
DIVESTMENT OF FOUR PROPERTIES

The Board of Directors of Japan Residential Assets Manager Limited, the manager ("**Manager**") of Saizen Real Estate Investment Trust ("**Saizen REIT**"), wishes to announce the divestments of Sun Park Yokokawa, Funairi Honmachi 54, Residence II Yasuda and Matoba Y Building (each a "**Current Divestment**" or collectively, the "**Current Divestments**") from the property portfolio of Yugen Kaisha ("**YK**") Shintoku.

Background*Sun Park Yokokawa*

YK Shintoku has, on 29 September 2010, entered into a sale and purchase agreement for the divestment of Sun Park Yokokawa ("**SPY**") to an independent private investor (the "**SPY Buyer**") for a cash consideration of JPY 55,000,000 (S\$0.9 million¹) (the "**SPY Sale Price**"). The divestment of SPY was completed on the same day upon the payment of the full amount of the SPY Sale Price by the SPY Buyer.

SPY, located in Hiroshima, was built in February 1988 and comprises 21 residential units. It contributed about 0.2% (or approximately JPY 6.8 million) of Saizen REIT's annual revenue in the financial year ended 30 June 2010 ("**FY2010**").

Funairi Honmachi 54

YK Shintoku has, on 29 September 2010, entered into a sale and purchase agreement for the divestment of Funairi Honmachi 54 ("**FH**") to an independent private investor (the "**FH Buyer**") for a cash consideration of JPY 154,000,000 (S\$2.4 million) (the "**FH Sale Price**"). The divestment of FH was completed on the same day upon the payment of the full amount of the FH Sale Price by the FH Buyer.

FH, located in Hiroshima, was built in March 1992 and comprises 28 residential units, 1 commercial unit and 3 car parking units. It contributed about 0.4% (or approximately JPY 18.0 million) of Saizen REIT's gross revenue for FY2010.

Residence II Yasuda

YK Shintoku has, on 29 September 2010, entered into a sale and purchase agreement for the divestment of Residence II Yasuda ("**RY**") to an independent private investor (the "**RY Buyer**") for a cash consideration of JPY 85,250,451 (S\$1.3 million) (the "**RY Sale Price**"). The divestment of RY was completed on the same day upon the payment of the full amount of the RY Sale Price by the RY Buyer.

¹ Based on an exchange rate of S\$1.00 to JPY63.7 as at 28 September 2010, which is applied throughout this announcement unless stated otherwise.

RY, located in Hiroshima, was built in May 1985 and comprises 21 residential units and 2 car parking units. It contributed about 0.2% (or approximately JPY 9.9 million) of Saizen REIT's gross revenue for FY2010.

Matoba Y Building

YK Shintoku has, on 29 September 2010, entered into a sale and purchase agreement for the divestment of Matoba Y Building ("**MYB**") to an independent private investor (the "**MYB Buyer**") for a cash consideration of JPY 166,570,000 (S\$2.6 million) (the "**MYB Sale Price**"). The divestment of MYB was completed on the same day upon the payment of the full amount of the MYB Sale Price by the MYB Buyer.

MYB, located in Hiroshima, was built in October 1999 and comprises 23 residential units, 1 commercial unit and 2 car parking units. It contributed about 0.4% (or approximately JPY 16.6 million) of Saizen REIT's gross revenue for FY2010.

Given the small sizes of SPY, FH, RY and MYB relative to the entire portfolio of Saizen REIT, the Current Divestments are not expected to have any material impact on the financial position of Saizen REIT.

Consideration

The SPY Sale Price, FH Sale Price, RY Sale Price and MYB Sale Price, amounting to an aggregate of JPY 460,820,451 (S\$7.2 million), were fully paid up by their respective buyers on 29 September 2010. The entire proceeds from the Current Divestments will be used for partial repayment of the YK Shintoku Loan.

The SPY Sale Price, FH Sale Price, RY Sale Price and MYB Sale Price were arrived at on an arm's length basis, taking into account, *inter alia*, their respective valuations (as defined below) and the prevailing market conditions.

Property value and financial results

Based on the valuations of SPY, FH and RY prepared by Success Solutions Inc., an independent valuer commissioned by the Manager, SPY, FH and RY were valued at JPY 55.1 million (S\$0.9 million) (the "**SPY Valuation**"), JPY 164.0 million (S\$2.6 million) (the "**FH Valuation**") and JPY 90.0 million (S\$1.4 million) (the "**RY Valuation**") as at 30 June 2010 respectively.

The SPY Sale Price represents a discount of approximately 0.2% to the SPY Valuation. The FH Sale Price represents a discount of approximately 6.1% to the FH Valuation. The RY Sale Price represents a discount of approximately 5.3% to the RY Valuation.

Based on the valuation of MYB prepared by Advance Appraisers Co., Ltd., an independent valuer commissioned by the Manager, MYB was valued at JPY 173.0 million (S\$2.7 million) (the "**MYB Valuation**") as at 30 June 2010. The MYB Sale Price therefore represents a discount of approximately 3.7% to the MYB Valuation.

