

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 First Quarter Ended 30 September 2010

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INTRODUCTION

Revenue and income increased, in S\$-equivalent terms, year-on-year (“yoy”) and quarter-on-quarter (“qoq”) for the first quarter ended 30 September 2010 (“1Q FY2011”).

Gross revenue, net property income and net income from operations increased marginally yoy by 0.8%, 0.8% and 2.5% respectively. In Japanese yen (“JPY”)–terms, they were slightly lower, but were out-weighted by a 2.8% appreciation of the JPY against the S\$.

On a qoq basis, gross revenue, net property income and net income from operations increased by 4.8%, 11.6% and 20.3% respectively. In JPY–terms, while gross revenue stayed flat, net property income and net income from operations increased by 6.5% and 14.8% respectively. This was due mainly to lower property operating expenses and other trust expenses. This performance was also enhanced by a 4.7% appreciation of the JPY against the S\$ between quarters.

Property operations remained stable in 1Q FY2011. The average occupancy rate was 90.9% in 1Q FY2011, as compared to 91.3% in the first quarter ended 30 September 2009 (“1Q FY2010”) and 91.7% in the previous quarter ended 30 June 2010 (“4Q FY2010”).

Overall rental reversion of new contracts entered into in 1Q FY2011 was marginally lower by about 3.2% (1Q FY2010 and 4Q FY2010: lower by about 3.9% and 4.0% respectively) from previous contracted rates.

YK Shintoku’s loan issue continues to be addressed. YK Shintoku divested 5 properties in 1Q FY2011. These 5 properties were sold at a weighted average discount of about 4% to valuation, raising net sale proceeds of approximately JPY 0.7 billion (S\$11.0 million¹) which were used to pay down the loan of YK Shintoku. In aggregate, these 5 properties contributed a gross revenue of JPY 14.9 million (S\$0.2 million), or 1.4% of the Group’s total revenue, in 1Q FY2011. Refinancing efforts are on-going.

Distributions set to continue. Saizen REIT paid out a total of S\$2.9 million as distributions in September 2010 in respect of the distributions declared for the financial year ended 30 June 2010. Saizen REIT intends to continue to pay out semi-annual distributions in accordance with its distribution policy. The next distribution payment is expected to take place in March 2011 in respect of distributable cash accumulated in the six months financial period ending 31 December 2010.

The financial year-end of Saizen REIT is 30 June.

Summary of results

Net asset value increased from JPY 23.9 billion as at 30 June 2010 to JPY 25.7 billion as at 30 September 2010, attributable mainly to the total return of the Group and the exercise of warrants in 1Q FY2011. Following the issue of new Units in 1Q FY2011 pursuant to the exercise of warrants, the number of issued Units increased from 953,203,055 as at 30 June 2010 to 1,111,002,712 as at 30 September 2010. This had dilutive effects on the net asset value per Unit, which decreased from S\$0.40 per Unit as at 30 June 2010 to S\$0.36 per Unit as at 30 September 2010, as the exercise price of the warrants is lower than the prevailing net asset value per Unit of the Group.

The following is a summary of Saizen REIT’s operating performance for 1Q FY2011, 1Q FY2010 and 4Q FY2010.

	1Q FY2011 ²	1Q FY2010 ³	4Q FY2010 ⁴
Gross revenue (S\$’000) (JPY’000)	16,274⁵ 1,030,129	16,150⁶ 1,051,349	15,536⁷ 1,030,060
Net property income (S\$’000) (JPY’000)	11,389⁵ 720,928	11,300⁶ 735,660	10,205⁷ 676,623
Net income from operations (S\$’000) (JPY’000)	6,012⁵ 380,537	5,866⁶ 381,846	4,998⁷ 331,382

Notes:

1. *Based on S\$ / JPY exchange rate of 63.6 as at 30 September 2010, which is applied throughout this announcement unless stated otherwise.*
2. *There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.*
3. *There were 166 properties at the start of 1Q FY2010 and 162 properties at the end of 1Q FY2010.*
4. *There were 161 properties at the start and end of 4Q FY2010.*
5. *Based on S\$ / JPY average exchange rate of 63.3 between 1 July 2010 and 30 September 2010.*
6. *Based on S\$ / JPY average exchange rate of 65.1 between 1 July 2009 and 30 September 2009.*
7. *Based on S\$ / JPY average exchange rate of 66.3 between 1 April 2010 and 30 June 2010.*

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 30 September 2010, Saizen REIT’s portfolio comprised 156 properties, with a total appraised value of JPY 39.82 billion (S\$626.1 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, 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**”).

