



(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))

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## ACQUISITION OF TWO NURSING HOMES LOCATED IN JAPAN

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### 1. INTRODUCTION

First REIT Management Limited (in its capacity as manager of First Real Estate Investment Trust (“**First REIT**”)) (the “**Manager**”) wishes to announce that Perpetual (Asia) Limited (in its capacity as trustee of First REIT) (the “**Trustee**”), has through its wholly-owned subsidiary, OUELH Japan Medical Facilities Pte. Ltd. (“**JMF**”), entered into a *Tokumei Kumiai* agreement, or silent partnership agreement (the “**TK Agreement**”) with First REIT Japan 2 GK, a Japan *godo kaisha* (“**FRJ2 GK**”)<sup>1</sup> in relation to the Acquisitions (as defined herein).

FRJ2 GK has today entered into the following conditional trust beneficial interest purchase and sale agreements:

- (i) a conditional trust beneficial interest purchase and sale agreement with Healthcare & Medical Investment Corporation, a Japan *toushi houjin*, which is an unrelated third party (the “**Komaki Vendor**”, and the conditional trust beneficial interest purchase and sale agreement entered into with the Komaki Vendor, the “**Komaki TBI Purchase and Sale Agreement**”), to acquire the trust beneficial interest (the “**TBI**”) in Medical Rehabilitation Home Bon Séjour Komaki (the “**Komaki Property**”) for a purchase consideration of JPY1,450.0 million (the “**Komaki Purchase Consideration**”), for First REIT to acquire an effective interest of 100% in the Komaki Property (the “**Komaki Acquisition**”); and
- (ii) a conditional trust beneficial interest purchase and sale agreement with Godo Kaisha Trinity Hawaii, a Japan *GK*, which is an unrelated third party (the “**Ayase Vendor**”, the conditional trust beneficial interest purchase and sale agreement entered into with the Ayase Vendor, the “**Ayase TBI Purchase and Sale Agreement**”, and together with the Komaki TBI Purchase and Sale Agreement, the “**TBI Purchase and Sale Agreements**”), to acquire the TBI in Loyal Residence Ayase (the “**Ayase Property**”) for a purchase consideration of JPY1,130.0 million (the “**Ayase Purchase Consideration**”), for First REIT to acquire an effective interest of 100% in the Ayase Property (the “**Ayase Acquisition**”).

### 2. DESCRIPTION OF THE PROPERTIES

#### 2.1 The Komaki Property

Medical Rehabilitation Home Bon Séjour Komaki, with a gross floor area (“**GFA**”) of 8,858.49 square metres (“**sqm**”), is a 10-storey nursing home building with a large open carpark space

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<sup>1</sup> A *godo kaisha* (“**GK**”) is a common structure adopted for investment in real estate under Japanese law. The GK corporate structure is similar to that of a *kabushiki kaisha* (limited liability company), with the members of the GK both owning and managing the GK (or certain member(s) owning but not managing the GK, as specified in its articles of incorporation).

located within the residential area of Komaki City in Aichi Prefecture, Japan, which is approximately 18.9 kilometres or a half-hour drive away from Nagoya City Centre. The nursing home has 124 rooms with a maximum capacity of 165 beds. It is currently operated as a residential type paid nursing home by Benesse Style Care Co., Ltd..

## 2.2 The Ayase Property

Loyal Residence Ayase, with a GFA of 3,386.52 sqm, is a three-storey nursing home building located within the residential area of Ayase City in Kanagawa Prefecture, Japan, which is geographically situated between Tokyo and Yokohama and is a one-hour drive away from Tokyo City Centre. The nursing home has 80 rooms with a maximum capacity of 80 beds. It is currently operated as a Serviced Housing for the Elderly (Specific Facilities) by Social Welfare Research Institute Co., Ltd.. Upon completion of the Ayase Acquisition (the “**Ayase Completion**”), the Ayase Property would be First REIT’s first and closest property to Tokyo City Centre.

## 3. STRUCTURE OF THE ACQUISITIONS

Pursuant to the TK Agreement, First REIT will on or before 20 September 2022, through JMF, contribute an agreed upon capital contribution<sup>1</sup> into FRJ2 GK. As holder of the *Tokumei Kumiai* interest, JMF is entitled to the profits generated, and will be required to bear the losses incurred, by FRJ2 GK, provided that JMF’s liability for the losses shall not exceed the aggregate amount of its contribution(s) under the TK Agreement.

