

Saizen Real Estate Investment Trust

(A real estate investment trust constituted on 27 September 2007 under the laws of the Republic of Singapore (as amended))

Announcement In Relation To The Unaudited Financial Statements For The Third Quarter Ended 31 March 2010

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INTRODUCTION

Summary of results

Property operations remained stable in the third quarter ended 31 March 2010 (“**3Q FY2010**”), which has been the busy leasing season. At the end of March 2010, a healthy overall occupancy rate of 93.4% had been achieved.

All but one commercial mortgage-backed securities loan have been repaid. In January 2010, Yugen Kaisha (“**YK**”) Keizan partially repaid JPY 0.95 billion (S\$14.3 million¹) of its loan. Following the repayment in April 2010 of the remaining JPY 0.6 billion (S\$9.0 million) of this YK Keizan loan, Saizen Real Estate Investment Trust (“**Saizen REIT**”) has repaid all of its commercial mortgage-backed securities loans, with the exception of the loan of YK Shintoku has been in maturity default since November 2009. In respect of the loan of YK Shintoku, the loan servicer is still in the process of formulating a course of action and there is currently no indication of foreclosure actions.

Distributions to resume. Saizen REIT has commenced accumulating cash in May 2010 for the resumption of distribution for the financial year ending 30 June 2010 (“**FY2010**”). Payment of FY2010 distributions to unitholders is expected to take place in September 2010.

Financial position strengthened with the establishment of new banking relationship. YK Shinzan obtained a JPY 2.0 billion (S\$30.2 million) loan in 3Q FY2010 which is secured over its property portfolio of JPY 4.8 billion (S\$72.4 million). The proceeds of this loan may be deployed towards the refinancing of the loan of YK Shintoku, if such refinancing becomes possible.

The financial year-end of Saizen REIT is 30 June. The following is a summary of Saizen REIT’s operating performance for 3Q FY2010, the second quarter ended 31 December 2009 (“**2Q FY2010**”) and the third quarter ended 31 March 2009 (“**3Q FY2009**”).

	3Q FY2010 ²	2Q FY2010 ³	3Q FY2009 ⁴
Gross revenue (JPY’000) (S\$’000)	1,025,064 15,843 ⁵	1,026,319 15,937 ⁶	1,079,686 ⁷ 17,442 ⁸
Net property income (JPY’000) (S\$’000)	654,942 10,123 ⁵	715,384 11,108 ⁶	715,545 ⁷ 11,560 ⁸
Net income from operations (JPY’000) (S\$’000)	332,910 5,145 ⁵	364,000 5,652 ⁶	345,935 ⁷ 5,589 ⁸

	As at 31 Mar 2010
Net asset value per Unit (JPY) (S\$)	26.16 0.39

Notes:

1. Based on S\$/ JPY exchange rate of 66.3 as at 31 March 2010, which is applied throughout this announcement unless stated otherwise.
2. There were 161 properties at the start and end of 3Q FY2010.
3. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.
4. There were 166 properties at the start and end of 3Q FY2009.
5. Based on S\$/ JPY average exchange rate of 64.7 between 1 January 2010 and 31 March 2010.
6. Based on S\$/ JPY average exchange rate of 64.4 between 1 October 2009 and 31 December 2009.
7. The gross revenue, net property income and net income from operations for 3Q FY2009 included a one-off refund of loan-related costs for GK Choan of JPY 20.0 million (S\$0.3 million) following the refinancing of its loan in August 2008 as well as a refund of consumption tax of JPY 3.2 million (S\$0.05 million).
8. Based on S\$/ JPY average exchange rate of 61.9 between 1 January 2009 and 31 March 2009.

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 November 2007 (the “**Listing**”), is the first REIT listed in Singapore offering access to purely Japanese residential real estate.

The principal investment objective of Saizen REIT is to invest in a diversified portfolio of 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.

At the time of the Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 31 March 2010, Saizen REIT’s portfolio comprised 161 properties, with a total appraised value of JPY 42.1 billion (\$635.0 million) located in 13 regional cities in Japan.