Saizen REIT conducted a 10-for-11 rights issue in May 2009 (the “**Rights Issue**”). 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants. The Rights Issue was concluded in June 2009. Each warrant carries 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.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (1Q FY2011 vs 1Q FY2010)**

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,030,129	1,051,349	(2.0)
Property operating expenses	(309,201)	(315,689)	(2.1)
Net property income	720,928	735,660	(2.0)
Interest income	620	816	(24.0)
Other administrative expenses	(38,990)	(33,371)	16.8
Manager's management fees	(50,878)	(53,699)	(5.3)
Asset management fees	(6,534)	(6,336)	3.1
Trustee's fee	(2,597)	(3,881)	(33.1)
Other trust expenses	(16,213)	(39,037)	(58.5)
Finance costs ²	(225,799)	(214,196)	5.4
Issue expenses	-	(4,110)	(100.0)
Net income from operations	380,537	381,846	(0.3)
Loss on divestment of properties	(57,132)	(47,619)	20.0
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ³	105,504	(108,391)	NM ¹
Total return for the period before income tax⁴	428,909	225,836	89.9
Income tax	(46,159)	(61,267)	(24.7)
Total return for the period after income tax before distribution	382,750	164,569	>100.0
Less: Distribution	(179,139)	-	NM ¹
Total return for the period	203,611	164,569	23.7
Attributable to:			
Unitholders	199,250	163,860	21.6
Non-controlling interests	4,361	709	>100.0
	203,611	164,569	23.7

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(207,266)	(171,677)	20.7
(ii) amortisation of loan commission	(27,738)	(40,776)	(32.0)
(iii) guarantor fee to asset manager	(2,010)	-	NM ¹
(iv) exchange difference	11,215	(1,743)	NM ¹

3. Fair value gain/(loss) on financial derivatives comprises the following:

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,571)	(9,189)	(6.7)
(ii) unrealised fair value loss on interest rate swap	(6,967)	(2,089)	>100.0
(iii) unrealised fair value loss on interest rate cap	-	(17)	NM ¹
(iv) fair value gain/ (loss) on warrants	121,042	(97,096)	NM ¹

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

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) write back/(impairment) of account receivable	983	(1,202)	NM ¹

Statement of total return (for the Group) (1Q FY2011 vs 4Q FY2010)

	1Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,030,129	1,030,060	0.01
Property operating expenses	(309,201)	(353,437)	(12.5)
Net property income	720,928	676,623	6.5
Interest income	620	142	>100.0
Other administrative expenses	(38,990)	(37,972)	2.7
Manager's management fees	(50,878)	(52,081)	(2.3)
Asset management fees	(6,534)	(6,825)	(4.3)
Trustee's fee	(2,597)	(2,296)	13.1
Other trust expenses	(16,213)	(26,968)	(39.9)
Finance costs ²	(225,799)	(219,241)	3.0
Net income from operations	380,537	331,382	14.8
Loss on divestment of properties	(57,132)	-	NM ¹
Net fair value gain on financial derivatives			
- fair value through profit or loss ³	105,504	230,958	(54.3)
Net fair value loss on investment properties	-	(1,698,345)	(100.0)
Total return/(loss) for the period before income tax⁴	428,909	(1,136,005)	NM ¹
Income tax	(46,159)	93,669	NM ¹
Total return/(loss) for the period after income tax before distribution	382,750	(1,042,336)	NM ¹
Less: Distribution	(179,139)	-	NM ¹
Total return/(loss) for the period	203,611	(1,042,336)	NM ¹
Attributable to:			
Unitholders	199,250	(1,048,706)	NM ¹
Non-controlling interests	4,361	6,370	(31.5)
	203,611	(1,042,336)	NM ¹

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	1Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(207,266)	(188,921)	9.7
(ii) amortisation of loan commission	(27,738)	(23,670)	17.2
(iii) guarantor fee to asset manager	(2,010)	(2,042)	(1.6)
(iv) exchange difference	11,215	(4,608)	NM ¹

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

	1Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,571)	(12,808)	(33.1)
(ii) unrealised fair value loss on interest rate swap	(6,967)	(18,532)	(62.4)
(iii) fair value gain on warrants	121,042	262,298	(53.9)

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

	1Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) write back/(impairment) of account receivable	983	(1,793)	NM ¹

Statement of distributable income from operations

	1Q FY2011 (JPY'000)
Total return for the period after income tax	382,750
Adjustments ¹	(46,353)
Adjusted return for the period	336,397
Income available for distribution to Unitholders at the beginning of the period	176,058
Deployed for loan principal repayment	(113,397) ²
Deployed for one-off refinancing costs	(14,976) ³
Distribution to Unitholders for FY2010	(179,139)
Distributable income from operations at the end of the period	204,943
Distribution to Unitholders	NA ⁴

Notes:

