

---

### ACQUISITION OF COSMO REVEUR SANGENJAYA

---

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 Cosmo Reveur Sangenjaya by its TK operator Yugen Kaisha (“**YK**”) Kokkei (the “**Acquisition**”).

#### Introduction

YK Kokkei has, on 31 July 2012, entered into a conditional sale and purchase agreement for the acquisition of Cosmo Reveur Sangenjaya (“**CRS**”) from an independent party (the “**Seller**”) for a cash consideration of JPY 589,988,500 (S\$9.4 million<sup>1</sup>) (the “**Purchase Price**”).

CRS was built in May 1989 and comprises 8 residential units, 9 car parking lots and 1 motorcycle parking lot. CRS is located in the Setagaya ward, a popular residential district in Tokyo. It is within 9 minute-walk from the Sangen-Jaya Station which serves the Tokyu Den-en-toshi Line (a commuter rail line) and the Setagaya Line (a light rail line). The Sangen-Jaya Station is two stops away from the Shibuya Station in central Tokyo. YK Kokkei will have full ownership of the entire building block of CRS and full title of the freehold land.

Currently, CRS generates annual revenue and net property income of approximately JPY 38.6 million (S\$0.6 million) and JPY 28.3 million (S\$0.5 million) respectively, which are equivalent to about 1.0% and 1.1% of Saizen REIT’s annual revenue and net property income in the financial year ended 30 June 2011 (“**FY2011**”).

#### Rationale for the Acquisition

##### Yield accretion

Currently, 7 out of 8 residential units, and 7 out of 9 car parking lots are occupied. The single motorcycle parking lot is occupied. At the current occupancy level of 87% (by revenue), the net operating income yield of CRS is about 4.8%<sup>2</sup>.

Having used a substantial amount of equity to pay down loans in the last few years, Saizen REIT’s re-leveraging efforts since July 2011 have raised new loan proceeds which provide it with the ability to increase distributable income via property acquisitions. There is no issuance of new Units to raise equity for the Acquisition. The Acquisition is accretive to Saizen REIT’s distribution per Unit.

---

<sup>1</sup> Based on exchange rate of S\$1.00 to JPY 62.7 as at 30 July 2012, which is applied throughout this announcement.

<sup>2</sup> Net operating income yield is equal to net operating income divided by the Purchase Price. If the occupancy rate is assumed to be about 94% (on an expected normalised basis for such a property), the net operating income yield is expected to be about 5.3%.

### Exposure to Tokyo and diversification of portfolio

The Acquisition represents Saizen REIT's third investment in a property in the Tokyo area. The Manager believes that yields of properties in Tokyo have risen to attractive levels in the last few years, with potential for capital gains and rental appreciation over the medium term.

The Acquisition will enable Saizen REIT to further diversify its portfolio geographically. Having a mix of Tokyo properties in Saizen REIT's portfolio could also facilitate future financing efforts.

### The Acquisition is in line with Saizen REIT's principle investment objective

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>3</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 CRS and the prevailing market conditions (including the current market demand for such a property).

The Acquisition and its related costs are expected to be financed with Saizen REIT's cash resources initially. 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>4</sup>.

The Purchase Price will be paid on the completion date, which is expected to be on or before 10 August 2012.

### Property valuation

Based on a valuation as at 27 July 2012 prepared by Le Futur Corporation, an independent valuer commissioned by the Manager, CRS is valued at JPY 593 million (S\$9.5 million) (the "**Valuation**") when valued using the direct capitalisation method and discounted cash flow analysis method. The Purchase Price represents a discount of approximately 0.5% to the Valuation.

For reference, the replacement cost (of constructing a similar new building and excluding the cost of land) is JPY 384 million<sup>5</sup> (S\$6.1 million). Additionally, the independent valuer, Le Futur Corporation, has valued the land on which CRS is built at JPY 524 million (S\$8.4 million) under its cost approach analysis.

