	2,900,000	3,000,000	—	2,900,000	1,000,000	—

[Notes to Derivative Transactions]

(1) Derivative transactions to which hedge accounting is not applied

8th Fiscal Period (as of April 30, 2018)

Not applicable.

9th Fiscal Period (as of October 31, 2018)

Not applicable.

(2) Derivative transactions to which hedge accounting is applied

The following is the contract amount, amount equivalent to the principal provided in the contract, etc. as of the settlement of accounts for each hedge accounting approach for derivative transactions to which hedge accounting is applied.

8th Fiscal Period (as of April 30, 2018)

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of estimation of that fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Receive floating and pay fixed	Long-term loans payable	8,800,000	7,200,000	(*)	—

9th Fiscal Period (as of October 31, 2018)

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc.		Fair value	Method of estimation of that fair value
				Of which, due after 1 year		
Special accounting for interest rate swaps	Interest rate swap transactions Receive floating and pay fixed	Long-term loans payable	9,600,000	6,700,000	(*)	—

(*) The fair value of derivative transactions qualifying for special accounting of interest rate swaps is included in that of related long-term loans payable. This is because such interest rate swaps are handled together with hedged long-term loans payable. (Please refer to “Notes to Financial Instruments; (2) Matters concerning fair value, etc. of financial instruments (Note 1); Liabilities (4) (5)” earlier in this document.)

[Notes to Transactions with Related Parties]

8th Fiscal Period (from November 1, 2017 to April 30, 2018)

Not applicable.

9th Fiscal Period (from May 1, 2018 to October 31, 2018)

Not applicable.

[Notes to 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 carrying amount, net change in the carrying amount during period and fair value of the investment and rental properties are as follows:

(Unit: thousand yen)

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Carrying amount		
Balance at beginning of period	19,498,021	19,325,220
Net change during period	(172,800)	(167,125)
Balance at end of period	19,325,220	19,158,094
Fair value at end of period	24,121,000	24,117,000

(Note 1) The carrying amount is the amount after accumulated depreciation is deducted from the cost of acquisition.

(Note 2) Significant changes during period

For the 8th Fiscal Period, the major reason of decrease is depreciation (198,367 thousand yen).

For the 9th Fiscal Period, the major reason of decrease is depreciation (199,612 thousand yen).

(Note 3) The fair value at end of period represents the sum of appraisal values estimated by external real estate appraisers.

Income and loss from investment and rental properties are disclosed in “Notes to Statements of Income.”

[Segment Information, etc.]

(1) Segment information

Segment information is omitted because NHI has no segment except the property leasing business.

(2) Related information

8th Fiscal Period (from November 1, 2017 to April 30, 2018)

① Information about products and services

Information about products and services is omitted because net sales to external customers for a single product and service category are in excess of 90% of the operating revenue on the statements of income.

② Information about geographic areas

A. Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of the operating revenue on statements of income.

B. Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheets.

③ Information about major customers

Information about major customers is omitted because consent for disclosure on net sales to a single external customer has not been obtained from tenants.

9th Fiscal Period (from May 1, 2018 to October 31, 2018)

① Information about products and services

Information about products and services is omitted because net sales to external customers for a single product and service category are in excess of 90% of the operating revenue on the statements of income.

② Information about geographic areas

A. Net sales

Information about net sales is omitted because net sales to external customers in Japan are in excess of 90% of the operating revenue on statements of income.

B. Property, plant and equipment

Information about property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheets.

③ Information about major customers

Information about major customers is omitted because consent for disclosure on net sales to a single external customer has not been obtained from tenants.

[Notes to Per Unit Information]

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Net assets per unit	139,516 yen	138,613 yen
Net income per unit	3,302 yen	3,259 yen

(Note 1) Net income per unit is calculated by dividing the net income by the daily weighted average number of investment units.

The diluted net income per unit is not stated as there are no diluted investment units.

(Note 2) The basis for calculating the net income per unit is as follows:

	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Net income (thousand yen)	246,509	243,274
Amount not attributable to common unitholders (thousand yen)	—	—
Net income attributable to common investment units (thousand yen)	246,509	243,274
Average number of investment units during period (units)	74,632	74,632

[Notes to Significant Subsequent Events]

NHI decided on December 19, 2018 to acquire trust beneficiary interest in real estate as follows.

General Outline of the Asset to Be Acquired

Property name	Irise Komae Bettei
Type of asset	Trust beneficiary interest in domestic real estate (Note)
Location	1-32-5 Higashi-nogawa, Komae-shi, Tokyo
Acquisition price	394.5 million yen (excluding acquisition costs and consumption tax, etc.)
Date of conclusion of purchase agreement	December 20, 2018 (scheduled)
Date of delivery	December 20, 2018 (scheduled)
Seller	GK DA Healthcare 2

(Note) The Investment Corporation plans to acquire 30% quasi-co-ownership of trust beneficiary interest in real estate as primary asset in trust. The remaining 70% quasi-co-ownership of trust beneficiary interest is scheduled to be owned by GK DA Healthcare 2.

