ParkwayLife REIT

NEWS RELEASE
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PARKWAY LIFE REIT KICKS OFF 2015 ON STRONG NOTE WITH ACQUISITION OF FIVE PROPERTIES IN JAPAN

- **Driven by the REIT's asset recycling initiative, the new acquisition will further strengthen the quality and growth potential of the REIT's Japan portfolio**
- **Accretive net property yield of 6.6%[1]**
- **Good attributes of the new acquisition further mitigates risks, reinforcing the REIT's "Grounded Defence, Focused Growth" strategy**

Singapore, 16 March 2015 – Parkway Trust Management Limited, as manager of Parkway Life Real Estate Investment Trust ("PLife REIT", and as manager of PLife REIT, the "Manager"), one of Asia's largest listed healthcare REITs, is pleased to announce that PLife REIT has kicked off 2015 on a strong note with the acquisition of four nursing homes and one group home[2] in Japan (the "Properties") for the combined purchase price of approximately JPY5,977 million (approximately S$67.9 million)[3] from Ostara Japan One TMK[4] and UBI Kabushiki Kaisha (collectively as the "Vendors"). Together with PLife REIT's recent asset acquisitions and divestments made in the fourth quarter of 2014, the new acquisition will continue to build on PLife REIT's asset recycling initiative to rebalance and enhance the quality of its Japan portfolio.

Acquisition of yield-accretive nursing homes and group home

HSBC Institutional Trust Services (Singapore) Limited, as trustee of PLife REIT has through its wholly-owned subsidiary, Parkway Life Japan4 Pte. Ltd., entered into a *Tokumei Kumiai* agreement (or silent partnership, similar to the holding structure for PLife REIT's previous acquisitions in Japan) for the acquisition of the Properties. The acquisition will be in line with

1 The expected net property yield is computed by dividing the contractual net property income by the purchase price of the Properties.

2 A group nursing home catering specifically for elderly dementia residents.

3 All JPY reference in this press release are based on the exchange rate of S$1.00 : JPY88.00.

4 Ostara Japan One TMK is a special purpose vehicle held under UBI Kabushiki Kaisha.

the valuation[5] and is expected to generate a net property yield of 6.6%[1]. The acquisition is targeted to be completed by the first quarter of 2015.

"We are delighted to start 2015 on track with our asset recycling plans. The divestment of seven properties at the end of 2014 has provided us with additional capital to acquire the Properties as we fortify our portfolio and continue to grow in Japan. The Properties provide further geographical and tenant diversification within our portfolio, reinforcing our '*Grounded Defence, Focused Growth'* strategy", said Mr Yong Yean Chau, Chief Executive Officer of the Manager.

Mr Yong continued: "The acquisition marks our first foray into a new geographical area, the Aichi Prefecture, and also deepens our footprint in the Hokkaido Prefecture. In addition, we have the opportunity to partner with three new nursing home operators and have added the first group home to our Japan portfolio. These new grounds reflect an exciting growth platform for PLife REIT, even as we maintain our strong fundamentals and defensive position".

With the new acquisition, PLife REIT's Japan portfolio will stand at approximately S$546 million or about 34% of total assets under management.

Risk mitigation through geographical diversification

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 trains and highways. They are:

1) Habitation Hakata I, II, III located at Fukuoka City, Fukuoka Prefecture
2) Excellent Tenpaku Garden Hills located at Nagoya City, Aichi Prefecture
3) Hana Kitago located at Sapporo City, Hokkaido Prefecture
4) Hana Kita 13 Jyo located at Sapporo City, Hokkaido Prefecture
5) Ajisai Misono[2] located at Sapporo City, Hokkaido Prefecture

Of these, PLife REIT will be making its first foray into the Aichi Prefecture and deepening its presence in the Hokkaido Prefecture. The location of the Properties will allow PLife REIT to

[5] K.K. Halifax Associates (Colliers International Tokyo) has independently valued the Properties as at 1 February 2015 at JPY5,997,000,000 (approximately S$68.1 million).

enjoy further geographical diversification within Japan, mitigating concentration risk within a single region.

Long and stable lease terms boost overall portfolio resiliency

The Properties will be on long term master lease arrangement with balance lease term of approximately 19 years. The long balance lease arrangement serves to further improve the lease expiry profile of PLife REIT's entire portfolio by lengthening the weighted average lease term (by gross revenue) from 9.49 years[6] to 9.93 years.

Enhancing the diversification of the tenant base

PLife REIT's tenant risk exposure will be further diversified with the addition of three new operators, Kabushiki Kaisha Kokanomori, Kabushiki Kaisha Living Platform and Kabushiki Kaisha Care Products. Apart from establishing the partnerships with the new operators, PLife REIT has also extended its collaboration with Kabushiki Kaisha Habitation, with the acquisition of the Habitation Hakata I, II, III property.

Mr Yong said "The diversified tenant mix further mitigates reliance on any single tenant and contributes to revenue stability. The partnerships with new operators illustrate our exemplary track record as we cement our position as a credible partner with quality offerings in this sector".

To provide greater sustainability to the returns of PLife REIT's unitholders, the stability of the leases for the Properties is further enhanced with backup operator arrangements being put in place in the event that the existing operators are unable to continue operating the Properties.

Abe re-election provides a positive backdrop for Japan's healthcare industry

Shinzo Abe's election victory in December 2014 means that the healthcare industry may be further deregulated as part of the government's economic reform to revitalise and spur growth in this sector through attracting private sector participation[7]. This observation is supported by the listing of Japan's first healthcare facility focused REIT (Nippon Healthcare Investment Corporation) on the Tokyo Stock Exchange in early November 2014.

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[6] As at 31 January 2015.

[7] Based on an article entitled "Health Care REITs To Debut As Japanese Get Older" in The Nikkei on 6 March 2013 (The Nikkei, Morning Edition published on 6 March 2013).

As the country with the highest life expectancy, coupled with the proportion of people aged 65 or above being expected to reach nearly 40 percent of the population in 2060[8], there will be a higher demand of eldercare facilities in Japan from which PLife REIT can benefit from.

Funding for the Acquisition

This acquisition will be fully funded by the capital proceeds in JPY from the recent divestment completed on 26 December 2014, as such there is no significant impact on PLife REIT's gearing post-acquisition. As PLife REIT continues to adopt a natural hedge strategy for these acquisitions through the recycling of JPY funding to hedge against foreign exchange risks arising from JPY denominated assets, it has protected its asset value against potential currency volatility and achieved a stable net asset value.

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8 Based on an article entitled "Japan's Population Shrinks for Third Year as Aging Increases" by Isabel Reynolds. published on 16 April 2014 (http://www.bloomberg.com/news/2014-04-15/japan-s-population-shrinks-for-third-year-as-ranks-of-aged-grow.html).

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About Parkway Life REIT

Parkway Life Real Estate Investment Trust ("PLife REIT") is one of Asia's largest listed healthcare REITs by asset size. It invests in income-producing real estate and real estate-related assets that are used primarily for healthcare and healthcare-related purposes (including but are 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).

PLife REIT owns a well-diversified portfolio of 42 properties with a total portfolio size of approximately S$1.5 billion as at 31 January 2015. It owns the largest portfolio of strategically-located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital, covering an aggregate of 721 beds as at 31 January 2015. In addition, it has 38 assets located in Japan, including one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture as well as 37 high quality nursing home and care facility properties in various prefectures of Japan. It also owns strata-titled units/lots at Gleneagles Intan Medical Centre Kuala Lumpur in Malaysia.

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Important Notice

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