

10<sup>th</sup>

## Fiscal Period Business Report

(Statement of Financial Performance)

November 1, 2018 - April 30, 2019

# Hopeful future for Japan

日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

Stock  
Code

3308

# I. Overview of Nippon Healthcare Investment Corporation

## To Our Investors

### Message from Executive Director

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

NHI posted financial performance of 705 million yen in operating revenue, 281 million yen in operating income and 256 million yen in net income for the fiscal period ended April 2019 (10th Fiscal Period). Concerning distributions, NHI declared a distribution amount per unit of 3,437 yen and a distribution amount in excess of earnings per unit of 870 yen, bringing the total distribution amount per unit to 4,307 yen. [See page 3 for Financial and Management Highlights](#)

The asset size as of the end of the 10th Fiscal Period came to 19,712 million yen as a result of acquiring Irise Komae Bettei (30% quasi-co-ownership interest) (acquisition price: 394.5 million yen) during the period. NHI will aim to enhance portfolio value through investments in carefully selected properties going forward.

[See pages 6 and 7 for details of Growth Strategy](#)

With the above acquisition, the number of operators of facilities owned by NHI at the end of the 10th Fiscal Period stands at 11. NHI has realized maintenance and improvement of portfolio stability by pressing forward diversification of operators and concluding long-term fixed rent lease agreements. [See page 9 for Stable Management Strategy](#)

On the financial front, NHI will continue to work to further strengthen its financial standing while reducing refinancing risks in the future. [See page 11 for Financial Conditions](#)

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

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



**Shunichi Suzuki** Nippon Healthcare Investment Corporation Executive Director

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### II. Asset Management Report

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

# Financial and Management Highlights

Steady growth in asset size and maintenance of stable distribution level

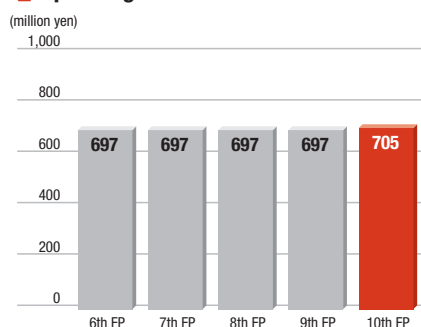
## ■ Actual Financial Results for Fiscal Period Ended April 2019 (10th Fiscal Period), and Financial Results Forecasts for Fiscal Period Ending October 2019 (11th Fiscal Period) and Fiscal Period Ending April 2020 (12th Fiscal Period)

	9th Fiscal Period (October 2018) (result)	10th Fiscal Period (April 2019) (result)	Difference	11th Fiscal Period (October 2019) (forecast)	Difference from 10th Fiscal Period	12th Fiscal Period (April 2020) (forecast)	Difference from 11th Fiscal Period
No. of properties owned at the end of the fiscal period	22	23	+1	23	-	23	-
Operating revenues (million yen)	697	705	+7	707	+2	707	+0
Operating expenses (million yen)	425	424	-1	427	+3	428	+0
Operating income (million yen)	271	281	+9	280	-0	279	-0
Non-operating expenses (million yen)	28	28	+0	29	+0	28	-0
Ordinary income (million yen)	244	257	+13	251	-6	251	+0
Net income (million yen)	243	256	+13	250	-6	250	+0

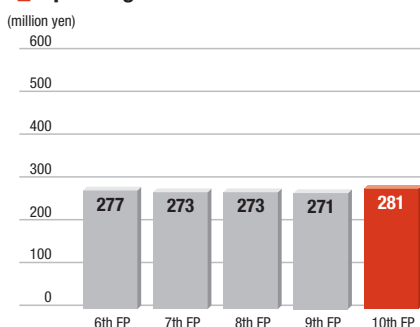
## ■ Distribution Result for 10th Fiscal Period, Distribution Forecasts for 11th Fiscal Period and 12th Fiscal Period

	9th Fiscal Period (October 2018) (result)	10th Fiscal Period (April 2019) (result)	Difference	11th Fiscal Period (October 2019) (forecast)	Difference from 10th Fiscal Period	12th Fiscal Period (April 2020) (forecast)	Difference from 11th Fiscal Period
Number of investment units issued and outstanding at the end of the fiscal period (units)	74,632	74,632	-	74,632	-	74,632	-
Distribution per unit (including distribution in excess of earnings) (yen)	4,130	4,307	+177	4,230	-77	4,230	-
Distribution per unit (excluding distribution in excess of earnings) (yen)	3,260	3,437	+177	3,350	-87	3,350	-
Distribution in excess of earnings per unit (yen)	870	870	-	880	+10	880	-
Depreciation per unit (yen)	2,674	2,714		2,731		2,730	
Ratio of distribution in excess of earnings to depreciation per unit (%)	32.5	32.0		32.2		32.2	

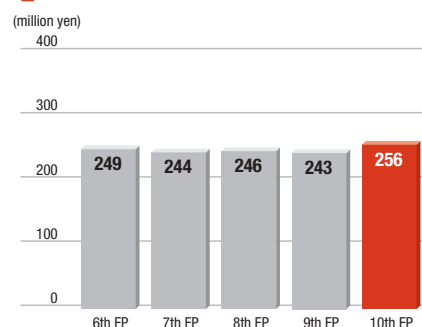
### ■ Operating Revenues



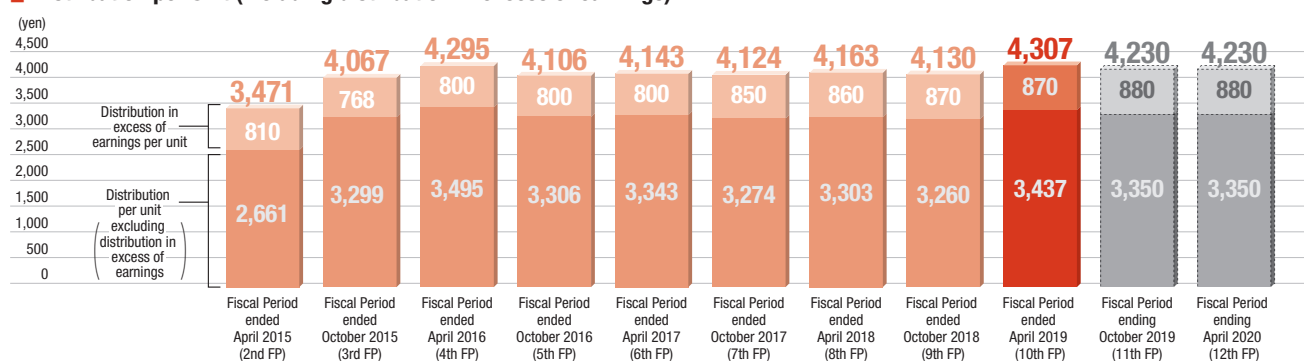
### ■ Operating Income



### ■ Net Income



## ■ Distribution per Unit (including distribution in excess of earnings)



# Portfolio List (as of April 30, 2019)

Consists of 23 properties and 11 operators

No (Note 1)	Acquisition period	Property name (Note 1)	Facility type (Note 1)	Operator	Location	Acquisition price (million yen) (Note 2)	Share of portfolio (%)	Appraisal value (million yen) (Note 3)	Number of rooms (rooms) (Note 4)	Occupancy rate in the 9th FP (%) (Note 5)	Occupancy rate in the 10th FP (%) (Note 6)	Difference
1	1st Fiscal Period	Charm Suite Ryokuchi Koen	Fee-based homes for the elderly with nursing care	Charm Care Corporation	Toyonaka City, Osaka	1,950	9.9	3,030	128	98.4	98.4	0.0
2	2nd Fiscal Period	Super Court JR Nara-Ekimae	Residential-type fee-based homes for the elderly	Super Court Co., Ltd.	Nara City, Nara	1,569	8.0	1,750	155	92.9	92.9	0.0
3	1st Fiscal Period	Sompo Care LAVIER Hiroshima Hikarigaoka	Fee-based homes for the elderly with nursing care	Sompo Care Inc.	Hiroshima City, Hiroshima	960	4.9	1,220	80	93.7	93.7	0.0
4	1st Fiscal Period	Sompo Care LAVIER Sagamihara Chuo	Fee-based homes for the elderly with nursing care		Sagamihara City, Kanagawa	1,170	5.9	1,790	80	78.7	96.2	17.5
5	2nd Fiscal Period	Sompo Care LAVIER Kinugasayama Koen	Fee-based homes for the elderly with nursing care		Yokosuka City, Kanagawa	1,839	9.3	2,090	104	89.4	86.5	-2.9
6	5th Fiscal Period	Sompo no ie Nishitanabeekimae	Fee-based homes for the elderly with nursing care		Osaka City, Osaka	710	3.6	739	42	97.6	100.0	2.4
7	1st Fiscal Period	Sawayaka Kaikyokan	Fee-based homes for the elderly with nursing care	Sawayaka Club Co., Ltd.	Kitakyushu City, Fukuoka	630	3.2	898	65	95.3	100.0	4.7
8	1st Fiscal Period	Sawayaka Meisuiikan	Fee-based homes for the elderly with nursing care		Kitakyushu City, Fukuoka	590	3.0	812	87	100.0	96.6	-3.5
9	1st Fiscal Period	Sawayaka Heart Life Nishikyogoku	Residential-type fee-based homes for the elderly		Kyoto City, Kyoto	750	3.8	1,130	84	94.0	98.8	4.8
10	2nd Fiscal Period	Sawayaka Hinodekan	Fee-based homes for the elderly with nursing care		Niigata City, Niigata	773	3.9	921	50	96.0	96.0	0.0
11	2nd Fiscal Period	Sawayaka Riverside Kurinoki	Residential-type fee-based homes for the elderly		Niigata City, Niigata	266	1.3	323	33	94.8	92.3	-2.5
12	2nd Fiscal Period	Sawayaka Obatake Sanbankan	Residential-type fee-based homes for the elderly		Kitakyushu City, Fukuoka	289	1.5	355	50	94.0	94.0	0.0
13	1st Fiscal Period	Nichii Care Center Fukushima Omori	Fee-based homes for the elderly with nursing care	Nichiigakkan Co., Ltd.	Fukushima City, Fukushima	265	1.3	339	52	100.0	100.0	0.0
14	2nd Fiscal Period	La'nassica Arakogawa	Fee-based homes for the elderly with nursing care	Cedar Co., Ltd.	Nagoya City, Aichi	1,279	6.5	1,460	100	98.0	96.0	-2.0
15	1st Fiscal Period	Verger Hirakata	Residential-type fee-based homes for the elderly	Nihon Kaigo Iryo Center Co., Ltd.	Hirakata City, Osaka	950	4.8	1,560	104	76.6	78.5	1.9
16	3rd Fiscal Period	Minna-no-ie Omiya Tsutsujigaoka Park	Fee-based homes for the elderly with nursing care	Wisnet Co., Ltd.	Saitama City, Saitama	740	3.8	776	33	84.8	84.8	0.0
17	3rd Fiscal Period	Minna-no-ie Chuo-ku En'nami	Fee-based homes for the elderly with nursing care		Saitama City, Saitama	838	4.3	861	51	80.3	94.1	13.8
18	3rd Fiscal Period	Silver Heights Hitsujigaoka No. 3	Fee-based homes for the elderly with nursing care	Silver Heights Sapporo Co., Ltd.	Sapporo City, Hokkaido	1,200	6.1	1,340	109	92.7	91.8	-0.9
19	4th Fiscal Period	Alpha Living Okayama Nishigawa Ryokudoko	Residential-type fee-based homes for the elderly	Anabuki Medical Care Inc.	Okayama City, Okayama	730	3.7	788	53	76.3	78.1	1.8
20	4th Fiscal Period	Alpha Living Okayama Korakuen	Residential-type fee-based homes for the elderly		Okayama City, Okayama	610	3.1	659	45	89.5	93.7	4.2
21	4th Fiscal Period	Alpha Living Takamatsu Ekimae	Residential-type fee-based homes for the elderly		Takamatsu City, Kagawa	605	3.1	641	43	81.8	86.3	4.5
22	4th Fiscal Period	Alpha Living Takamatsu Hyakkenmachi	Elderly housing with supportive services		Takamatsu City, Kagawa	605	3.1	627	50	83.3	85.1	1.8
23	10th Fiscal Period	Irise Komae Bettei	Fee-based homes for the elderly with nursing care	HITOWA Care Services Co., Ltd.	Komae City, Tokyo	394	2.0	399	59	98.3	98.3	0.0
11 operators 23 properties Total						19,712	100.0	24,508	1,657	-	-	-

(Note 1) Red numbers refer to Three Major Metropolitan Areas and blue numbers to Core City Areas. The background colors for "Property name" and "Facility type" columns indicate types of facilities; orange for fee-based homes for the elderly with nursing care, blue for residential-type fee-based homes for the elderly and yellow-green for elderly housing with supportive services.

(Note 2) "Acquisition price" is excluding consumption tax, local consumption tax and the various expenses required for the acquisition. "Share of portfolio" is the respective acquisition price expressed as a percentage of the total of the acquisition prices, rounded to the first decimal place. Therefore, the total of "Share of portfolio" may be different from the figure indicated in "Total."

(Note 3) "Appraisal value" is as of April 30, 2019. "Appraisal value" for Irise Komae Bettei is calculated for the 30% quasi-co-ownership interest.

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

(Note 5) "Occupancy rate" is obtained by dividing the number of residents indicated in the written explanation of important matter received in November 2018 from operators by the resident capacity, rounded down to the first decimal place.

(Note 6) "Occupancy rate" is obtained by dividing the number of residents indicated in the written explanation of important matters received in May 2019 from operators by the resident capacity, rounded down to the first decimal place.



