



(Constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007 (as amended))

ACQUISITION OF TWO NURSING HOMES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Two Nursing Homes in Japan

Parkway Trust Management Limited, as manager of Parkway Life Real Estate Investment Trust (“**Parkway Life REIT**”, and as manager of Parkway Life REIT, the “**Manager**”), is pleased to announce that HSBC Institutional Trust Services (Singapore) Limited, as trustee of Parkway Life REIT (the “**Trustee**”), has through its wholly-owned subsidiary, Parkway Life Japan4 Pte. Ltd. (the “**SPV**”), entered into a *Tokumei Kumiai* agreement (or silent partnership agreement, the “**TK Agreement**”) with Godo Kaisha SAMURAI 18, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of two nursing homes¹ in Japan (the “**Properties**”) by the TK Operator (the “**Acquisition**”) at a total purchase price of JPY2,880 million (approximately S\$29.4 million²) (the “**Purchase Price**”). Completion is expected to take place by the third quarter of 2022 (the “**Closing Date**”).

The TK Operator has today entered into the following conditional purchase and sale agreements (the “**Purchase and Sale Agreements**”) with Daiwa House Industry Co., Ltd, a Japanese *kabushiki kaisha* (the “**Vendor**”):

- (i) a conditional purchase and sale agreement for the purchase of Assisted Living Edogawa property; and
- (ii) a conditional purchase and sale agreement for the purchase of Assisted Living Toke property.

1.2 Certain Information on the Properties

	Property	Lessee	Location	No. of Beds	Type of Property
1.	Assisted Living Edogawa	Zen Wellness Co., Ltd.	Edogawa Ward Tokyo Prefecture	86	Nursing Home
2.	Assisted Living Toke	Zen Wellness Co., Ltd.	Chiba City Chiba Prefecture	80	Nursing Home

¹ Each of the properties comprises licensed nursing home.

² Based on the exchange rate of S\$1.00:JPY98.04 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

1.3 Manner of Acquiring and Holding the Property

Under the TK Agreement, a company established under Japanese laws, and known as a “*Godo Kaisha*”, will own the Properties. A *Godo Kaisha* is a company similar to a limited liability company in Singapore whose members are only liable to the extent of their contribution to the *Godo Kaisha*³.

Prior to the Closing Date, the SPV, which is wholly-owned by Parkway Life REIT, shall inject funds into the TK Operator (the “**Parkway Life REIT TK Investment**”) and, as provided for in the Purchase and Sale Agreements, the TK Operator will acquire the Properties.

The completion of the Acquisition will be subject to the satisfaction of a number of conditions including, *inter alia*, compliance with certain applicable laws and regulations and the obtaining of certain applicable governmental and regulatory approvals.

1.4 Building Lease Agreements

The TK Operator will assume the following lease agreements:

- (i) a balance of approximately 29 years building lease agreement with Zen Wellness Co., Ltd (the “**Lessee**”) in relation to Assisted Living Edogawa property at an annual gross rental of approximately JPY92.9 million (approximately S\$0.9 million) (the “**Edogawa BLA**”); and
- (ii) a balance of approximately 28.5 years building lease agreement with the Lessee in relation to Assisted Living Toke property at an annual gross rental of approximately JPY72.0 million (approximately S\$0.7 million) (the “**Toke BLA**”).

1.5 Backup Operator Agreement

The TK Operator has entered into backup operator agreement with Kabushiki Kaisha Genki na Kaigo, a Japanese *kabushiki kaisha* in relation to the Properties. The purpose of the backup operator agreement is to allow the backup operator to assume the role of the lessee of the Properties so as to ensure that the business of the fee-charging nursing homes run smoothly in the event of any cancellation or termination of the current lease agreements.

1.6 Asset Management Agreement

The TK Operator has entered into an asset management agreement with Black Hills Investment, Ltd., a Japanese *kabushiki kaisha* (“**Black Hills**” or the “**Asset Manager**”) in respect of the Properties (the “**Asset Management Agreement**”). The Asset Manager is responsible for the servicing, administration and management of the Properties.