Saizen REIT invests in the properties in Japan via partnership agreements (“**TK agreements**”) with local property holding companies known as *tokumei kumiai* operators (“**TK operators**”). As at the date hereof, Saizen REIT has entered into TK agreements with nine TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, Godo Kaisha (“**GK**”) Chosei, GK Choan and GK Chogen.

The manager of Saizen REIT is Japan Residential Assets Manager Limited (the “**Manager**”) and the asset manager of the TK operators is KK Tenyu Asset Management (the “**Asset Manager**”) (together, the “**Management Team**”).

Debt Financing

At the time of Saizen REIT’s Listing in November 2007, it relied solely on commercial mortgage-backed securities (“**CMBS**”) loans normally issued by western investment banks for debt financing. Due to the global credit crisis in 2008, the Japanese CMBS market had abruptly shut down, making the origination or extension of loans in the CMBS market virtually impossible.

Under such circumstances, the Management Team immediately began working towards replacing Saizen REIT’s six CMBS loans with traditional bank loans. The difficult financing environment also necessitated a rights cum warrants issue (the “**Rights Issue**”), which was conducted in May 2009 to raise funds to repay CMBS loans that were due to mature at the end of 2009 and the beginning of 2010. Saizen REIT also suspended distributions to conserve cash for the repayment of CMBS loans. Unlike many other Singapore listed REIT’s, Saizen REIT is not restricted, due to tax status considerations, from suspending distribution. Moreover, this suspension helped avoid the need for a larger and more dilutive rights issue. With the credit crisis then in full swing, the Rights Issue and the suspension of distributions were crucial measures which had to be adopted to address Saizen REIT’s refinancing issues.

To-date, the Management Team has successfully established new banking relationships with five financial institutions and Saizen REIT has repaid all of its CMBS loans, with the exception of the loan of YK Shintoku which went into maturity default in November 2009. The Management Team continues to seek a refinancing solution for the loan of YK Shintoku. Meanwhile, distributions to unitholders will be resumed for FY2010.

Rights Issue

Pursuant to the Rights Issue which was conducted in May 2009, 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants; each warrant carrying the right to subscribe for one new Unit at an exercise price of S\$0.09. The warrants may be exercised at any time up to 5.00 p.m. on 2 June 2012. The Rights Issue was concluded in June 2009.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (3Q FY2010 vs 3Q FY2009)**

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,025,064	1,079,686	(5.1)
Property operating expenses	(370,122)	(364,141)	1.6
Net property income	654,942	715,545	(8.5)
Interest income	942	3,473	(72.9)
Other administrative expenses	(32,599)	(34,943)	(6.7)
Manager's management fees	(51,844)	(56,136)	(7.6)
Asset management fees	(7,082)	(7,743)	(8.5)
Trustee's fee	(1,540)	(2,221)	(30.7)
Other trust expenses	(30,636)	(46,544)	(34.2)
Finance costs ²	(199,273)	(225,496)	(11.6)
Net income from operations	332,910	345,935	(3.8)
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ³	(187,010)	222	NM ¹
Net fair value loss on investment properties	-	(5,398,278)	(100.0)
Total return/(loss) for the period before income tax⁴	145,900	(5,052,121)	NM ¹
Income tax	(50,015)	99,347	NM ¹
Total return/(loss) for the period	95,885	(4,952,774)	NM ¹
Attributable to:			
Unitholders	95,294	(4,804,305)	NM ¹
Minority Interests	591	(148,469)	NM ¹
	95,885	(4,952,774)	NM ¹

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(177,521)	(179,906)	(1.3)
(ii) amortisation of loan commission	(19,187)	(42,632)	(55.0)
(iii) guarantor fee to asset manager	(1,198)	-	NM ¹
(iv) cost of refinancing	(1,257)	-	NM ¹
(v) exchange difference	(110)	(2,958)	(96.3)

3. Fair value loss on financial derivatives comprises the following:

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(11,462)	(2,846)	>100.0
(ii) unrealised fair value gain on interest rate swap	9,956	3,089	>100.0
(iii) unrealised fair value loss on interest rate cap	(8)	(21)	(61.9)
(iv) fair value loss on warrants	(185,496)	-	NM ¹