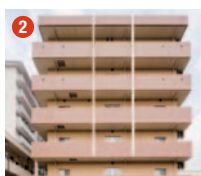
# Portfolio Map (as of April 30, 2019)

Making diversified investment in healthcare facilities in Japan

## Three Major Metropolitan Areas



**1 Charm Suite Ryokuchi Koen**  
Toyonaka City, Osaka



**2 Super Court JR Nara-Ekimae**  
Nara City, Nara



**4 Somo Care LAVIER Sagamiara Chuo**  
Sagamiara City, Kanagawa



**5 Somo Care LAVIER Kinugasayama Koen**  
Yokosuka City, Kanagawa



**6 Somo no ie Nishitanabeekimae**  
Osaka City, Osaka



**9 Sawayaka Heart Life Nishikyogoku**  
Kyoto City, Kyoto



**14 La'nassica Arakogawa**  
Nagoya City, Aichi



**15 Verger Hirakata**  
Hirakata City, Osaka



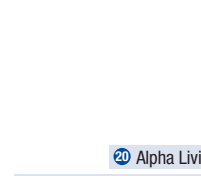
**16 Minna-no-ie Omiya Tsutsujigaoka Park**  
Saitama City, Saitama



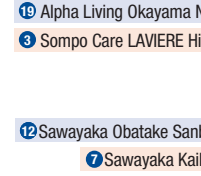
**17 Minna-no-ie Chuo-ku En'nami**  
Saitama City, Saitama



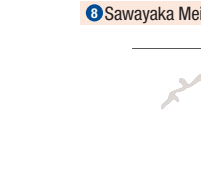
**23 Irise Komae Bettei**  
Komae City, Tokyo



**20 Alpha Living Okayama Korakuen**



**19 Alpha Living Okayama Nishigawa Ryokudokoen**



**3 Somo Care LAVIERE Hiroshima Hikarigaoka**



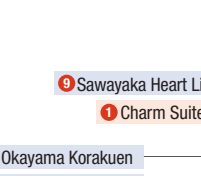
**12 Sawayaka Obatake Sanbankan**



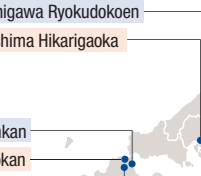
**7 Sawayaka Kaikyokan**



**8 Sawayaka Meisuikan**



**10 Sawayaka Hinodekan**



**11 Sawayaka Riverside Kurinoki**



**9 Sawayaka Heart Life Nishikyogoku**



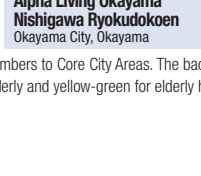
**13 Nichii Care Center Fukushima Omori**



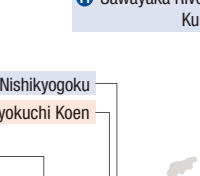
**16 Minna-no-ie Omiya Tsutsujigaoka Park**



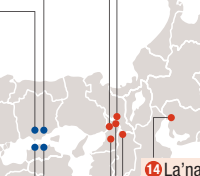
**17 Minna-no-ie Chuo-ku En'nami**



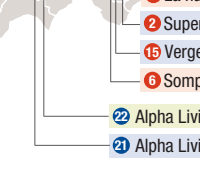
**23 Irise Komae Bettei**



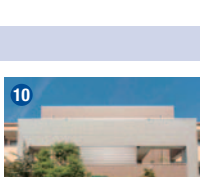
**5 Somo Care LAVIER Kinugasayama Koen**



**4 Somo Care LAVIER Sagamiara Chuo**



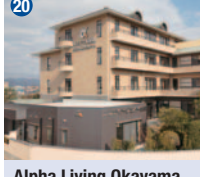
**14 La'nassica Arakogawa**



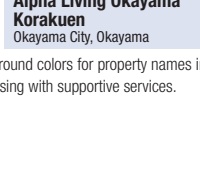
**2 Super Court JR Nara-Ekimae**



**15 Verger Hirakata**



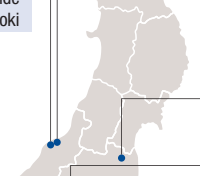
**6 Somo no ie Nishitanabeekimae**



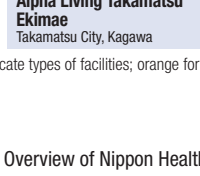
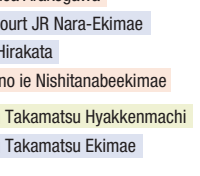
**22 Alpha Living Takamatsu Hyakkenmachi**



**21 Alpha Living Takamatsu Ekimae**



**18 Silver Heights Hitsujigaoka No. 3**



## Core City Areas



**3 Somo Care LAVIER Hiroshima Hikarigaoka**  
Hiroshima City, Hiroshima



**7 Sawayaka Kaikyokan**  
Kitakyushu City, Fukuoka



**8 Sawayaka Meisuikan**  
Kitakyushu City, Fukuoka



**10 Sawayaka Hinodekan**  
Niigata City, Niigata



**11 Sawayaka Riverside Kurinoki**  
Niigata City, Niigata



**12 Sawayaka Obatake Sanbankan**  
Kitakyushu City, Fukuoka



**13 Nichii Care Center Fukushima Omori**  
Fukushima City, Fukushima



**18 Silver Heights Hitsujigaoka No. 3**  
Sapporo City, Hokkaido



**19 Alpha Living Okayama Nishigawa Ryokudokoen**  
Okayama City, Okayama



**20 Alpha Living Okayama Korakuen**  
Okayama City, Okayama



**21 Alpha Living Takamatsu Ekimae**  
Takamatsu City, Kagawa



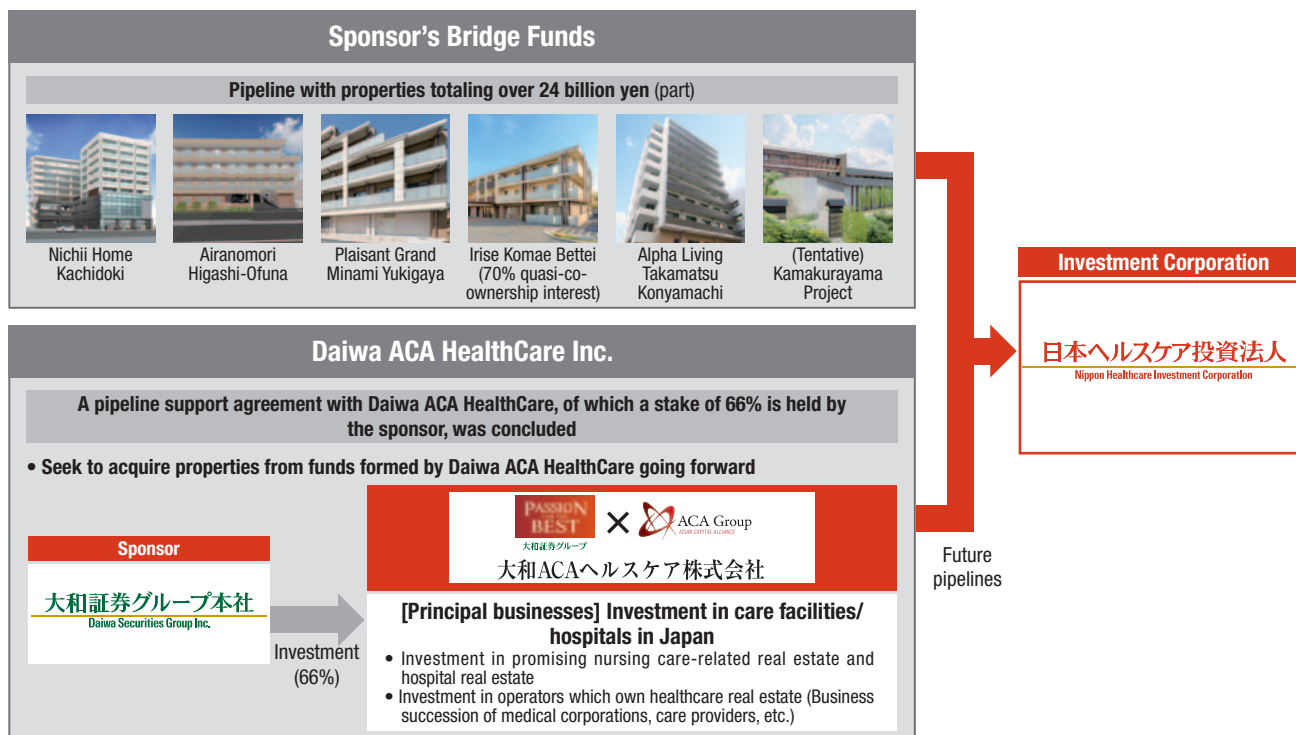
**22 Alpha Living Takamatsu Hyakkenmachi**  
Takamatsu City, Kagawa

(Note) Red numbers refer to Three Major Metropolitan Areas and blue numbers to Core City Areas. The background colors for property names indicate types of facilities; orange for fee-based homes for the elderly with nursing care, blue for residential-type fee-based homes for the elderly and yellow-green for elderly housing with supportive services.

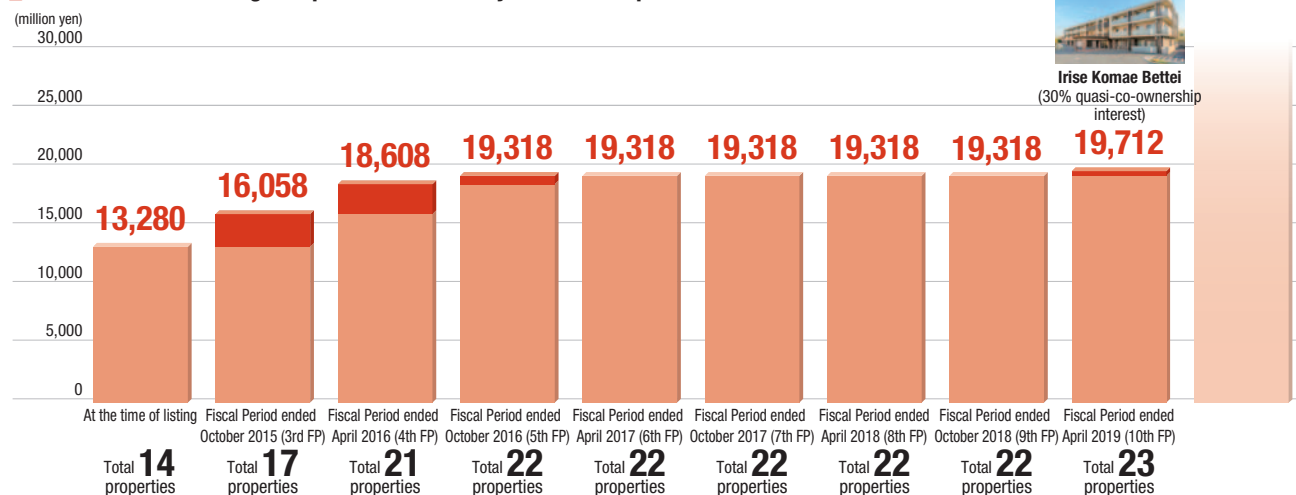
# Growth Strategy of Nippon Healthcare Investment Corporation

External growth through acquisition of carefully selected properties and expansion of pipeline

## ■ Increase in Number of Property Acquisitions Using Bridge Funds Formed by Daiwa Securities Group (sponsor) and Daiwa ACA HealthCare as Pipelines



## ■ External Growth Through Acquisition of Carefully Selected Properties



## ■ Ratios of Investment in Regions

Region	Definition	Target incorporation ratio	Incorporation ratio (Note)
Three Major Metropolitan Areas	The greater Tokyo area: Tokyo, Kanagawa, Chiba and Saitama prefectures The Chukyo area: Aichi, Mie and Gifu prefectures The Kinki area: Osaka, Kyoto, Hyogo, Nara and Shiga prefectures	50% or more	61.8%
Core City Areas	Cities outside the Three Major Metropolitan Areas with populations of 200,000 or more	50% or less	38.2%
Other	Cities outside the Three Major Metropolitan Areas and the Core City Areas with populations under 200,000	10% or less	0.0%

(Note) Incorporation ratio is based on the acquisition price.

## ■ Ratios of Investment in Healthcare Facility Types

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

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

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

## ■ Property Acquired in 10th Fiscal Period (Ended April 2019)

### Irise Komae Bettei (30% quasi-co-ownership interest)



Location	Komae-city, Tokyo
Acquisition date	December 20, 2018
Acquisition price	394.5 million yen
Total leased area (m <sup>2</sup> )	2,016.73 (Note)
Structure/ floors	RC/3F
Number of Rooms (room)	59
Resident capacity (people)	59
Room area range (m <sup>2</sup> )	18.00
Opening date	March 1, 2017

(Note) Total floor area for the entire building

**Site Features:** The Property is located a 12-minute walk from Kitami Station on the Odakyu Odawara Line in an administrative district between Komae City and Setagaya Ward.

**Regional features:** The area within a 3-km radius of the Property spans all of Komae City and part of Chofu City and Setagaya Ward. The number of elderly people aged 75 years or over is 122,000, accounting for 32.6% of the total population of the two cities and one ward. The number of elderly people aged 75 or over in Komae City is expected to increase to 12,400 in 2025 from 10,600 in 2018.

**Property features:** The Property is a relatively new facility, completed in 2017, and has private rooms of mainly around 18 m<sup>2</sup>, the standard room size for facilities with nursing care. The rooms are equipped with a sink and toilet.

#### Operator

Company Name	HITOWA Care Services Co., Ltd.
Head office	1-4-5 Roppongi, Minato-ku, Tokyo
Representative	President and Chief Executive Officer Yoshiteru Hakamada
Date of Incorporation	November 2006
Amount of Capital	100 million yen
Attribute (listed market)	Unlisted
Description of Business	Operations of fee-based homes for the elderly and elderly housing with supportive services under the brand of "Irise"; and operations of group homes business and day services business

#### Facilities managed by the operator

Facilities under management	Number of facilities	Number of rooms
Daily Life Long-Term Care Admitted to a Specified Facility	49	2,919
Residential-type fee-based homes for the elderly	52	3,315
Elderly housing with supportive services	9	614
Group homes	4	63
<b>Total</b>	<b>114</b>	<b>6,911</b>

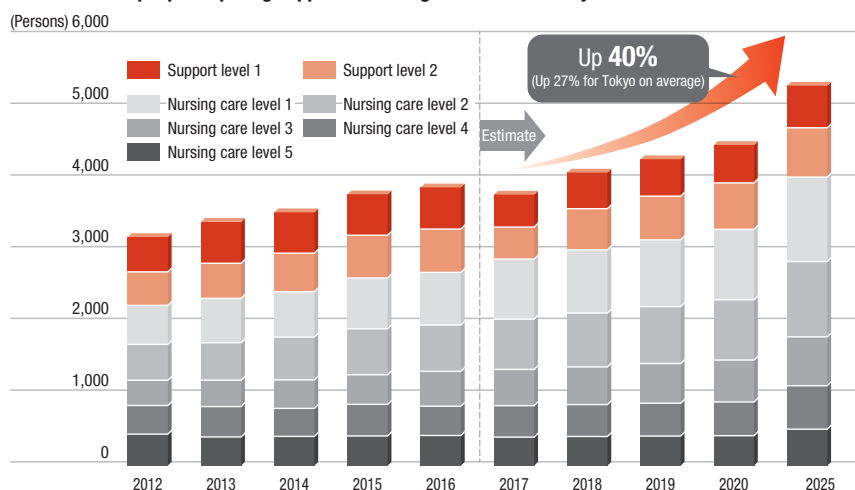
(Source) Website of the operator, etc.

