

November 19, 2019

To All Concerned Parties

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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

As stated in the “Notice Regarding Conclusion of Merger Agreement between Japan Rental Housing Investments Inc. and Nippon Healthcare Investment Corporation” published today by Japan Rental Housing Investments Inc. (“JRH”) and Nippon Healthcare Investment Corporation (“NHI”), JRH and NHI have respectively resolved at their respective Board of Directors meetings held today to implement an absorption-type merger, with JRH as the surviving corporation and NHI as the absorbed corporation (the “Merger”) with the effective date of April 1, 2020 and have entered into a merger agreement effective today. In association with this, the forecasts of operating results and distributions for the fiscal period ending September 2020 (the 29th fiscal period: April 1, 2020 – September 30, 2020) and the fiscal period ending March 2021 (the 30th fiscal period: October 1, 2020 – March 31, 2021) of the surviving corporation after the Merger, JRH (the corporate name is to be changed to “Daiwa Living Investment Corporation” after the Merger; the investment corporation after the Merger will be hereinafter referred to as “DLI”), will be announced as follows.

To unitholders in the United States:

This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers may be residents of a foreign country. You may not be able to sue a foreign company or its officers in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment. You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

Note: This document aims to announce to the public the forecasts of operating results and distributions after the merger of Japan Rental Housing Investments Inc. and Nippon Healthcare Investment Corporation, and it has not been prepared for the purpose of soliciting investments. This document does not constitute the secondary distribution of securities in the United States. The secondary distribution or sale of securities is not possible in the United States except when the registration of securities is made or exemption from registration is received based on the Securities Act of 1933. If the public offering of securities is made in the United States, an English prospectus prepared based on the Securities Act of 1933 will be used. The prospectus can be obtained from the issuing corporation or the secondary distributor of the securities, and detailed information on the issuing corporation and its management and its financial statements are stated in the prospectus. The public offering of securities in the United States will not be made in relation to the case in question in this document.

	Operating revenue	Operating income	Ordinary income	Net income	Net income per unit	Distribution per unit (excluding distributions in excess of earnings)	Distribution in excess of earnings per unit
Fiscal period ending September 2020	JPY11,542 million	JPY4,809 million	JPY4,835 million	JPY4,834 million	JPY2,351	JPY2,150	JPY -
Fiscal period ending March 2021	JPY10,104 million	JPY4,907 million	JPY4,259 million	JPY4,259 million	JPY2,071	JPY2,150	JPY -

(Note 1) Expected number of investment units issued at the end of the period: 2,055,946 units

(Note 2) The fiscal period of JRH is from April 1 to September 30 every year and from October 1 to March 31 of the following year, and the fiscal period of DLI after the Merger will remain the same.

(Note 3) The figures above are forecasts as of this moment calculated based on the terms and conditions stated in the Exhibit “Assumptions for Forecasts of Operating Results and Distributions for the Fiscal Period ending September 2020 (the 29th fiscal period: April 1, 2020 – September 30, 2020) and the Fiscal Period ending March 2021 (the 30th fiscal period: October 1, 2020 – March 31, 2021),” and actual operating revenue, operating income, ordinary income, net income, net income per share and distribution per share could fluctuate. In addition, these forecasts do not guarantee the distribution amounts.

(Note 4) The distribution amounts for the fiscal period ending September 2020 and the fiscal period ending March 2021 include the expected reversal of reserve for temporary difference adjustments of JPY67 million and the expected reversal of reserve for temporary difference adjustments of JPY158 million, respectively, and the distribution amount is different from the amount of net income.

(Note 5) Goodwill or negative goodwill is expected to be generated associated with the Merger. However, because the amount of goodwill or negative goodwill is not yet determined as of today, the generation of goodwill or negative goodwill is not incorporated in the figures in these forecasts. For details, please refer to “Goodwill and negative goodwill” in the Exhibit “Assumptions for Forecasts of Operating Results and Distributions for the Fiscal Period ending September 2020 (the 29th fiscal period: April 1, 2020 – September 30, 2020) and the Fiscal Period ending March 2021 (the 30th fiscal period: October 1, 2020 – March 31, 2021).” The estimated amount of goodwill or negative goodwill and the resulting revisions to the forecasts of operating results and distributions will be announced promptly on or after April 1, 2020, which is the effective date of the Merger.