4. The Group's total return before income tax is arrived at after charging the following:

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(2,087)	(510)	>100.0

1(a) Statement of total return (for the Group) (YTD Mar 2010 vs YTD Mar 2009)

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,102,732	3,204,701	(3.2)
Property operating expenses	(996,746)	(996,371)	(0.0)
Net property income	2,105,986	2,208,330	(4.6)
Interest income	1,820	12,322	(85.2)
Other administrative expenses	(103,330)	(109,828)	(5.9)
Manager's management fees	(158,566)	(180,289)	(12.0)
Asset management fees	(19,866)	(19,474)	2.0
Trustee's fee	(7,884)	(6,349)	24.2
Other trust expenses	(87,047)	(73,080)	19.1
Finance costs ²	(648,247)	(1,004,051)	(35.4)
Issue expenses	(4,110)	-	NM ¹
Net income from operations	1,078,756	827,581	30.4
Loss on divestment of properties	(57,699)	-	NM ¹
Net fair value loss on financial derivatives - fair value through profit or loss ³	(697,142)	(73,613)	>100.0
Net fair value loss on investment properties	-	(5,398,278)	(100.0)
Total return/(loss) for the period before income tax⁴	323,915	(4,644,310)	NM ¹
Income tax	(157,066)	21,084	NM ¹
Total return/(loss) for the period	166,849	(4,623,226)	NM ¹
Attributable to:			
Unitholders	164,828	(4,479,594)	NM ¹
Minority Interests	2,021	(143,632)	NM ¹
	166,849	(4,623,226)	NM ¹

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(550,974)	(582,343)	(5.4)
(ii) amortisation of loan commission	(93,428)	(173,460)	(46.1)
(iii) guarantor fee to asset manager	(2,448)	-	NM ¹
(iv) cost of refinancing	(1,257)	(191,172)	>100.0
(v) exchange difference	(140)	(57,076)	(99.8)

3. Fair value loss on financial derivatives comprise the following:

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(32,223)	(9,769)	>100.0
(ii) unrealised fair value gain/(loss) on interest rate swap	6,714	(63,347)	NM ¹
(iii) unrealised fair value loss on interest rate cap	(36)	(497)	(92.8)
(iv) fair value loss on warrants	(671,597)	-	NM ¹

4. The Group's total return/(loss) before income tax is arrived at after charging the following:

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)	Increase / (Decrease) %
(i) written back/(impairment) on account receivables	240	(2,032)	NM ¹

1(b)(i) Balance sheet

	The Group	
	As at 31 Mar 2010 (JPY'000)	As at 30 Jun 2009 (JPY'000)
Current assets		
Cash and cash equivalents	2,747,463	5,070,301
Deposits with cash management agents ¹	1,547,474	2,300,322
Trade and other receivables	36,295	46,391
Other current assets	41,980	37,000
	<u>4,373,212</u>	<u>7,454,014</u>
Non-current assets		
Derivative financial instruments ²	-	36
Investment properties	42,077,684	42,734,100
	<u>42,077,684</u>	<u>42,734,136</u>
Total assets	<u>46,450,896</u>	<u>50,188,150</u>
Current liabilities		
Rental deposits	633,139	683,341
Rental received in advance	257,492	264,419
Borrowings	7,903,468	14,890,781
Other current liabilities	425,393	358,714
Current tax liabilities	385,805	289,062
Derivative financial instruments ³	2,452,877	1,797,050
	<u>12,058,174</u>	<u>18,283,367</u>
Non-current liabilities		
Rental deposits	23,262	29,475
Borrowings	9,227,897	6,932,075
Derivative financial instruments ⁴	66,285	72,999
Deferred tax liabilities	144,489	143,720
	<u>9,461,933</u>	<u>7,178,269</u>
Total liabilities	<u>21,520,107</u>	<u>25,461,636</u>
Total net assets	<u>24,930,789</u>	<u>24,726,514</u>
Represented by:		
Unitholders	24,928,768	24,726,514
Minority Interests	2,021	-
	<u>24,930,789</u>	<u>24,726,514</u>
Number of Units in issue ('000)	<u>952,932</u>	<u>949,194</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>26.16</u>	<u>26.05</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to the TK operators to administer cash movements of the TK operators.
2. The derivative financial instruments (non-current assets) comprised an interest rate cap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Chosei.
3. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.
4. The derivative financial instruments (non-current liabilities) comprised an interest rate swap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Choan.