---

<sup>3</sup> Please refer to the prospectus of Saizen REIT dated 29 October 2007.

<sup>4</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>5</sup> Based on an independent engineering report prepared in July 2012.

## **Financial effects**

In the past 12 months, Saizen REIT had completed the acquisition of 4 properties, namely Flour Mansion Jyosei (announcements on 15 December 2011 and 27 December 2011), The Palms Denenchofu (announcements on 28 February 2012 and 30 March 2012), AMS Hatchobori I (announcements on 25 April 2012 and 25 May 2012) and Bibress Tsukisamu Chuo Station (announcement on 8 June 2012) (collectively, the “**Previous Acquisitions**”).

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

|  | <b>Audited<br/>(as at 30 June 2011)</b> | <b>Pro forma financial effects<br/>of the Acquisition and the<br/>Previous Acquisitions</b> |
|--|---|---|
| Net asset value attributable to Unitholders (JPY' 000) | 24,788,797                              | 24,749,211 <sup>6</sup>   |
| Number of Units <sup>7</sup> ('000)                    | 1,182,250                               | 1,182,250   |
| NAV per Unit <sup>8</sup> (JPY)                        | 20.97                                   | 20.93   |
| (S\$) <sup>9</sup>                                     | 0.32                                    | 0.32  |

### **Earnings per Unit (“EPU”)**

Assuming the Acquisition and the Previous Acquisitions 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 and the Previous Acquisitions would have on the EPU of FY2011 are as follows:

|  | <b>Audited<br/>(FY2011)</b> | <b>Pro forma financial effects<br/>of the Acquisition and the<br/>Previous Acquisitions</b> |
|--|-----------------------------|---|
| Loss for the year attributable to Unitholders (JPY' 000) | (841,543)                   | (728,667)   |
| Weighted average number of Units <sup>10</sup> ('000)    | 1,110,447                   | 1,110,447   |
| Basic EPU <sup>8</sup> (JPY)                             | (0.76)                      | (0.66)  |
| (cents) <sup>11</sup>                                    | (1.18)                      | (1.02)  |

<sup>6</sup> The pro forma net asset value is based on the assumption that the acquisition fees payable to the Manager are paid in cash and are not capitalised. If such acquisition fees are paid in the form of Units, the audited and pro forma net asset value attributable to Unitholders will be the same.

<sup>7</sup> Based on 1,182,249,611 Units in issue as at 30 June 2011.

<sup>8</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>9</sup> Based on an exchange rate of S\$1.00 to JPY 65.5 as at 30 June 2011.

<sup>10</sup> Based on a weighted average number of Units of 1,110,446,774 Units.

### **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 and the Previous Acquisitions 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>12</sup>:

|              |  |                     |
|--------------|--|---------------------|
| Rule 1006(b) | The net profits attributable to the assets acquired, compared with the group's net profits.  | 9.2% <sup>13</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. | 27.1% <sup>14</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 Acquisition is in the ordinary course of Saizen REIT's business as CRS is being acquired within the investment policy of Saizen REIT and does not change the risk profile of Saizen REIT.

---

<sup>11</sup> Based on an average exchange rate of S\$1.00 to JPY 64.2 between 1 July 2010 and 30 June 2011.

<sup>12</sup> Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.

<sup>13</sup> Based on the current aggregate annual net property income of the Acquisition and the Previous Acquisitions of approximately JPY 232.4 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>14</sup> Saizen REIT's market capitalisation is computed based on the weighted average Unit price of S\$0.1530 and 1,424,383,795 Units in issue on 30 July 2012, being the market day immediately preceding the date of the sale and purchase agreement.

### **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

Linus Koh (Mr.)  
Co-Chief Executive Officer  
Japan Residential Assets Manager Limited  
(Company Registration No. 200712125H)  
As Manager of Saizen Real Estate Investment Trust

31 July 2012

### **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.