(Note 6) Because JRH has distribution reserves and a reserve for temporary difference adjustments, which are profits under the Act on Investment Trusts and Investment Corporations, as of the end of September 2020 and March 2021, DLI will be institutionally unable to make distributions in excess of earnings (the distribution of monies to be made with 40% of depreciation in each accounting period as the limit to the extent to which it will not have an adverse impact on the financial position of an investment corporation), which NHI has been making continuously every fiscal period in the past, during the period when there is an outstanding balance of both reserves.

(Note 7) Amounts are rounded off to the nearest unit, and percentages are rounded to the nearest decimal place. The same will apply hereinafter.

End

*URLs of the two investment corporations

Japan Rental Housing Investments Inc.

<https://www.jrhi.co.jp/>

Nippon Healthcare Investment Corporation

<http://www.nippon-healthcare.co.jp/>

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[Exhibit]

<Assumptions for Forecasts of Operating Results and Distributions for the Fiscal Period ending September 2020 (the 29th fiscal period: April 1, 2020 – September 30, 2020) and the Fiscal Period ending March 2021 (the 30th fiscal period: October 1, 2020 – March 31, 2021)>

Item	Assumptions
Accounting period and the coming into effect of the Merger	<ul style="list-style-type: none"> • Fiscal period ending September 2020 (the 29th period) (April 1, 2020 – September 30, 2020) (183 days) • Fiscal period ending March 2021 (the 30th period) (October 1, 2020 – March 31, 2021) (182 days) • It is assumed that the Merger will come into effect on April 1, 2020.
Assets under management	<ul style="list-style-type: none"> • It is assumed that Sengoku 4-chome PJ (tentative name), for which a sale and purchase agreement has already been made, will be acquired on April 1, 2020, in addition to 193 real estates and real estate trust beneficiary interests owned by JRH as of today. • It is assumed that 27 properties including willDo Kita 24jo will be disposed of on April 1, 2020 on the condition that the Merger will come into effect as stated in the “Notice Concerning the Disposition of Assets” announced today by JRH. • It is assumed that JRH will succeed 23 real estate trust beneficiary interests owned by NHI as of today as a result of the Merger. • It is assumed that DLI will succeed the position, rights and obligations of the buyer in the sale and purchase agreement from NHI on April 1, 2020 on the condition that the Merger will come into effect as stated in the “Notice on the Acquisition and Leasing of Assets” announced today by NHI and acquire 27 properties including AIP Kachidoki Ekimae Building and additionally acquire Irise Komae (quasi-co-ownership interest) on April 2, 2020. • In light of the above assumptions, the assets under management of DLI will be 217 properties as of the end of the fiscal period ending September 2020 and the end of the fiscal period ending March 2021. In fact, however, the assets under management could fluctuate due to the acquisition or disposition of other properties.
Operating revenue	<ul style="list-style-type: none"> • Operating revenue is calculated on the premise of the “Assets under management” above. • Due to the disposition of the properties above, it is expected that a gain on disposition of real estate of JPY1,460 million will be posted in the fiscal period ending September 2020. For the fiscal period ending March 2021, the posting of a gain on disposition of real estate is not expected.
Operating expenses	<ul style="list-style-type: none"> • Operating expenses are calculated on the premise of the “Assets under management” above. • Due to the disposition of the properties above, it is expected that a loss on disposition of real estate of JPY648 million will be posted in the fiscal period ending September 2020. For the fiscal period ending March 2021, the posting of a loss on disposition of real estate is not expected. • Of property-related expenses, which is a major item of operating expenses, expenses other than depreciation are calculated by reflecting the variable factors of expenses based on the past results and information provided by the former owners of assets to be acquired, etc. • For property management fees, JPY403 million and JPY407 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. • For repair expenses of buildings, the amount deemed necessary in each fiscal period is estimated, and JPY574 million and JPY340 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. However, actual expenses could differ significantly from the expected amount for reasons such as the occurrence of unpredictable repair expenses. • For taxes, JPY535 million and JPY527 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. While property taxes and city planning taxes are settled at the time of acquisition by calculating them by dividing them proportionally according to the period with the current owners in the general sale and purchase of real estate, property taxes and city planning taxes for the acquisition year paid by the Investment Corporation are not posted in expenses because they are included in the acquisition cost. The generation starting period of taxes on all assets to be acquired stated in “Assets under management” above is the fiscal