Saizen REIT		
	As at 31 Mar 2010 (JPY'000)	As at 30 Jun 2009 (JPY'000)
Current assets		
Cash and cash equivalents	34,174	492,040
Distribution receivables	1,722,597	1,235,323
Other receivables	-	5,390
Other assets	4,061	1,679
	<u>1,760,832</u>	<u>1,734,432</u>
Non-current assets		
Investment in subsidiaries	25,001,875	24,911,233
	<u>25,001,875</u>	<u>24,911,233</u>
Total assets	<u>26,762,707</u>	<u>26,645,665</u>
Current liabilities		
Other current liabilities	72,808	88,220
Current tax liabilities	346,026	248,572
Derivative financial instruments ¹	2,452,877	1,797,050
	<u>2,871,711</u>	<u>2,133,842</u>
Total liabilities	<u>2,871,711</u>	<u>2,133,842</u>
Total net assets	<u>23,890,996</u>	<u>24,511,823</u>
Represented by:		
Unitholders	<u>23,890,996</u>	<u>24,511,823</u>
Number of Units in issue ('000)	<u>952,932</u>	<u>949,194</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>25.07</u>	<u>25.82</u>

Note:

1. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities

	As at 31 Mar 2010 (JPY'000)	As at 30 Jun 2009 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	206,245	16,819
- Commercial mortgage-backed securities loans	7,697,223	14,873,962
	<u>7,903,468</u>	<u>14,890,781</u>
Amount repayable after one year		
- Bank loans	9,227,897	6,932,075
	<u>17,131,365</u>	<u>21,822,856</u>

As at 31 March 2010, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 30.9 billion.

The decrease in borrowings from JPY 21.8 billion as at 30 June 2009 to JPY 17.1 billion as at 31 March 2010 was mainly due to (i) the full repayment of the loans of YK Kokkei and YK Shingen which amounted to an aggregate of JPY 5.4 billion, (ii) the full repayment of the JPY 0.4 billion short-term bridging loan by YK JOF, (iii) the partial repayment of the loan of YK

Shintoku which amounted to JPY 0.7 billion using proceeds from the divestment of properties, and (iv) the partial repayment of the loan of YK Keizan which amounted to JPY 0.95 billion. The amount was partially offset by new loans of JPY 1.0 billion and JPY 2.0 billion drawn down by YK JOF and YK Shinzan respectively.

1(c) Cash flow statement (for the Group) (3Q FY2010 vs 3Q FY2009)

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)
Operating activities		
Total return/(loss) for the period after income tax before distribution	95,885	(4,952,774)
Adjustments for:		
Income tax	50,015	(99,347)
Interest income	(942)	(3,473)
Interest expenses	197,965	222,538
Net fair value loss/(gain) on financial derivatives	187,010	(222)
Net fair value loss on investment properties	-	5,398,278
Operating profit before working capital changes	529,933	565,000
Changes in working capital		
Deposit with cash management agents	197,781	4,149,314
Trade and other receivables	2,003	(4,713)
Other current assets	1,785	10,571
Other current liabilities	96,051	73,179
Rental received in advance	855	(3,921)
Rental deposits	531	4,061
Cash generated from operations	828,939	4,793,491
Income tax paid	-	-
Cash flows provided by operating activities	828,939	4,793,491
Investing activities		
Capital expenditure/ acquisition of investment properties	(12,352)	(16,124)
Cash flows provided used in investing activities	(12,352)	(16,124)
Financing activities		
Issue expenses	-	(8,863)
Bank borrowings obtained	2,000,000 ¹	-
Repayment of bank borrowings	(1,136,670) ²	(3,941,405)
Interest received	942	3,468
Interest paid	(248,949)	(210,915)
Proceeds from exercise of warrants	876	-
Cash flows provided by financing activities	616,199	(4,157,715)
Net increase in cash and cash equivalents	1,432,786	619,652
Cash and cash equivalent at beginning of the period	1,314,677	2,154,374
Cash and cash equivalent at end of the period	2,747,463	2,774,026

Notes:

1. Bank borrowings obtained comprised the new loan obtained by YK Shinzan in March 2010.
2. Repayment of bank borrowings comprised mainly the partial repayment of JPY 0.95 billion of the loan of YK Keizan.

