



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

ACQUISITION OF THREE NURSING HOMES IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Three 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 17, a *godo kaisha* incorporated under Japanese laws (the "**TK Operator**") in relation to the acquisition of three nursing homes in Hokkaido Prefecture, Japan (collectively, the "**Properties**") by the TK Operator (the "**Acquisition**") at a total purchase price of JPY2,558 million (approximately S\$26.1 million¹) (the "**Purchase Price**"). Completion is expected to complete by the third quarter of 2022 (the "**Closing Date**").

The TK Operator has today entered into the following conditional purchase and sale agreements:

- (i) a conditional purchase and sale agreement with Blue Melon Capital Kabushiki Kaisha ("**Vendor (Kagura)**"), a Japanese *kabushiki kaisha*, for the purchase of the property known as "Blue Terrace Kagura"; and
- (ii) a conditional purchase and sale agreement with K2 Healthcare Sapporo Godo Kaisha² (the "**Vendor (Nopporo/Taisetsu)**"), a Japanese *godo kaisha*, for the purchase of the property known as "Blue Rise Nopporo" and the property known as "Blue Terrace Taisetsu",

(each vendor is collectively referred as the "**Vendors**").

¹ 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.

² Wholly-owned subsidiary of Vendor (Kagura).

1.2 Certain Information on the Properties

	Name of Property	Lessee	Location	No. of Beds	Type of Property
1.	Blue Terrace Kagura	Blue Care Kabushiki Kaisha	Asahikawa City, Hokkaido Prefecture	100	Nursing Home
2.	Blue Rise Nopporo	Blue Care Kabushiki Kaisha	Ebetsu City, Hokkaido Prefecture	70	Nursing Home
3.	Blue Terrace Taisetsu	Blue Care Kabushiki Kaisha	Asahikawa City, Hokkaido Prefecture	80	Nursing Home

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*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

In connection with the Acquisition, the existing lease agreements which have been entered into between the Vendors, Living Platform, Ltd (the “**Lease Guarantor**”) and Blue Care Kabushiki Kaisha (the “**Lessee**”), shall be assigned to the TK Operator (the “**Building Lease Agreements**”). Each of the Properties has a balance lease term of approximately 19 years and the aggregate annual gross rental of the Properties is approximately JPY181.8 million (approximately S\$1.9 million). The Lease Guarantor, being the parent company of the Lessee, guarantees the Lessee’s rent payment obligation and performance of all responsibilities and obligations under the Building Lease Agreements.

1.5 Undertaking Letters

Each of the (i) Lease Guarantor and Lessee and (ii) Vendor (Kagura), has provided an undertaking letter to the TK Operator, in which they agree to undertake to, among others, rectify certain conditions set forth in the respective undertaking letters at their own costs and expenses no later than six months after the Closing Date.

³ See also paragraph 5.4 below.

1.6 Backup Operator Agreement

The TK Operator has entered into a backup operator agreement with Kabushiki Kaisha Genki na Kaigo, a Japanese *kabushiki kaisha* (the “**Backup Operator**”), and the Lessee.

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 for the aged and other ancillary business run smoothly in the event of any cancellation or termination of the current lease.

1.7 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.

1.8 Information on the Vendors, Lessee and the Asset Manager

Vendors

Blue Melon Capital Kabushiki Kaisha was established in September 2014, with a paid up capital of JPY10.0 million (approximately S\$0.1 million) as at 4 March 2022, and is a real estate company.

K2 Healthcare Sapporo Godo Kaisha which is a wholly-owned subsidiary of Blue Melon Capital Kabushiki Kaisha was established in December 2016, with a paid up capital of JPY0.1 million (approximately S\$1,000) as at 4 March 2022, and is a real estate company.

Lessee

Blue Care Kabushiki Kaisha, established in March 2019, with a paid up capital of JPY10.0 million (approximately S\$0.1 million) as at 4 March 2022, is an aged care operator based in Hokkaido. Blue Care Kabushiki Kaisha is a wholly-owned subsidiary of Living Platform, Ltd. Living Platform, Ltd was established in 2011 and has been listed on the Tokyo Stock Exchange since 2020.

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 average net property yield of the Acquisition of 6.5%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, 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.

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

Each of the Properties is well-situated with transportation connectivity in the residential areas of the respective cities in Hokkaido Prefecture. The Acquisition will further lengthen the weighted average lease expiry (by gross revenue) for Parkway Life REIT from 17.01 years to 17.05 years⁵, which will further enhance the resiliency of Parkway Life REIT's earnings.

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

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

⁵ As at 31 August 2022.

valuer. The valuations for the Properties as at 31 July 2022 are 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 (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 JPY16.6 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 JPY51.2 million (approximately S\$0.5 million) excluding tax, is payable to the brokers responsible for brokering the acquisition of the Properties.

3.3 Valuation of the Properties

Enrix Co., Ltd. (“Enrix”), an independent valuer, has been commissioned to prepare an independent valuation of the Properties. Its valuation reports dated 30 August 2022, Enrix stated that the total appraised value of the Properties as at 31 July 2022 is JPY2,914 million (approximately S\$29.7 million). The following sets out the break-down of each of the Properties’ Purchase Price and valuation:

	Name of Property	Purchase Price (JPY)	Valuation (JPY)
1.	Blue Terrace Kagura	1,180,000,000	1,340,000,000
2.	Blue Rise Nopporo	699,000,000	797,000,000
3.	Blue Terrace Taisetsu	679,000,000	777,000,000
	Total	2,558,000,000	2,914,000,000

The valuations were 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 12.2% 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 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 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

13 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.