



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

ACQUISITION OF A NURSING HOME LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase A Nursing Home 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 14, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of a nursing home¹ in Japan (the “**Property**”) by the TK Operator (the “**Acquisition**”) at a total purchase price of JPY1.65 billion (approximately S\$21.2 million²) (the “**Purchase Price**”). Completion is expected to take place by the fourth quarter of 2020 (the “**Closing Date**”).

The TK Operator has today entered into a conditional purchase and sale agreement (the “**Purchase and Sale Agreement**”) with K. K. Habitation, a Japanese *kabushiki kaisha* (the “**Vendor**”), for the purchase of the Property.

1.2 Certain Information on the Property

Property	Lessee	Location	No. of Beds	Type of Property
Habitation Kamagaya	Fuyo Shoji Kabushiki Kaisha	Kamagaya City, Chiba Prefecture	100	Nursing Home

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 Property. 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.

¹ The property comprises licensed and residential nursing home and day service facilities.

² Based on the exchange rate of S\$1.00 : JPY78.00 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

³ See also paragraph 5.4 below.

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 Agreement, the TK Operator will acquire the Property.

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 Agreement and Rent Guarantee

The TK Operator will enter into a building lease agreement with Fuyo Shoji Kabushiki Kaisha (the “**Building Lease Agreement**”) to grant a 20-year building lease at an annual gross rental of approximately JPY115.5 million (approximately S\$1.5 million).

In addition, K. K. Habitation, (the Vendor, being the parent company of Fuyo Shoji Kabushiki Kaisha), has in connection with the entry into of the Building Lease Agreement, irrevocably, unconditionally and absolutely, guarantee the prompt performance, payment or fulfillment of any and all obligations (including, without limitation, all obligations to make rental payments and maintain applicable licenses) of Fuyo Shoji Kabushiki Kaisha under the Building Lease Agreement (the “**Rent Guarantee**”).

1.5 Undertaking Letter

The Vendor has provided an undertaking (the “**Undertaking Letter**”) to the TK Operator in respect of the Property, in which the Vendor agreed to undertake to, among others, rectify certain conditions set forth in the Undertaking Letters at their own costs and expenses within a prescribed period (6 months after the Closing Date).

1.6 Backup Operator Agreement

The TK Operator has entered a backup operator agreement with Kabushiki Kaisha Living Platform Care (the “**Backup Operator**”) and Fuyo Shoji Kabushiki Kaisha in relation to the Property (the “**Backup Operator Agreement**”).

The purpose of the Backup Operator Agreement is to allow the Backup Operator to assume the role of the lessee of the Property so as to ensure that the business of the nursing home 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* (the “**Asset Manager**” or “**Black Hills**”) in respect of the Property (the “**Asset Management Agreement**”). The Asset Manager is responsible for the servicing, administration and management of the Property.

The Asset Manager shall be appointed for an initial term up to 30 June 2022, 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 Vendor/Lessee and the Asset Manager

Vendor

K. K. Habitation was established in 1982, with a paid up capital of JPY 400 million (approximately S\$5.1 million) as at March 2020, is an aged care operator in Japan. To date, they manage 13 nursing homes nationwide.

Lessee

Fuyo Shoji Kabushiki Kaisha was established in 1971, with a paid up capital of JPY 51 million (approximately S\$0.65 million) as at July 2020, is an aged care operator based in Chiba Prefecture. Fuyo Shoji Kabushiki Kaisha was acquired in 2015 and the company is wholly owned by K. K. Habitation. To date, it operates 2 nursing homes and several day services facilities in Chiba Prefecture.

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 JPY93 billion (approximately S\$1.2 billion) as at 31 October 2020.

2. RATIONALE FOR THE ACQUISITION

2.1 DPU Accretion

Based on the expected net property yield of the Acquisition of 6.4%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 (as amended). The principal investment strategy of the Manager is to invest in income-producing real estate and/or real estate-related assets 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.

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.

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

3. CERTAIN PRINCIPAL TERMS OF THE ACQUISITION

3.1 Purchase Price

The Purchase Price for the Property, 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 Property by the independent valuer. Such valuation for the Property as at 31 October 2020 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 Property pursuant to the terms of the Purchase and Sale Agreement.

3.2 Fees

Upon completion of the Acquisition:

- (i) an acquisition fee of approximately S\$0.21 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 JPY10.7 million (approximately S\$0.14 million) excluding tax, is payable to the Asset Manager for facilitating the acquisition of the Property; and
- (iii) a one-time brokerage fee of JPY24.8 million (approximately S\$0.32 million) excluding tax, is payable to the broker responsible for brokering the acquisition of the Property.

3.3 Valuation of the Property

Enrix Co., Ltd. (“Enrix”), 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 Property. In its valuation report dated 18 November 2020, Enrix stated that the appraised value of the Property as at 31 October 2020 is JPY1,730 million (approximately S\$22.2 million).

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 4.6% below the valuation of the Property.

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 2020.

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 Agreement, the TK Operator will acquire the Property from the Vendor, and the title deeds to the Property will be held by the TK Operator, as the legal owner of the Property. It should be noted that the title deeds of the Property is 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 Property and has no direct control over the Property 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 Property, 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 Agreement and the valuation report of Enrix on the Property 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
10 December 2020

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.