



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

ACQUISITION OF THREE PROPERTIES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Three 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 13, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of three nursing rehabilitation facilities¹ in Japan (the “**Properties**”) by the TK Operator (the “**Acquisition**”) at a total purchase price of JPY3,700 million (approximately S\$46.3 million²) (the “**Purchase Price**”). Completion is expected to take place by December 2019 (the “**Closing Date**”).

The TK Operator has today entered into the following conditional purchase and sale agreements (the “**Purchase and Sale Agreements**”):

- (i) a conditional purchase and sale agreement with K. K. Habitation, a Japanese *kabushiki kaisha*, for the purchase of Hodaka no Niwa property;
- (ii) a conditional purchase and sale agreement with Fuyo Shoji Kabushiki Kaisha, a Japanese *kabushiki kaisha*, for the purchase of Orange no Sato property; and
- (iii) a conditional purchase and sale agreement with Medical Corporation Shojin-kai, a Japanese *iryō houjin*, for the purchase of Haru no Sato property.

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

1.2 Certain Information on the Properties

	Property	Lessee	Location	No. of Beds	Type of Property
1.	Hodaka no Niwa	Medical Corporation Kenko Choju-kai	Takayama City, Gifu Prefecture	100	Nursing Rehabilitation Facility

¹ A facility providing long-term elderly care with nursing care and functional training under the supervision of medical experts.

² Based on the exchange rate of S\$1.00 : JPY80.00 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

2.	Orange no Sato	Medical Corporation Misaki-kai	Arita-gun, Wakayama Prefecture	98	Nursing Rehabilitation Facility
3.	Haru no Sato	Medical Corporation Shojin-kai	Shunan City, Yamaguchi Prefecture	100	Nursing Rehabilitation Facility

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 and Rent Guarantees

The TK Operator will enter into the following building lease agreements (the “**Building Lease Agreements**”) in relation to each of the Properties to grant a 20-year building lease to each of the existing operators of the Properties at an aggregate annual gross rental of approximately JPY280.15 million (approximately S\$3.51 million):

- (i) a building lease agreement with Medical Corporation Kenko Choju-kai (the “**Lessee (Hodaka)**”) in relation to Hodaka no Niwa property at an annual gross rental of approximately JPY100.75 million (approximately S\$1.26 million) (the “**BLA (Hodaka)**”);
- (ii) a building lease agreement with Medical Corporation Misaki-kai (the “**Lessee (Orange)**”) in relation to Orange no Sato property at an annual gross rental of approximately JPY87.60 million (approximately S\$1.10 million) (the “**BLA (Orange)**”); and
- (iii) a building lease agreement with Medical Corporation Shojin-kai (the “**Lessee (Haru)**”) in relation to Haru no Sato at an annual gross rental of approximately JPY91.80 million (approximately S\$1.15 million).

In addition, K. K. Habitation, (the vendor of Hodaka no Niwa property and parent company of Fuyo Shoji Kabushiki Kaisha, the vendor of Orange no Sato property), has in connection with the entry into the BLA (Hodaka) and BLA (Orange) by Medical Corporation Kenko Choju-kai and Medical Corporation Misaki-kai respectively, 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 Medical Corporation Kenko Choju-kai and Medical

³ See also paragraph 5.4 below.

Corporation Misaki-kai under the BLA (Hodaka) and BLA (Orange) respectively (the “**Rent Guarantees**”).

1.5 Undertaking Letters

The Vendors have each provided an undertaking (the “**Undertaking Letters**”) to the TK Operator in respect of the Properties, in which they agree to undertake to, among others, rectify certain conditions set forth in the Undertaking Letters at their own costs and expenses within a prescribed period (ranging from 3 to 12 months after the Closing Date).

1.6 Backup Operator Agreements

The TK Operator has entered into the following backup operator agreements:

- (i) in relation to Hodaka no Niwa property, a backup operator agreement with Medical Corporation Shojin-kai, a Japanese *iryou houjin*, and the Lessee (Hodaka);
- (ii) in relation to Orange no Sato property, a backup operator agreement with Medical Corporation Shojin-kai, a Japanese *iryou houjin*, and the Lessee (Orange); and
- (iii) in relation to Haru no Sato property, a backup operator agreement with Medical Corporation Kenko Choju-kai, a Japanese *iryou houjin*, and the Lessee (Haru).

The purpose of the backup operator agreements 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 rehabilitation facility for the elderly 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 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 Vendors/Lessees and the Asset Manager

Vendors

K. K. Habitation was established in 1982, with a paid up capital of JPY400 million (approximately S\$5.00 million) as at March 2019, is an aged care operator in Japan. To date, they manage 12 nursing homes nationwide.

Fuyo Shoji Kabushiki Kaisha was established in 1971, with a paid up capital of JPY51 million (approximately S\$0.64 million) as at March 2019, 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.

Medical Corporation Shojin-kai was established in 2000, with a paid up capital of JPY8 million (approximately S\$0.10 million) as at September 2018, is an aged care operator which provide healthcare and medical rehabilitation services.

Lessees

Medical Corporation Kenko Choku-kai was established in 1999, with a paid up capital of JPY9 million (approximately S\$0.11 million) as at January 2019, is an aged care operator which provide healthcare and medical rehabilitation services. Medical Corporation Kenko Choku-kai is an associated company of K. K. Habitation.

Medical Corporation Misaki-kai was established in 1996, with a paid up capital of JPY90 million (approximately S\$1.13 million) as at November 2018, is an aged care operator which provide healthcare and medical rehabilitation services. Medical Corporation Misaki-kai is an associated company of K. K. Habitation.

Medical Corporation Shojin-kai (please refer to the above).

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 JPY87 billion (approximately S\$1.09 billion) as at 31 October 2019.

2. RATIONALE FOR THE ACQUISITION

2.1 DPU Accretion

Based on the expected net property yield of the Acquisition of 6.8%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 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 Strength of the Properties

The Manager believes that the healthy operational occupancy of the Properties of approximately 94% as at 31 October 2019 reflects the operational stability of the Properties. The Properties are strategically located in the residential neighbourhood within the key cities of the respective prefectures, Gifu, Wakayama and Yamaguchi Prefectures. In addition, Parkway Life REIT's tenant risk exposure will be further diversified with the addition of three new operators, two of which are associated companies of K. K. Habitation, which is Parkway Life REIT's second largest nursing home operator 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 31 October 2019 is set out in paragraph 3.3 below.

The Purchase Price will be paid in cash to the respective 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\$0.46 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 JPY24.05 million (approximately S\$0.30 million) excluding tax, is payable to the Asset Manager for facilitating the acquisition of the Properties; and
- (iii) a one-time brokerage fee of JPY55.50 million (approximately S\$0.69 million) excluding tax, is payable to the brokers responsible for brokering the acquisition of the Properties.

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 Properties. In its valuation reports dated 8 November 2019, Enrix stated that the total appraised value of the Properties as at 31 October 2019 is JPY3,970 million (approximately S\$49.63 million). The following sets out the break-down of each of the Properties’ Purchase Price and Valuation:

	Property	Purchase Price (JPY)	Valuation (JPY)
1.	Hodaka no Niwa	1,300,000,000	1,400,000,000
2.	Orange no Sato	1,200,000,000	1,280,000,000
3.	Haru no Sato	1,200,000,000	1,290,000,000
	Total	3,700,000,000	3,970,000,000

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 7% 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 2019.

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
3 December 2019

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.