## ■ Increase Rate of Number of People Requiring Support or Nursing Care in Komae City

The number of people requiring support or nursing care in Komae City was 3,778 in 2017, and is estimated to be 4,470 in 2020 (up 18% from 2017) and 5,296 in 2025 (up 40% from 2017).

As for the entire Tokyo, the number of people requiring support or nursing care was 591,631 in 2017 and is estimated to be 748,703 in 2025 (up 27% from 2017). Thus the increase rate is greater for Komae City.

Number of people requiring support or nursing care in Komae City

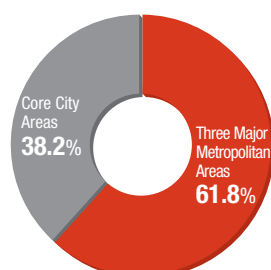


# Portfolio Status (as of April 30, 2019)

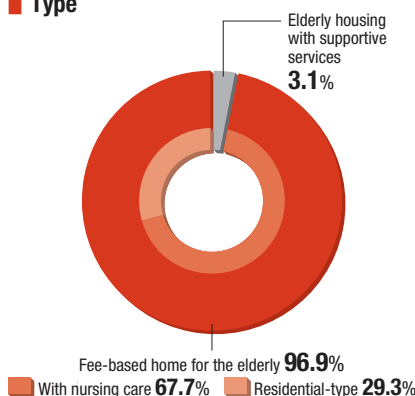
Focusing investment on private nursing homes and other facilities for the elderly for which large demand is expected

## Diversification Status

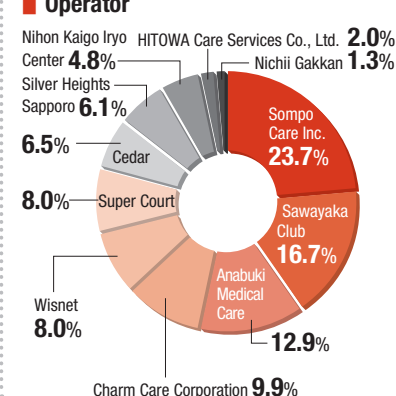
### Region



### Type



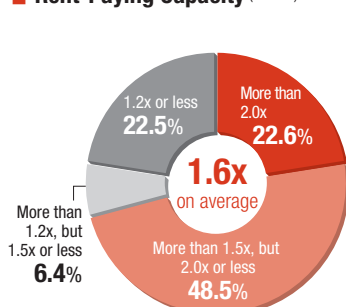
### Operator



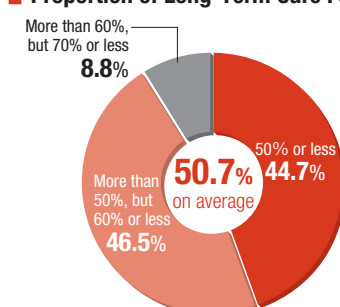
(Note) The ratios in the above three pie charts are calculated based on total acquisition prices, and rounded to the first decimal place.

## Portfolio Status

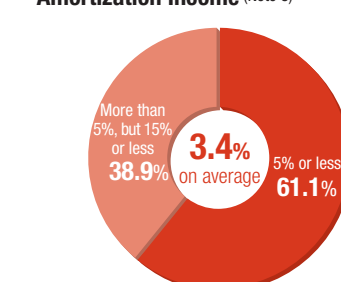
### Rent-Paying Capacity (Note 1)



### Proportion of Long-Term Care Fee (Note 2)



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



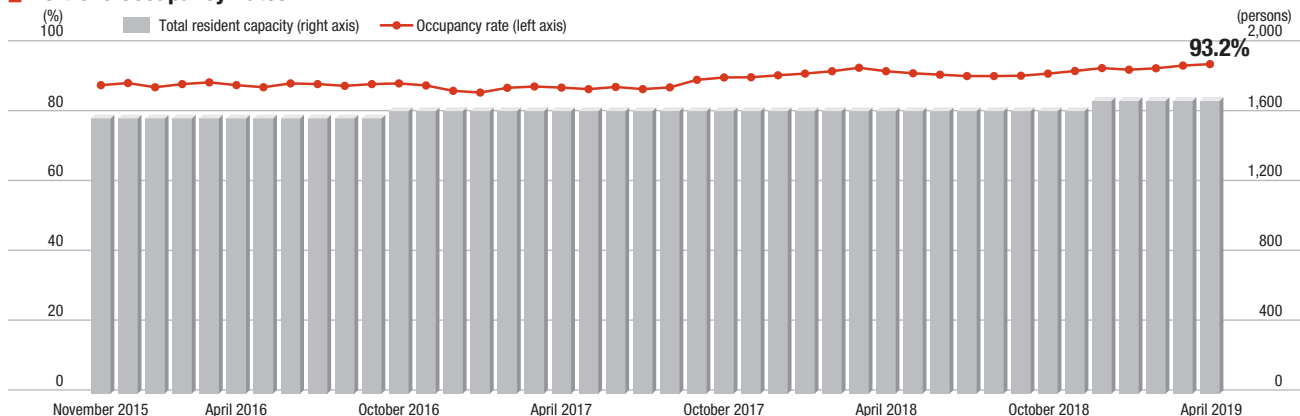
(Note 1) "Rent-paying capacity" refers to the multiple obtained by dividing the respective acquired asset's most recent EBITDAR by rent. EBITDAR = Operating Income + Depreciation + Rent

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

(Note 3) "Proportion of one-time entrance fee amortization income" refers to the proportion of the acquired asset's net sales that is accounted for by one-time entrance fee amortization income

(\*) Data are based on information on business income and expenditures from April 2018 to March 2019 disclosed by the respective operators. Exceptions are Nichii Care Center Fukushima Omori for which these are based on information on business income and expenditures from January 2018 to December 2018, and Silver Heights Hitsujigaoka No.3 for which these are based on information on business income and expenditures from March 2018 to February 2019.

### Portfolio Occupancy Rates



### Stable occupancy rates

- The overall occupancy rate rose by 2.6% from 90.6% at the end of October 2018 to 93.2% at the end of April 2019.
- The period average dropped by 2.0% from 90.2% for the 9th Fiscal Period to 92.2% for the 10th Fiscal Period.
- With the significant improvement in the occupancy rates of some facilities which had rather low occupancy rates, the occupancy rates remained at the highest level since listing for both period-end and period-average.

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



# Stable Management Strategy

Concluding long-term fixed rent lease agreements

## Stable Management Strategy

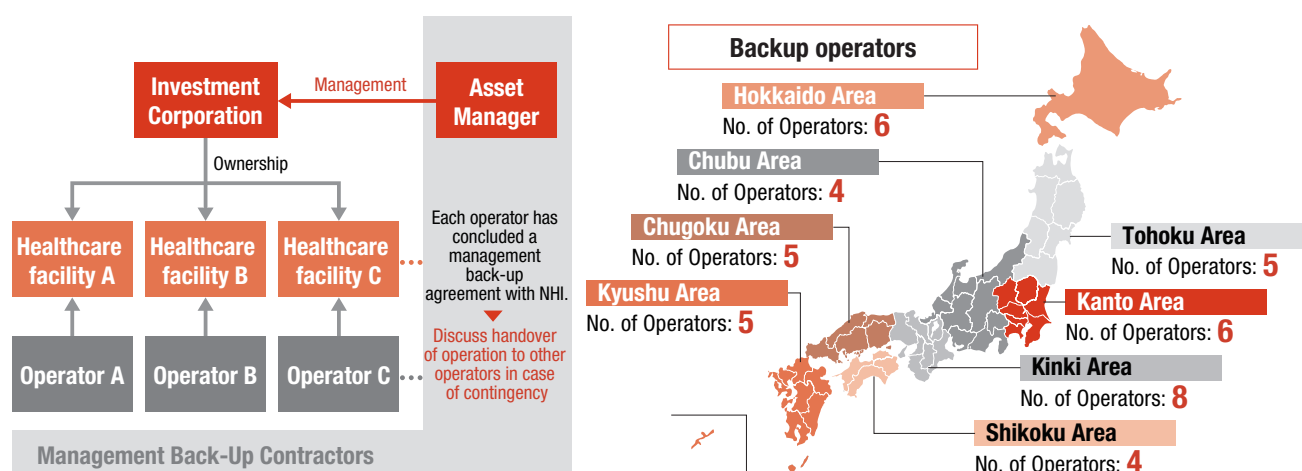
### Lease Agreements with Highly Reliable Operators

Operator	Number of facilities operated (cases) (Note 1)	Number of rooms operated (rooms) (Note 1 and 2)	Established	Attributes
Nichiigakkan Co., Ltd.	428	13,910	August 1973	Listed on the first section of the Tokyo Stock Exchange
Sompo Care Inc.	424	25,942	May 1997	Subsidiary of Sompo Holdings, Inc., a company listed on the first section of the Tokyo Stock Exchange
Wisnet Co., Ltd.	124	3,493	January 1998	Subsidiary of Sohgo Security Services Co., Ltd. a company listed on the first section of the Tokyo Stock Exchange
HITOWA Care Services Co., Ltd.	114	6,911	November 2006	-
Sawayaka Club Co., Ltd.	85	4,943	December 2004	Subsidiary of Uchiyama Holdings Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange
Charm Care Corporation	51	3,596	August 1984	Listed on the first section of the Tokyo Stock Exchange
Super Court Co., Ltd.	48	3,209	May 1995	-
Cedar Co., Ltd.	42	2,254	April 1981	Listed on JASDAQ Standard on the Tokyo Stock Exchange
Anabuki Medical Care Inc.	30	1,338	June 2009	Subsidiary of Anabuki Kosan Inc., a company listed on the first section of the Tokyo Stock Exchange
Nihon Kaigo Iryo Center Co., Ltd.	21	905	October 1997	-
Silver Heights Sapporo Co., Ltd.	3	321	December 1961	-

(Note 1) Number of facilities operated and Number of rooms operated indicate the number of facilities and the number of rooms for fee-based homes for the elderly, group homes and elderly housing with supportive services based on operators' websites and interviews with them (as of April 30, 2019).

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

### Overview and Status of Management Back-Up Agreement



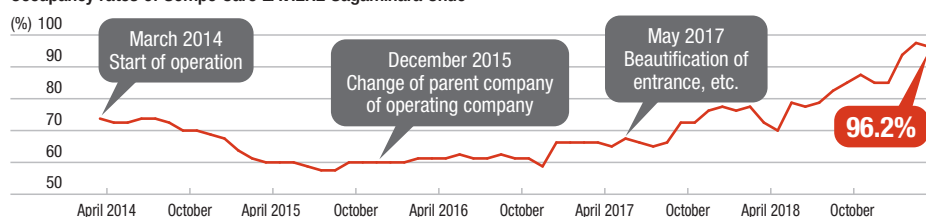
## Occupancy Improvement Case of the Portfolio

### Sompo Care LAVIERE Sagamihara Chuo (Acquisition price: 1,170 million yen)



Operator	Sompo Care Inc.
Location	Sagamihara City, Kanagawa
No. of rooms	80
Nearest station	Sagamihara Station on the JR Yokohama Line
Opening date	August 1, 2008

Occupancy rates of Sompo Care LAVIERE Sagamihara Chuo



#### History of Occupancy Rate Improvement

- Upon acquisition in March 2014, occupancy rate declined due to new opening of competing facilities.
- In December 2015, the parent company of the operator switched from Watami to Sompo Japan Nipponkoa Holdings, Inc., currently known as Sompo Holdings, Inc. The facility name was rebranded in April 2016 to SOMPO CARE LAVIERE. In July 2016, the operating structure changed, a new fee plan was established that abolished the one-time entrance fee and the operating area expanded to hospitals. In addition, given the suggestion from the Asset Management Company, beautification was conducted within the facility including the entrance, common-use halls, and parking lots.
- From September 2016, the occupancy rate gradually started to recover, and it reached 96.2% as of March 2019.

# Initiatives for ESG

- The Asset Management Company positions initiatives for ESG (Environment, Social, Governance) as important management issues.
- NHI contributes to “Health and welfare for all” within “Achievement of Good Health and Longevity,” which is a priority of Japan in the SDGs Implementation Guiding Principles set by the SDGs Promotion Headquarters.

## ESG Policies (established March 2019)

In managing assets, NHI has determined that emphasizing environment, social, and governance (ESG) contributes to improving corporate value in the medium to long term, and we focus our efforts on the following items.

### 1. Initiatives for Environmental Conservation (Environment)

Through measures that contribute to environmental conservation and installation of facilities and equipment, etc., we will proactively promote initiatives that lead to environmental conservation such as resource and energy conservation.

### 2. Connection with Society (Social)

Through IR activities, etc., we proactively disclose information and are accountable to all of our stakeholders. By providing high-quality, comfortable spaces, we fulfill our corporate social responsibility.

### 3. Corporate governance (Governance)

Adhering to laws and regulations and rules, we are aware of the importance of corporate ethics and compliance, and our decision-making is highly transparent and rational.

## Environment

### ■ Energy-Saving Initiatives

Installation of solar panels



Minna-no-ie Chuo-ku En'nami

Annual reduction rate of electricity generation (Note) **30.3%**

(Note) Actual figures from January to December, 2018

Installation of LED lighting



Verger Hirakata

Annual reduction ratio of electricity consumption through lighting equipment (Note) **68.0%**

(Note) Forecast of manufacturer with installation of LED lighting

Replacement of air-conditioners



Charm Suite Ryokuchi Koen

Reduction ratio of electricity consumption (Note) **15.3%**

(Note) Forecast of manufacturer with air conditioning replacement

## Social

### ■ Operator Opinion Exchange Meeting/Exchange with Local Communities

In January 2019, a meeting for operators to exchange opinions was held.

The Asset Management Company hosted a meeting between two operators (Sawayaka Club Co., Ltd. and Wisnet Co., Ltd.) to exchange opinions. This included a private viewing of Sawayaka Omiyakan and Minna-no-ie Omiya Tsutsujigaoka Park. Opinions were exchanged on facility operations and each companies' initiatives. These measures will continue to be conducted going forward.



In March 2019, participated in a private viewing of day service centers.

Established in October 2018, The Asset Management Company and PM companies participated in the private viewing. They experienced practical rehabilitation training and brain training programs. There also was interaction with care managers, local residents, facility staff, and residents.

## Governance

### ■ Corporate Governance

The Asset Management Company of NHI has established a governance system that gives top priority to compliance, and strives to prevent conflicts of interest, manage risks and comply with laws and regulations.

### ■ Compliance System

The Asset Management Company not only adheres strictly to all laws and regulations, rules, internal regulations and market rules related to its business but also focuses on conducting sincere and fair corporate activities while fully understanding social norms.