Pursuant to the TBI Purchase and Sale Agreements, FRJ2 GK will acquire the TBI in each of the Komaki Property and the Ayase Property (collectively, the “**Properties**”) from the Komaki Vendor and the Ayase Vendor respectively. The legal titles of the Properties are entrusted to licensed trust companies (the “**Trust Banks**”). Due to the nature of the arrangements under the TK Agreement, neither the Trustee nor JMF is the legal owner of the respective TBIs upon completion of the Komaki Acquisition (the “**Komaki Completion**”) and the Ayase Completion (collectively, the “**Completion**”). Following the Completion, the legal title to each of the Properties will continue to be held by the respective Trust Banks while the TBI in each of the Properties will be held by FRJ2 GK.

The Completion will be subject to the satisfaction of a number of conditions including, *inter alia*, the representations and warranties, including the compliance with applicable laws and regulations and the obtaining of applicable governmental and regulatory approvals as set out in the TBI Purchase and Sale Agreements.

## 4. VALUATION

Colliers International Japan KK (the “**Independent Valuer**”), the independent property valuer commissioned by the Trustee, in its reports dated 21 September 2022, stated that the open market value of the Komaki Property and the Ayase Property was JPY1,530.0 million and JPY1,140.0 as at 31 July 2022 respectively. The following sets out the break-down of the Properties’ respective appraised value, purchase consideration and discount to appraised value:

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1 This includes the JPY1.0 billion investment by JMF into FRJ2 GK for purposes of application for the status of a Qualified Institutional Investor by JMF. “**Qualified Institutional Investor**” refers to *tekikaku-kan-toshika* status as provided in Article 2, Paragraph 3, Sub-paragraph 1 of the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) (“**FIEL**”) and Article 10 of the Cabinet Ordinance regarding Definitions as Provided in Article 2 of the FIEL (Ministry of Finance Ordinance No. 14 of 1993, as amended).

Property	Appraised Value by Independent Valuer	Purchase Consideration	Discount to Appraised Value
	(JPY)	(JPY)	(%)
Komaki Property	1,530,000,000	1,450,000,000	5.23%
Ayase Property	1,140,000,000	1,130,000,000	0.88%
<b>Total</b>	<b>2,670,000,000</b>	<b>2,580,000,000</b>	<b>3.37%</b>

In arriving at the open market values, the Independent Valuer relied on the Cost Approach and Income Approach (using the Discounted Cash Flow Method and Direct Capitalisation Method).

## 5. CERTAIN PRINCIPAL TERMS OF THE ACQUISITIONS

### 5.1 Purchase Consideration

The aggregate of the Komaki Purchase Consideration and the Ayase Purchase Consideration (the “**Purchase Consideration**”) of JPY2,580,000,000 was arrived at on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Properties.

Pursuant to the Komaki TBI Purchase and Sale Agreement, on the date of the Komaki Completion (the “**Komaki Completion Date**”), the Komaki Purchase Consideration will be paid in cash to the Komaki Vendor by transfer to the Komaki Vendor’s specified bank account.

Pursuant to the Ayase TBI Purchase and Sale Agreement, on the date of the Ayase Completion, the Ayase Purchase Consideration will be paid in cash to the Ayase Vendor by transfer to the Ayase Vendor’s specified bank account.

### 5.2 Asset Management Agreement

In connection with the Komaki Acquisition and Ayase Acquisition (collectively, the “**Acquisitions**”), FRJ2 GK has on 16 September 2022 entered into an asset management agreement with Colliers International Japan KK, a Japan *kabushiki kaisha* (the “**Asset Manager**”) in respect of the Properties (the “**Asset Management Agreement**”). Pursuant to the Asset Management Agreement, the Asset Manager is responsible for the servicing, administration and management of the Properties.

## 6. TOTAL ESTIMATED ACQUISITION COST

The estimated total cost of the Acquisitions (the “**Total Acquisition Cost**”) is approximately JPY2,884.7 million, comprising:

- (i) the Purchase Consideration which is estimated to be approximately JPY2,580.0 million;
- (ii) the acquisition fee payable to the Manager for the Acquisitions pursuant to the trust deed dated 19 October 2006 constituting First REIT, as amended, varied or supplemented from time to time (the “**Trust Deed**”) of approximately JPY25.8 million; and
- (iii) the estimated professional and other fees and expenses of approximately JPY278.9 million incurred or to be incurred by First REIT in connection with the Acquisitions.

