



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

## ACQUISITION OF FIVE PROPERTIES LOCATED IN JAPAN

### 1. INTRODUCTION

#### 1.1 Agreement to Purchase Five Properties 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 10, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of four nursing homes and one group home located in Japan (the “**Properties**”, as described below and each, a “**Property**”) by the TK Operator (the “**Acquisition**”) at a total purchase price of approximately ¥5,977 million (approximately S\$67.9 million<sup>1</sup>) (the “**Purchase Price**”). Completion is expected to take place by the first quarter of 2015 (“**Closing Date**”).

The TK Operator has today entered into separate conditional purchase and sale agreements (“**Purchase and Sale Agreements**”) with Ostara Japan One TMK, a Japanese *tokutei mokuteki kaisha*, for the purchase of the Habitation Hakata I, II, III property and Excellent Tenpaku Garden Hills property, and with UBI Kabushiki Kaisha, a Japanese *kabushiki kaisha*, for the purchase of the Hana Kitago property, Hana Kita 13 Jyo property and Ajisai Misono property (Ostara Japan One TMK and UBI Kabushiki Kaisha collectively, the “**Vendors**”).

#### 1.2 Certain Information on the Properties

	Property	Lessee	Location	No. of Rooms	Type of Property
1.	Habitation Hakata I, II, III	Kabushiki Kaisha Habitation	Fukuoka City, Fukuoka Prefecture	287	Nursing home
2.	Excellent Tenpaku Garden Hills	Kabushiki Kaisha Kokanomori	Nagoya City, Aichi Prefecture	94	Nursing home
3.	Hana Kitago	Kabushiki Kaisha Living Platform	Sapporo City, Hokkaido Prefecture	48	Nursing home
4.	Hana Kita 13 Jyo	Kabushiki Kaisha Living Platform	Sapporo City, Hokkaido Prefecture	24	Nursing home
5.	Ajisai Misono	Kabushiki Kaisha Care Products	Sapporo City, Hokkaido Prefecture	18	Group home <sup>(1)</sup>

**Note:**

(1) A group nursing home catering specifically for elderly dementia residents.

<sup>1</sup> Based on the exchange rate of S\$1.00 : ¥88.00 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of ¥ amounts into S\$ in this announcement will be based on the Exchange Rate.

### 1.3 Manner of Acquiring and Holding the Properties

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*<sup>2</sup>.

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 from the Vendors. The Parkway Life REIT TK Investment in the TK Operator will be equivalent to 100.0% of the sum of the Purchase Price of the Properties and the costs for the Acquisition.

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, pursuant to the assumption of long balance 19 year building lease agreements (the “**Building Lease Agreements**”) from each of the Vendors, receive from the lessees of the Properties an aggregate annual gross rental of approximately ¥434,400,000 (approximately S\$4.9 million) for the Properties. The Properties will also have backup operator agreements (see paragraph 1.5 below for details).

### 1.5 Backup Operator Agreements

The TK Operator will enter into backup operator agreements with the backup operators, Kabushiki Kaisha Living Platform for the Habitation Hakata I, II, III property and the Excellent Tenpaku Garden Hills property, and Kabushiki Kaisha Oueikikaku for the Hana Kitago property, the Hana Kita Jyo 13 property and the Ajisai Misono property (collectively, the “**Backup Operators**”) in relation to the respective Property (the “**Backup Operator Agreements**”).

The assumption of the role of the existing lessees of the Properties by the Backup Operators under the Backup Operator Agreements is to ensure that the business for a fee-charging nursing home for the aged and other ancillary business runs smoothly in the event of any cancellation or termination of its current lease.

### 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 2016, and its appointment shall thereafter be automatically renewed for successive two-year periods

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<sup>2</sup> See also paragraph 5.4 below.

unless the TK Operator or the Asset Manager gives a notice of non-renewal in accordance with the terms of the Asset Management Agreement.