# Financial Conditions

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

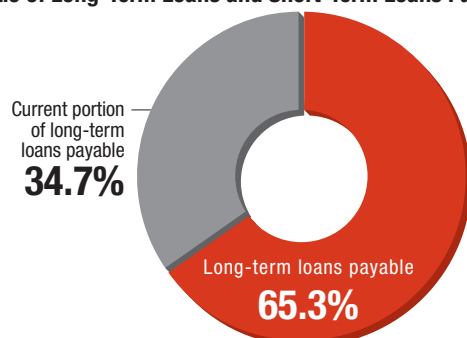
## Status of Interest-Bearing Liabilities (as of April 30, 2019)

Term	Lender	Balance (million yen)	Type of interest	Interest rate (%) (Note 1)	Drawdown date	Repayment deadline
Current portion of long-term loans payable	Resona Bank (Note 2)	1,200	Fixed	0.532	November 5, 2014	October 31, 2019
	Mizuho Bank (Note 2)	1,000		0.532		
	Mizuho Trust & Banking (Note 2)	700		0.532		
	Sumitomo Mitsui Trust Bank (Note 2)	500		0.138	April 28, 2016	April 30, 2020
Long-term	Mizuho Bank (Note 2)	500	Fixed	0.524	June 1, 2015	May 29, 2020
	Mizuho Trust & Banking (Note 2)	500		0.524		
	The Musashino Bank (Note 2)	500		0.524		
	Resona Bank (Note 2)	500		0.474	October 15, 2015	October 30, 2020
	Mizuho Bank (Note 2)	800		0.402	October 31, 2017	October 31, 2022
	Shinkin Central Bank (Note 2)	500		0.265		October 30, 2020
	The Musashino Bank (Note 2)	500		0.365		April 28, 2022
	Shinsei Bank (Note 2)	500		0.467	September 28, 2018	September 29, 2023
	Sumitomo Mitsui Trust Bank (Note 2)	1,200		0.390	October 31, 2018	October 31, 2022
	Shinkin Central Bank (Note 2)	400		0.390		September 29, 2023
	Shinsei Bank (Note 2)	300		0.467		
	The Dai-ichi Life Insurance	200		0.480		October 31, 2023
	<b>Total of 8 banks</b>	<b>9,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

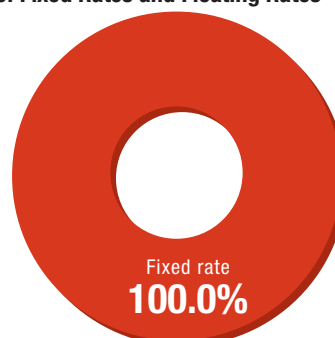
(Note 1) Interest rates are rounded to the third decimal place.

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

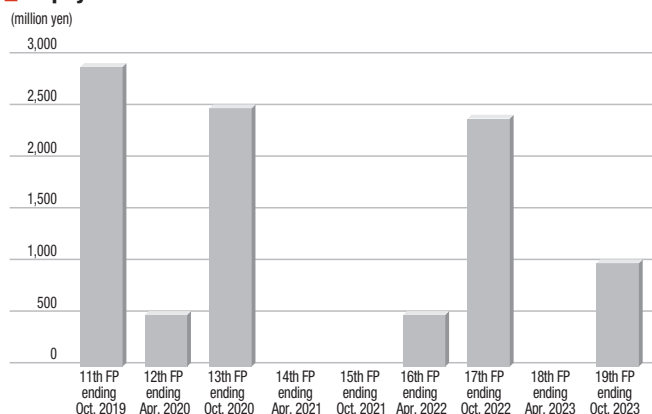
### Ratio of Long-Term Loans and Short-Term Loans Payable



### Ratio of Fixed Rates and Floating Rates



### Repayment Schedule



Average remaining period (Note 1) ..... **2.0 years**  
(as of April 30, 2019)

LTV (Note 2) ..... **46.6%**  
(as of April 30, 2019)

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

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

## Indices that Include NHI

Month/year	Name of index
September 2015	Thomson Reuters GPR / APREA Composite Index

## II. Asset Management Report

### 1. Management Status and Other Performance Highlights Data

Fiscal Period		10th Period (From Nov. 1, 2018 To Apr. 30, 2019)	9th Period (From May. 1, 2018 To Oct. 31, 2018)	8th Period (From Nov. 1, 2017 To Apr. 30, 2018)	7th Period (From May. 1, 2017 To Oct. 31, 2017)	6th Period (From Nov. 1, 2016 To Apr. 30, 2017)
(1) Operating Performance (Millions of yen, except per unit data or where otherwise indicated)						
Operating revenues		705	698	698	698	698
Rental revenues		705	698	698	698	698
Operating expenses		424	426	425	425	420
Property-related expenses		299	290	299	297	295
Operating income		281	272	273	273	278
Ordinary income		257	244	247	245	250
Net income		257	243	247	244	249
(2) Properties, etc. (as of end of period)						
Total assets		21,019	21,068	21,146	21,218	21,270
[period-on-period percentage changes]		[-0.2%]	[-0.4%]	[-0.3%]	[-0.2%]	[-0.2%]
Interest-bearing liabilities		9,800	9,800	9,800	9,800	9,800
Net assets		10,293	10,345	10,412	10,474	10,538
[period-on-period percentage changes]		[-0.5%]	[-0.6%]	[-0.6%]	[-0.6%]	[-0.5%]
Unitholders' capital, net	Note 2	10,037	10,102	10,166	10,229	10,289
(3) Distributions						
Total distribution amount		321	308	311	308	309
Total distribution of retained earnings		256	243	247	245	249
Total distribution in excess of retained earnings		65	65	64	63	60
Dividend payout		100%	100%	100%	100%	100%
(4) Per Unit Information						
Total number of units issued (units)		74,632	74,632	74,632	74,632	74,632
Net assets per unit (yen)		137,920	138,613	139,516	140,337	141,206
Distribution per unit (yen)		4,307	4,130	4,163	4,124	4,143
Distribution amount from earnings per unit (yen)		3,437	3,260	3,303	3,274	3,343
Distribution amount in excess of earnings per unit (yen)		870	870	860	850	800
(5) Financial Indicators						
ROA	Notes 3 and 4	1.2%	1.2%	1.2%	1.2%	1.2%
[annual rate]		[2.5%]	[2.3%]	[2.4%]	[2.3%]	[2.4%]
ROE	Notes 4 and 5	2.5%	2.3%	2.4%	2.3%	2.4%
[annual rate]		[5.0%]	[4.6%]	[4.8%]	[4.6%]	[4.8%]
Capital ratio		49.0%	49.1%	49.2%	49.4%	49.5%
[period-on-period percentage changes]		[-0.1%]	[-0.1%]	[-0.1%]	[-0.1%]	[-0.2%]
LTV (loan to value)		46.6%	46.5%	46.3%	46.2%	46.1%
Property leasing cash flows (NOI)	Note 6	609	607	597	596	597
(6) Other Referential Information						
Number of investment properties		23	22	22	22	22
Number of tenants	Note 7	23	22	22	22	22
Total rentable area (m <sup>2</sup> )		67,903.84	67,298.83	67,298.83	67,298.83	67,298.83
Occupancy rate	Note 8	100.0%	100.0%	100.0%	100.0%	100.0%
Depreciation		203	200	198	196	194
Capital expenditures		19	32	26	60	30

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

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

(Note 3) ROA: Ordinary income ÷ [(Total assets at beginning of period + Total assets at end of period) ÷ 2] × 100

(Note 4) Annualized figures are calculated by using the asset management period of the respective fiscal period; 181 days for the 6th Fiscal Period; 184 days for the 7th Fiscal Period; 181 days for the 8th Fiscal Period; 184 days for the 9th Fiscal Period and 181 days for the 10th Fiscal Period.

(Note 5) ROE: Net income ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 6) Property leasing cash flows (NOI): Rental revenues – Property-related expenses + Depreciation

(Note 7) Number of tenants is the total number of end tenants.

(Note 8) Occupancy rate: Total leased area ÷ Total rentable area × 100



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

### (1) Brief History of the Investment Corporation

Nippon Healthcare Investment Corporation (hereinafter referred to as “NHI”) was 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 founder. After its establishment, NHI conducted an additional issuance of investment units through private placement (18,800 units) on April 3, 2014. NHI commenced actual management with the acquisition of eight properties on March 28, 2014 by using the proceeds from the concerned capital increase through private placement and loans.

After accumulating a track record for roughly seven months after the start of asset management, in the previous fiscal period, NHI conducted a public offering through the issuance of an additional 39,000 investment units on November 4, 2014. On the following day, NHI made additional acquisitions of six properties concurrently with the listing on the REIT Securities Section of the Tokyo Stock Exchange (Stock code: 3308). In the 3rd Fiscal Period, NHI made additional acquisitions of three properties with borrowing and cash on hand, and in the 4th Fiscal Period, NHI implemented an additional issuance of investment units through public offering (12,130 units) on November 17, 2015 and additionally acquired four properties. Furthermore, in the 5th Fiscal Period, NHI made an additional acquisition of one property on October 6, 2016 with borrowing and cash on hand and in the 10th Fiscal Period, NHI made an additional acquisition of one property on December 20, 2018 with cash on hand. Through these additional acquisitions of a property, the total acquisition price of NHI properties is 19,712 million yen as of April 30, 2019.

As the REIT specializing in healthcare facilities in that it invests solely in properties of which the principal use is healthcare facilities, NHI effectively utilizes investor capital to initiate expansion of supply of high-quality healthcare facilities that provide users with high-standard services, while at the same time produce ample and dependable returns to investors for further capital circulation. In this way, NHI aims at creating a new value cycle for healthcare facilities and the services provided, together with investors. Through these efforts, NHI would like to contribute to the realization of Japan’s major policy to improve the residential environment for the elderly by effectively utilizing private sector funds.

### (2) Investment Environment and Management Performance

#### (A) Investment Environment (from November 1, 2018 to April 30, 2019)

NHI was established to address Japan’s structural problem of age demographics where the younger population is decreasing and the ratio of elderly people is increasing, and the associated social demand for the enhancement of private nursing homes and other facilities for the elderly, which are thought to be lacking.

Japan has the population of the elderly aged 65 years or over (hereinafter referred to as the elderly population) accounting for approximately less than 30% of the total population as of May 1, 2019 (according to the Ministry of Internal Affairs and Communications’ “Population Estimates” announced on May 20, 2019), and the population of the elderly is forecast to continue to account for an increasingly greater proportion and the population of the elderly living alone is forecast to continue to grow. There is thus recognized to be sufficient potential for greater development of housing for the elderly with nursing care services, etc. that are designed for the elderly to reside (referring to “silver housing” (public housing for the elderly), “good rental housing for the elderly,” “elderly housing with supportive services,” “fee-based homes for the elderly” and “low-cost homes for the elderly;” the same shall apply hereinafter).

The Ministry of Land, Infrastructure, Transport and Tourism has set as a policy target that the ratio of housing for the elderly to the elderly population shall be 4% in 2025.

In this manner, as social demand is mounting for healthcare facilities – particularly, private nursing homes and other facilities for the elderly – and the enhancement of private nursing homes and other facilities for the elderly is one of the priority tasks even as a national policy, NHI will focus investment for the time being on private nursing homes and other facilities for the elderly among healthcare facilities and thereby seize opportunities to earn cash flows arising from the mounting social demand.

#### (B) Management Performance

In the 10th Fiscal Period (fiscal period ended April 30, 2019), NHI acquired one investment property (Irise Komae Bettei; acquisition price: 394.5 million yen) on December 20, 2018.

Concerning the properties held as of the end of the 10th Fiscal Period (April 30, 2019), the leasable floor area was 67,903.84m<sup>2</sup> and the occupancy rate was 100.0%.

### (3) Overview of Capital Procurement

#### (A) Procurement of Funds for Repayment of Borrowings

In the 10th Fiscal Period (fiscal period ended April 30, 2019), NHI conducted no new borrowing of funds.

#### (B) Status of Interest-Bearing Liabilities

As a result of the above, the balance of interest-bearing liabilities outstanding as of the end of the 10th Fiscal Period (April 30, 2019) stood at 9,800 million yen (all long-term debt). The balance of the current portion of long-term debt stood at 3,400 million yen. In addition, the average remaining period of interest-bearing liabilities as of the end of the 10th Fiscal Period stands at 1.9 years.

The unitholders' capital (net) was 10,037 million yen, and the total number of units issued was 74,632 investment units as of the end of the 10th Fiscal Period.

### (4) Capital Expenditures During the 10th Fiscal Period

The following summarizes the main construction work that constitutes capital expenditures conducted during the 10th Fiscal Period. Capital expenditures for the 10th Fiscal Period amounted to 19 million yen and, when combined with the 30 million yen in repair expenses charged to 10th Fiscal Period expenses, totaled 49 million yen in construction work implemented.

Name of Property (Location)	Purpose	Period	Expenditure (Millions of yen)
Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)	Renewal of air conditioning equipment in dwelling units	From: November 2018 To: November 2018	4
Charm Suite Ryokuchi Koen (Toyonaka City, Osaka)	Renovation of rooftop fences, etc.	From: April 2019 To: April 2019	2
Alpha Living Okayama Korakuen (Okayama City, Okayama)	Installment of fences	From: April 2019 To: April 2019	2
Other		From: November 2018 To: April 2019	11
Total			19

### (5) Overview of Financial Performance and Distributions

As a result of the management described above, NHI posted financial performance for the 10th Fiscal Period of 705 million yen in operating revenue, 281 million yen in operating income, 257 million yen in ordinary income and 257 million yen in net income.

Concerning distributions, to ensure that the amount equivalent to distributions from earnings would be included in the amount of tax-deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; including amendments thereto) (hereinafter referred to as the "Special Taxation Measures Act")), NHI decided to distribute the entire amount of unappropriated retained earnings, excluding fractions of the distribution amount per unit that are less than 1 yen. Accordingly, NHI declared a distribution amount per unit of 3,437 yen.

In addition, in principle, NHI adopts a policy of implementing cash distributions in excess of earnings uninterrupted 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 32% of the 203 million yen in depreciation for the 10th Fiscal Period, as reimbursement of investments in capital. Accordingly, NHI declared a distribution amount in excess of earnings per unit of 870 yen.

(Note) NHI adopts a policy of implementing uninterrupted distributions in excess of earnings (reimbursement of investments in capital) in an amount not to exceed 40% of depreciation in every accounting period within the scope that would not have adverse impact on the financial position of NHI after setting aside the cash and deposits that NHI deems appropriate, taking into account the status of establishment of lines of credit, etc., in order to not affect long-term repair plans in light of the capital expenditures for each accounting period assumed based on the long-term repair plans and to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI's working capital, repayment of obligations, payout of distributions, etc.).

