



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

ANNUAL GENERAL MEETING ON 30 APRIL 2024

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS

Parkway Trust Management Limited, as manager of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**", and the manager of Parkway Life REIT, the "**Manager**"), refers to Parkway Life REIT's notice of annual general meeting ("**AGM**") and the accompanying AGM announcement dated 28 March 2024.

The Manager would like to thank all Unitholders who have submitted their questions in advance of the AGM.

Please refer to the Annex hereto for the Manager's responses to the substantial and relevant questions which have been submitted by Unitholders.

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

23 April 2024

ANNEX

LIST OF SUBSTANTIAL AND RELEVANT QUESTIONS AND RESPONSES

Question 1

Would the Japan nursing home assets be able to continue contributing to the REIT's unblemished record of consistent increases in DPU?

If Japan transitions to a sustained inflationary environment and the accompanying higher interest rates, the operating environment for the REIT's nursing homes have changed.

Unlike the Singapore assets, the Japan assets do not enjoy a Triple Net Lease arrangement nor an annual rent review formula that has $(CPI + 1\%) \times \text{Preceding Year's Rent}$ as the base renewal amount.

Revenue Increase may be Slowing Down

- The inflationary environment could eat away at the profits of the operators paying rent to the REIT, resulting in smaller than desired rent increases during renewal discussions with the operators.
 - As the elderly are relying on their savings, it is hard for operators to transfer heightened operational costs. I understand the government only subsidise the costs of nursing care, with lodging costs fully paid by the elderly residents.
- The long term fixed rent leases common in the industry are disadvantageous in an inflationary environment.

Costs may be Going Up

- The interest rates on Yen denominated borrowing are going up, and may only be partially mitigated by hedging.
- The acquisition price for additional good quality nursing home assets may be steep, given the competition for such assets, resulting in lower cap rates (e.g. entry of First REIT in 2022, amongst others looking to invest in the nursing home industry).

Manager's Response:

Augmented by its strong balance sheet and solid track record, PLife REIT is confident in the long-term prospects of its Japan portfolio to remain a viable contributor to its consistent increase in DPU.

Notwithstanding the potential challenges posed by Japan's transition to a sustained inflationary environment that would invariably affect local operators, demand for good quality nursing homes continue to be on the increase with Japan's aging population.

The operating environment for PLife REIT's nursing homes in Japan and Singapore is different and so is the rental arrangement of its Japan assets from its Singapore assets. PLife REIT is constantly working closely with the Japan operators to seek win-win collaborations such as executing asset enhancement initiatives ("AEI") to improve rental revenue. To-date, 14 AEIs have been executed for the Japan portfolio to enhance the operational efficiency of the assets e.g. installing energy efficient installations to reduce utility expense in return for an increase in rental.

PLife REIT is focused on actively managing its portfolio to mitigate risks and maximise returns, with ongoing evaluation and adjustments to its investment strategy to adapt to changing market conditions.

In an inflationary environment where profits could be eaten away from the operators paying rent to PLife REIT, the Manager does not expect significant impact to desired rent increases during renewal discussions with the operators.

PLife REIT's portfolio of nursing homes are positioned as private nursing homes that cater to the mid-to-upper market with residents partially self-paying for their stay. This helps to mitigate the long-term fixed rent leases in an inflationary environment as they are less reliant on government for subsidies. In addition, it allows PLife REIT more flexibility in negotiating rent increases that reflect the true cost of operations, thus ensuring sustainable growth for PLife REIT.

In the recent policy meeting, the Bank of Japan (BOJ) has announced an end to its negative rates regime by introducing a rate hike for the first time in 17 years. The yield-curve control policy, which the central bank had employed to control the sovereign bond yields, has also been abolished. Notwithstanding the foregoing, BOJ has also signified that further and/or drastic rate hikes will not be foreseeable within the near term. Hence, the impact of the policy shift is expected to be limited and specific to the real estate sector, Japan's relative attractiveness as an investment destination is expected to remain intact. Consequently, financing costs are expected to gradually rise over time but the Manager will continue to monitor the exposure and utilises various financial instruments, such as interest rate swap, interest rate cap and cross currency interest rate swap etc. to hedge against the market fluctuations.

Augmented by its robust balance sheet and solid track record in capital management, PLife REIT is well-positioned to seize opportunities in the ever expanding healthcare sector, which is expected to remain resilient despite the uncertain global economic conditions given the rising demand for better quality private healthcare services driven by fast ageing population and rising affluence.

Question 2

A potential long-term risk may be the sustainability of the Japan Long Term Care Insurance Scheme, if there is reduction in the government spending due to fiscal pressures arising from persistent fiscal deficits and competing needs such as defence spending. What are the management's thoughts on mitigating that risk? (e.g. build a 3rd key market etc...)

Manager's Response:

The potential long-term risk is mitigated as the positioning of PLife REIT's portfolio of nursing homes as mid-to-upper tier market is less dependent on government subsidy given that residents are partially self-paying for their stay.

As part of PLife REIT's multi-prong growth platform, PLife REIT plans to develop a 3rd key market to enhance the long term growth and also further enhance geographical and tenant diversification to mitigate concentration risk within the portfolio. With the rising global aging population, the growing demand for quality healthcare and elderly care services and requirement continues to drive the resiliency of the sector. Against the backdrop of a challenging market environment, PLife REIT continues to closely monitor the macro environment and investment markets to source investment opportunities in countries.

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 the 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.