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	<p>period ending September 2021, and the taxes in this fiscal period, including the generation of these taxes, will be JPY666 million.</p> <ul style="list-style-type: none"> • Depreciation is calculated using the straight-line method, including ancillary expenses and additional capital expenditure in the future, and JPY2,329 million and JPY2,318 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. • As expenses that will be generated temporarily in association with the Merger, a merger fee of JPY245 million of asset management fees and merger-related expenses of JPY254 million are expected for the fiscal period ending September 2020.
Non-operating income	<ul style="list-style-type: none"> • As non-operating income, JPY760 million and JPY5 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively, and the major item is income from accounting for consumption taxes.
Non-operating expenses	<ul style="list-style-type: none"> • As non-operating expenses, JPY735 million and JPY654 million are assumed for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively, and the major items are as follows. <ul style="list-style-type: none"> (1) Interest expenses and interest on investment corporation bonds are JPY494 million and JPY497 million for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. (2) Finance-related expenses are JPY225 million and JPY143 million for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. (3) Amortization of issuance costs of new units is JPY6 million and JPY6 million for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. (4) Amortization of investment corporation bond issuance costs is JPY6 million and JPY5 million for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively. (5) Other expenses are JPY1 million and JPY1 million for the fiscal period ending September 2020 and the fiscal period ending March 2021, respectively.
Interest-bearing debt	<ul style="list-style-type: none"> • As of today, JRH has an outstanding balance of loans payable of JPY101,787 million and an outstanding balance of investment corporation bonds of JPY13,800 million, and NHI has an outstanding balance of loans payable of JPY9,800 million. • It is assumed that loans payable of JPY6,450 million that will come due and investment corporation bonds of JPY2,000 million that will mature at JRH by the effective date of the merger will be repaid and redeemed with funds raised by loans. • It is assumed that the outstanding balance of loans payable of JRH on the effective date of the merger will succeed the entire amount of the outstanding balance of loans payable of JPY9,800 million of NHI. • It is assumed that the entire amount of loans payable of JPY9,349 million that will come due in the fiscal period ending September 2020 will be refinanced. In addition, it is assumed that investment corporation bonds of JPY1,700 million that will mature in the fiscal period ending September 2020 will be redeemed with funds raised by loans. • It is assumed that as part of the funds to acquire assets to be acquired, new loans of JPY27,300 million will be borrowed on April 2, 2020. • It is assumed that as a result of the above, the outstanding balance of loans payable and the outstanding balance of investment corporation bonds as of the end of September 2020 will be JPY142,587 million and JPY10,100 million, respectively. • It is assumed that the entire amount of loans payable of JPY7,814 million that will come due in the fiscal period ending March 2021 will be refinanced. • It is assumed that as a result of the above, the outstanding balance of loans payable and the outstanding balance of investment corporation bonds as of the end of March 2021 will be JPY142,587 million and JPY10,100 million, respectively. • The ratio of interest-bearing debt is expected to be 49.3% and 49.3% at the end of September 2020 and the end of March 2021, respectively. • For the calculation of the ratio of interest-bearing debt in this forecast, the following calculation formula is used. Ratio of interest-bearing debt = (Total amount of interest-bearing debt / Total assets) x 100