The six-month average amount of the sum total amount of emergency repair expenses, short-term repair expenses and long-term repair expenses stated in the engineering report by Tokio Marine & Nichido Risk Consulting Co., Ltd., Assets Research and Development Inc. and ERI Solution Co., Ltd. for all assets held as of the end of the 10th Fiscal Period (23 properties) is 31 million yen.

### 3. Future Management Policy and Tasks

#### (1) Investment Environment

Japan has the population of the elderly accounting for approximately less than 30% of the total population, and the population of the elderly is expected to continue to account for an increasingly greater proportion and the population of the elderly living alone is expected to continue to grow. With the development of medical technology, among other factors, the average life expectancy at birth for Japanese people is at 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," while record-highs were set in terms of the population aged 65 years or over at 37 million people and the proportion of the elderly population is at 28.3% of the total population of 127 million as of May 1, 2019 according to the Ministry of Internal Affairs and Communications' "Population Estimates" (announced on May 20, 2019).

According to the National Institute of Population and Social Security Research's "Population Projections for Japan (2017)," the total population will increase to 123 million people, the elderly population to 37 million people and the proportion of the elderly population to 30.0% in 2025 and then, while the total population will decrease by approximately 38 million people from that at present to 88 million people, the elderly population will reach 34 million people and the proportion of the elderly population to 38.4% in 2065.

To provide for future growth in demand for housing for the elderly, the Ministry of Land, Infrastructure, Transport and Tourism has set as a policy target that the ratio of housing for the elderly to the elderly population shall be 4% by 2025.

In such an environment, there is recognized to be sufficient potential for greater development of housing for the elderly with nursing care services, etc. that are designed for the elderly to reside through effective utilization of private sector funds.

#### (2) Management Policy and Tasks

##### (A) Strategy for Managing Existing Properties

NHI implements the following measures to earn stable revenue and serve to maintain and enhance unitholder value.

##### (a) Stabilization of earnings

In principle, NHI shall invest in properties with the actual remaining lease contract period at the time of acquisition of 10 years or more, taking into account also the possibility of contract renewal. In view of lease agreements concluded between NHI or trustees and operators realizing conversion of expenses borne by operators into fixed rates and stabilization of earnings of NHI, the policy shall be to make the lease agreements of content that, in principle, operators pay a fixed amount of rent. The lease agreements with operators for the assets that NHI has acquired are all fixed-rent agreements.

##### (b) Criteria and methods for selecting operators

In the event of acquisition of healthcare facilities, not only the quality of the facilities as real estate, but also the creditworthiness, operational capabilities, etc. of the operators operating the facilities are regarded as important factors by NHI in realizing stable occupancy. This is because the operators being capable of providing services of a quality and type that matches the entrance fee, monthly service fee, etc. in order to be the residents' choice and the operators being capable of operating the facilities continuously are regarded as important factors in terms of also the profitability and asset value of healthcare facilities.

##### (c) Employment of "Backup Operator Membership"

NHI has concluded an agreement on backup of operational management with each and every operator of acquired assets. The main purpose of said agreement is that, in the event that a lease agreement for a healthcare facility held by NHI has ended or is expected to end due to contract termination, contract cancellation or other reason, where NHI requests the operator to operate the healthcare facility by conclusion of a new lease agreement with NHI, the operator shall sincerely discuss the request. In addition, NHI shall consider concluding a similar agreement with also the operators of healthcare facilities to be acquired in the future. Such relationship by agreement with operators is referred to as "Backup Operator Membership."

(B) Investment Strategy for New Properties

NHI aims to realize stable external growth through not only leveraging the track record and network of the Asset Management Company, but also sourcing property information, etc. by working in collaboration with the sponsor group and adviser

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

The Asset Management Company is striving for property acquisitions that utilize the wide range of property sourcing channels based on strong relationship building with various related parties (business companies, financial institutions, major real estate brokerage companies and real estate brokerage parties, etc.) accumulated through asset management of Daiwa Office Investment Corporation (balance of assets for which management is entrusted as of the end of May 2019: approximately 460 billion yen), Japan Rental Housing Investments Inc. (balance of assets for which management is entrusted as of the end of May 2019: approximately 220.8 billion yen), Daiwa Residential Private Investment Corporation (balance of assets for which management is entrusted as of the end of May 2019: approximately 121 billion yen) and Daiwa Hotel Private Investment Corporation (balance of assets for which management is entrusted as of the end of May 2019: approximately 29.8 billion yen). In addition, in order to expand and boost opportunities to acquire healthcare facilities in which NHI invests, the Asset Management Company has installed an investment team specializing in healthcare facilities and is promoting also the building of relationships with new suppliers and sources of property information (healthcare facility operators, developers, etc.) other than existing property sourcing channels to collect property information.

(b) Sourcing of property information, etc. by working in collaboration with the sponsor group

The Asset Management Company believes that leveraging the network of branches and clients possessed by the sponsor group, the Daiwa Securities Group, as needed will enable a search across Japan for operators that meet the selection criteria set forth by the Asset Management Company and consideration of the feasibility of collaboration in property acquisition and development, commissioning of facility operation, etc., and thinks that expansion of property acquisition opportunities can thus be expected. In addition, in order to expand property acquisition opportunities, NHI and the Asset Management Company have concluded a pipeline support agreement with Daiwa ACA Healthcare Inc., which invests in nursing care facilities and hospitals in Japan and of which a stake of 66% is held by the Daiwa Securities Group Inc.

(c) Sourcing of property information, etc. by working in collaboration with the adviser

The Asset Management Company has concluded an advisory agreement with AIP Healthcare Japan GK, which implements an investment strategy that has been focused on the healthcare sector (hospitals and nursing care facilities) since 2001 and has been engaged in investment specializing in private nursing homes and other facilities for the elderly since 2008. Based on this agreement, the Asset Management Company receives advice on information provision, management and operation of healthcare facilities that are the investment assets of NHI, collaboration with operators, etc. The Asset Management Company believes that this would contribute to realization of stable performance in the medium to long term of NHI.

In the 10th Fiscal Period (fiscal period ended April 30, 2019), NHI acquired one investment property (Irise Komae Bettei; acquisition price: 394.5 million yen) on December 20, 2018.

(C) Financial Strategy

NHI will procure and manage funds in accordance with the following policy in pursuit of realization of stable revenue and steady growth and efficient management of assets under management.

(a) Additional issuance of investment units

Additional issuance of investment units shall be implemented with agility, while comprehensively taking into account the timing of acquisition of real estate that are to be newly acquired, ratio of interest-bearing liabilities to total assets (hereinafter referred to as “LTV”), economic and market conditions, etc. and also taking into consideration the dilution of investment units.



(b) Borrowing of funds and issuance of investment corporation bonds

LTV shall be set at a level that takes heed of securing of financing capacity and, in principle, no higher than 60%. However, LTV may temporarily exceed 60% for such purposes as acquisition of new investment assets and reduction of refinancing risk.

In order to build a stable financial base and underpin future growth strategies, NHI shall not only establish a so-called main-bank system of having leading financial institutions as its main banks of account, but also make proactive efforts to diversify fund procurement sources through such means as borrowing from multiple lenders and issuing investment corporation bonds.

Funds shall be procured appropriately by negotiating with several financial institutions over borrowing costs, borrowing period, whether or not collateral is provided and other terms and conditions upon the borrowing of funds, and comprehensively considering the terms and conditions while taking into consideration the balance of interest rate trends, market level, financial agility and security, lender composition and other factors.

In order to reduce the risk of interest rate fluctuations and refinancing risk, NHI shall consider extending financing periods, converting interest rates to fixed rates, staggering repayment dates, introducing highly-flexible financial covenants, etc. as needed.

NHI shall consider securing committed, revolving or other lines of credit as needed for agile procurement of various required funds.

(c) Fund management

NHI shall retain at all times the cash and deposits that NHI deems appropriate, taking into account also the status of establishment of lines of credit, etc., in order to meet needs for funds (new acquisition of investment assets, repairs and capital expenditures required to maintain and enhance portfolio assets, NHI's working capital, repayment of obligations, payout of distributions, etc.).

NHI shall pursue efficient fund management whereby, of the amount equivalent to depreciation, the amount remaining after setting aside cash and deposits shall be allocated to implementing cash distributions in excess of earnings to unitholders uninterruptedly every fiscal period in an amount not to exceed 40% of depreciation in every accounting period, comprehensively taking into account NHI's surrounding economic environment and real estate market trends, the status of portfolio assets and financial status of NHI and other factors.

There may be cases where surplus funds will be invested into securities and monetary claims that are highly secure and liquid.

Derivative transactions (Article 2, Paragraph 6 of the Investment Trusts Act) shall be limited to those managed for the purpose of hedging the risk of fluctuations in interest rates on the liabilities of NHI.

(D) Schedule of Capital Expenditures

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

Name of Property (Location)	Purpose	Estimated Period	Estimated Cost (Millions of yen)		
			Total	Payment for the current period	Cumulative amount paid
Sompo Care LAVIERE Hiroshima Hikarigaoka (Hiroshima City, Hiroshima)	Renewal of elevator equipment	From: October 2019 To: October 2019	7	—	—
Silver Heights Hitsujigaoka No. 3 (Sapporo City, Hokkaido)	Renewal of elevator equipment	From: October 2019 To: October 2019	6	—	—
Sompo Care LAVIERE Hiroshima Hikarigaoka (Hiroshima City, Hiroshima)	Renewal of air-conditioning equipment in dwelling units	From: October 2019 To: October 2019	5	—	—
Minna-no-ie Omiya Tsutsujigaoka Koen (Saitama City, Saitama)	Renewal of elevator equipment	From: October 2019 To: October 2019	5	—	—
Super Court JR Nara-Ekimae (Nara City, Nara)	Renewal of elevator equipment	From: October 2019 To: October 2019	4	—	—
Sompo Care LAVIERE Kinugasayama Koen (Yokosuka City, Kanagawa)	Renewal of elevator equipment	From: October 2019 To: October 2019	3	—	—
Nichii Care Center Fukushima Omori (Fukushima City, Fukushima)	Renewal of elevator equipment	From: October 2019 To: October 2019	2	—	—
Sompo no ie Nishitanabe ekimae (Osaka City, Osaka)	Renewal of elevator equipment	From: October 2019 To: October 2019	2	—	—

### III. Balance Sheets

As of April 30, 2019 and October 31, 2018

(Thousands of yen)

	As of April 30, 2019	As of October 31, 2018
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents [Notes 3, 4 and 5]	1,584,104	1,851,753
Prepaid expenses	15,237	21,432
Other current assets	1,893	2,834
Total Current Assets	1,601,234	1,876,019
Investment Properties, at cost: [Notes 4, 6 and 7]		
Land in trust accounts	8,233,176	7,949,066
Buildings and structures in trust accounts	12,791,539	12,651,054
Machinery and equipment in trust accounts	19,170	18,324
Tools, furniture and fixtures in trust accounts	53,794	45,394
Construction in progress in trust accounts	1,080	1,004
Less: accumulated depreciation	(1,749,236)	(1,546,629)
Leasehold rights in trust accounts	40,886	40,886
Total Investment Properties, net	19,390,409	19,159,099
Other Assets:		
Right of trademark	112	123
Software	382	749
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	17,117	22,488
Deferred tax assets [Note 12]	14	13
Total Other Assets	27,625	33,373
<b>Total Assets</b>	<b>21,019,268</b>	<b>21,068,491</b>

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

(Thousands of yen)

	As of April 30, 2019	As of October 31, 2018
<b>Liabilities</b>		
Current Liabilities:		
Operating accounts payable	21,395	31,972
Long-term debt due within one year [Notes 4, 5 and 10]	3,400,000	2,900,000
Accounts payable – other	60,926	69,842
Income taxes payable	895	870
Accrued consumption taxes	847	1,065
Rent received in advance	86,817	85,140
Deposits received	528	648
Other current liabilities	4,215	3,773
Total Current Liabilities	3,575,623	3,093,310
Long-Term Liabilities:		
Long-term debt [Notes 4, 5 and 10]	6,400,000	6,900,000
Tenant security deposits [Note 5]	750,376	730,216
Total Long-Term Liabilities	7,150,376	7,630,216
<b>Total Liabilities</b>	10,725,999	10,723,526
<b>Net Assets [Notes 9 and 13]</b>		
Unitholders' Equity:		
Unitholders' capital	10,504,334	10,504,334
Deduction from unitholders' capital	(467,610)	(402,680)
Unitholders' capital, net	10,036,724	10,101,654
Units authorized: 10,000,000 units		
Units issued and outstanding: 74,632 units		
Retained earnings	256,545	243,311
Total Unitholders' Equity	10,293,269	10,344,965
<b>Total Net Assets</b>	10,293,269	10,344,965
<b>Total Liabilities and Net Assets</b>	21,019,268	21,068,491

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

## IV. Statements of Income

For the fiscal periods ended April 30, 2019 and October 31, 2018

(Thousands of yen)

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
<b>Operating Revenues and Expenses</b>		
Operating Revenues:		
Rental revenues [Note 8]	705,128	697,553
Total Operating Revenues	705,128	697,553
<b>Operating Expenses:</b>		
Property-related expenses [Note 8]	298,978	290,043
Asset management fees	57,654	62,336
Asset custody fees	732	734
Administrative service fees	10,434	17,331
Trust fees	6,608	6,500
Directors' compensation	4,800	4,800
Audit fees	6,000	6,000
Other operating expenses	38,870	37,927
Total Operating Expenses	424,076	425,671
<b>Operating Income</b>	281,052	271,882
<b>Non-Operating Revenues and Expenses</b>		
Non-Operating Revenues:		
Interest income	2	2
Reversal of distribution payable	143	214
Insurance income	4,504	278
Other non-operating revenues	176	–
Total Non-Operating Revenues	4,825	494
<b>Non-Operating Expenses:</b>		
Interest expense	21,645	21,664
Borrowing expenses	6,805	6,567
Total Non-Operating Expenses	28,450	28,231
<b>Ordinary Income</b>	257,427	244,145
<b>Income Before Income Taxes</b>	257,427	244,145
Income taxes – current	894	870
Income taxes – deferred	(1)	1
Total Income Taxes [Note 12]	893	871
<b>Net Income</b>	256,534	243,274
<b>Retained Earnings Brought Forward</b>	11	37
<b>Retained Earnings at End of Period</b>	256,545	243,311

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



## V. Statements of Changes in Net Assets

For the fiscal period ended October 31, 2018

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from Unitholders' capital	Unitholders' Capital, net	Retained Earnings	Total
<b>Balance as of April 30, 2018</b>	74,632	10,504,334	(338,496)	10,165,838	246,546	10,412,384
Distributions in excess of retained earnings	—	—	(64,184)	(64,184)	—	(64,184)
Distributions of earnings	—	—	—	—	(246,509)	(246,509)
Net income	—	—	—	—	243,274	243,274
<b>Balance as of October 31, 2018</b>	74,632	10,504,334	(402,680)	10,101,654	243,311	10,344,965

