

# 日本ヘルスケア投資法人

Nippon Healthcare Investment Corporation

This translation of the original Japanese notice is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

November 19, 2019

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## **Notice Concerning Forecasts for Management Status for the Fiscal Period Ending March 2020 (Final Fiscal Period) and Payment on the Merger**

As announced in “Notice Regarding Conclusion of Merger Agreement between Japan Rental Housing Investment Inc. and Nippon Healthcare Investment Corporation” dated today, Nippon Healthcare Investment Corporation (“NHI”) has concluded a merger agreement (the “Merger Agreement”) as of today, and plans to execute an absorption-type merger (the “Merger”) effective April 1, 2020, whereby Japan Rental Housing Investments Inc. (“JRH”) is the surviving corporation and NHI is the absorbed corporation. In the case where the Merger comes into effect, NHI’s final fiscal period is scheduled to be the five-month period between November 1, 2019 and March 31, 2020 (it may be referred to as the “Fiscal Period ending March 2020” hereinafter).

Though NHI announced the management status forecast for the Fiscal Period ending April 2020 (from November 1, 2019 to April 30, 2020) in its “REIT Financial Report for the 10th Fiscal Period” dated June 19, 2019, given the conclusion of the Merger Agreement, NHI hereby announces the following details regarding the management status for the Fiscal Period ending March 2020, i.e., the final fiscal period of NHI, and, if the Merger is implemented (forecasted), payment for the Merger in lieu of cash distributions to the unitholders of NHI for NHI’s final fiscal period. There are no changes to the management status forecast for the 11th Fiscal Period ending October 2019.

### **1. Forecasts for Management Status for the Final Fiscal Period (Fiscal Period ending March 2020 (from November 1, 2019 to March 31, 2020)) and Payment on the Merger**

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Payment on the Merger per unit (yen)
Fiscal period ending March 31, 2020 (Final fiscal period) (5 months)	589	265	264	263	3,525

(Note 1) The period for the Forecasts for Management Status for the Fiscal Period ending March 2020 and Payment on the Merger is the five-month period from November 1, 2019 to March 31, 2020.

(Note 2) Forecasted total number of investment units issued and outstanding at end of the period: 74,632 units.

(Note 3) The above forecast figures are the estimated figures as of today calculated based on certain assumptions described in the attachment found at the end of this document on the premise that the Merger will come into effect. The actual operating revenue, operating income, ordinary income, net income, and payment on the Merger per unit may vary due to trends in the real estate market and the like, as well as due to changes in the investment environment and other conditions surrounding NHI. In addition, the forecast should not be constructed as a guarantee of the amount of the payment on the Merger.

Note: This press release was prepared as a public announcement regarding forecasts for management status for the Fiscal Period ending March 2020 (final fiscal period) and payment on the Merger and was not prepared with the aim of soliciting investment.

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(Note 4) After the Merger, in lieu of cash distributions to the unitholders of NHI for NHI's final fiscal period from November 1, 2019 to March 31, 2020, JRH, the surviving corporation, will, within a reasonable period after the effective date of the Merger, make a payment on the Merger based on the distributable amount of NHI to the unitholders of NHI (the unitholders listed or recorded on the final unitholders register of NHI as of the day immediately prior to the effective date of the Merger (excluding the unitholders of NHI who have demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Act on Investment Trusts and Investment Corporations (hereinafter the "Allotted Unitholders"))) or the registered pledgees of investment units held by Allotted Unitholders, in an amount equivalent to the cash distributions for the above mentioned fiscal period (the payment will be the amount of distributable profit of NHI as of the day immediately prior to the effective date of the Merger divided by the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the Allotted Unitholders of NHI from (b) the total number of investment units issued and outstanding of NHI, as of the day immediately prior to the effective date of the Merger (rounded down to the nearest yen). The same applies hereinafter.) As such, the amount of payment on the Merger will vary depending on the status of the exercise of rights to demand purchase of investment units. Because the status of such exercise cannot be confirmed at present, the above forecast figures assume that the right to demand purchase of investment units is not exercised.

(Note 5) Values are rounded down to the nearest indicated unit.

[Reference] Management Status Forecast for the 12th Fiscal Period ending April 2020

(from November 1, 2019 to April 30, 2020)

(announced in "REIT Financial Report for the 10th Fiscal Period" as of June 19, 2019)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution amount per unit (including distribution amount in excess of earnings) (yen)	Distribution amount per unit (excluding distribution amount in excess of earnings) (yen)	Distribution amount in excess of earnings per unit (yen)
12th Fiscal Period	707	279	251	250	4,230	3,350	880

(Note 1) As for the assumptions underlying the Management Status Forecasts for the 12th Fiscal Period, please refer to the "REIT Financial Report for the 10th Fiscal Period" announced by NHI on July 19, 2019. The above [Reference], the Management Status Forecast for the 12th Fiscal Period ending April 2020 (from November 1, 2019 to April 30, 2020), does not include factors related to the implementation of the Merger, and is based on the assumption that there is no Merger and no transactions related thereto.

(Note 2) Values are rounded down to the nearest specified unit.

## 2. Reasons for Announcement

NHI announced the management status forecast for the 12th Fiscal Period ending April 2020 (from November 1, 2019 to April 30, 2020) in "REIT Financial Report for the 10th Fiscal Period" released on June 19, 2019. In connection with Merger Agreement, in the case where the Merger comes into effect, the five-month period from November 1, 2019 to March 31, 2020 is scheduled to be the final fiscal period. As such, this notice provides the management status forecast for the Fiscal Period ending March 2020 (from November 1, 2019 to March 31, 2020), NHI's final fiscal period, as well as the forecasted payment on the Merger in lieu of cash distributions to the unitholders of NHI for NHI's final fiscal period in the form of cash distributions to be paid.