1(c) Cash flow statement (for the Group) (YTD Mar 2010 vs YTD Mar 2009)

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)
Operating activities		
Total return/(loss) for the period after income tax before distribution	166,849	(4,623,226)
Adjustments for:		
Income tax	157,066	(21,084)
Interest income	(1,820)	(12,322)
Interest expenses	645,659	946,975
Loss on divestment of properties	57,699	-
Net fair value loss on investment properties	-	5,398,278
Net fair value loss on financial derivatives	697,142	73,613
Operating profit before working capital changes	1,722,595	1,762,234
Changes in working capital		
Deposit with cash management agents	752,847	183,251
Trade and other receivables	10,096	55,801
Other current assets	(2,637)	7,144
Other current liabilities	40,704	(26,728)
Rental received in advance	(6,927)	(4,483)
Rental deposits	(56,415)	(17,654)
Cash generated from operations	2,460,263	1,959,565
Income tax paid	(59,553)	(28,613)
Cash flows provided by operating activities	2,400,710	1,930,952
Investing activities		
Capital expenditure/ acquisition of investment properties	(26,584)	(103,979)
Sale of investment properties	625,300	-
Cash flows provided by/(used in) investing activities	598,716	(103,979)
Financing activities		
Issue expenses	-	(8,863)
Bank borrowings obtained	3,000,000	5,900,000
Repayment of bank borrowings	(7,697,427)	(7,931,486)
Distribution to Unitholders	-	(1,637,520)
Interest received	1,820	20,753
Interest paid	(648,314)	(1,004,949)
Proceeds from exercise of warrants	21,657	-
Cash flows used in financing activities	(5,322,264)	(4,662,065)
Net decrease in cash and cash equivalents	(2,322,838)	(2,835,092)
Cash and cash equivalent at beginning of the period	5,070,301	5,609,118
Cash and cash equivalent at end of the period	2,747,463	2,774,026

1(d)(i) Statement of changes in Unitholders' funds

The Group

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY'000)
OPERATION		
Balance as at beginning of the period	(10,621,193)	(2,515,175)
Total return/(loss) for the period	164,828	(4,479,594)
Balance as at end of period	(10,456,365)	(6,994,769)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	35,347,707	33,177,613
Creation of new units arising from		
- Acquisition fee and Manager's management fee ¹	-	47,473
- Exercise of warrants	37,426	-
Issue expenses	-	(8,863)
Distribution to Unitholders	-	(1,637,520)
Balance as at end of period	35,385,133	31,578,703
TOTAL ATTRIBUTABLE TO UNITHOLDERS	24,928,768	24,583,934
MINORITY INTERESTS		
Balance as at beginning of the period	-	30,635
Total return/(loss) for the period	2,021	(143,632)
Balance as at end of period	2,021	(112,997)
TOTAL	24,930,789	24,470,937

Saizen REIT

	YTD Mar 2010 (JPY'000)	YTD Mar 2009 (JPY '000)
OPERATION		
Balance as at beginning of the period	(12,090,811)	(955,360)
Total (loss)/return for the period	(658,253)	133,700
Balance as at end of period	(12,749,064)	(821,660)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	36,602,634	34,432,540
Creation of new units arising from		
- Acquisition fee and Manager's management fee ¹	-	47,473
- Exercise of warrants	37,426	-
Issue expenses	-	(8,863)
Distribution to Unitholders	-	(1,637,520)
Balance as at end of period	36,640,060	32,833,630
TOTAL ATTRIBUTABLE TO UNITHOLDERS	23,890,996	32,011,970

Note:

1. For YTD March 2009, Saizen REIT issued 261,402 new Units as payment of acquisition fee and 576,224 new Units as payment of management fee to the Manager. No new Units were issued to the Manager in YTD March 2010.

