

# 日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

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December 19, 2018

REIT Issuer: Nippon Healthcare Investment Corporation (Securities Code: 3308)  
Representative: Shunichi Suzuki, Executive Director  
Asset Manager: Daiwa Real Estate Asset Management Co., Ltd.  
Representative: Akira Yamanouchi, President and Representative Director  
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## **Notice Concerning Acquisition and Leasing of Property** **(Irise Komae Bettei)**

Nippon Healthcare Investment Corporation (the “Investment Corporation”) hereby gives notice that Daiwa Real Estate Asset Management Co., Ltd. (the “Asset Manager”), to which the Investment Corporation entrusts its asset management operations, decided today to acquire and lease the real estate trust beneficiary interest (the “Property”) as follows:

### **1. General Outline of the Asset to Be Acquired**

Property name	Irise Komae Bettei
Type of asset	Trust beneficiary interest in domestic real estate (Note)
Location	1-32-5 Higashi-nogawa, Komae-city, Tokyo
Acquisition price	394.5 million yen (excluding acquisition costs and consumption tax, etc.)
Date of conclusion of purchase agreement	December 20, 2018 (scheduled)
Date of delivery	December 20, 2018 (scheduled)
Seller	GK DA Healthcare 2
Operator name	HITOWA Care Services Co., Ltd.
Fund for acquisition	Cash on hand
Payment method	Lump-sum payment at the time of delivery
Intermediary	Non-applicable

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

### **2. Reason for Acquisition and Leasing**

We believe that the Property is an appropriate healthcare facility pursuant to the basic policy for asset management set forth in the Articles of Incorporation and the management policy of the Investment Corporation. We decided to acquire and lease the Property because we appreciate its rarity and profitability.

As for the operator of the Property, we believe that the operator is appropriate pursuant to the criteria for selecting operators indicated in the Report on the Management Structure and System of the Investment Corporation dated July 31, 2018. Please refer to below for further details.

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## 3. Details of the Acquisition and Leasing

Property Name		Irise Koma Bettei		
Overview of the specified asset				
Type of specified asset		Real estate trust beneficiary interests		
Trustee		Mitsubishi UFJ Trust and Banking Corporation (scheduled)		
Trust period		From February 20, 2017 to February 28, 2027		
Acquisition price (million yen)		394.5	Scheduled acquisition date	December 20, 2018
Appraisal value (million yen) (Appraisal date)		394.5 (30% quasi co-ownership of trust beneficiary interest) (as of December 1, 2018)	Appraisal firm	Japan Real Estate Institute
Location		1-32-5 Higashi-nogawa, Komae-city, Tokyo		
Access		Approximately 900 meters from Kitami Station on the Odakyu Odawara Line (approximately a 12-minute walk)		
Land	Area (m <sup>2</sup> )	2,475.48 (Total)	Zoning	Category 1 low-rise exclusive residential district
	Ownership form	Ownership (30% quasi-co-ownership of trust beneficiary interest)	Floor-area ratio/ Building-to-land ratio (%)	80/40
Building	Structure/Floors	RC/3F	Number of leasable compartments (compartment)	1
	Total floor area (m <sup>2</sup> )	2,016.73 (Total)	Construction completion	January 27, 2017
	Ownership form	Ownership (30% quasi-co-ownership of trust beneficiary interest)	Use	Home for the elderly
Building engineer		Japan Heartect Design First-class Architect Office		
Constructor		Ohtsuki Koumuten Co., Ltd.		
Building inspection agency		Urban Housing Evaluation Center		
Investigation agency or structural calculation confirmation agency		ERI Solution Co., Ltd.		
Estimated emergency repair expenses (thousand yen)		0	Estimated short-term repair expenses (thousand yen)	0
Estimated long-term repair expenses (thousand yen)		15,220	PML (%)	10.83
Replacement value (thousand yen)		462,400		
Property manager		AIP Healthcare Japan GK		
Master lessee		The Investment Corporation	Type of master lease	Pass-through
Overview of leasing				
Real estate rent revenue		Not disclosed (Note 1)		
Lease and guarantee deposits		Not disclosed (Note 1)		
Total leasable area (m <sup>2</sup> )		2,016.73 (Note 2)	Major tenant	HITOWA Care Services Co., Ltd.
Total leased area (m <sup>2</sup> )		2,016.73 (Note 2)	Occupancy rate	100.0% (Note 2)
Leased area of major tenant (m <sup>2</sup> )		2,016.73 (Note 2)	Ratio to total leasable area	100.0% (Note 2)

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(Note 1) The figures are not presented as consent for disclosure has not been obtained from the operator. Furthermore, the figures including those for properties owned as of the end of April 2019 are scheduled to be disclosed in the financial report for the 4th fiscal period (ending April 2019).