### **1.7 Information on the Vendors and the Asset Manager**

Ostara Japan One TMK is a special purpose vehicle held under UBI Kabushiki Kaisha, which is a fund management company established in Japan since 1991 engaging in real estate related and venture capital investments. As at December 2014, the capital investment of UBI Kabushiki Kaisha is approximately ¥32.0 billion.

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 ¥35.5 billion as at January 2015.

### **1.8 Information on the Lessees**

Kabushiki Kaisha Habitation has started its nursing home operation in the Fukuoka Prefecture since 1977. As at July 2014, Kabushiki Kaisha Habitation has about 300 employees managing four nursing homes and care facilities in the Fukuoka and Chiba Prefectures.

Kabushiki Kaisha Kokanomori is wholly-owned by Kabushiki Kaisha Excellent Care System which started its nursing home operator operation in 2004. As at November 2014, Kabushiki Kaisha Excellent Care System has approximately 600 employees operating 27 nursing homes and care facilities mainly in the Shikoku and Kansai regions.

Kabushiki Kaisha Living Platform is an emerging nursing home operator founded in 2011. As at December 2014, Kabushiki Kaisha Living Platform has about 120 employees managing 11 nursing homes and care facilities in the Hokkaido, Chiba and Kanagawa Prefectures.

Kabushiki Kaisha Care Products was founded in 2006. As at December 2014, Kabushiki Kaisha Care Products has about 40 employees managing three group homes in Sapporo city, Hokkaido Prefecture.

## **2. RATIONALE FOR THE ACQUISITION**

### **2.1 DPU Accretion**

Based on the expected net property yield of the Acquisition of 6.6%<sup>3</sup>, 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

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<sup>3</sup> The expected net property yield is computed by dividing the contractual net property income by the Purchase Price of the Properties.

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, which comprises of four nursing homes and one group home property, is consistent with Parkway Life REIT's principal investment strategy.

### **2.3 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.

### **2.4 Competitive Strengths of the Properties**

The Properties are well-located in the residential areas of the respective key cities which make them attractive retirement facilities and are highly accessible by train stations and highways. In addition, the Properties are well operated by experienced operators who have adequate experience in managing the operation of nursing home and care facility properties in Japan.

## **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 1 February 2015 are summarised in the table set out in paragraph 3.3 below.

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

### **3.2 Acquisition Fee**

Upon completion of the Acquisition, an acquisition fee of approximately S\$679,000 is payable to the Manager pursuant to the trust deed dated 12 July 2007 (as amended), which may be payable in the form of cash and/or Units as the Manager may elect.

### **3.3 Valuation of the Properties**

K.K. Halifax Associates (Colliers International Tokyo) ("**Colliers**"), an independent valuer, has been commissioned by the Trustee (in its capacity as trustee of Parkway Life REIT) to prepare an independent valuation of the Properties. In its valuation reports dated 16 February 2015, Colliers stated that the total appraisal value of the Properties as at 1 February 2015 is ¥5,997,000,000 (approximately S\$68.1 million).

The valuation was prepared with an emphasis on the Discounted Cash Flow Method with the Cost Approach Value used as a reference and the Purchase Price is in line with the valuation of the Properties. The following sets out the breakdown of each Property's Purchase Price and Valuation:

	Property	Purchase Price (¥)	Valuation (¥)
1.	Habitation Hakata I,II,III	3,705,000,000	3,660,000,000
2.	Excellent Tenpaku Garden Hills	1,645,000,000	1,650,000,000
3.	Hana Kitago	298,000,000	336,000,000
4.	Hana Kita 13 Jyo	152,000,000	166,000,000
5.	Ajisai Misono	177,000,000	185,000,000
	<b>Total</b>	<b>5,977,000,000</b>	<b>5,997,000,000</b>

#### 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 year ended 31 December 2014.

#### 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 Vendors, 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 they are 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 Colliers on the Properties are available for inspection during normal business hours at the registered office of the Manager at 80 Robinson Road, 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  
16 March 2015

## **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.