1(d)(ii) Details of changes in the Units and warrants

	3Q FY2010 (Units)	3Q FY2009 (Units)
Issued Units as at beginning of period	952,782,055	451,986,693
Issue of new Units from exercise of warrants	150,000	-
Issued Units as at end of period	<u>952,932,055</u>	<u>451,986,693</u>

	3Q FY2010 (Warrants)	3Q FY2009 (Warrants)
Number of warrants outstanding as at beginning of period	493,575,362	-
Exercise of warrants	(150,000)	-
Number of warrants outstanding as at end of period	<u>493,425,362</u>	<u>-</u>

Saizen REIT issued 497,185,362 warrants in June 2009. Each warrant entitles the warrant holder to subscribe for one new Unit in Saizen REIT at an exercise price of S\$0.09.

Pursuant to the exercise of an aggregate of 67,000 warrants in April 2010, the number of Units in issue and warrants outstanding as at the date of this announcement are 952,999,055 and 493,358,362 respectively.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2009.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per Unit for the financial period (Group)

Earnings per Unit ("EPU") of the Group for the current financial period reported on, and the corresponding period of the immediately preceding financial year:-

(a) Basic EPU

Basic EPU amounts are calculated by dividing the loss/profit attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period.

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the loss/profit attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the period plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units.

		3Q FY2010	3Q FY2009	YTD Mar 2010	YTD Mar 2009
Total return/(loss) for the period attributable to Unitholders for basic and diluted EPU (JPY'000)		95,294	(4,804,305)	164,828	(4,479,594)
Basic EPU	(JPY)	0.10	(10.63)	0.17	(9.91)
	(S\$ cents)	0.15 ¹	(17.17) ²	0.26 ³	(14.57) ⁴
Diluted EPU	(JPY)	0.08	-	0.14	-
	(S\$ cents)	0.12 ¹	-	0.22 ³	-
Weighted average number of Units		952,823,999	451,986,693	952,599,205	451,986,351
Weighted average number of Units plus dilutive effect		1,174,287,442	451,986,693	1,153,108,145	451,986,351

Notes:

1. Based on S\$/JPY average exchange rate of 64.7 between 1 January 2010 and 31 March 2010.
2. Based on S\$/JPY average exchange rate of 61.9 between 1 January 2009 and 31 March 2009.
3. Based on S\$/JPY average exchange rate of 64.7 between 1 July 2009 and 31 March 2010.
4. Based on S\$/JPY average exchange rate of 68.0 between 1 July 2008 and 31 March 2009.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 31 March 2010 and 30 June 2009

The Group

		As at 31 Mar 2010	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	26.16	26.05
	(S\$)	0.39 ¹	0.40 ²

Saizen REIT

		As at 31 Mar 2010	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	25.07	25.82
	(S\$)	0.38 ¹	0.39 ²

Notes:

1. Based on S\$/JPY exchange rate of 66.3 as at 31 March 2010.
2. Based on S\$/JPY exchange rate of 65.7 as at 30 June 2009.

8. Review of performance

Income statement: 3Q FY2010 vs. 3Q FY2009*Group level*

Property operations of Saizen REIT had remained stable in 3Q FY2010. Overall occupancy rates as at 31 March 2010 was 93.4%, while overall rental reversion of new contracts entered into in 3Q FY2010 was marginally lower by about 5.2% from previous contracted rates.

Excluding a one-off refund of loan-related costs for GK Choan of JPY 20.0 million in 3Q FY2009, gross revenue decreased by 3.3% to JPY 1,025.1 million in 3Q FY2010 from JPY 1,059.7 million in 3Q FY2009. This decrease was mainly due to the divestment of five properties in the first half of FY2010 as well as a slight decrease in rental rates of new contracts entered into after 3Q FY2009.

The decrease in other trust expenses by 34.2% in 3Q FY2010 as compared to 3Q FY2009 was mainly due to the decrease in valuation fee expenses accrued. This was partially offset by an increase in audit fees accrued.

The fair value loss on financial derivatives of JPY 187.0 million comprised mainly fair value losses on warrants of JPY 185.5 million, which arose due to the increase in market-traded price of the warrants. The net fair value loss on investment properties of JPY 5.4 billion in 3Q FY2009 was recognised in relation to a desktop valuation performed during the quarter. No valuation exercise was conducted in the first three quarters of FY2010.