The Manager intends to finance the Total Acquisition Cost, estimated to be approximately JPY2,884.7 million, by debt.

## 7. KEY RATIONALE FOR THE ACQUISITIONS

### 7.1 In line with First REIT 2.0 Growth Strategy to diversify into developed markets

One of First REIT's 2.0 Growth Strategy pillars is to diversify into developed markets.

Prior to the Acquisitions, First REIT's portfolio in Japan comprises 12 nursing homes acquired in March 2022 (the "**Existing Japan Nursing Homes**"). The Properties will enhance the diversification of First REIT's overall portfolio as well as its Japan portfolio, as they are located at locations that First REIT does not have a presence yet, being Aichi Prefecture and Kanagawa Prefecture.

The Properties are also freehold assets. Following the Completion, the percentage of First REIT's portfolio that consists of freehold or Hak Guna Bangunan assets will increase to 89.2% from 89.0% as at 31 December 2021 on a *pro forma* basis and including the Existing Japan Nursing Homes, which improves the quality of land tenure of First REIT's Enlarged Portfolio<sup>1</sup>.

Additionally, the Acquisitions demonstrate First REIT's ability to acquire properties from third parties successfully.

### 7.2 Addition of third-party operators to further enhance tenant diversification

The Properties are 100% master leased to master tenants who are well established and experienced independent local nursing home operators.

<b>Benesse Style Care Co., Ltd.</b>	<b>Social Welfare Research Institute Co., Ltd.</b>
✓ Operates Medical Rehabilitation Home Bon Séjour Komaki	✓ Operates Loyal Residence Ayase
✓ Operating track record of over 19 years since 2003	✓ Operating track record of over 15 years since 2007
✓ Currently operates 343 elder care facilities, primarily in urban areas of Tokyo and other prefectures in Japan	✓ Currently runs 16 elderly residence facilities in three Kanto prefectures (Saitama, Chiba and Kanagawa Prefectures)
✓ Ranked first in the number of homes and second in the number of rooms nationwide	✓ Operator that is progressively building a track record across all types of nursing care homes
✓ Leading operator in the industry with outstanding track record, expertise and know-how	

<sup>1</sup> The "**Enlarged Portfolio**" comprises (i) the 31 properties held by First REIT as at 30 June 2022, (ii) the Komaki Property and (iii) the Ayase Property.

### 7.3 Acquisitions are DPU Accretive to Unitholders on a *Pro Forma* Basis

The Properties, which are located near Tokyo and Nagoya city centres, have a combined net property yield of 5.20%. With this yield, the Acquisitions are expected to be distribution per unit (“DPU”) accretive to holders of units in First REIT (“Unitholders”, and holders of Units, “Unitholders”) on a *pro forma* basis.

## 8. 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 “SGX-ST”, and the listing manual of the SGX-ST, the “Listing Manual”), the transaction is classified as a “Non-Discloseable Transaction” within the meaning of Rule 1008 of the Listing Manual.

The Manager is of the view that the Acquisitions are in the ordinary course of First REIT’s business as the Acquisitions are within the investment policy of First REIT and do not change the risk profile of First REIT.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Based on information available to the Manager as at the date of this Announcement, none of the directors of the Manager (“Directors”) or the Substantial Unitholders<sup>1</sup> has an interest, direct or indirect, in the Acquisitions.

## 10. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Acquisitions or any other transactions contemplated in relation to the Acquisitions.

## 11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection with prior appointment<sup>2</sup> during normal business hours at the registered office of the Manager located at 333 Orchard Road #33-02 Singapore 238867 from the date of this Announcement up to and including the date falling three months after the date of this Announcement:

- (i) the TBI Purchase and Sale Agreements;
- (ii) the full valuation report issued by the Independent Valuer in respect of the Komaki Property; and
- (iii) the full valuation report issued by the Independent Valuer in respect of the Ayase Property.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as First REIT is in existence.

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1 “Substantial Unitholder” refers to a person with an interest in Units constituting not less than 5% of all Units in issue.

2 Prior appointment with the Manager (telephone: +65 6435 0168 or email: [ir@first-reit.com](mailto:ir@first-reit.com)) must be made to schedule the inspection.

By Order of the Board

Tan Kok Mian Victor  
Executive Director and Chief Executive Officer  
First REIT Management Limited  
(Company registration no. 200607070D)  
As Manager of First Real Estate Investment Trust

21 September 2022

### **Important Notice**

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, 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. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This Announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in 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 from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.