3.10. Increase (Decrease) in Total Number of Investment Units Issued and Outstanding

The following is the increase (decrease) in the total number of investment units issued and outstanding and unitholders' capital in the net amount since the establishment of NHI through to the end of the 9th Fiscal Period.

Payment date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital, net (million yen) (Note 1)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Jan. 7, 2014	Establishment through private placement	1,000	1,000	100	100	(Note 2)
Apr. 3, 2014	Capital increase through private placement	18,800	19,800	1,880	1,980	(Note 3)
Nov. 4, 2014	Capital increase through public offering	39,000	58,800	5,616	7,596	(Note 4)
Dec. 3, 2014	Capital increase by way of third-party allotment	2,000	60,800	288	7,884	(Note 5)
July 17, 2015	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	60,800	(49)	7,834	(Note 6)
Nov. 17, 2015	Capital increase through public offering	12,130	72,930	2,297	10,132	(Note 7)
Dec. 16, 2015	Capital increase by way of third-party allotment	1,702	74,632	322	10,455	(Note 8)
Jan. 21, 2016	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(46)	10,408	(Note 9)
July 15, 2016	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(59)	10,348	(Note 10)
Jan. 24, 2017	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(59)	10,288	(Note 11)
July 18, 2017	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(59)	10,229	(Note 12)
Jan. 23, 2018	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(63)	10,165	(Note 13)
July 17, 2018	Cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose)	—	74,632	(64)	10,101	(Note 14)

- (Note 1) Figures indicate amounts obtained by subtracting deduction from unitholders' capital from unitholders' capital.
- (Note 2) NHI was established at an issue price of 100,000 yen per unit. The subscriber for underwriting of investment units at establishment was Daiwa Real Estate Asset Management Co. Ltd.
- (Note 3) Investment units were additionally issued to JHC-LPS and ASIA CUATRO-LPS at an issue price of 100,000 yen per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.
- (Note 4) New investment units were issued through public offering at an issue price of 150,000 yen (issue amount of 144,000 yen) per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.
- (Note 5) New investment units were issued by way of third-party allotment at an issue amount of 144,000 yen per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.
- (Note 6) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 810 yen per unit at its Board of Directors Meeting held on June 19, 2015 as cash distribution for the 2nd fiscal period (fiscal period ended April 2015), and started the payout from July 17, 2015.
- (Note 7) New investment units were issued through public offering at an issue price of 196,570 yen (issue amount of 189,440 yen) per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.
- (Note 8) New investment units were issued by way of third-party allotment at an issue amount of 189,440 yen per unit for the purpose of procuring funds for acquisition of acquisition properties and other funds.
- (Note 9) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 768 yen per unit at its Board of Directors Meeting held on December 18, 2015 as cash distribution for the 3rd fiscal period (fiscal period ended October 2015), and started the payout from January 21, 2016.
- (Note 10) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 800 yen per unit at its Board of Directors Meeting held on June 21, 2016 as cash distribution for the 4th fiscal period (fiscal period ended April 2016), and started the payout from July 15, 2016.
- (Note 11) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 800 yen per unit at its Board of Directors Meeting held on December 21, 2016 as cash distribution for the 5th fiscal period (fiscal period ended October 2016), and started the payout from January 24, 2017.
- (Note 12) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 800 yen per unit at its Board of Directors Meeting held on June 19, 2017 as cash distribution for the 6th fiscal period (fiscal period ended April 2017), and started the payout from July 18, 2017.
- (Note 13) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 850 yen per unit at its Board of Directors Meeting held on December 19, 2017 as cash distribution for the 7th fiscal period (fiscal period ended October 2017), and started the payout from January 23, 2018.
- (Note 14) NHI resolved cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) of 860 yen per unit at its Board of Directors Meeting held on June 18, 2018 as cash distribution for the 8th fiscal period (fiscal period ended April 2018), and started the payout from July 17, 2018.

4. Changes in Directors

Timely disclosure of changes in directors are made when details of disclosure are finalized.

5. Reference Information**5.1. Investment Status**

Type of asset	Use		Region	9th Fiscal Period (As of October 31, 2018)	
				Total amount owned (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Real estate trust beneficiary interests	Private nursing homes and other facilities for the elderly	Fee-based homes for the elderly	Three major metropolitan areas (Note 3)	11,653	55.3
			Core city areas (Note 4)	6,892	32.7
			Other (Note 5)	—	—
		Elderly housing with supportive services	Three major metropolitan areas (Note 3)	—	—
			Core city areas (Note 4)	611	2.9
			Other (Note 5)	—	—
	Other private nursing homes and other facilities for the elderly			—	—
	Subtotal			19,158	90.9
	Medical facilities			—	—
	Other			—	—
Total			19,158	90.9	
Deposits and other assets				1,910	9.1
Total assets (Note 6)				21,068	100.0
				[19,158]	[90.9]

(Note 1) “Total amount owned” is the carrying amount (book value after deducting depreciation in the case of real estate trust beneficiary interests).

