

**NEWS RELEASE****FOR IMMEDIATE RELEASE****PARKWAY LIFE REIT KICK-STARTS 2017 WITH THE ACQUISITION  
OF FIVE PROPERTIES IN JAPAN**

- Driven by the REIT's 2<sup>nd</sup> asset recycling initiative, the new acquisitions will further fortify the quality of the REIT's Japan portfolio
- DPU yield-accretive acquisition at net property yield of 6.9%
- Deepens the REIT's footprint in Chiba Prefecture and marks its foray into a new region within Japan, Yamaguchi Prefecture

**Singapore, 17 February 2017** – Parkway Trust Management Limited (the “**Manager**”), as manager of Parkway Life Real Estate Investment Trust (“**PLife REIT**”), one of Asia's largest listed healthcare REITs, is pleased to announce that PLife REIT started 2017 on a strong note with the acquisition of four nursing homes and one group home<sup>1</sup> in Japan (the “**Properties**”) from Marubeni Corporation, UBI Kabushiki Kaisha and UBI Capital Kabushiki Kaisha (collectively as the “**Vendors**”) for a total consideration of JPY4,759 million (approximately S\$59.5 million<sup>2</sup>). With the recent divestment made in the fourth quarter of 2016 and upon completion of the acquisition of the Properties, the REIT would have successfully implemented its second asset recycling initiative to rebalance and enhance the overall resiliency of the REIT's Japan portfolio.

**Acquisition of DPU yield-accretive Properties**

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 Properties, which will be acquired at approximately 9.1% discount to valuation<sup>3</sup>, is expected to generate a net

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<sup>1</sup> A group nursing home catering specifically for elderly dementia residents.

<sup>2</sup> All JPY reference in this press release are based on the exchange rate of S\$1.00 to JPY80.00 (“Exchange Rate”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this press release will be based on the Exchange Rate.

<sup>3</sup> K.K. Halifax Associates (Colliers International Tokyo) has independently valued the Properties as at 31 December 2016 at JPY 5,234 million (approximately S\$65.4 million).

property yield of 6.9%<sup>4</sup>. The acquisition is targeted to be completed by the first quarter of 2017.

“PLife REIT is pleased to successfully implement yet another asset recycling exercise. Most importantly the positive attributes of the five new Properties will further enhance the overall resiliency of our Japan portfolio. Leveraging on our strategic partnership and the strong aging demographics, we continue to monitor the aged care market of the nation closely as we seek out and seize opportunities in a timely and disciplined manner,” said Mr. Yong Yean Chau, Chief Executive Officer of the Manager.

### **Risk mitigation through tenant and geographical diversification**

The Properties are well-located in the key cities of the respective prefectures, Chiba Prefecture and Yamaguchi Prefecture. PLife REIT will make its maiden foray into Yamaguchi Prefecture and deepen its presence in the Chiba Prefecture, which is located within the Greater Tokyo Area. They are:

- 1) Wakaba no Oka, located in Chiba City, Chiba Prefecture
- 2) Hakusho no Sato, located in Yachimata City, Chiba Prefecture
- 3) Group Home Hakusho, located in Yachimata City, Chiba Prefecture
- 4) Kikuya Warakuen, located in Kudamatsu City, Yamaguchi Prefecture
- 5) Sanko, located in Kudamatsu City, Yamaguchi Prefecture

In addition, PLife REIT’s tenant risk exposure will be further diversified with the addition of three new operators. Two of the operators are subsidiaries of Kabushiki Kaisha Habitation, which is PLife REIT’s second largest nursing home operator in Japan. “We are pleased to strengthen our collaboration with one of our strong and long-standing partners, Kabushiki Kaisha Habitation, which we are confident they will continue driving the operational performance of the facilities. The acquisition also adds another established operator to PLife REIT and further diversifies our tenant base.” Mr Yong added.

With the new acquisition, PLife REIT’s Japan portfolio will stand at approximately S\$652 million, or about 38% of total assets under management.

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<sup>4</sup> The expected net property yield is computed by dividing the contractual net property income by the purchase price of the Properties.

### **Long and stable lease terms boost the portfolio resiliency**

The Properties will be on long term master lease arrangement with balance lease term of approximately 20 to 30 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 8.44 years<sup>5</sup> to 9.81 years.

To ensure delivering sustainable returns to PLife REIT's unitholders, backup operator arrangements are being put in place in the event that the existing operators are unable to operate the Properties.

### **Continuous growth of the healthcare sector in Japan**

In Japan, with a relatively low fertility rate and longer life expectancy, the ageing population is expected to grow. Statistic reveals that a quarter of the Japanese population are currently 65 years old or older<sup>6</sup>. It is expected that by 2040, the number of elderly will surpass a third of its population. To match this rising demand, there will need to be an increased number and types of long-term senior care facilities available in Japan. Furthermore, approximately 520,000 elderly in Japan are currently on the waiting lists for placements in nursing homes nationwide<sup>7</sup>. These factors combined ensure resilient demand for quality nursing homes, providing greater investment opportunity for PLife REIT.

### **Funding for the Acquisition**

This acquisition will be partially funded by the capital proceeds in Japanese Yen ("JPY") from the recent divestment completed on 22 December 2016 and partially via long-term JPY denominated debts. As PLife REIT continues to adopt a natural hedge strategy for the 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. Post acquisition, PLife REIT's gearing will increase from 36.3% (as at 31 December 2016) to 37.5%.

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<sup>5</sup> As at 31 December 2016

<sup>6</sup> The Straits Times. (2016, July 31). A home from home for Japan's elderly. Retrieved December 04, 2016, from <http://www.straitstimes.com/asia/a-home-from-home-for-japans-elderly>

<sup>7</sup> Matsuyama, K. (2015, February 20). Tokyo's Elderly Turned Away as Nursing Homes Faces Aid Cuts. Retrieved January 20, 2016, from Bloomberg: <http://www.bloomberg.com/news/articles/2015-02-19/tokyo-s-elderly-turned-away-as-nursing-homes-face-aid-cuts>

## 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 44 properties with a total portfolio size of approximately S\$1.7 billion<sup>8</sup> as at 31 December 2016. It owns the largest portfolio of strategically-located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In addition, it has 40 assets located in Japan, including one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture as well as 39 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**

This press release 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 (“PLife REIT” and the units in PLife REIT, the “Units”).

The value of the Units and the income derived 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 PLife REIT, or any of its affiliates. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of PLife 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 PLife REIT or the Manager is not necessarily indicative of the future performance of PLife REIT or the Manager. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

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<sup>8</sup> Based on latest appraised values