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<p>Goodwill and negative goodwill</p>	<ul style="list-style-type: none"> While goodwill or negative goodwill is expected to be generated associated with the Merger, it is assumed that goodwill or negative goodwill will not be generated because it is uncertain whether goodwill will be generated or negative goodwill will be generated given that the price of the investment units of JRH when the Merger will become effective, which is the basis for calculating the acquisition cost of assets of NHI to be succeeded by JRH, is unknown as of today, and because the amount of goodwill or negative goodwill is not yet determined. Accordingly, goodwill or negative goodwill is not incorporated in the figures in this forecast. If goodwill is generated as a result of the Merger, it will be recorded in assets in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No.21, final revision dated September 13, 2013) (hereinafter the “Business Combinations Accounting Standard”) and amortized regularly using the straight-line method over 20 years. In addition, if negative goodwill is generated as a result of the Merger, gain on bargain purchase will be recorded in bulk as extraordinary income for the fiscal period ending September 2020 in accordance with the Business Combinations Accounting Standard. The total amounts of assets accepted and liabilities assumed from NHI, the acquired company, under the Business Combinations Accounting Standard are expected to be JPY26,286 million and JPY10,934 million, respectively.
<p>Investment units</p>	<ul style="list-style-type: none"> It is assumed that the total number of investment units will be 2,055,946 units as a result of the issuance of 152,995 new investment units by JRH through the Merger and the issuance of all 262,891 new investment units on the same date as the effective date of the merger through the third party allotment that was decided at the meeting of the Board of Directors of the Investment Corporation held today. The number of new investment units to be issued by JRH through the Merger is not yet determined as of this moment and could fluctuate due to the handling of fractions, etc. It is assumed that the total number of investment units issued will be 2,055,946 units as a result of the Merger and the issuance of new investment units through private placement above, and that subsequently new investment units will not be issued until the end of March 2021.
<p>Distribution per unit</p>	<ul style="list-style-type: none"> Distribution per unit is calculated on the premise of the cash distribution policy set out in the Articles of Incorporation of DLI (the Articles of Incorporation after amendments to be decided at the General Meeting of Unitholders of JRH to be held on February 13, 2020). In addition, distribution per unit is calculated on the assumption that the entire amount of net income for each fiscal period will be distributed, in principle. For distributions in the fiscal period ending September 2020, it is assumed that the total amount of JPY4,424 million (distribution per unit of JPY2,150) that is obtained by adding the scheduled amount of reversal of reserve for temporary difference adjustments of JPY67 million (JPY32 per unit) to the amount that is obtained by deducting JPY480 million, some of a net gain on disposition of real estate (the amount obtained by deducting loss on disposition of real estate from gain on disposition of real estate, JPY233 per unit), from net income of JPY4,834 million (JPY2,351 per unit), will be distributed. For distributions in the fiscal period ending March 2021, it is assumed that the total amount of JPY4,420 million (distribution per unit of JPY2,150) that is obtained by adding the scheduled amount of reversal of reserve for temporary difference adjustments of JPY158 million (JPY77 per unit) to net income of JPY4,259 million (JPY2,071 per unit) will be distributed. Distribution per unit could fluctuate due to various factors including fluctuations in rent income associated with changes in assets under management and changes in tenants and the occurrence of unpredictable repairs. Net income per unit and distribution per unit for each fiscal period are calculated using the expected total number of investment units issued at the end of each period based on the total number of investment units issued above.
<p>Distribution in excess of earnings per unit</p>	<ul style="list-style-type: none"> There is no plan to make distributions in excess of earnings at present.
<p>Other</p>	<ul style="list-style-type: none"> It is assumed that no revision that will have an impact on the forecast figures above will be made to laws, regulations, tax systems, accounting standards, listing regulations and rules of the Investment Trusts Association, Japan, etc. It is assumed that no unforeseen significant change will take place in general economic trends and the real estate market conditions, etc.

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