In the past 12 months, YK Shintoku had completed the divestments of Legions Yunokawa (announcements dated 31 August 2009 and 29 September 2009), River City Kimachi (announcement dated 5 October 2009) and Urban KN2 Kumamoto (announcements dated 26 October 2009 and 30 October 2009) (collectively, the "**FY2010 Divestments**"), and had also

signed the conditional sale and purchase agreement for the divestment of Patios Ohashi (announcement on 21 September 2010) (the “**FY2011 Divestment**”).

A summary of the net book value, sale price and resultant loss on disposal in respect of the Current Divestments, the FY2010 Divestments and the FY2011 Divestment is as follows:

| | SPY | FH | RY | MYB | FY2010 Divestments and FY2011 Divestment |
|--|-----------------------------------|----------------------------------|---------------------------------|----------------------------------|--|
| Net book value ² | JPY 55.1 mil (S\$0.9 mil) | JPY 164.0 mil (S\$2.6 mil) | JPY 90.0 mil (S\$1.4 mil) | JPY 173.0 mil (S\$2.7 mil) | JPY 410.0 mil (S\$6.4 mil) |
| Sale price | JPY 55.0 mil (S\$0.9 mil) | JPY 154.0 mil (S\$2.4 mil) | JPY 85.3 mil (S\$1.3 mil) | JPY 166.6 mil (S\$2.6 mil) | JPY 378.2 mil (S\$5.9 mil) |
| Excess/(deficit) of sale price over the book value | (JPY 0.1 mil) ((S\$0.002 mil)) | (JPY 10.0 mil) ((S\$0.2 mil)) | (JPY 4.7 mil) ((S\$0.1 mil)) | (JPY 6.4 mil) ((S\$0.1 mil)) | (JPY 31.8 mil) ((S\$0.5 mil)) |
| Profit/(loss) on disposal ³ | (JPY 3.5 mil) ((S\$0.1 mil)) | (JPY 19.7 mil) ((S\$0.3 mil)) | (JPY 9.0 mil) ((S\$0.1 mil)) | (JPY 16.2 mil) ((S\$0.3 mil)) | (JPY 54.0 mil) ((S\$0.8 mil)) |

The net profit/(loss) attributable to the properties in respect of the Current Divestments, the FY2010 Divestments and the FY2011 Divestment in FY2010 is as follows:

| | SPY | FH | RY | MYB | FY2010 Divestments ⁴ and FY2011 Divestment |
|---|------------------------------|----------------------------------|---------------------------------|------------------------------|---|
| Net profit/(loss) attributable to property ⁵ | JPY 0.4 mil (S\$0.01 mil) | (JPY 10.6 mil) ((S\$0.2 mil)) | (JPY 6.1 mil) ((S\$0.1 mil)) | JPY 0.5 mil (S\$0.01 mil) | (JPY 13.6 mil) ((S\$0.2 mil)) |

Financial effects

Net asset value per Unit attributable to Unitholders (“NAV per Unit”)

Based on the audited financial statements of the Saizen REIT Group for FY2010⁶ and assuming that the Current Divestments and the FY2011 Divestment had been completed on 30 June 2010, the estimated aggregate pro forma financial effects which the Current Divestments and the FY2011 Divestment would have on the NAV per Unit as at 30 June 2010 are as follows:

² The net book value is equal to the full valuations conducted on 30 June 2010 by independent valuers commissioned by the Manager.

³ The differences between the profit/(loss) on disposal and the excess/(deficit) of sale price over book value are due to transaction costs, namely agent fees and consumption taxes.

⁴ These are the financial results of the properties prior to the respective sales in FY2010. The contribution is calculated from 1 July 2009 to the date of divestment, and do not represent a full-year contribution of net profit/(loss).

⁵ This represents the impact attributable to the properties to the net loss of Saizen REIT and its subsidiaries (the “**Saizen REIT Group**”) in FY2010. The net losses attributable to FH and RY in FY2010 were mainly due to write-downs in property values of JPY 14.0 million and JPY 8.0 million respectively. The net loss attributable to the FY2010 Divestments and FY2011 Divestment in FY2010 were mainly due to a write-down in property value of JPY 20.0 million in FY2010.