Property level

The income statements for 3Q FY2010 and 3Q FY2009 comprised all the TK operators under Saizen REIT in existence at the relevant period, as well as income and expense items at the level of Saizen REIT. For the performance review of property operations, income and expense items at Saizen REIT level and the one-off refund of loan related costs were excluded.

	3Q FY2010 ¹ (JPY'000)	3Q FY2009 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	1,025,064	1,079,686	(5.1)
Adjustments ³	-	(23,249)	(100.0)
Adjusted gross revenue	1,025,064	1,056,437	(3.0)
Property operating expenses ⁴	(370,122)	(364,141)	1.6
Adjusted net property income	654,942	692,296	(5.4)
Other administrative expenses	(27,012)	(24,022)	12.4
Asset management fees	(7,082)	(7,743)	(8.5)
Interest expenses ⁵	(188,983)	(182,714)	3.4
Guarantor fee to asset manager	(1,198)	-	NM ⁵
Net income from property operations	430,667	477,817	(9.9)

Notes:

1. There were 161 properties at the start and end of 3Q FY2010.
2. There were 166 properties at the start and end of 3Q FY2009.
3. Exclusion of a one-off refund of loan-related costs for GK Choan of JPY 20.0 million and a REIT-level refund of consumption tax of JPY 3.2 million in 3Q FY2009 for comparison purposes.
4. Property operating expenses comprised the following:

	3Q FY2010 (JPY'000)	3Q FY2009 (JPY'000)	Increase / (Decrease) %
Property tax	77,474	79,926	(3.1)
Property manager's fees	40,164	41,059	(2.2)
Operation and maintenance expenses	56,381	56,552	(0.3)
Repairs and renovations	62,162	47,447	31.0
Leasing and marketing expenses	54,317	61,683	(11.9)
Utilities charges	51,170	51,093	0.2
Insurance expenses	13,054	13,859	(5.8)
Impairment on account receivables	2,087	510	>100.0
Bad debt written-off	499	128	>100.0
Consumption tax arising from operation	12,814	11,884	7.8

5. Interest expenses include the realised loss (payment) on interest rate swap.
6. NM denotes not meaningful.

Adjusted gross revenue decreased by 3.0% due mainly to the divestment of five properties in the first half of FY2010 as well as a slight decrease in rental rates of new contracts entered into after 3Q FY2009. Property operating expenses remained stable. The increase in repair and renovation expenses by 31.0% was mainly due to major upgrades conducted on properties (such as upgrades of common areas and electrical systems) as well as more renovations being carried out for the leasing season in 3Q FY2010. This was partially offset by the decrease in leasing and marketing expenses by 11.9%, due mainly to the more intensive leasing initiatives which were implemented in 3Q FY2009 in response to the then deteriorating economic conditions and leasing competition experienced at that time. Notwithstanding having spent less on leasing and marketing expenses incurred during the leasing season this year, overall occupancy rates improved to 93.4% as at 31 March 2010 from 91.0% as at 31 December 2009.

While the absolute amount remains nominal, there was an increase in impairment on account receivables and bad debts written-off. The Asset Manager is in the process of making claims from guarantor companies in respect of several outstanding rental payments. In the meantime, provisions have been made for such amounts.

Other administrative expenses increased by 12.4%, due mainly to an increase in travel expenses such as those related to the new loan of YK Shinzan. Guarantor fees of JPY 1.2 million were paid to the Asset Manager in respect of the loan of YK JOF.

Income statement: 3Q FY2010 vs. 2Q FY2010

Property level

The income statements for 3Q FY2010 and 2Q FY2010 comprised all the TK operators under Saizen REIT in existence at the relevant period, as well as income and expense items at the level of Saizen REIT. For the performance review of property operations, income and expense items at Saizen REIT level were excluded.