(Note 2) The figure indicated is for the entirety of the Property.

(Overview of contract with major tenant)

Contract format: Standard building lease contract

Condition precedent: Trust beneficiary interest shall be transferred to the lessor (the Investment Corporation who is the master lessee; the same shall apply hereinafter) and leasing from the trustee to the lessor shall be commenced.

Contract period: From the day the above condition precedent is fulfilled to January 31, 2047

Rent revisions: Lessor and lessee may revise rent every 10 years. In addition, if there are any significant changes in land/building prices, taxes and dues and economic climate, rent may be revised after consultation.

Contract renewal: The contract shall be renewed at lease conditions decided upon consultation between both parties for another 10 years in the case neither lessor or lessee indicates its intention to reject the renewal to the other party by no later than 12 months before the contract expiration date mentioned above. This shall be applied thereafter.

Mid-term cancellation: Lessee may not cancel the contract mid-term until January 31, 2028. However, lessee may cancel the contract by paying the remaining rent for the period for which mid-term cancellation is not allowed and by waiving its right to claim return of its lease deposits. In addition, For the period from February 1, 2028 to January 31, 2047, the lessee must give the lessor a notice on mid-term cancellation in writing by no later than 12 months in advance. However, if the lessor has concluded a lease contract with a new lessee, lessee may cancel the contract as of the date of delivery to the new lessee.

Overview of operator and facility (Date of preparing the written explanation of important matter: July 1, 2018)

Operator	HITOWA Care Services Co., Ltd.	Opening date	March 1, 2017
Type of facility	Fee-based homes for the elderly with nursing care	Number of Rooms (room)	59
Condition of rights for reside	Rights to use	Resident capacity (people)	59
Room area range (m <sup>2</sup> )	18.00	Number of residents (people)	58
Entering requirement	Requiring nursing care/requiring support	Occupancy rate (Note 3)	98.3%
Average required level of nursing care (Note 4)	2.7	Average age of residents (years old)	86
Service fee payment method		One-time entrance fee basis	Monthly fee basis
	One-time entrance fee (yen) (rent received in advance)	—	—
	Monthly service fee (yen)	—	227,000~248,000
Staff engaged in nursing care	3.0:1	Staff at nighttime (number of staff members at minimum)	1 nursing care staff
Cooperative medical organization	Medical corporation Yamatokai Tamagawa Hospital (internal medicine, etc.)		
Cooperative dental organization	Medical corporation Risseikai Himawari Dental Clinic		

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Features	
Site Features:	The Property is located in an administrative district between Komae City and Setagaya Ward. With cherry blossoms running along Nogawa Green Space in the vicinity and various other flowers planted, a pleasant environment has been created in the community along with the Kitami Fureai Park on the east side of the Property.
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.
Matters of special note	
The Investment Corporation plans to conclude a quasi-co-owner agreement with other quasi-co-owners. The agreement will stipulate obligations of certain procedures for transfer, provision of collateral and other disposition of the quasi-co-ownership interest owned by each. Moreover, it will stipulate that certain important matters be handled based on the will of all quasi-co-owners.	

(Note 3) "Occupancy rates" are occupancy rates indicated in the written explanation of important matter or the ratio obtained by dividing the number of residents indicated in the written explanation of important matters by the resident capacity, rounded down to one decimal place. Furthermore, the occupancy rate indicated in the written explanation of important matters may differ from the ratio obtained by dividing the number of residents by the resident capacity due to circumstances such as including people not residing temporarily.