(Note 2) “As a percentage of total assets” is rounded to one decimal place.

(Note 3) “Three major metropolitan areas” refers to the greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama prefectures), the Chukyo area (Aichi, Mie and Gifu prefectures) and the Kinki area (Osaka, Kyoto, Hyogo, Nara and Shiga prefectures). The same shall apply hereinafter.

(Note 4) “Core city areas” refers to cities (outside the three major metropolitan areas) with populations of 200,000 or more. The same shall apply hereinafter.

(Note 5) “Other” refers to cities (outside the three major metropolitan areas and the core city areas) with populations fewer than 200,000. The same shall apply hereinafter.

(Note 6) The figure in brackets [] under “Total assets” is the portion of the applicable assets that, in effect, corresponds to the holding of real estate properties. The amount of construction in progress (including construction in progress in trust) is not included in the amount of real estate trust beneficiary interests.

5.2. Investment Real Estate Properties

5.2.1. Price and Investment Ratio of Investment Real Estate Properties

The following is an overview of the real estate in trust of trust beneficiary interests owned as of October 31, 2018 by NHI.

Type of specified asset	Region	Property name	Acquisition price (million yen) (Note 1)	Carrying amount (million yen) (Note 2)	Estimated price at end of period (million yen) (Note 3)	Investment ratio (%) (Note 4)
Real estate trust beneficiary interests	Three major metropolitan areas	Sompo Care LAVIERE Sagamihara Chuo	1,170	1,132	1,780	6.1
		Charm Suite Ryokuchi Koen	1,950	1,916	3,060	10.1
		Sawayaka Heart Life Nishikyogoku	750	726	1,140	3.9
		Verger Hirakata	950	915	1,590	4.9
		Sompo Care LAVIERE Kinugasayama Koen	1,839	1,816	2,060	9.5
		La'nassica Arakogawa	1,279	1,219	1,430	6.6
		Super Court JR Nara-Ekimae	1,569	1,535	1,750	8.1
		Minna-no-ie Omiya Tsutsujigaoka Park (Note 5)	740	761	776	3.8
		Minna-no-ie Chuo-ku En'nami	838	875	860	4.3
		Sompo no ie Nishitanabeekimae	710	754	739	3.7
		Subtotal	11,795	11,653	15,185	61.1
	Core city areas	Nichii Care Center Fukushima Omori	265	246	341	1.4
		Sompo Care LAVIERE Hiroshima Hikarigaoka	960	963	1,230	5.0
		Sawayaka Kaikyokan	630	603	898	3.3
		Sawayaka Meisuikan	590	555	813	3.1
		Sawayaka Hinodekan	773	749	920	4.0
		Sawayaka Riverside Kurinoki	266	258	323	1.4
		Sawayaka Obatake Sanbankan	289	279	355	1.5
		Silver Heights Hitsujigaoka No.3	1,200	1,266	1,340	6.2
		Alpha Living Okayama Nishigawa Ryokudokoen	730	740	787	3.8
		Alpha Living Okayama Korakuen	610	614	658	3.2
		Alpha Living Takamatsu Ekimae	605	614	641	3.1
Alpha Living Takamatsu Hyakkenmachi	605	611	626	3.1		
Subtotal	7,523	7,504	8,932	38.9		
Total (22 properties)			19,318	19,158	24,117	100.0

(Note 1) "Acquisition price" is excluding acquisition costs, fixed property tax, city planning tax, consumption tax and local consumption tax.

(Note 2) "Carrying amount" is the book value after deducting depreciation as of October 31, 2018.

(Note 3) "Estimated price at end of period" is the price as of October 31, 2018 stated in the appraisal reports prepared by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. or The Tanizawa Sōgō Appraisal Co., Ltd. in accordance with the articles of incorporation of NHI and the rules of The Investment Trusts Association, Japan.

(Note 4) "Investment ratio" is the respective property acquisition price expressed as a percentage of the total amount of the acquisition prices, rounded to one decimal place.

(Note 5) Minna-no-ie Omiya Yoshinocho changed its name to Minna-no-ie Omiya Tsutsujigaoka Park on December 1, 2018. The same shall apply hereinafter in this document.

5.2.2. Summary of Building and Leasing of Investment Real Estate Properties

The respective property annual rent is not disclosed because consent for disclosure has not been obtained from tenants. Annual rent of real estate in trust owned as of October 31, 2018 by NHI totaled 1,393 million yen (Note).

