



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

ACQUISITION OF TWO NURSING HOMES LOCATED IN JAPAN

1. INTRODUCTION

1.1 Agreement to Purchase Two 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 Japan2 Pte. Ltd. (the “**SPV**”), entered into a *Tokumei Kumiai* agreement (or silent partnership agreement, the “**TK Agreement**”) with Godo Kaisha SAMURAI 19, a *Godo Kaisha* incorporated under Japanese laws (the “**TK Operator**”) in relation to the acquisition of two nursing homes in Japan (the “**Properties**”) by the TK Operator (the “**Acquisition**”) at a total purchase price of JPY1,766.4 million (approximately S\$16.4 million¹) (the “**Purchase Price**”). Completion is expected to take place by the fourth quarter of 2023 (the “**Closing Date**”).

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

1.2 Certain Information on the Properties

	Property	Lessee	Location	No. of Beds	Type of Property
1.	HIBISU Shirokita Koendori	K.K. BISCOUSS	Osaka City, Osaka Prefecture	52	Nursing Home
2.	HIBISU Suita	K.K. BISCOUSS	Suita City, Osaka Prefecture	56	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*².

¹ Based on the exchange rate of S\$1.00:JPY107.76 (the “**Exchange Rate**”). Unless otherwise stated, all conversions of JPY amounts into S\$ in this announcement will be based on the Exchange Rate.

² 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 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

The TK Operator will assume the following building lease agreements which have been entered between the Vendor and K.K. BISCOUSS (the “**Lessee**”) for a lease term of 30 years (the “**Building Lease Agreements**”):

- (i) a balance of approximately 29.1 years building lease agreement in relation to HIBISU Shirokita Koendori property at an annual gross rental of approximately JPY43.7 million (approximately S\$0.4 million); and
- (ii) a balance of approximately 29.9 years building lease agreement in relation to HIBISU Suita property at an annual gross rental of approximately JPY49.1 million (approximately S\$0.5 million).

1.5 Indemnity

BISCOUSS Holdings K.K., being the parent company of the Lessee, will in connection with the entry into the Building Lease Agreements for the Properties, irrevocably, unconditionally and absolutely, covenant (i) the prompt performance, payment and fulfilment of any and all obligations (including, without limitation, all obligations to make rental payments and maintain applicable licenses) of the Lessee under the Building Lease Agreements; and (ii) the indemnity to the TK Operator for any and all damages, losses, costs and expenses (including, but not limited to, reasonable attorneys’ fees) suffered or incurred by the TK Operator due to failure of the prompt performance, payment or fulfilment of any of the obligations of the Lessee under the Building Lease Agreements.

1.6 Undertaking Letter

The Vendor has provided an undertaking letter to the TK Operator, in which it agrees, among others, to indemnify and hold harmless the TK Operator against costs and expenses resulting from the non-compliance with any applicable laws and regulations in relation to the Properties.

1.7 Backup Operator Agreement

The TK Operator will enter into backup operator agreement with Kabushiki Kaisha Genki na Kaigo, a Japanese *kabushiki kaisha* (the “**Backup Operator**”), and the Lessee in relation to the Properties.

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 home run smoothly in the event of any cancellation or termination of the current lease agreements.

1.8 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.

1.9 Information on the Vendor, Lessee and the Asset Manager

Vendor

K.K. FDS, founded in 2001, is a well-recognised and established real estate developer in the Kansai region of Japan. As at September 2023, it has a paid up capital of JPY99.0 million (approximately S\$0.9 million).

Lessee

K.K. BISSUSS is a reputable nursing and care service operator in the Kansai region of Japan. Founded in 2015, K.K. BISSUSS has a paid up capital of JPY40.0 million (approximately S\$0.4 million) as at September 2023 and currently operates 17 nursing and/or aged care facilities in Osaka and Hyogo Prefectures in Japan.

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 JPY110.0 billion (approximately S\$1.0 billion) as at September 2023.

2. RATIONALE FOR THE ACQUISITION

2.1 DPU Accretive Acquisition

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.

2.3 Fortification of Parkway Life REIT's Japan Portfolio & Enhancement of Tenant Diversification with Reputable Operator

The Properties, HIBISU Shirokita Koendori and HIBISU Suita, were newly-constructed in 2022 and 2023 respectively. Both freehold properties which are well-located in the residential areas of their respective cities in Osaka Prefecture, with close proximity to central Osaka City, are Building-Housing Energy-efficiency Labelling System (BELS)³ certified. The Acquisition will see Parkway Life REIT taking over the existing building lease agreements of the Properties, with an average long balance lease term of approximately 29 years. This will improve Parkway Life REIT's weighted average lease expiry (by gross revenue) from 16.7 years⁴ to 16.8 years, further enhancing the resiliency of Parkway Life REIT's earnings. In addition, the Acquisition will also enable Parkway Life REIT to gain a new credible operator with proven operating track record for long-term partnership and further tenant diversification in Japan.

2.4 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.

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 August 2023 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 Properties 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\$0.2 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;

³ BELS is a third party certification system in Japan that evaluates the energy saving performance of buildings based on the Building Energy Efficiency Act.

⁴ As at 30 June 2023.

- (ii) a one-time acquisition fee of JPY11.5 million (approximately S\$0.1 million) excluding tax, is payable to the Asset Manager for facilitating the acquisition of the Properties; and
- (iii) a one-time brokerage fee of JPY17.7 million (approximately S\$0.2 million) excluding tax, is payable to the broker 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. In its valuation reports dated 19 September 2023, Enrix stated that the total appraised value of the Properties as at 31 August 2023 is JPY2,004.0 million (approximately S\$18.6 million). The following sets out the break-down of each of the Properties’ Purchase Price and Valuation:

	Property	Purchase Price (JPY)	Valuation (JPY)
1.	HIBISU Shirokita Koendori	832,000,000	954,000,000
2.	HIBISU Suita	934,400,000	1,050,000,000
	Total	1,766,400,000	2,004,000,000

The valuation was prepared with an emphasis on the Discounted Cash Flow Method (based on Income Approach Value) and Cost Approach Value used as reference and the Purchase Price is approximately 11.9% 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 2023.

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 Properties from the Vendor, and the Properties will be held by the TK Operator as the legal owner. It should be noted that 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 Agreement 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
18 October 2023

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.