(Note 4) "Average required level of nursing care" indicates the figure obtained by multiplying the respective number of residents categorized as independent, requiring support level 1, requiring support level 2, requiring nursing care levels 1-5 and other in the written explanation of important matters by 0, 0.375, 1, 1-5 and 1 respectively, and dividing the sum total by the number of residents, rounded down to one decimal place.

## 4. Details of the Seller

(1)	Company Name	GK DA Healthcare 2
(2)	Location	Shiroyama Trust Tower 33F, 4-3-1 Toranomom, Minato-ku, Tokyo
(3)	Title and Name of Representative	Representative member General Incorporated Association Nippon Senior Holdings Function manager Yusuke Sato
(4)	Description of Business	1. Trading, owning, leasing and management of real estates 2. Acquisition, owning, disposition and trading of real estate trust beneficiary interests 3. All operations incidental or relating to the preceding articles
(5)	Amount of Capital	300 thousand yen
(6)	Sales Amount	Sales amount is not disclosed as the agreement for disclosure is not gained from the seller.
(7)	Date of Incorporation	November 24, 2016
(8)	Net Assets	The amount of net assets is not disclosed as the agreement for disclosure is not gained from the seller.
(9)	Total Assets	The amount of total assets is not disclosed as the agreement for disclosure is not gained from the seller.
(10)	Major Shareholders	The major shareholders are not disclosed as the agreement for disclosure is not gained from the seller.
(11)	Relationship between the seller and the Investment Corporation/Asset Manager	
	Capital Relationship	There is no capital relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. However, Daiwa Securities Group Inc., the parent company of the Asset Manager, has conducted investment equal to the entire equity of silent partnership interest of the seller as its sole silent partner.
	Personnel Relationship	There is no personnel relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no personnel relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Business Relationship	There is no business relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no business relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller. However, the seller falls under interested parties of the Asset Manager stipulated in the enforcement regulations of the Law on Investment Trusts and Investment Corporations (Act 198 of 1951, as amended, the "Investment Trusts Act").
	Status of Classification as Related Party	The seller is a subsidiary of Daiwa Securities Group Inc., the parent company of the Asset Manager, and does fall under the Related Party.

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## 5. Status of Owners etc. of Property

The seller of the Property is a special purpose company which Daiwa Securities Group Inc., the parent company of the Asset Manager, has conducted investment equal to the entire equity of the silent partnership interest. The seller falls under interested parties stipulated in the Investment Trusts Act and falls under the Related Party pursuant to the “Regulation Concerning Conflict of Interest,” an internal rule of the Asset Manager. Thus, the Asset Manager proceeded with procedures to reach a decision as stipulated in the Regulation Concerning Conflict of Interest in making transactions with the seller to acquire the respective asset to be acquired.

Given that this transaction falls under the transactions listed in the items of Article 245-2 (1) of the Enforcement Regulations of the Law on Investment Trusts and Investment Corporations, approval procedures by the Board of Directors are omitted.

The following table indicates company name, relationship with a party having special relationship of interest and history/reason, etc. for acquisition.

	Previous owner	Earlier previous owner
Company name	GK DA Healthcare 2	
Relationship with a party having special relationship of interest	Parent company of the Asset Manager makes silent partnership investment	Not a party having special relationship of interest
History/reason, etc.	Acquired for the purpose of investment management	
Acquisition price	394.5 million yen (equivalent to ownership interest)	—
Date of acquisition	February 2017	—

## 6. Details of the Operator

(1)	Company Name	HITOWA Care Services Co., Ltd.
(2)	Location	1-4-5 Roppongi, Minato-ku, Tokyo
(3)	Title and Name of Representative	President and Chief Executive Officer Yoshiteru Hakamada
(4)	Description of Business	Nursing care-related businesses (nursing care business and operation of fee-based homes for the elderly, etc.)
(5)	Business Overview	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 across Japan centering on the Kanto region.
(6)	Amount of Capital	100 million yen
(7)	Amount of Sales	22,876 million yen (fiscal period ended September 2017)
(8)	Date of Incorporation	November 1, 2006
(9)	Attribute (listed market)	Unlisted
(10)	Number of Facilities Operated (Note)	114 facilities
(11)	Number of Resident Rooms Operated (Note)	6,807 rooms
(12)	Relationship between the operator and the Investment Corporation/Asset Manager	
	Capital Relationship	There is no capital relationship required to be disclosed between the Investment Corporation/Asset Manager and the operator. In addition, there is no capital relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the operator.
	Personnel Relationship	There is no personnel relationship required to be disclosed between the Investment Corporation/Asset Manager and the operator. In addition, there is no personnel relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the operator.
	Business Relationship	There is no business relationship required to be disclosed between the Investment Corporation/Asset Manager and the operator. In addition, there is no business relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the operator.
	Status of Classification as Related Party	The operator does not fall under the Related Party of the Investment Corporation/Asset Manager. In addition, the affiliated parties and the affiliated companies of the operator do not fall under the Related Persons of the Investment Corporation/Asset Manager.