(Note) The amount obtained by adding up the monthly rent in the respective lease agreement valid as of October 31, 2018 in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

Region	Property name	Structure / Floors (Note 1)	Construction completion (Note 2)	Total leasable area (m ²) (Note 3)	Total leased area (m ²) (Note 4)	Total number of tenants (Note 5)	Occupancy rate (%) (Note 6)	Appraisal NOI (million yen) (Note 7)
Three major metropolitan areas	Sompo Care LAVIERE Sagamihara Chuo	RC / 5F	Mar. 31, 2008	3,732.95	3,732.95	1	100.0	88
	Charm Suite Ryokuchi Koen	RC / B1/5F	Sept. 20, 2006	5,329.73	5,329.73	1	100.0	144
	Sawayaka Heart Life Nishikyogoku	RC / 6F	Aug. 6, 2007	2,459.19	2,459.19	1	100.0	60
	Verger Hirakata	RC / 5F	Feb. 26, 2007	2,925.25	2,925.25	1	100.0	85
	Sompo Care LAVIERE Kinugasayama Koen	RC / B1/5F	Mar. 3, 2011	4,265.88	4,265.88	1	100.0	100
	La'nassica Arakogawa	S / 4F	Apr. 17, 2008	3,590.40	3,590.40	1	100.0	74
	Super Court JR Nara-Ekimae	RC / 7F	June 17, 2009	5,057.07	5,057.07	1	100.0	91
	Minna-no-ie Omiya Tsutsujigaoka Park	RC / 4F	Apr. 3, 2012	1,800.03	1,800.03	1	100.0	39
	Minna-no-ie Chuo-ku En'nami	RC / 3F	Feb. 27, 2014	1,963.03	1,963.03	1	100.0	44
	Sompo no ie Nishitanabeekimae	RC / 9F	Feb. 11, 2007	2,095.79	2,095.79	1	100.0	36
Subtotal				33,219.32	33,219.32	10	100.0	765
Core city areas	Nichii Care Center Fukushima Omori	S / 3F	Mar. 30, 2007	1,964.68	1,964.68	1	100.0	21
	Sompo Care LAVIERE Hiroshima Hikarigaoka	RC / 7F	Dec. 15, 2005	4,133.82	4,133.82	1	100.0	69
	Sawayaka Kaikyokan	RC / 6F	Oct. 23, 2003	2,694.42	2,694.42	1	100.0	50
	Sawayaka Meisuikan	RC / B1/6F	Mar. 25, 2005	4,553.67	4,553.67	1	100.0	47
	Sawayaka Hinodekan	S / 3F	July 11, 2007	2,674.37	2,674.37	1	100.0	47
	Sawayaka Riverside Kurinoki	S / 4F	Oct. 20, 2009	1,349.39	1,349.39	1	100.0	17
	Sawayaka Obatake Sanbankan	S / 3F	Sept. 13, 2011	1,411.78	1,411.78	1	100.0	18
	Silver Heights Hitsujigaoka No.3	RC / 3F	Apr. 18, 2003	7,267.56	7,267.56	1	100.0	70
	Alpha Living Okayama Nishigawa Ryokudoko	RC / 7F	Aug. 18, 2014	2,124.16	2,124.16	1	100.0	37
	Alpha Living Okayama Korakuen	RC / 4F	May 25, 1988	2,128.44	2,128.44	1	100.0	32
	Alpha Living Takamatsu Ekimae	RC / 6F	June 9, 2014	1,848.06	1,848.06	1	100.0	30
	Alpha Living Takamatsu Hyakkenmachi	RC / 10F	June 28, 2010	1,929.16	1,929.16	1	100.0	31
	Subtotal				34,079.51	34,079.51	12	100.0
Total (22 properties)				67,298.83	67,298.83	22	100.0	1,241

- (Note 1) “Structure / Floors” is the entry in the real estate registry of the building of the respective property. “S” refers to steel-framed structure, “RC” refers to reinforced concrete structure, “B” refers to floors below ground and “F” refers to floors above ground.
- (Note 2) “Construction completion” is the entry in the real estate registry of the building of the respective property.
- (Note 3) “Total leasable area,” which is the floor area available for leasing of the building of the respective property, is the area indicated in the lease contract, etc. (including store compartments and office compartments), excluding the total leasable area of land (including level parking space).
- (Note 4) “Total leased area” is the sum total of the area that is actually leased based on a lease agreement concluded with end-tenants as of October 31, 2018.
- (Note 5) “Total number of tenants” is the total number of end-tenants. When there is a tenant occupying multiple buildings, the concerned tenant is counted and stated for each individual building.
- (Note 6) “Occupancy rate” is the figure obtained by dividing total leased area by leasable area, rounded down to one decimal place.
- (Note 7) “Appraisal NOI” is the net operating income obtained by subtracting operating expenses from operating revenue appraised by real estate appraisers as stated in the appraisal report as of October 31, 2018. The appraisal NOI above is the NOI derived by the direct capitalization method. “Appraisal NOI” is rounded down to the nearest million yen.