For the fiscal period ended April 30, 2019

(Thousands of yen)

	Number of Units	Unitholders' Capital	Deduction from Unitholders' capital	Unitholders' Capital, net	Retained Earnings	Total
<b>Balance as of October 31, 2018</b>	74,632	10,504,334	(402,680)	10,101,654	243,311	10,344,965
Distributions in excess of retained earnings	—	—	(64,930)	(64,930)	—	(64,930)
Distributions of earnings	—	—	—	—	(243,300)	(243,300)
Net income	—	—	—	—	256,534	256,534
<b>Balance as of April 30, 2019</b>	74,632	10,504,334	(467,610)	10,036,724	256,545	10,293,269

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

## VI. Statements of Cash Flows

For the fiscal periods ended April 30, 2019 and October 31, 2018

(Thousands of yen)

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	257,427	244,145
Depreciation and amortization	202,985	199,990
Interest expense	21,644	21,664
Decrease (Increase) in prepaid expenses	6,195	(7,204)
Increase (Decrease) in accounts payable	(17,890)	8,111
Increase (Decrease) in rent received in advance	1,678	—
Decrease (Increase) in long-term prepaid expenses	5,371	(7,398)
Cash payments of interest expense	(21,166)	(22,017)
Other, net	(271)	(2,003)
<b>Net Cash Provided by Operating Activities</b>	<b>455,973</b>	<b>435,288</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties in trust accounts	(435,516)	(51,766)
Proceeds from tenant security deposits	20,160	—
<b>Net Cash Used in Investing Activities</b>	<b>(415,356)</b>	<b>(51,766)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayments of short-term debt	—	(500,000)
Proceeds from long-term debt	—	2,600,000
Repayments of long-term debt	—	(2,100,000)
Payments of distributions of earnings	(243,342)	(246,463)
Payments of distributions in excess of retained earnings	(64,924)	(64,182)
<b>Net Cash Used in Financing Activities</b>	<b>(308,266)</b>	<b>(310,645)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(267,649)</b>	<b>72,877</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,851,753</b>	<b>1,778,876</b>
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	<b>1,584,104</b>	<b>1,851,753</b>

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

## VII. Notes to Financial Statements

For the fiscal periods ended April 30, 2019 and October 31, 2018

### Note 1 – Organization and Basis of Presentation

#### *Organization*

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

NHI is an externally managed real estate fund, established as an investment corporation. The Asset Management Company is engaged in acquiring, managing, leasing, and renovating healthcare facilities of NHI. Daiwa Securities Group Inc. currently owns 100% of the shares of the Asset Management Company.

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

As of April 30, 2019, NHI had trust beneficiary interests in 23 healthcare facilities with approximately 67,904 square meters of healthcare facilities space and had leased space to 23 tenants. The occupancy rate for the healthcare facilities was 100%.

#### *Basis of Presentation*

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

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

NHI maintains its accounting records in Japanese yen.

NHI’s fiscal period is a six-month period ending at the end of April and October of each year.

### Note 2 – Summary of Significant Accounting Policies

#### *Cash and Cash Equivalents*

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

#### *Investment Properties*

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

	As of April 30, 2019	As of October 31, 2018
Buildings and structures	3-58 years	3-58 years
Machinery and equipment	10-17 years	17 years
Tools, furniture and fixtures	2-15 years	2-15 years

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

### *Income Taxes*

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

### *Real Estate Taxes*

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NHI capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property.

Capitalized real estate taxes amounted to 52 thousand yen for the fiscal period ended April 30, 2019. There were no capitalized real estate taxes for the fiscal period ended October 31, 2018.

### *Consumption Taxes*

Consumption taxes are excluded from transaction amount.

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

### *Hedge Accounting*

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

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

### *Revenue Recognition*

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

### *Accounting Treatment of Beneficiary Interests in Trust Assets Including Real Estate*

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

## **Note 3 – Cash and Cash Equivalents**

Cash and cash equivalents stated on the accompanying balance sheets and statements of cash flows as of April 30, 2019 and October 31, 2018 consisted of the following:

	(Thousands of yen)	
	As of April 30, 2019	As of October 31, 2018
Cash and deposits	1,130,312	1,404,245
Cash and deposits in trust accounts	453,792	447,508
Cash and cash equivalents	1,584,104	1,851,753

## Note 4 – Pledged Assets and Secured Liabilities

The carrying amount of assets pledged as collateral and the secured liabilities as of April 30, 2019 and October 31, 2018 were as follows:

(Thousands of yen)

	As of April 30, 2019	As of October 31, 2018
Assets pledged:		
Cash and deposits in trust accounts	453,792	447,508
Land in trust accounts	8,233,176	7,949,066
Buildings and structures in trust accounts	11,059,666	11,116,486
Machinery and equipment in trust accounts	17,309	17,041
Tools, furniture and fixtures in trust accounts	38,292	34,616
Construction in progress in trust accounts	1,080	1,004
Leasehold rights in trust accounts	40,886	40,886
Total	19,844,201	19,606,607
Secured liabilities:		
Long-term debt due within one year	3,400,000	2,900,000
Long-term debt	6,400,000	6,900,000
Total	9,800,000	9,800,000

## Note 5 – Financial Instruments

(For the fiscal periods ended April 30, 2019 and October 31, 2018)

### (1) Status of Financial Instruments

#### (A) Policy for financial instruments

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

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

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

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

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

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

NHI evaluates the effectiveness of hedges by comparing the accumulated cash-flow changes of hedged items and that of hedging items, and then verifies the ratio of both amounts of changes. Furthermore, NHI omits assessment of hedge effectiveness for the interest-rate swap agreements which meet the criteria of special treatment.

Execution and management of derivative transactions have been carried out based on the regulations defined in the basic policy of risk management.

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

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



(C) Supplementary explanation for fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. As certain assumptions are used for the estimation of fair value, the result of such estimation may differ if different assumptions are used. Also, the contractual amounts of derivative transactions do not represent the market risk involved in these derivative transactions.

(2) Estimated Fair Value of Financial Instruments

The book value, fair value and difference between the two as of April 30, 2019 and October 31, 2018 were as follows. The financial instruments whose fair value is extremely difficult to estimate are excluded from the following table.

(As of April 30, 2019)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	1,584,104	1,584,104	—
Total	1,584,104	1,584,104	—
Long-term debt due within one year	3,400,000	3,401,341	1,341
Long-term debt	6,400,000	6,412,701	12,701
Total	9,800,000	9,814,042	14,042
Derivative transactions	—	—	—

(As of October 31, 2018)

(Thousands of yen)

	Book Value	Fair Value	Difference
Cash and cash equivalents	1,851,753	1,851,753	—
Total	1,851,753	1,851,753	—
Long-term debt due within one year	2,900,000	2,903,832	3,832
Long-term debt	6,900,000	6,889,594	(10,406)
Total	9,800,000	9,793,426	(6,574)
Derivative transactions	—	—	—

Notes:

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

**Assets**

(1) Cash and cash equivalents

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

**Liabilities**

(1) Long-term debt due within one year and long-term debt

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

## Derivative Transactions

(1) Derivatives to which hedge accounting is applied

(As of April 30, 2019)

(Thousands of yen)

Method of Hedge Accounting	Type of Derivative Transactions	Hedged Items	Contract Amount (due after one year)	Fair Value(*)
Special treatment for interest rate swap transactions	Interest rate swap transactions Receive floating and pay fixed	Long-term debt due within one year and long-term debt	9,600,000 (6,200,000)	-(**)
Total			9,600,000 (6,200,000)	-

(As of October 31, 2018)

(Thousands of yen)

Method of Hedge Accounting	Type of Derivative Transactions	Hedged Items	Contract Amount (due after one year)	Fair Value(*)
Special treatment for interest rate swap transactions	Interest rate swap transactions Receive floating and pay fixed	Long-term debt due within one year and long-term debt	9,600,000 (6,700,000)	-(**)
Total			9,600,000 (6,700,000)	-

\*The fair value is provided by the financial institution.

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

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

Tenant security deposits (with the book value of 750,376 thousand yen as of April 30, 2019 and that of 730,216 thousand yen as of October 31, 2018) that have been deposited from tenants are not marketable and the actual deposit period cannot be reliably determined, thus making it impossible to reasonably estimate their future cash flows, and therefore, it is considered to be extremely difficult to estimate their fair value.

## 3. Redemption schedule for money claims

(As of April 30, 2019)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and cash equivalents	1,584,104	-	-	-	-	-
<b>Total</b>	1,584,104	-	-	-	-	-

(As of October 31, 2018)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and cash equivalents	1,851,753	-	-	-	-	-
<b>Total</b>	1,851,753	-	-	-	-	-

#### 4. Redemption schedule for long-term debt

(As of April 30, 2019)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term debt due within one year	3,400,000	–	–	–	–	–
Long-term debt	–	2,500,000	500,000	2,400,000	1,000,000	–
<b>Total</b>	<b>3,400,000</b>	<b>2,500,000</b>	<b>500,000</b>	<b>2,400,000</b>	<b>1,000,000</b>	<b>–</b>

(As of October 31, 2018)

(Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Long-term debt due within one year	2,900,000	–	–	–	–	–
Long-term debt	–	3,000,000	–	2,900,000	1,000,000	–
<b>Total</b>	<b>2,900,000</b>	<b>3,000,000</b>	<b>–</b>	<b>2,900,000</b>	<b>1,000,000</b>	<b>–</b>

### Note 6 – Schedule of Tangible Fixed Assets of Investment Properties

Investment properties as of April 30, 2019 and October 31, 2018 consisted of the following:

(Thousands of yen)

	As of April 30, 2019			As of October 31, 2018		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land in trust accounts	8,233,176	–	8,233,176	7,949,066	–	7,949,066
Buildings and structures in trust accounts	12,791,539	(1,731,873)	11,059,666	12,651,054	(1,534,568)	11,116,486
Machinery and equipment in trust accounts	19,170	(1,861)	17,309	18,324	(1,283)	17,041
Tools, furniture and fixtures in trust accounts	53,794	(15,502)	38,292	45,394	(10,778)	34,616
Construction in progress in trust accounts	1,080	–	1,080	1,004	–	1,004
<b>Total</b>	<b>21,098,759</b>	<b>(1,749,236)</b>	<b>19,349,523</b>	<b>20,664,842</b>	<b>(1,546,629)</b>	<b>19,118,213</b>

### Note 7 – Investment and Rental Properties

NHI owns fee-based homes for the elderly, etc. (including land) in the three major metropolitan areas and core cities. The book value, net change in the book value and the fair value of the investment and rental properties are as follows:

(For the fiscal period ended April 30, 2019)

(Thousands of yen)

Book Value			Fair value as of April 30, 2019
As of October 31, 2018	Change during the period <sup>(*)</sup>	As of April 30, 2019	
19,158,095	231,234	19,389,329	24,508,000

(For the fiscal period ended October 31, 2018)

(Thousands of yen)

Book Value			Fair value as of October 31, 2018
As of April 30, 2018	Change during the period <sup>(*)</sup>	As of October 31, 2018	
19,325,221	(167,126)	19,158,095	24,117,000

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

(Note 2) Significant changes

<sup>(\*)</sup> For the fiscal period ended April 30, 2019, the major reason of increase is acquisition of one property (394,500 thousand yen). The major reason of decrease is depreciation (202,607 thousand yen).

<sup>(\*)</sup> For the fiscal period ended October 31, 2018, the major reason of decrease is depreciation (199,612 thousand yen).

(Note 3) The fair values as of April 30, 2019 and October 31, 2018 represent the sum of appraisal values estimated by external real estate appraisers.

Income and loss from investment and rental properties for the fiscal periods ended April 30, 2019 and October 31, 2018 are disclosed in Note 8.

## Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended April 30, 2019 and October 31, 2018 were as follows:

(Thousands of yen)

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
A. Revenues from property leasing		
Rental revenues	705,128	697,553
Total revenues from property leasing	705,128	697,553
B. Property-related expenses		
Consignment expenses	13,282	13,139
Utilities expenses	–	1,862
Taxes and dues	49,915	49,974
Non-life insurance expenses	1,406	1,432
Repair expenses	30,496	22,824
Depreciation	202,607	199,612
Leasehold fees	1,200	1,200
Other property-related expenses	72	–
Total property-related expenses	298,978	290,043
C. Operating income from property leasing [A – B]	406,150	407,510

## Note 9 – Net Assets

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

## Note 10 – Long-term debt due within one year and long-term debt

Long-term debt due within one year and long-term debt as of April 30, 2019 and October 31, 2018 consisted of the following:

(Thousands of yen)

	As of April 30, 2019	As of October 31, 2018
Secured loans due 2019 to 2023, principally from banks and insurance companies with interest rates mainly ranging from 0.3% to 0.6%	9,800,000	9,800,000
Total	9,800,000	9,800,000

[Note] The interest rates presented are daily weighted average interest rates. As for long-term debts due within one year and long-term debts which were hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used.

The annual maturities of long-term debt due within one year and long-term debt as of April 30, 2019 were as follows:

(Thousands of yen)

Due within one year	3,400,000
Due after one to two years	2,500,000
Due after two to three years	500,000
Due after three to four years	2,400,000
Due after four to five years	1,000,000
Due after five years	–

## Note 11 – Leases

As Lessor

The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2019 and October 31, 2018 were as follows:

(Thousands of yen)

	As of April 30, 2019	As of October 31, 2018
Due within one year	1,413,378	1,393,218
Due after one year	9,238,431	9,745,824
Total	10,651,809	11,139,042

## Note 12 – Income Taxes

NHI is subject to income taxes in Japan. The effective tax rate on NHI's income based on applicable Japanese tax law was estimated as 0.35% for the fiscal period ended April 30, 2019 and as 0.36% for the fiscal period ended October 31, 2018. The following table summarizes the significant differences between the statutory tax rates and NHI's effective tax rates for financial statement purposes.

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
Statutory tax rate	31.51%	31.51%
Deductible dividends	(31.40)	(31.40)
Others	0.24	0.25
Effective tax rate	0.35%	0.36%

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

The significant components of deferred tax assets and liabilities as of April 30, 2019 and October 31, 2018 were as follows:

	As of April 30, 2019	As of October 31, 2018
Deferred tax assets:		
Accrued enterprise tax	14	13
Total deferred tax assets	14	13
Net deferred tax assets	14	13

## Note 13 – Per Unit Information

Information about net assets per unit and net income per unit as of April 30, 2019 and October 31, 2018 and for the periods then ended were as follows. The computation of net income per unit is based on the daily weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at each period end.