⁶ The financial effects of the FY2010 Divestments have been recognised in the audited financial results of FY2010.

| | Audited (as at 30 June 2010) | Pro forma financial effects of the Current Divestments and the FY2011 Divestment |
|--|---|---|
| Net asset value attributable to Unitholders (JPY' 000) | 23,882,923 | 23,827,844 |
| Number of Units ⁷ ('000) | 953,203 | 953,203 |
| NAV per Unit ⁸ (JPY) | 25.06 | 25.00 |
| (S\$) | 0.40 ⁹ | 0.39 |

Earnings per Unit (“EPU”)

Assuming the Current Divestments and the FY2011 Divestment had been completed on 1 July 2009 and based on the audited financial statements of the Saizen REIT Group for FY2010¹⁰, the estimated aggregate pro forma financial effects which the Current Divestments and the FY2011 Divestment would have on the EPU of FY2010 are as follows:

| | Audited (FY2010) | Pro forma financial effects of the Current Divestments and the FY2011 Divestment |
|--|-----------------------------|---|
| Loss for the year attributable to Unitholders (JPY' 000) | (883,878) | (902,358) |
| Weighted average number of Units ¹¹ ('000) | 952,710 | 952,710 |
| Basic EPU ⁸ (JPY) | (0.93) | (0.95) |
| (cents) | (1.43) | (1.46) |

Rationale

Since the loan of YK Shintoku (the “**YK Shintoku Loan**”) went into maturity default in November 2009, the asset manager of Saizen REIT has been working closely with the loan servicer on a suitable course of action. To this end, the loan servicer has proposed the progressive and partial sale of YK Shintoku’s properties to reduce the absolute amount of the YK Shintoku Loan. Such reduction in absolute amount of the loan will likely make its refinancing more acceptable to potential lenders.

The balance of the YK Shintoku Loan is JPY 7.1 billion (S\$111.5 million) as at the date hereof. Following loan repayment from sale proceeds of the FY2011 Divestment and the Current Divestments, the remaining balance of the YK Shintoku Loan is estimated to be approximately JPY 6.6 billion (S\$103.6 million).

⁷ Based on 953,203,055 Units in issue as at 30 June 2010.

⁸ It is assumed that there is no exercise of warrants and therefore, there is no dilutive effect on the NAV per Unit and EPU.

⁹ Based on an exchange rate of S\$1.00 to JPY63.4 as at 30 June 2010.

¹⁰ The financial effects of the FY2010 Divestments have been recognised in the audited financial results of FY2010.

¹¹ Based on a weighted average number of Units of 952,710,118 Units.

Interest of Directors and Controlling Unitholders

A divestment fee of 0.3% of the above-mentioned sale prices of SPY, FH, RY and MYB, as well as each of the FY2010 Divestments and the FY2011 Divestment as previously announced (collectively, the “**Divestment Fees**”) is payable to the Manager. The Divestment Fees will be payable in the form of cash or units or a combination of both (as the Manager may in its sole discretion determine).

Save for the above Divestment Fees, none of the Directors or controlling shareholders of the Manager, or the Manager, the Trustee or controlling unitholder of Saizen REIT, as the case may be, has any interest, direct or indirect, in the Current Divestments.

Relative Figures Computed pursuant to Rule 1006 of the Listing Manual

The relative figures for the Current Divestments, the FY2010 Divestments and the FY2011 Divestment taken in aggregate and computed on the bases pursuant to Rule 1006(a) to 1006(d) of the SGX-ST Listing Manual (based on the recently announced audited financial statements of the Saizen REIT Group for FY2010) are as follows:

| | | |
|--------------|---|---------------------|
| Rule 1006(a) | Net asset value of the assets to be disposed of, compared with the group's net asset value. | 3.73% ¹² |
| Rule 1006(b) | The net profits attributable to the assets disposed of, compared with the group's net profits. | 1.67% ¹³ |
| Rule 1006(c) | The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. | 7.65% ¹⁴ |
| Rule 1006(d) | The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. | Not applicable |

The aggregate figures of the Current Divestments, the FY2010 Divestments and the FY2011 Divestment under Rules 1006(a) and (b) do not exceed 5%.

The aggregate figure of the Current Divestments, the FY2010 Divestments and the FY2011 Divestment under Rule 1006(c) exceeds 5%, but not 50%. Accordingly, the Current

¹² The net asset value of the Saizen REIT Group as at 30 June 2010 was JPY 23.891 million.

¹³ Based on the aggregate net property income of the Current Divestments, the FY2010 Divestments and the FY2011 Divestment in FY2010 of approximately JPY 46.5 million and Saizen REIT Group's net property income of JPY 2,782.6 million in FY2010. A comparison of net loss for FY2010 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

¹⁴ Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1549 and 1,111,002,712 Units in issue on 28 September 2010, being the market day immediately preceding the date of the sale and purchase agreements.

Divestments, the FY2010 Divestments and the FY2011 Divestment, in aggregate, constitute a discloseable transaction as defined in Chapter 10 of the SGX-ST Listing Manual.

Documents for inspection

Copies of the sale and purchase agreements of the Current Divestments as well as the respective valuation reports are available for inspection during normal business hours at the registered office of the Manager at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 for three months commencing from the date of this announcement.

BY ORDER OF THE BOARD OF DIRECTORS

Linus Koh Kia Meng (Mr.)
Co-Chief Executive Officer

Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

29 September 2010

Important Notice

The value of Units and the income derived from them, if any, may fall or 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.

Investors should note that they 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 publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Saizen is not necessarily indicative of the future performance of Saizen REIT.