5.2.3. Status of Income (Loss) of Investment Real Estate Properties

(Unit: thousand yen)

Property name	9th Fiscal Period (from May 1, 2018 to October 31, 2018)									
	Property-related operating revenue (Note 1)	Property-related operating expenses								NOI (Note 2)
		Consign-ment expenses	Utility expenses	Taxes and dues	Non-life insurance expenses	Repair expenses	Depreciat-ion	Other		
Nichii Care Center Fukushima Omori	Not disclosed	8,185	147	—	1,193	36	245	5,363	1,200	11,578
Sompo Care LAVIERE Hiroshima Hikarigaoka	Not disclosed	15,452	580	—	2,891	79	340	11,560	—	36,314
Sompo Care LAVIERE Sagami-hara Chuo	Not disclosed	14,222	739	—	2,303	79	800	10,300	—	44,497
Charm Suite Ryokuchi Koen	Not disclosed	22,392	1,201	—	4,516	108	624	15,941	—	72,299
Sawayaka Kaikyokan	Not disclosed	14,870	608	—	1,816	77	5,145	7,223	—	20,797
Sawayaka Meisuikan	Not disclosed	11,606	571	—	2,806	113	126	7,987	—	24,883
Sawayaka Heart Life Nishikyogoku	Not disclosed	9,403	840	—	1,720	51	95	6,694	—	30,555
Verger Hirakata	Not disclosed	13,314	624	—	1,900	59	108	10,622	—	42,907
Sompo Care LAVIERE Kinugasayama Koen	Not disclosed	22,149	921	—	3,947	96	770	16,414	—	49,892
La'nassica Arakogawa	Not disclosed	20,216	645	—	2,248	77	130	17,116	—	37,699
Sawayaka Hinodekan	Not disclosed	10,817	389	—	1,866	52	122	8,387	—	24,119
Sawayaka Riverside Kurinoki	Not disclosed	4,857	133	—	940	27	192	3,564	—	8,625
Sawayaka Obatake Sanbankan	Not disclosed	5,326	148	—	825	26	—	4,325	—	9,679
Super Court JR Nara-Ekimae	Not disclosed	22,937	1,360	—	2,994	102	646	17,834	—	45,688
Minna-no-ie Omiya Tsutsujigaoka Park	Not disclosed	10,009	879	—	1,838	42	100	7,149	—	19,783
Minna-no-ie Chuo-ku En'nami	Not disclosed	15,180	938	1,861	2,191	44	180	9,963	—	20,174
Silver Heights Hitsujigaoka No.3	Not disclosed	15,905	600	—	6,183	136	200	8,784	—	35,119
Alpha Living Okayama Nishigawa Ryokudokoen	Not disclosed	9,735	377	—	1,685	45	—	7,626	—	18,771
Alpha Living Okayama Korakuen	Not disclosed	6,265	342	—	1,572	44	—	4,306	—	16,553
Alpha Living Takamatsu Ekimae	Not disclosed	8,025	364	—	1,173	39	—	6,448	—	15,686
Alpha Living Takamatsu Hyakkenmachi	Not disclosed	9,005	366	—	1,649	41	—	6,947	—	15,943
Sompo no ie Nishitanabeekimae	Not disclosed	20,162	354	—	1,709	48	13,000	5,049	—	5,550
Total	697,552	290,043	13,138	1,861	49,973	1,432	22,824	199,612	1,200	607,122

(Note 1) "Property-related operating revenue" is not disclosed by property because consent for disclosure has not been obtained from tenants.

(Note 2) NOI = Property-related operating revenue – Property-related operating expenses + Depreciation