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
Net assets at period end per unit	137,920 yen	138,613 yen
Net income per unit	3,437 yen	3,259 yen

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

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

	For the fiscal period ended April 30, 2019	For the fiscal period ended October 31, 2018
Net income (thousands of yen)	256,534	243,274
Amount not available to ordinary unitholders (thousands of yen)	–	–
Net income available to ordinary unitholders (thousands of yen)	256,534	243,274
Average number of units during the period (units)	74,632	74,632



## Note 14 – Distribution

In accordance with the cash distribution policy described in Article 33-1-1 of the Articles of Incorporation of NHI, NHI determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its earnings as the maximum amount. Following this policy, NHI has decided that it shall distribute 256,510,184 yen for the fiscal period ended April 30, 2019, which is the maximum integral multiple to 74,632 units issued and outstanding as the distribution of earnings, and 243,300,320 yen for the fiscal period ended October 31, 2018, which is the maximum integral multiple to 74,632 units. In addition, NHI will continue to make distributions in excess of earnings (refund of capital contribution to unitholders) every period in accordance with the cash distribution policy described in Article 33-1-2 of the Articles of Incorporation of NHI. Based on the policy, NHI has decided that it shall distribute 64,929,840 yen, which is calculated as the approximate equivalent of 32% of 202,606,601 yen of the depreciation amount posted for the fiscal period ended April 30, 2019, as distributions in excess of earnings (refund of capital contribution to unitholders) and 64,929,840 yen for the fiscal period ended October 31, 2018, which is calculated as the approximate equivalent of 33% of 199,612,253 yen of the depreciation amount posted for the fiscal period ended October 31, 2018.

(Yen)

	For the fiscal period ended April 30, 2019		For the fiscal period ended October 31, 2018	
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	256,544,639		243,311,299	
Distributions in excess of retained earnings	64,929,840		64,929,840	
Deduction from unit holders' capital				
Distributions				
Distributions of retained earnings	256,510,184	3,437	243,300,320	3,260
Distributions in excess of retained earnings	64,929,840	870	64,929,840	870
Total distributions	321,440,024	4,307	308,230,160	4,130
Retained earnings brought forward	34,455		10,979	

## Note 15 – Transactions with Related Parties

(For the fiscal period ended April 30, 2019)

<b>Classification</b>	Subsidiary of major unitholder
<b>Name of company, etc.</b>	GK DA Healthcare 2
<b>Location</b>	Minato-ku, Tokyo
<b>Capital stock</b> (thousands of yen)	300
<b>Business description</b>	Real estate business
<b>Percentage of voting rights, etc. held by related party</b> (held in NHI)	–
<b>Relation to the related party</b>	Acquisition of trust beneficial interests in real estate
<b>Nature of transaction</b>	Acquisition of trust beneficial interests in real estate (Note 1, 2, 3 and 4)
<b>Amount of transaction</b> (thousands of yen)	394,500
<b>Account</b>	–
<b>Balance at end of period</b> (thousands of yen)	–

Consumption taxes are not included in transaction amounts.

(Note 1) Acquisition of trust beneficiary interests in real estate mentioned above is for Irise Komae Bettei, and the amount of transaction indicates the amount (purchasing amount for real estate, etc. indicated in the sales contract for trust beneficiary interests) that does not include expenses (taxes and dues, etc.) required for the acquisitions of the real estate, etc.

(Note 2) Terms of transaction with interested party are decided based on rules against conflict of interest, which are internal rules of the Asset Management Company.

(Note 3) Terms of transaction are determined based on market prices.

(Note 3) NHI holds the quasi-co-ownership (30%) of the trust beneficial interests in the real estate of Irise Komae Bettei.

(For the fiscal period ended October 31, 2018)

No related-party transaction was entered into for the fiscal period ended October 31, 2018.

## **Note 16 – Segment Information**

For the fiscal periods ended April 30, 2019 and October 31, 2018

### **Segment Information**

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

### **Related Information**

#### **Information about Products and Services**

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

#### **Information about Geographic Areas**

##### **(1) Operating revenues**

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

##### **(2) Investment properties**

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

#### **Information about Major Tenants**

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

## **Note 17 – Significant Subsequent Events**

Not applicable.

# VIII. Independent Auditor's Report

## Independent Auditor's Report

To the Board of Directors of  
Nippon Healthcare Investment Corporation

We have audited the accompanying financial statements of Nippon Healthcare Investment Corporation (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at April 30, 2019 and October 31, 2018, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months periods then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Healthcare Investment Corporation as at April 30, 2019 and October 31, 2018, and their financial performance and cash flows for each of the six months periods then ended in accordance with accounting principles generally accepted in Japan.

**KPMG AZSA LLC**

July 18, 2019  
Tokyo, Japan

# IX. Description of Asset Manager

## Organization of Asset Manager (as of June 1, 2019)

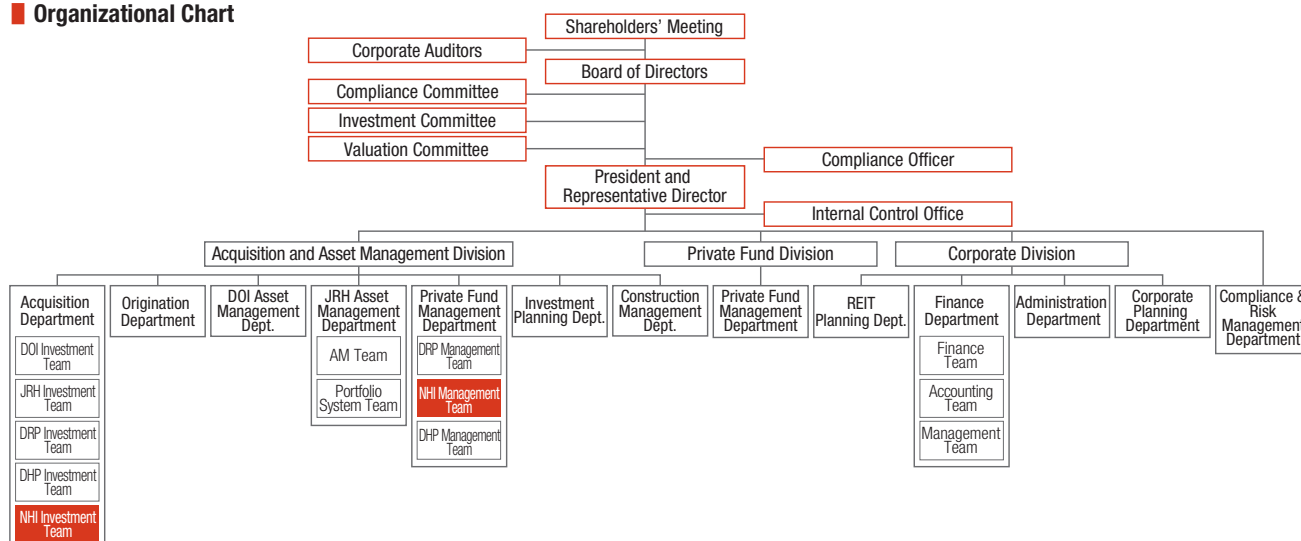
### Corporate Profile

<b>Company Name</b>	Daiwa Real Estate Asset Management Co., Ltd.
<b>Address</b>	6-2-1 Ginza, Chuo-ku, Tokyo
<b>Established</b>	October 21, 2004
<b>Paid-in Capital</b>	200 million yen
<b>President</b>	Toshio Fukushima
<b>Board of Directors</b>	9 Executive directors: 5 Executive auditors: 1 Non-executive directors: 1; Non-executive auditors: 2
<b>Employees</b>	109 (excluding dispatched employees)
<b>Registration of Financial Instruments Business Operator</b>	Registration No. 355 (Financial Instruments), Director General, Kanto Local Finance Bureau (Kinsho)
<b>Building Lots and Buildings Transaction Business License</b>	License No. (3)-83920, Governor of Tokyo
<b>Discretionary Agent for Real Estate Transaction Approval</b>	License No. 34, Minister of Land, Infrastructure, Transport and Tourism
<b>Association Membership</b>	Member of The Investment Trusts Association, Japan Member of Japan Investment Advisers Association Member of Type II Financial Instruments Firms Association

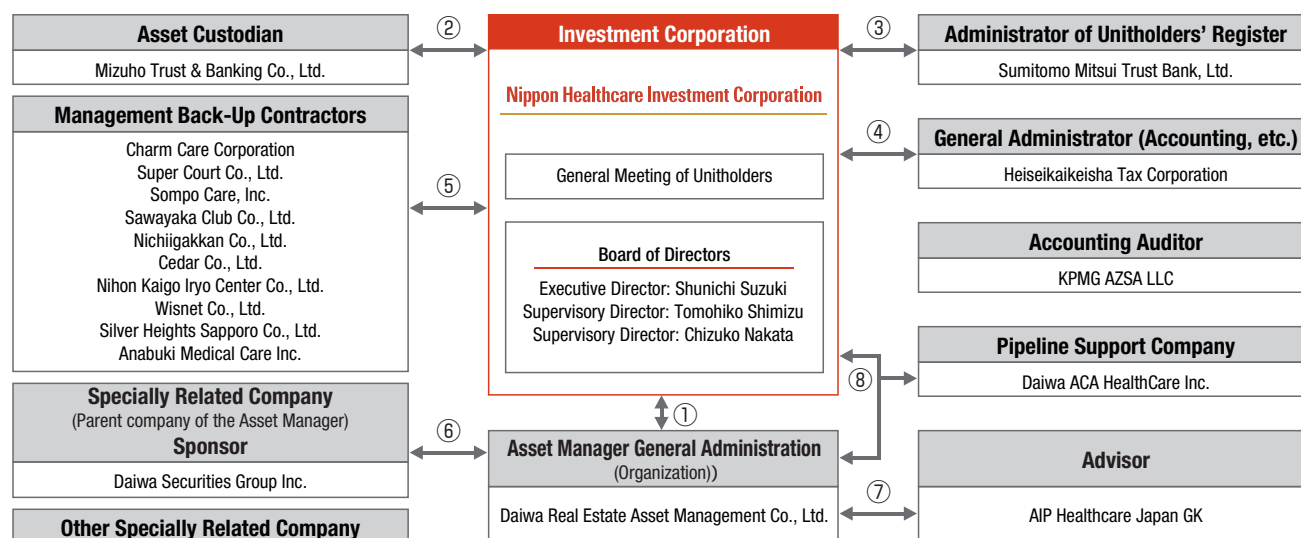
### Directors and Auditors

<b>Chairman of the Board</b>	Akira Yamanouchi
<b>President and Representative Director</b>	Toshio Fukushima
<b>Vice President and Representative Director</b>	Yuji Shinotsuka
<b>Vice President and Representative Director</b>	Yoshiki Nishigaki
<b>Executive Managing Director</b>	Toshio Fukushima
<b>Director</b>	Hajime Imbe
<b>Director (non-executive)</b>	Keiichi Ishikawa
<b>Auditor</b>	Tamaki Shibayama
<b>Auditor (non-executive)</b>	Sachiko Hanaoka
<b>Auditor (non-executive)</b>	Shinji Kiso

### Organizational Chart

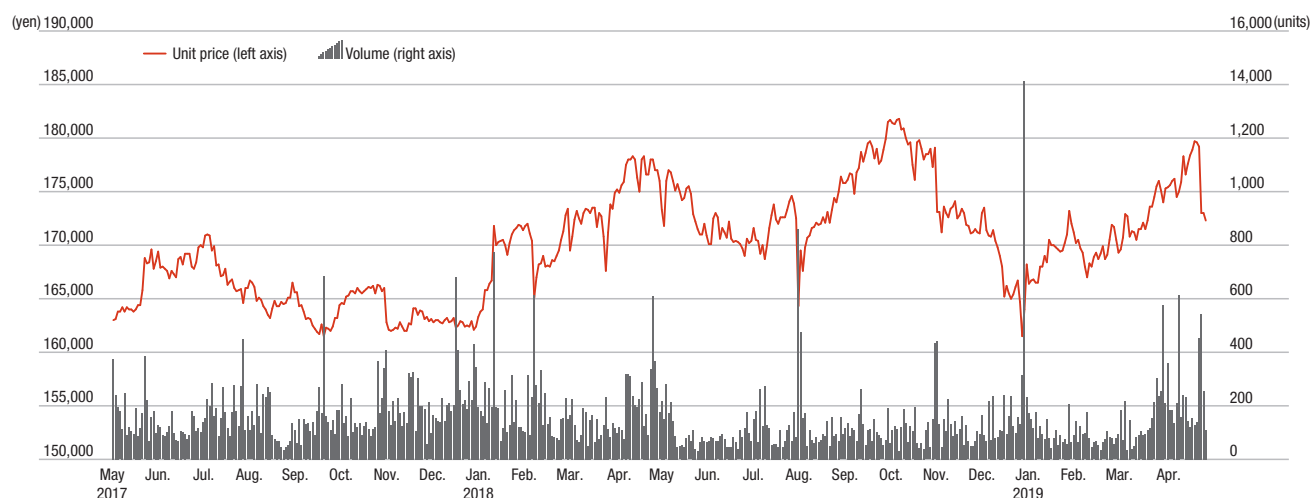


## Structure



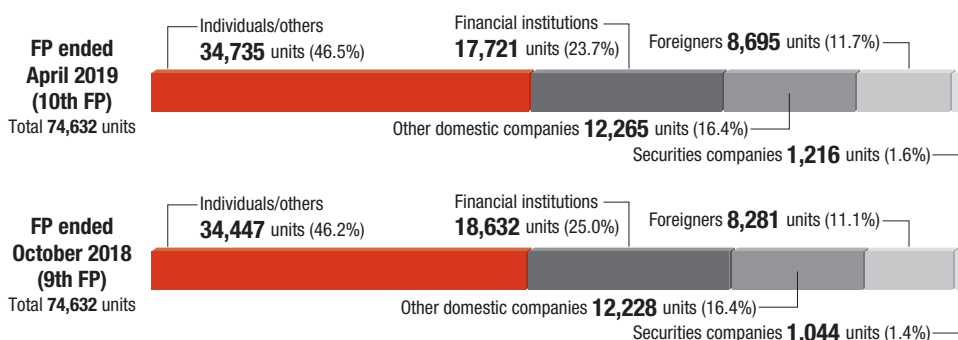
- ① Asset management agreement/General administration affairs agreement related to operation  
 ② Asset custodian agreement  
 ③ General administrator of unitholders' registry agreement  
 ④ General administrator of accounting agreement  
 ⑤ Management back-up agreement  
 ⑥ Sponsor support agreement  
 ⑦ Advisory agreement  
 ⑧ Pipeline support agreement