(Note) Number of Facilities Operated and Number of Resident Rooms Operated indicate number of facilities and resident rooms of fee-based homes for the elderly, group homes and elderly housing with supportive services, whose information obtained was from the operator's website and interviewing the operator (as of November 1, 2018).

## 7. Status of Intermediary

None applicable for the acquisition of the trust beneficiary interest.

## 8. Future Prospects

For forecasts of management status for the fiscal period ending April 2019 (10th fiscal period) and the fiscal period ending October 2019 (11th fiscal period), please refer to "REIT Financial Report for the 9th Fiscal Period" separately announced today.

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## 9. Summary of Appraisal Report

Appraiser	Japan Real Estate Institute
Appraisal Date	December 1, 2018
Appraised Value	399 million yen

Items	(million yen)	Outline, etc.
Income Approach Value	399	Assessed based on the DCF method with reference/verification to direct capitalization value
Direct Capitalization Value	405	Assessed based on the capitalization rate for standardized net income recognized to be stable over the medium to long-term
(1) Operating Revenue	Not disclosed	(Note)
Potential Annual Rent Revenue	Not disclosed	
Amount of Loss due to Vacancy	Not disclosed	
(2) Operating Expenses	Not disclosed	
Maintenance and Operation Cost	Not disclosed	
Water & Utility Charges	Not disclosed	
Repair	Not disclosed	
PM Fee	Not disclosed	
Leasing Fee	Not disclosed	
Tax	Not disclosed	
Non-life Insurance	Not disclosed	
Others	Not disclosed	
(3) Net Operating Revenue	59	
(4) Gain on Guarantee Deposit Investment	0	Investment return is assumed at 1.0%.
(5) Capital Expenditures	1	Assessed after taking into account the level of capital expenditures of similar properties, building age, annual average amount of repair/upgrading cost stated in the ER, etc.
(6) Net Revenue ((3)+(4)-(5))	59	—
(7) Capitalization Rate	4.4%	Comprehensive consideration taking into account the property's location, the characteristics of the building and contractual characteristics
(8) Quasi-co-ownership interest	30%	
Discounted Cash Flow Value	393	—
Discount Rate	4.2%	Assessed using a method comparing transaction cases of similar properties, an investigation method adding the property's unique characteristics to the yields of other financial assets and other methods
Terminal Capitalization Rate	4.6%	Assessed based on transaction yield of similar transaction cases after comprehensively taking into account future trends of investment yield, risk of subject property as an investment target, general prediction on future economic growth rate, trend of real estate prices, etc.
Integrated Value by Using Cost Method	402	
Ratio of Land	68.8%	
Ratio of Building	31.2%	
Other things appraiser noted upon valuation		
Although the Property is located rather far from Kitami Station on the Odakyu Odawara Line at approximately 850 meters from the station, inconvenience in accessibility to the nearest station is mitigated, as taxis, etc. are relatively easy to find. In addition, as for building characteristics, the building was completed in 2017 and is relatively new. Thus, no specific deterioration from age is found and it is believed to stand favorably even when compared to other competitive properties. For this case, the appraisal value is determined after comprehensively taking into account location characteristics, building grade, age and other factors of the subject property.		

(Note) The figures are not disclosed as the Asset Manager judged that the disclosure of these might negatively impact the competitiveness of the Investment Corporation and harm unitholders interest as the appraisal uses figures based on actual results as reference.

-End-

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