5.2.4. Summary of Appraisal Report

Property name	Appraisal firm	Appraisal value (million yen)	Summary of appraisal report					Appraisal NOI (million yen)
			Direct capitalization method		DCF method			
			Indicated value (million yen)	Cap rate (%)	Indicated value (million yen)	Discount rate (%)	Terminal cap rate (%)	
Nichii Care Center Fukushima Omori	Japan Real Estate Institute	341	344	5.7	338	5.5	5.9	21
Sompo Care LAVIERE Hiroshima Hikarigaoka	Japan Real Estate Institute	1,230	1,240	5.2	1,210	5.0	5.4	69
Sompo Care LAVIERE Sagamihara Chuo	Daiwa Real Estate Appraisal Co., Ltd.	1,780	1,800	4.8	1,770	4.6	5.0	88
Charm Suite Ryokuchi Koen	Daiwa Real Estate Appraisal Co., Ltd.	3,060	3,100	4.6	3,040	4.4	4.8	144
Sawayaka Kaikyokan	Japan Real Estate Institute	898	907	5.3	889	5.1	5.5	50
Sawayaka Meisuikan	Japan Real Estate Institute	813	819	5.3	806	5.1	5.5	47
Sawayaka Heart Life Nishikyogoku	Daiwa Real Estate Appraisal Co., Ltd.	1,140	1,150	5.2	1,130	5.0	5.4	60
Verger Hirakata	Daiwa Real Estate Appraisal Co., Ltd.	1,590	1,610	5.2	1,580	5.0	5.4	85
Sompo Care LAVIERE Kinugasayama Koen (Note 2)	The Tanizawa Sōgō Appraisal Co., Ltd.	2,060	2,080	4.8	2,050	4.9	5.0	100
La'nassica Arakogawa (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	1,430	1,440	5.1	1,420	5.2	5.3	74
Sawayaka Hinodekan	Daiwa Real Estate Appraisal Co., Ltd.	920	932	5.0	915	4.8	5.2	47
Sawayaka Riverside Kurinoki	Daiwa Real Estate Appraisal Co., Ltd.	323	329	5.0	321	4.8	5.2	17
Sawayaka Obatake Sanbankan	Daiwa Real Estate Appraisal Co., Ltd.	355	360	5.1	353	4.9	5.3	18
Super Court JR Nara-Ekimae (Note 4)	The Tanizawa Sōgō Appraisal Co., Ltd.	1,750	1,770	5.0	1,740	5.1	5.2	91
Minna-no-ie Omiya Tsutsujigaoka Park	The Tanizawa Sōgō Appraisal Co., Ltd.	776	786	4.9	772	5.0	5.1	39
Minna-no-ie Chuo-ku En'nami	Japan Real Estate Institute	860	870	4.9	850	4.7	5.1	44
Silver Heights Hitsujigaoka No.3	Daiwa Real Estate Appraisal Co., Ltd.	1,340	1,350	4.9	1,330	4.7	5.1	70
Alpha Living Okayama Nishigawa Ryokudokoen	Daiwa Real Estate Appraisal Co., Ltd.	787	801	4.5	781	4.3	4.7	37
Alpha Living Okayama Korakuen	Daiwa Real Estate Appraisal Co., Ltd.	658	669	4.7	653	4.5	4.9	32
Alpha Living Takamatsu Ekimae	Daiwa Real Estate Appraisal Co., Ltd.	641	652	4.6	636	4.4	4.8	30
Alpha Living Takamatsu Hyakkenmachi	Daiwa Real Estate Appraisal Co., Ltd.	626	633	4.7	623	4.5	4.9	31
Sompo no ie Nishitanabeekimae (Note 5)	The Tanizawa Sōgō Appraisal Co., Ltd.	739	748	4.7	735	4.8	4.9	36
Total		24,117	24,390	—	23,942	—	—	1,241

- (Note 1) The summary is based on the appraisal report with October 31, 2018 as the date of value.
- (Note 2) The discount rate for Sompo Care LAVIERE Kinugasayama Koen is the discount rate for the 11th and subsequent fiscal years (discount rate up to the 10th fiscal year: 4.8%).
- (Note 3) The discount rate for La'nassica Arakogawa is the discount rate for the 10th and subsequent fiscal years (discount rate up to the 9th fiscal year: 5.1%).
- (Note 4) The discount rate for Super Court JR Nara-Ekimae is the discount rate for the 7th and subsequent fiscal years (discount rate up to the 6th fiscal year: 5.0%).
- (Note 5) The discount rate for Sompo no ie Nishitanabeekimae is the discount rate for the 10th and subsequent fiscal years (discount rate up to the 9th fiscal year: 4.7%).

5.2.5. Capital Expenditures for Assets under Management

A. Schedule of Capital Expenditures

Major capital expenditures in line with repair work, etc. currently planned for existing owned properties are as follows. Planned construction amount includes portion that is categorized as expense in accounting.

Name of real estate property (Location)	Purpose	Planned period	Planned construction amount (million yen)		
			Total amount	Amount paid in 9th FP	Total amount paid
Charm Suite Ryokuchi Koen (Toyonaka-shi, Osaka)	Upgrading of air-conditioning in rooms	From: April 2019 To: April 2019	3	—	—

B. Capital Expenditures during the 9th Fiscal Period

The following summarizes the main construction work that constitutes capital expenditures conducted for existing owned properties during the 9th Fiscal Period. Capital expenditures in the 9th Fiscal Period was 32 million yen. Combined with 22 million yen of repair expenses categorized as expense for the 9th Fiscal Period, 55 million yen of work has been implemented.

Name of real estate property (Location)	Purpose	Period	Construction amount (million yen)
Charm Suite Ryokuchi Koen (Toyonaka-shi, Osaka)	Upgrading of electrical water heater	From: September 2018 To: September 2018	16
Charm Suite Ryokuchi Koen (Toyonaka-shi, Osaka)	Upgrading of air-conditioning in rooms	From: October 2018 To: October 2018	5
Other	—	From: May 2018 To: October 2018	10
Total			32

C. Reserve Amount for Long-Term Repair Plans (Reserve for Repairs)

NHI sets aside the following reserve for repairs from cash flows during the fiscal period for future payment of large-scale repairs and other funds.

(Unit: million yen)

Accounting period	5th Fiscal Period (From: May 1, 2016 To: Oct. 31, 2016)	6th Fiscal Period (From: Nov. 1, 2016 To: Apr. 30, 2017)	7th Fiscal Period (From: May 1, 2017 To: Oct. 31, 2017)	8th Fiscal Period (From: Nov. 1, 2017 To: Apr. 30, 2018)	9th Fiscal Period (From: May 1, 2018 To: Oct. 31, 2018)
Balance of reserve at beginning of period	33	33	65	65	105
Provision of reserve during period	—	32	—	40	—
Reversal of reserve during period	—	—	—	—	—
Reserve carried forward	33	65	65	105	105

(Note) In principle, NHI adopts a policy of implementing cash distributions in excess of earnings (reimbursement of investments in capital which falls under the category of distribution reducing unitholders' capital for tax purpose) uninterruptedly every fiscal period. Upon deciding on the implementation and amount of such, NHI shall give due consideration to the amount of capital expenditures required to maintain and enhance the competitiveness of portfolio assets.