## History of Investment Unit Prices



## Overview of Investment Units and Unitholders (as of April 30, 2019)

### No. of Investment Units by Investor Type



### No. of Unitholders by Investor Type

Individuals/others	9,065 (97.5%)
Financial institutions	22 (0.2%)
Other domestic companies	123 (1.3%)
Foreigners	68 (0.7%)
Securities companies	20 (0.2%)
<b>Total</b>	<b>9,298</b>

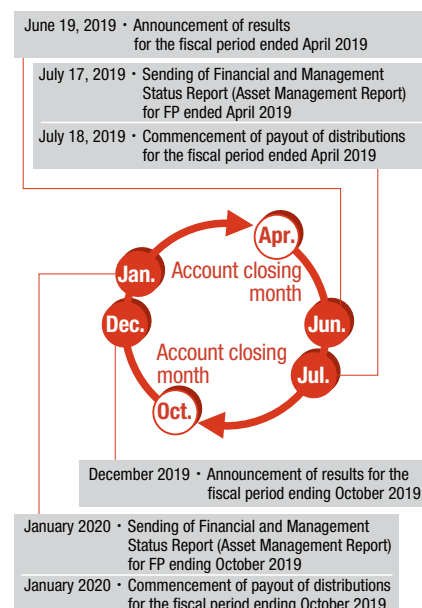
(Note) Rounded to the first decimal place

## Top Ten Unitholders (as of April 30, 2019)

	Name of Investor	Number of Units Owned (units)	Percentage Share (%)
1.	Daiwa Securities Group Inc.	7,600	10.2
2.	The Master Trust Bank of Japan, Ltd. (Trust Account)	6,509	8.7
3.	Japan Trustee Services Bank Ltd. (Trust Account)	4,391	5.9
4.	SCB SG S/A SCB THAILAND AC FOR CIMBPRINCIPAL PROPERTY JP000294300545	3,001	4.0
5.	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,183	2.9
6.	NOTHERN TRST CO.(AVFC) SUB A/C USLNON-TRESTY	1,800	2.4
7.	Daiwa Real Estate Asset Management Co., Ltd.	1,000	1.3
8.	Fukui Medical Credit Association	945	1.3
9.	UENOYA BUILDING Co. Ltd.	940	1.3
10.	Trust & Custody Services Bank Ltd. (Securities Investment Trust Account)	899	1.2
	<b>Total</b>	<b>29,268</b>	<b>39.2</b>

(Note) Rounded to the first decimal place

## IR Calendar





## Investor Memo

<b>End of fiscal period</b>	April 30 and October 31 of each year
<b>General Meeting of Unitholders</b>	Held at least once every two years
<b>Date for finalizing Unitholders with voting rights for the General Meeting of Unitholders</b>	Date specified in Article 16 of the Articles of Incorporation
<b>Reference date for finalizing payment of distributions</b>	April 30 and October 31 of each year (distributions are paid within three months of the reference date)
<b>Listed financial instruments exchange</b>	Tokyo Stock Exchange (securities code: 3308)
<b>Newspaper in which notice is posted</b>	The Nikkei
<b>Manager of Unitholder Registry, etc.</b>	Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233
<b>Office handling administrative affairs</b>	Transfer Agency Department of Sumitomo Mitsui Trust Bank, Limited, 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Phone 0120-782-031 (toll-free in Japan)
<b>Service counter</b>	Head Office and all branches of the Sumitomo Mitsui Trust Bank nationwide

## Procedures for Changing Address, Etc.

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

## Distributions

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

## Notice

### [Concerning Statement of Distributions]

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

### Provision of Information via Website



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

NHI's website <http://www.nippon-healthcare.co.jp/en/>

### Notice on Briefing Session on Asset Management for 10th Fiscal Period

NHI will hold a briefing session on asset management for the fiscal period ended April 2019 (10th fiscal period).

- 1. Date and time:** August 1, 2019 (Thursday)  
10:00 a.m. ~ (venue opening at 9:40 a.m.)
- 2. Venue:** 17F, GranTokyo North Tower  
1-9-1 Marunouchi,  
Chiyoda-ku, Tokyo
- 3. Presenter:** Toshio Fukushima, President of  
Daiwa Real Estate Asset  
Management Co., Ltd.

# Living Platform Group's Nursing Care Facilities

## Hokkaido

### ◆ Fee-based homes for the elderly with nursing care

Silver Heights Hitsujigaoka No. 1・2	3-6-1 Fukuzumisanjo, Toyohira-ku, Sapporo-shi, Hokkaido
Silver Heights Hitsujigaoka No. 3	15-4-38 Tsukisamuhigashishijo, Toyohira-ku, Sapporo-shi, Hokkaido
Silver Heights Nakajima Park	6-1-36-2 Minamikujonishi, Chuo-ku, Sapporo-shi, Hokkaido

### ◆ Residential-type fee-based homes for the elderly

Livrary Shiroishi Hana Ichigokan	1-1-24 Kitagosanjo, Shiroishi-ku, Sapporo-shi, Hokkaido
Livrary Shiroishi Hana Nigokan	5-5-9 Kitagonijo, Shiroishi-ku, Sapporo-shi, Hokkaido

### ◆ Elderly housing with supportive services

Livrary Motomachi	17-1-10 Kitaniijusanjohigashi, Higashi-ku, Sapporo-shi, Hokkaido
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### ◆ Group homes for the elderly

Livrary Fujino	4-15-60 Fujinosanjo, Minami-ku, Sapporo-shi, Hokkaido
Livrary Misono	3-72 Misonoshichijo, Toyohira-ku, Sapporo-shi, Hokkaido
Livrary Nakanoshima	7-2 Nakanoshimanijo, Toyohira-ku, Sapporo-shi, Hokkaido
Livrary Motomachi No. 2	16-4-27 Kitaniijusanjohigashi, Higashi-ku, Sapporo-shi, Hokkaido

## Kansai Area

### ◆ Group homes for the elderly

Livrary Komachi Minoh	4-3-3 Nishishoji, Minoh-shi, Osaka
Livrary Hanakomachi Minoh	1-8-18 Hyakurakuso, Minoh-shi, Osaka



## Miyagi Prefecture

### ◆ Fee-based homes for the elderly with nursing care

Floop Life Garden	7-6-20 Fukumuro, Miyagino-ku, Sendai-shi, Miyagi
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### ◆ Residential-type fee-based homes for the elderly

Floop Fukumuro	7-6-2 Fukumuro, Miyagino-ku, Sendai-shi, Miyagi
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### ◆ Group homes for the elderly

Livrary Yamatomachi	5-23-8 Yamatomachi, Wakabayashi-ku, Sendai-shi, Miyagi
Livrary Yagiyamaminami	1-12-6 Yagiyamaminami, Taihaku-ku, Sendai-shi, Miyagi



## Kanto Area

### ◆ Fee-based homes for the elderly with nursing care

Livrary Mum Soka	781-1 Kinmeicho, Soka-shi, Saitama
Livrary Hashimoto	3-16-23 Nihonmatsu, Midori-ku, Sagamihara-shi, Kanagawa
Livrary Fuchinobe	1-6-24 Aioi, Chuo-ku, Sagamihara-shi, Kanagawa
Alps-no-mori Sagami	684-1 Shimomizo, Minami-ku, Sagamihara-shi, Kanagawa
Alps-no-mori Kamimizo	7-36-25 Kamimizo, Chuo-ku, Sagamihara-shi, Kanagawa

### ◆ Residential-type fee-based homes for the elderly

Livrary Toride	4-17-24 Inodai, Toride-shi, Ibaraki
Livrary Kashiwa	239-1 Matsugasaki, Kashiwa-shi, Chiba

### ◆ Elderly housing with supportive services

Livrary Hatsuishi	1-772 Nishihatsuishi, Nagareyama-shi, Chiba
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### ◆ Group homes for the elderly

Livrary Kasai	6-17-9 Nakakasai, Edogawa-ku, Tokyo
Livrary Ota-Chuo	3-11-3 Chuo, Ota-ku, Tokyo
Livrary Omorihigashi No. 1	4-40-3 Omorihigashi, Ota-ku, Tokyo
Livrary Omorihigashi No. 2	4-40-10 Omorihigashi, Ota-ku, Tokyo
Livrary Omoriminami	3-5-5 Omoriminami, Ota-ku, Tokyo
Livrary Nanasato	201-1 Futtono, Minuma-ku, Saitama-shi, Saitama
Livrary Higashirinkan	4-39-8 Higashirinkan, Minami-ku, Sagamihara-shi, Kanagawa
Livrary Sagamiono	4-15-5 Wakamatsu, Minami-ku, Sagamihara-shi, Kanagawa
Livrary Shiroyama	1-2-20 Shiroyama, Midori-ku, Sagamihara-shi, Kanagawa
Livrary Yokohama-Hino	6-6-5 Hino, Konan-ku, Yokohama-shi, Kanagawa
Livrary Kajigaya	6-2-6 Kajigaya, Takatsu-ku, Kawasaki-shi, Kanagawa
Alps-no-mori Yokodai	5-2-29 Yokodai, Chuo-ku, Sagamihara-shi, Kanagawa

## Features of Silver Heights Sapporo



### Facilities under operation

#### Silver Heights Hitsujigaoka No. 1・2



The facility allows residents to have a good time while keeping privacy.

Address	3-6-1 Fukuzumisanjo, Toyohira-ku, Sapporo-shi, Hokkaido
Type	Fee-based homes for the elderly with nursing care
No. of rooms	123
Resident capacity	160 people

#### Silver Heights Hitsujigaoka No. 3



The facility supports daily life by providing sincere care services that suit the physical and mental conditions.

Address	15-4-38 Tsukisamuhigashishijo, Toyohira-ku, Sapporo-shi, Hokkaido
Type	Fee-based homes for the elderly with nursing care
No. of rooms	109
Resident capacity	111 people

#### Silver Heights Nakajima Park



Despite being located near a lush green park, the facility still provides benefits of urban convenience allowing residents to lead a pleasant life.

Address	6-1-36-2 Minamikujonishi, Chuo-ku, Sapporo-shi, Hokkaido
Type	Fee-based homes for the elderly with nursing care
No. of rooms	89
Resident capacity	114 people

## Company Overview



*Peace of mind living in “a residence with nursing care”*

Company name	Silver Heights Sapporo Co., Ltd.
Establishment	December 25, 1961
Representative	Hirofumi Kaneko, Representative Director
Capital	50 million yen (as of June 30, 2018)

Headquarters address	3-41 Fukuzumisanjo, Toyohira-ku, Sapporo-shi, Hokkaido
	TEL : +81-11-855-7773
	FAX : +81-11-855-1511

## Greeting

Silver Heights Sapporo Co., Ltd. opened Silver Heights Hitsujigaoka No. 1 (currently Silver Heights Hitsujigaoka No. 1・2), the first fee-based homes for the elderly, in 1987, which is before the start of the nursing care insurance system; and has operated fee-based homes for the elderly for over 30 years since. All three facilities it currently operates are fee-based homes for the elderly with nursing care designated by Sapporo City as operators for “general daily life long-term care admitted to a specified facility,” and nurses and care staff are stationed around-the-clock all year around.

In addition, Living Platform Group, which includes Silver Heights Sapporo Co., Ltd., has operated the business that involves three major services of “nursing care,” “child care” and “special care” across the country. The group operates the business with an aim to build infrastructures for local communities with the synergy the three services create.

Management Principle of the Group  
**“Gratitude” and “Creation”**

Group Corporate Mission  
**“Build a Sustainable Social Security System”**

To express our “gratitude,” we have provided the elderly with an environment in which they can truly relax and fully enjoy their life; the day care children and their families with a safe environment in which they can focus on education; and the disabled with a place and environment in which they can live as a member of the society and also, to that end, a place and environment that enable them to work or receive support to work.

In Japan where a population decrease has become a major issue, we have worked aiming to “create” a solution to a depopulating society by reducing employee turnover due to nursing care or childbirth; encouraging and helping the disabled, who are the important workforce, to participate in society; and providing children, who will forge the future, with an environment where they can grow with peace of mind as well as with high-quality education.

It is my wish to play a part in supporting Japan, which I love, and it would be my greatest joy if our activities are understood by the people and resonate with them even to a small extent.

We appreciate your continued support and patronage of our operations.

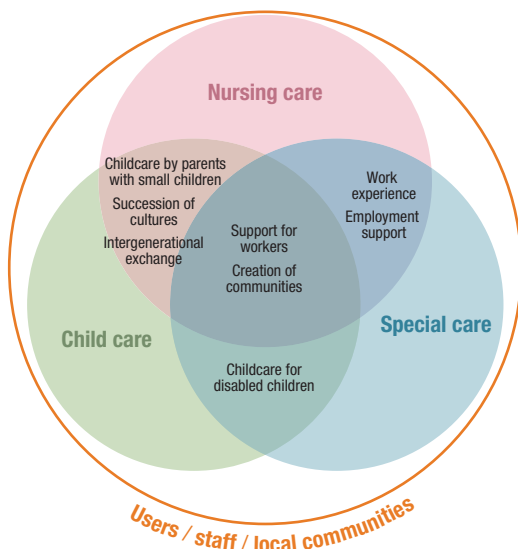
**Hirofumi Kaneko**

Representative of Living Platform Group  
 Representative Director of Silver Heights Sapporo Co., Ltd.

## Businesses Operated by Living Platform Group

Our company group has operated the business that involves three major services of “nursing care,” “child care” and “special care.”

The group operates the business with an aim to build infrastructures for local communities with the synergy the three services create.



### Related businesses

- Meal service
- Owning/leasing of real estate
- HR services
- Joint procurement

### NURSING CARE

Providing relaxed space and life filled with smiles

We provide various nursing care services that accommodate physical conditions and requests of each resident to create healthier and more pleasant living environment for the elderly residents.



- Home-visit long-term care
- Home-visit nursing care
- Periodical home-visit long-term care on an as-needed basis
- In-home nursing care support
- Fee-based homes for the elderly with nursing care
- Residential-type fee-based homes for the elderly
- Elderly housing with supportive services
- Community-based daily life care responding to dementia patients, etc.

### CHILD CARE

Offering reliable childcare service that stands by ongoing childrearing

We offer childcare service which not only takes care of children but also helps and watches their independence. We support healthy and relaxed everyday life of children who continue to grow day by day.



- Authorized day-care centers
- Other day-care centers
- Other babysitting services, etc.

### SPECIAL CARE

Working together to live with and draw on a characteristic called disability

In a society where diversity is promoted, we help draw on a characteristic called disability which can shine even with challenged abilities.



- Type-B continuous employment support/job placement support
- Group home consultation/support business, etc.



Feature

Vol. 8

Introduction of Operators

# Silver Heights Sapporo Co., Ltd.

Living Platform Group



*We wish to realize  
“life” with **comfort** and  
**peace of mind**.*