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### ACQUISITION OF FLOUR MANSION JYOSEI

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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 acquisition of Flour Mansion Jyosei by its TK operator Godo Kaisha ("**GK**") Gyokou (the "**Acquisition**").

#### Introduction

GK Gyokou has, on 15 December 2011, entered into a conditional sale and purchase agreement for the acquisition of Flour Mansion Jyosei from an independent party (the "**Seller**") for a cash consideration of JPY 901,660,127 (S\$15.1 million<sup>1</sup>) (the "**Purchase Price**").

Flour Mansion Jyosei, located in Kumamoto, was built in October 1999 and comprises 98 residential units, 1 commercial unit and 104 car parking lots.

GK Gyokou will have full ownership of the entire building block of Flour Mansion Jyosei and full title of the freehold land.

Flour Mansion Jyosei is currently generating annual revenue and net property income of approximately JPY 99.2 million (S\$1.7 million) and JPY 72.4 million (S\$1.2 million) respectively, which are equivalent to about 2.6% and 2.9% of Saizen REIT's annual revenue and net property income in the financial year ended 30 June 2011 ("**FY2011**").

#### Rationale for the Acquisition

Given the current net operating income yield of Flour Mansion Jyosei of about 8.0%<sup>2</sup> and expected effective borrowing costs of about 1.9%<sup>3</sup> per annum, the Acquisition is accretive to Saizen REIT's distribution per Unit.

Flour Mansion Jyosei is well-located in Kumamoto City and is currently fully occupied. It is located near several schools and is within a 10-minute walk from train and bus

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<sup>1</sup> Based on exchange rate of S\$1.00 to JPY 59.7 as at 14 December 2011, which is applied throughout this announcement.

<sup>2</sup> Based on current occupancy rate of 100%. Net operating income yield is equal to net operating income divided by the Purchase Price. If the occupancy rate is assumed to be about 93% (on an expected normalised basis for such a property) the net operating income yield is expected to be about 7.3%.

<sup>3</sup> Annual borrowing costs are expected to be about 3.5% on a potential new loan of about JPY 500 million. The effective borrowing cost is equal to borrowing costs on the new loan amount divided by the Purchase Price.

networks. Kumamoto City is also expected to benefit from the newly completed (in March 2011) shinkansen (bullet train) network on Kyushu island.

The Acquisition is in line with Saizen REIT's principle investment objective of investing in income-producing real estate located in Japan which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing<sup>4</sup>.

### **Consideration and method of financing**

The Purchase Price was arrived at on an arm's length basis, taking into account, *inter alia*, the valuation on Flour Mansion Jyosei and the prevailing market conditions (including the current market demand for such a property).

The Acquisition is expected to be financed via a combination of internal cash resources and new borrowings. New borrowings are expected to amount to approximately JPY 500 million (S\$8.4 million). Saizen REIT shall be making an additional TK investment in GK Gyokou to fund the remaining portion of the Purchase Price and applicable costs to be incurred in connection with the Acquisition.

Costs to be incurred in connection with the Acquisition include registration fees, acquisition taxes, stamp duties and professional fees (for example, agent, legal and valuation fees).

There will also be an acquisition fee, amounting to 1% of the Purchase Price, which is payable to the Manager (the "**Acquisition Fee**")<sup>5</sup>.

The Purchase Price will be paid on the completion date, which is expected to be on or around 27 December 2011.

### **Property valuation**

Based on a valuation as at 10 December 2011 prepared by Real Value Inc., an independent valuer commissioned by the Manager, Flour Mansion Jyosei was valued at JPY 916.0 million (S\$15.3 million) (the "**Valuation**"). The Valuation was prepared using the direct capitalisation method and discounted cash flow analysis method.

The Purchase Price therefore represents a discount of approximately 1.6% to the Valuation. The replacement cost (of constructing a similar new building and excluding the cost of land) of Flour Mansion Jyosei is JPY 1.325 billion<sup>6</sup> (S\$22.2 million).

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<sup>4</sup> Please refer to the prospectus of Saizen REIT dated 29 October 2007.