5.2.6. Status of Pledged Collateral

The following outlines the collateral on acquired assets as of October 31, 2018.

Property name	Status of collateral	Type of collateral	Appraisal value (million yen)	Security interests holder
Nichii Care Center Fukushima Omori Sompo Care LAVIERE Hiroshima Hikarigaoka Sompo Care LAVIERE Sagamihara Chuo Charm Suite Ryokuchi Koen Sawayaka Kaikyokan Sawayaka Meisuikan Sawayaka Heart Life Nishikyogoku Verger Hirakata Sompo Care LAVIERE Kinugasayama Koen La'nassica Arakogawa Sawayaka Hinodekan Sawayaka Riverside Kurinoki Sawayaka Obatake Sanbankan Super Court JR Nara-Ekimae Minna-no-ie Omiya Tsutsujigaoka Park Minna-no-ie Chuo-ku En'nami Silver Heights Hitsujigaoka No.3 Alpha Living Okayama Nishigawa Ryokudokoen Alpha Living Okayama Korakuen Alpha Living Takamatsu Ekimae Alpha Living Takamatsu Hyakkenmachi Sompo no ie Nishitanabeekimae	Pledged as collateral (joint collateral)	Revolving pledge	24,117	Mizuho Bank, Ltd. Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited Mizuho Trust & Banking Co., Ltd. The Musashino Bank, Ltd. Shinkin Central Bank The Dai-ichi Life Insurance Company, Limited Shinsei Bank, Limited

5.2.7. Matters Concerning Entire Portfolio (Status of Leasing)**A. Diversification by Rent-Paying Capacity**

Rent-paying capacity (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
More than 2.0x	350	25.3
More than 1.5x, but 2.0x or less	474	34.2
More than 1.2x, but 1.5x or less	175	12.6
1.2x or less	386	27.9
Total	1,387	100.0

(Note 1) “Rent-paying capacity” refers to the multiple obtained by dividing the respective real estate in trust’s most recent EBITDAR by rent (monthly rent in the respective lease agreement with operators in the annualized amount calculated by multiplying by 12; the same shall apply hereinafter).

“EBITDAR” refers to the respective real estate in trust’s operating income, plus depreciation and rent. However, in the case of operators adopting the method of accounting as a finance lease, the amount equivalent to lease payments is taken into consideration. Furthermore, operating income and depreciation are based on information on business income and expenditures from October 2017 to September 2018 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2017 to June 2018, and La’nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2017 to March 2018, and Silver Heights Hitsujigaoka No.3, in which case these are based on information on business income and expenditures from September 2017 to August 2018. The same shall apply hereinafter in this “A. Diversification by Rent-Paying Capacity.”

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement for healthcare facilities with operators per rent-paying capacity in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per rent-paying capacity expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average rent-paying capacity (Note)
1.6x

(Note) “Average rent-paying capacity” is the multiple obtained by dividing the total of EBITDAR by the total of rents for real estate in trust, rounded to one decimal place.

B. Diversification by Appraisal Rent-Paying Capacity

Appraisal rent-paying capacity (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
More than 2.0x	450	32.5
More than 1.5x, but 2.0x or less	540	39.0
More than 1.2x, but 1.5x or less	193	13.9
1.2x or less	202	14.6
Total	1,387	100.0

(Note 1) “Appraisal rent-paying capacity” refers to the multiple obtained by dividing the respective assumed EBITDAR of real estate in trust (figures that are calculated based on information on business income and expenditures provided by the respective operator, under the same conditions for EBITDAR calculation standards described in A. above), which is calculated by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd. and The Tanizawa Sōgō Appraisal Co., Ltd., by rent.

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement with operators per appraisal rent-paying capacity in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per appraisal rent-paying capacity expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average appraisal rent-paying capacity (Note)
1.7x

(Note) “Average appraisal rent-paying capacity” is the multiple obtained by dividing the total of assumed EBITDAR by the total of rents for real estate in trust, rounded to one decimal place.

C. Diversification by Proportion of Long-Term Care Fee

Proportion of long-term care fee (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
50% or less	609	43.9
More than 50%, but 60% or less	699	50.4
More than 60%, but 70% or less	78	5.6
More than 70%	—	—
Total	1,387	100.0

(Note 1) “Proportion of long-term care fee” refers to the proportion of the respective real estate in trust’s net sales that is accounted for by long-term care fee (including residents’ co-payment portion).