In regard to the Merger, in order to fulfill the taxation requirements for a qualified merger, cash exceeding the cash distributions equivalent to the payment on the Merger, calculated based on NHI's distributable amount, cannot be paid out as the merger consideration. As such, cash distributions equivalent to the

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payment on the Merger for the Fiscal Period ending March 2020 will not include distribution in excess of earnings (cash equivalent to cash distributions in excess of earnings 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). Moreover, as a result of discussions and negotiations among NHI, JRH, and Daiwa Real Estate Asset Management Co., Ltd. (“DR”), the asset management company of both NHI and JRH, regarding the Merger and how to handle the fees and remunerations related to the slew of transactions related to the Merger, it was agreed that JRH would bear all the costs related to the Merger and consideration, discussion, preparation, and execution related to the slew of transactions related to the Merger, that merger fees to be paid to DR from NHI for the Merger and asset management fees I and II to be paid to DR in the Fiscal Period ending March 2020 would be waived, and that other fees related to administrative services, etc., would be reduced. As a result, the payment on the Merger is expected to be equivalent to the distribution per unit including distribution amount in excess of earnings for the 12th Fiscal Period ending April (after the adjustment taking into consideration the fact that the operating period is five months)

As for the management status of the investment corporation after the merger and the distribution per unit, please refer to “Notice Concerning Forecasts of Operating Results and Distributions for the Fiscal Period Ending September 2020 and the Fiscal Period Ending March 2021 after the Merger of Japan Rental Housing Investments Inc. and Nippon Healthcare Investment Corporation” announced today by both JRH and NHI.

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\* Website URL of the Investment Corporation: <http://www.nippon-healthcare.co.jp/en>

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[Attachment]

Assumptions for the Forecasts for Management Status for the Fiscal Period Ending March 2020 (Final Fiscal Period)

(5-month period) and Payment on the Merger

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> <li>Fiscal period ending March 2020: from November 1, 2019 to March 31, 2020 (152 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>The assumption is that the 23 properties owned as of today will be held. While there is a property scheduled to be acquired indicated in "Notice Concerning Acquisition and Leasing of Property" announced today by NHI, such will not impact the Fiscal Period ending March 2020 as the property is scheduled to be acquired by the surviving investment corporation as of April 2, 2020, following the Merger.</li> <li>The actual number of properties may vary due to acquisition of new property, or disposition of portfolio property, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>Real estate rent revenue of acquired assets is calculated on the basis of the rent stated in lease agreements that have been concluded. Furthermore, the period-end occupancy rate for each property is expected to be 100.0% at the end of the Fiscal Period ending March 2020.</li> <li>The assumption is that there will be no gain (loss) on sales of real estate properties.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Expenses related to rent business, which constitute a major component of operating expenses, are calculated on the basis of historical data and by taking into consideration the factors causing fluctuation in expenses.</li> <li>Operating income from property leasing (excluding gain on sales of real estate properties) after deduction of expenses related to rent business (including depreciation) is assumed to be 359 million yen.</li> <li>Consignment expenses are assumed to be 11 million yen.</li> <li>Taxes and dues (fixed property tax, city planning tax, etc.) are assumed to be 42 million yen.</li> <li>Depreciation, which is calculated using the straight-line method, is assumed to be 167 million yen.</li> <li>Repair expenses for buildings are assumed to be 7 million yen based on the medium- to long-term repair plans formulated by the Asset Management Company. However, possible increase in amount of repair expenses or additional arising of repair expenses due to unforeseeable circumstances may result in repair expenses differing materially from the forecast amount.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>21 million yen is assumed as interest expenses and other borrowing-related expenses.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>The assumption is that there will be no change in the loan balance of 9,800 million yen as of today through to the end of the Fiscal Period ending March 2020.</li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>The assumption is 74,632 units, which is the total number of investment units issued and outstanding as of today.</li> <li>The assumption is that there will be no change in the number of investment units due to the issuance of new investment units, etc., through to the end of the Fiscal Period ending March 2020.</li> </ul>
Payment on the Merger per unit	<ul style="list-style-type: none"> <li>Payment on the Merger (payment on the Merger per unit) will be paid in lieu of cash distributions for the Fiscal Period ending March 20 (final fiscal period), and is calculated in accordance with the cash distribution policy set forth in the articles of incorporation of NHI. Calculations are made with the assumption that the entire earnings will be distributed.</li> <li>Payment on the Merger per unit may vary due to various factors, including the status of exercise of rights to demand purchase as a result of the Merger, expenses related to the Merger, fluctuation in real estate rent revenue accompanying change in assets under management, change in tenants, etc., or the incurrence of unexpected repairs.</li> <li>In order for the Merger to fulfill the taxation requirements for a qualified merger, cash equivalent to distribution in excess of earnings, which has been conducted in every period, is not scheduled to be issued. Please refer to "2. Reasons for Announcement" mentioned above for the background and measures in regard to this.</li> </ul>
Other	<ul style="list-style-type: none"> <li>The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc., that will impact the above forecast figures.</li> <li>The assumption is that there will be no unforeseen serious change in general economic trends and real estate market conditions, etc.</li> </ul>

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