	3Q FY2010¹	2Q FY2010²	Increase/ (Decrease) %
	(JPY'000)	(JPY'000)	
Gross revenue	1,025,064	1,026,319	(0.1)
Property operating expenses ³	(370,122)	(310,935)	19.0
Net property income	654,942	715,384	(8.4)
Other administrative expenses	(27,012)	(31,951)	(15.5)
Asset management fees	(7,082)	(6,448)	9.8
Interest expenses ⁴	(188,983)	(213,348)	(11.4)
Guarantor fee to asset manager	(1,198)	(1,250)	(4.2)
Net income from property operations	430,667	462,387	(6.9)

Notes:

1. There were 161 properties at the start and end of 3QFY2010.
2. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.
3. Property operating expenses comprised the following:

	3Q FY2010	2Q FY2010	Increase / (Decrease) %
	(JPY'000)	(JPY'000)	
Property tax	77,474	76,546	1.2
Property manager's fees	40,164	40,657	(1.2)
Operation and maintenance expenses	56,381	51,017	10.5
Repairs and renovations	62,162	48,889	27.1
Leasing and marketing expenses	54,317	27,959	94.3
Utilities charges	51,170	41,694	22.7
Insurance expenses	13,054	13,451	(3.0)
Impairment/ (written back) on account receivables	2,087	(3,529)	NM ⁵
Bad debt written-off	499	4,711	(89.4)
Consumption tax arising from operation	12,814	9,540	34.3

4. Interest expenses include the realised loss (payment) on interest rate swap.
5. NM denotes not meaningful.

While gross revenue remained stable in 3Q FY2010 when compared to 2Q FY2010, property operating expense increased by 19.0%. Repairs and renovation expenses increased by 27.1%, due mainly to major upgrades conducted on properties (such as upgrades of common areas and electrical systems) as well as renovations carried out for this year's leasing season. The increase in leasing and marketing expenses by JPY 26.4 million in 3Q FY2010 was mainly due to the increase in leasing and marketing activities during the leasing season in February and March 2010.

Other administrative expenses decreased by 15.5%, due mainly to decreases in legal and professional expenses and bank charges.

The decrease in interest expenses by 11.4% in 3Q FY2010 was mainly due to full repayment of the loans of YK Kokkei and YK Shingen in November and December 2009 respectively, and the partial repayment of the loan of YK Keizen in January 2010. This was partially offset by the increase in interest rate on the loan of YK Shintoku after its maturity default in November 2009.

9. Outlook and prospects

The balance of the loan of YK Keizan, amounting to JPY 0.6 billion (\$\$9.0 million), was repaid in April 2010 with internal cash resources. Following the repayment of this loan, Saizen REIT has commenced the accumulation of cash for distribution in the month of May 2010, enabling the resumption of distribution, albeit a nominal amount, for FY2010 which is ending on 30 June 2010.

Other than the loan of YK Shintoku, which is currently in maturity default, Saizen REIT has no further loans maturing in FY2010. Saizen REIT currently has an aggregate of approximately JPY 11.2 billion (\$\$168.9 million) of properties which are unencumbered. The Management Team is exploring the possibility of using Saizen REIT's unencumbered properties as collateral for new loans. The proceeds from the loan of YK Shinzan, which was obtained in March 2010, is currently used as part of Saizen REIT's working capital, pending deployment for other purposes, which may include the refinancing of the loan of YK Shintoku (if such refinancing is possible).

The loan servicer has yet to finalise a course of action since the maturity default of the loan of YK Shintoku in November 2009. The Asset Manager continues to work closely with the loan servicer in this respect and there is currently no indication of foreclosure actions.

Property operations are expected to remain stable in the final quarter of FY2010.

10. Distributions

Not applicable.

11. If no distribution has been declared/ recommended, a statement to that effect.

The Board does not propose to declare any distribution for 3Q FY2010.

12. Interested person transactions

Guarantor fees of JPY 1.2 million (\$0.02 million) were paid to the Asset Manager in 3Q FY2010 in respect of the loan of YK JOF.

13. Confirmation by Directors pursuant to Clause 705(4) of the Listing Manual of SGX-ST

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the quarter ended 31 March 2010 to be false or misleading in any material respect.

This release may contain forward-looking statements that involve risks and uncertainties. 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 other companies, shifts in tenant demands, changes in operating expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the current view of Management Team on future events.

BY ORDER OF THE BOARD

Chang Sean Pey
Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

12 May 2010