Furthermore, net sales and long-term care fee are based on information on business income and expenditures from October 2017 to September 2018 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2017 to June 2018, and La’nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2017 to March 2018, and Silver Heights Hitsujigaoka No.3, in which case these are based on information on business income and expenditures from September 2017 to August 2018. The same shall apply hereinafter in this “C. Diversification by Proportion of Long-Term Care Fee.”

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement per proportion of long-term care fee in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per proportion of long-term care fee expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average proportion of long-term care fee (Note)
50.3%

(Note) “Average proportion of long-term care fee” is the proportion of the total of net sales that is accounted for by the total of long-term care fee (including residents’ co-payment portion) for real estate in trust, rounded to one decimal place.

D. Diversification by Proportion of One-Time Entrance Fee Amortization Income

Proportion of one-time entrance fee amortization income (Note 1)	Annual rent (million yen) (Note 2)	Share (%) (Note 3)
5% or less	840	60.6
More than 5%, but 15% or less	546	39.4
More than 15%, but 25% or less	—	—
More than 25%	—	—
Total	1,387	100.0

(Note 1) “Proportion of one-time entrance fee amortization income” refers to the proportion of the real estate in trust’s net sales that is accounted for by one-time entrance fee amortization income.

Furthermore, net sales and one-time entrance fee amortization income are based on information on business income and expenditures from October 2017 to September 2018 disclosed by the respective operator. Exceptions are Nichii Care Center Fukushima Omori, in which case these are based on information on business income and expenditures from July 2017 to June 2018, and La’nassica Arakogawa, in which case these are based on information on business income and expenditures from April 2017 to March 2018, and Silver Heights Hitsujigaoka No. 3, in which case these are based on information on business income and expenditures from September 2017 to August 2018. The same shall apply hereinafter in this “D. Diversification by Proportion of One-Time Entrance Fee Amortization Income.”

(Note 2) “Annual rent” is the amount obtained by adding up the monthly rent in the respective lease agreement per proportion of one-time entrance fee amortization income in the annualized amount calculated by multiplying by 12, rounded down to the nearest million yen.

(Note 3) “Share” is the sum total of annual rent per proportion of one-time entrance fee amortization income expressed as a percentage of the total of annual rents for real estate in trust, rounded to one decimal place.

Average proportion of one-time entrance fee amortization income (Note)
3.6%

(Note) “Average proportion of one-time entrance fee amortization income” is the proportion of the total of net sales that is accounted for by the total of one-time entrance fee amortization income for real estate in trust, rounded to one decimal place.

5.2.8. Information about Major Assets

“Major assets” refers to those assets of which the concerned asset’s total rent income accounts for 10% or more of the entire portfolio’s total rent income as at the end of the 9th Fiscal Period (October 31, 2018). This is the following for the portfolio of 22 investment real estate properties. Annual rent is not disclosed because consent for disclosure has not been obtained from tenants.

Property name	Number of tenants	Appraisal NOI (million yen)	Total leasable area (m ²)	Total leased area (m ²)	Occupancy rate (%)
Charm Suite Ryokuchi Koen	1	144	5,329.73	5,329.73	100.0

5.2.9. Information about Major Tenants

“Major tenants” refers to those tenants of which the area leased to the concerned tenant accounts for 10% or more of the entire portfolio’s total leased area as at the end of the 9th Fiscal Period (October 31, 2018). This is the following for the portfolio of 22 investment real estate properties. Annual rent and lease and guarantee deposits are not disclosed because consent for disclosure has not been obtained from tenants.

Name of major tenant	Property name	Date of contract expiration	Appraisal NOI (million yen)	Total leased area (m ²)	Share (%) (Note 1)
Sawayaka Club Co., Ltd.	Sawayaka Kaikyokan	March 27, 2034	243	15,142.82	22.5
	Sawayaka Meisuikan				
	Sawayaka Heart Life Nishikyogoku				
	Sawayaka Hinodekan	November 30, 2034			
	Sawayaka Riverside Kurinoki				
	Sawayaka Obatake Sanbankan				
Sompo Care Next Inc. (Note 2)	Sompo Care LAVIERE Hiroshima Higarigaoka	March 28, 2034	295	14,228.44	21.1
	Sompo Care LAVIERE Sagamihara Chuo	September 11, 2034			
	Sompo Care LAVIERE Kinugasayama Koen				
	Sompo no ie Nishitanabeekimae	March 31, 2027			
Anabuki Medical Care Inc.	Alpha Living Okayama Nishigawa Ryokudokoen	June 30, 2035	131	8,029.82	11.9
	Alpha Living Okayama Korakuen				
	Alpha Living Takamatsu Ekimae				
	Alpha Living Takamatsu Hyakkenmachi				
Silver Heights Sapporo Co., Ltd.	Silver Heights Hitsujigaoka No.3	November 30, 2035	70	7,267.56	10.8

(Note 1) “Share” is the area leased to major tenants expressed as a percentage of the total leased area, rounded to one decimal place.

(Note 2) Sompo Care Inc. conducted an absorption-type merger on July 1, 2018 with SOMPO Care Next K.K. as the absorbed corporation.