The Asset Manager shall be appointed for an initial term up to 30 June 2024, and its appointment shall thereafter be automatically renewed for successive two-year periods unless the TK Operator or the Asset Manager gives a notice of non-renewal in accordance with the terms of the Asset Management Agreement.

³ See also paragraph 5.4 below.

1.7 Information on the Vendor, Lessee and the Asset Manager

Vendor

Daiwa House Industry Co., Ltd., founded in 1955 and with its head office in Osaka, Japan, is a company listed on the Tokyo Stock Exchange. It is one of the leading real estate developers in Japan and principally engages in the business of construction and real estate investments in sectors such as housing and residential apartments, commercial real estate (including commercial, logistic, and medical facilities), and lifestyle properties (including hotels and fitness clubs). Daiwa House Industry Co., Ltd. has a paid up capital of JPY161.7 billion (approximately S\$1.6 billion) as of April 2022.

Lessee

Zen Wellness Co., Ltd., established in November 2013 and headquartered in Tokyo, is an aged-care operator in Japan. Zen Wellness Co., Ltd. has a paid up capital of JPY25.0 million (approximately S\$0.3 million) as at April 2022 and currently operates 11 nursing homes in the Kanto/Greater Tokyo region, namely Tokyo, Chiba, Saitama and Kanagawa Prefectures.

Asset Manager

Black Hills is a private real estate asset management firm that was founded in March 2007 in Japan with its core business being in the real estate markets. The assets under Black Hills' management are approximately JPY98.0 billion (approximately S\$1.0 billion) as at July 2022.

2. RATIONALE FOR THE ACQUISITION

2.1 DPU Accretion

Based on the expected net property yield of the Acquisition of 5.2%⁴, the Manager believes that the Acquisition will be DPU-accretive to the unitholders of Parkway Life REIT (“**Unitholders**”), using pro forma historical financial information for the purpose of analysis.

2.2 Consistency with Parkway Life REIT's principal investment strategy

The Acquisition is in line with the investment criteria stated in the prospectus of Parkway Life REIT dated 7 August 2007. The principal investment strategy of the Manager is to invest in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are primarily used for healthcare and/or healthcare related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. As such, the Acquisition is consistent with Parkway Life REIT's principal investment strategy.

⁴ The expected net property yield is computed by dividing the contractual net property income by the Purchase Price of the Properties (excludes capitalised cost).

2.3 Rejuvenate Parkway Life REIT's Japan Portfolio with New Properties & Reputable Operator

Newly-built in 2021, the Properties are freehold and well-located in residential areas of Tokyo and Chiba Prefectures with good connectivity and close proximity to the Tokyo Centre. The Properties will help to rejuvenate Parkway Life REIT's existing Japan portfolio with a reputable operator with proven operating track record in the aged care sector.

2.4 Income Diversification

The Acquisition is expected to benefit Unitholders by improving income diversification and reducing the reliance of Parkway Life REIT's income stream on any single property.

3. CERTAIN PRINCIPAL TERMS OF THE ACQUISITION

3.1 Purchase Price

The Purchase Price for the Properties, exclusive of Japanese consumption tax and other estimated fees and expenses (including the acquisition fee, stamp duties, taxes payable, advisory fees, professional fees and expenses), was arrived at on a willing-buyer and willing-seller basis after taking into account the valuation of the Properties by the independent valuer. Such valuations for the Properties as at 31 July 2022 is set out in paragraph 3.3 below.

The Purchase Price will be paid in cash to the Vendor on the Closing Date after making the relevant adjustments for security deposits (if applicable) and allocations of taxes, expenses and revenues in relation to the Properties pursuant to the terms of the Purchase and Sale Agreements.