<sup>5</sup> The Acquisition Fee will be payable to the Manager in the form of cash or Units or a combination of both (as the Manager may in its sole discretion determine).

<sup>6</sup> Based on an independent engineering report prepared in December 2011.

## **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 FY2011 and assuming that the Acquisition had been completed on 30 June 2011, the pro forma financial effects which the Acquisition would have on the NAV per Unit as at 30 June 2011 are as follows:

	<b>Audited (as at 30 June 2011)</b>	<b>Pro forma financial effects of the Acquisition</b>
Net asset value attributable to Unitholders (JPY' 000)	24,788,797	24,779,149 <sup>7</sup>
Number of Units <sup>8</sup> ('000)	1,182,250	1,182,250
NAV per Unit <sup>9</sup> (JPY)	20.97	20.96
(S\$) <sup>10</sup>	0.32	0.32

### **Earnings per Unit (“EPU”)**

Assuming the Acquisition had been completed on 1 July 2010 and based on the audited financial statements of the Saizen REIT Group for FY2011, the pro forma financial effects which the Acquisition would have on the EPU of FY2011 are as follows:

	<b>Audited (FY2011)</b>	<b>Pro forma financial effects of the Acquisition</b>
Loss for the year attributable to Unitholders (JPY' 000)	(841,543)	(811,749)
Weighted average number of Units <sup>11</sup> ('000)	1,110,447	1,110,447
Basic EPU <sup>9</sup> (JPY)	(0.76)	(0.73)
(cents) <sup>12</sup>	(1.18)	(1.14)

<sup>7</sup> The pro forma net asset value is based on the assumption that the Acquisition Fee is paid in cash and is not capitalised. If the Acquisition Fee is paid in the form of Units, the audited and pro forma net asset value attributable to Unitholders will be the same.

<sup>8</sup> Based on 1,182,249,611 Units in issue as at 30 June 2011.

<sup>9</sup> It is assumed that there is no exercise of warrants and therefore, there is no dilutive effect on the NAV per Unit and EPU.

<sup>10</sup> Based on an exchange rate of S\$1.00 to JPY 65.5 as at 30 June 2011.

<sup>11</sup> Based on a weighted average number of Units of 1,110,446,774 Units.

<sup>12</sup> Based on an average exchange rate of S\$1.00 to JPY 64.2 between 1 July 2010 and 30 June 2011.

### **Interest of directors and controlling Unitholders**

Save for the Acquisition Fee, none of the directors of the Manager or controlling Unitholder of Saizen REIT has any interest, direct or indirect, in the Acquisition.

### **Director's service contracts**

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition.

### **Relative figures computed pursuant to Rule 1006 of the Listing Manual**

The relative figures for the Acquisition computed on the bases pursuant to Rule 1006 of the SGX-ST Listing Manual (based on the latest announced audited financial statements of the Saizen REIT Group for FY2011) are as follows<sup>13</sup>:

Rule 1006(b)	The net profits attributable to the assets acquired, compared with the group's net profits.	2.9% <sup>14</sup>
Rule 1006(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	8.8% <sup>15</sup>
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 relative figure of the Acquisition under Rule 1006(c) exceeds 5%, but not 20%. Accordingly, the Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the SGX-ST Listing Manual.

<sup>13</sup> Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.

<sup>14</sup> Based on the current annual net property income of the Acquisition of approximately JPY 72.4 million and Saizen REIT Group's net property income of JPY 2,536.2 million in FY2011. A comparison based on Saizen REIT's net loss for FY2011 (contributed mainly by the write-down in the value of the property portfolio of Saizen REIT) is not meaningful.

<sup>15</sup> Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1400 and 1,232,755,181 Units in issue on 14 December 2011, being the market day immediately preceding the date of the sale and purchase agreement for the Acquisition.

### **Documents for inspection**

Copies of the sale and purchase agreement and valuation report in respect of the Acquisition 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

Chang Sean Pey (Mr.)  
Co-Chief Executive Officer

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

15 December 2011

### **Important Notice**

The value of units in Saizen REIT (“**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 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.

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 REIT is not necessarily indicative of the future performance of Saizen REIT.