3.2 Fees

Upon completion of the Acquisition:

- (i) an acquisition fee of approximately S\$0.3 million excluding tax, is payable to the Manager pursuant to the trust deed constituting Parkway Life REIT dated 12 July 2007 (as amended), which may be payable in the form of cash and/or units in Parkway Life REIT ("**Units**") as the Manager may elect;
- (ii) a one-time acquisition fee of approximately JPY18.7 million (approximately S\$0.2 million) excluding tax, is payable to the Asset Manager for facilitating the acquisition of the Properties; and
- (iii) a one-time brokerage fee of approximately JPY34.0 million (approximately S\$0.3 million) excluding tax, is payable to the broker responsible for brokering the acquisition of the Assisted Living Edogawa property.

3.3 Valuation of the Properties

Enrix Co., Ltd. ("**Enrix**"), an independent valuer, has been commissioned to prepare an independent valuation of the Properties. In its valuation reports dated 31 August 2022, Enrix stated that the total appraised value of the Properties as at 31 July 2022 is JPY3,240 million

(approximately S\$33.0 million). The following sets out the break-down of each of the Properties' Purchase Price and Valuation:

	Property	Purchase Price (JPY)	Valuation (JPY)
1.	Assisted Living Edogawa	1,700,000,000	1,920,000,000
2.	Assisted Living Toke	1,180,000,000	1,320,000,000
	Total	2,880,000,000	3,240,000,000

The valuation was prepared with an emphasis on the Discounted Cash Flow Method with the Income Approach Value and Cost Approach Value used as reference and the Purchase Price is approximately 11.1% below the valuation of the Properties.

4. MATERIAL IMPACT

The above transaction is not expected to have any material impact on the consolidated net tangible assets or distributions per Unit for the financial period ending 31 December 2022.

5. OTHER INFORMATION

5.1 Rule 1006 of the Listing Manual

Based on the relative figures as computed on the bases set out in Rule 1006 of the listing manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), the Acquisition is a "Non-Discloseable Transaction" within the meaning of Rule 1008 of the Listing Manual.

5.2 Interests of the Directors and Controlling Unitholders

Based on information available to the Manager, as at the date of this announcement, none of the directors of the Manager or the controlling Unitholders has any interest, direct or indirect, in the Acquisition.

5.3 Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition.

5.4 TK Operator

Pursuant to the Purchase and Sale Agreements, the TK Operator will acquire the Properties from the Vendor, and the title deeds to the Properties will be held by the TK Operator, as the legal owner of the Properties. It should be noted that the title deeds of the Properties are held by the TK Operator and not by the Trustee directly due to the nature of the arrangements under the TK Agreement. As such, the Trustee is not the legal owner of the Properties and has no direct control over the Properties or how it is managed. Should the TK Operator become insolvent, the Trustee's right to distribution under the TK Agreement would be treated as a bankruptcy claim, and would rank junior to all debt obligations owed by the TK Operator.

Given that only the TK Operator has rights against and obligations to third parties as the legal owner of the Properties, third parties will have no recourse against the SPV, as the silent partner, and the liability of Parkway Life REIT (as a TK investor through the SPV) is thus limited to the amount of the Parkway Life REIT TK Investment.

5.5 Documents for Inspection

Copies of the Purchase and Sale Agreements and the valuation reports of Enrix on the Properties are available for inspection during normal business hours at the registered office of the Manager at 80 Robinson Road #02-00 Singapore 068898, for a period of three months commencing from the date of this announcement.

BY ORDER OF THE BOARD
Parkway Trust Management Limited
(Company Registration no. 200706697Z)
As manager of Parkway Life Real Estate Investment Trust

Chan Wan Mei
Company Secretary
20 September 2022

Important Notice

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Parkway Life Real Estate Investment Trust (“**Parkway Life REIT**” and the units in Parkway Life REIT, the “**Units**”).

The value of Units and the income from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, Parkway Trust Management Limited, as manager of Parkway Life REIT (the “**Manager**”) or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of Parkway Life REIT may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Parkway Life REIT or the Manager is not necessarily indicative of the future performance of Parkway Life REIT or the Manager.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition, shifts in expected levels of property rental income, changes in operating expenses, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and on the terms necessary to support Parkway Life REIT’s future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.