1. *Adjustments comprised non-cash items, namely fair value gain on warrants, unrealised fair value loss on interest rate swap, amortisation of loan commission, loss on divestment of properties and unrealised exchange differences.*
2. *The amount deployed for loan principal repayment comprised mainly amortisation payments on the loan principals of YK Shinzan, YK JOF, GK Choan, GK Chosei and GK Chogen. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.*
3. *The amount deployed for one-off refinancing costs comprised one-off costs incurred in respect of the refinancing of the loan of GK Choan.*
4. *NA denotes not applicable.*

1(b)(i) Balance sheet

	The Group	
	As at 30 Sep 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	3,148,159	2,368,910
Deposits with cash management agents ¹	1,232,647	1,247,262
Trade and other receivables	35,352	37,721
Other current assets	56,072	45,222
	<u>4,472,230</u>	<u>3,699,115</u>
Non-current assets		
Investment properties ²	39,819,328	40,381,700
	<u>39,819,328</u>	<u>40,381,700</u>
Total assets	<u>44,291,558</u>	<u>44,080,815</u>
Current liabilities		
Rental deposits	582,836	602,947
Rental received in advance	246,200	256,888
Borrowings	7,362,607	7,827,162
Other current liabilities	208,119	394,464
Current tax liabilities	363,508	356,545
Derivative financial instruments ³	1,385,949	2,189,316
	<u>10,149,219</u>	<u>11,627,322</u>
Non-current liabilities		
Rental deposits	20,986	23,594
Borrowings	8,364,404	8,453,768
Derivative financial instruments ⁴	91,784	84,817
	<u>8,477,174</u>	<u>8,562,179</u>
Total liabilities	<u>18,626,393</u>	<u>20,189,501</u>
Total net assets	<u>25,665,165</u>	<u>23,891,314</u>
Represented by:		
Unitholders	25,652,413	23,882,923
Non-controlling Interests	12,752	8,391
	<u>25,665,165</u>	<u>23,891,314</u>
Number of Units in issue ('000)⁵	<u>1,111,003</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>23.09</u>	<u>25.06</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to administer cash movements of the TK operators.
2. The decrease in investment properties by JPY 0.6 billion from JPY 40.4 billion as at 30 June 2010 to JPY 39.8 billion as at 30 September 2010 was due to the divestment of five properties in 1Q FY2011.
3. The derivative financial instruments (current liabilities) comprised warrants that are outstanding. The decrease in the derivative financial instruments (current liabilities) was mainly due to the decrease in the number of warrants that are outstanding as at balance sheet date.
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.
5. The number of Units in issue increased from 953,203,055 Units as at 30 June 2010 to 1,111,002,712 Units as at 30 September 2010 due to the issue of 157,799,657 new Units pursuant to the exercise of warrants.

	Saizen REIT	
	As at 30 Sep 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	901,232	290,216
Distribution receivables	1,724,022	1,555,225
Other receivables	782	821
Other assets	2,141	1,746
	<u>2,628,177</u>	<u>1,848,008</u>
Non-current assets		
Investment in subsidiaries	24,164,460	24,355,372
	<u>24,164,460</u>	<u>24,355,372</u>
Total assets	<u>26,792,637</u>	<u>26,203,380</u>
Current liabilities		
Other current liabilities	47,517	85,598
Current tax liabilities	348,382	302,223
Derivative financial instruments ¹	1,385,949	2,189,316
	<u>1,781,848</u>	<u>2,577,137</u>
Total liabilities	<u>1,781,848</u>	<u>2,577,137</u>
Total net assets	<u>25,010,789</u>	<u>23,626,243</u>
Represented by:		
Unitholders	<u>25,010,789</u>	<u>23,626,243</u>
Number of Units in issue ('000)	<u>1,111,003</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>22.51</u>	<u>24.79</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 30 Sep 2010 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	717,123	716,171
- Commercial mortgage- backed securities loans	6,645,484	7,110,991
	<u>7,362,607</u>	<u>7,827,162</u>
Amount repayable after one year		
- Bank loans	8,364,404	8,453,768
	<u>15,727,011</u>	<u>16,280,930</u>

As at 30 September 2010, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 27.8 billion.

The decrease in borrowings from JPY 16.3 billion as at 30 June 2010 to JPY 15.7 billion as at 30 September 2010 was mainly due to the partial repayment of the loan of YK Shintoku, which amounted to JPY 0.5 billion, using proceeds from the divestment of YK Shintoku's properties.

1(c) Cash flow statement (for the Group) (1Q FY2011 vs 1Q FY2010)

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	382,750	164,569
Adjustments for:		
Income tax	46,159	61,267
Interest income	(620)	(816)
Interest expenses	235,004	212,453
Net fair value (gain)/loss on financial derivatives	(105,504)	108,391
Loss on divestment of properties	57,132	47,619
Operating profit before working capital changes	614,921	593,483
Changes in working capital		
Deposit with cash management agents	14,615	(530,512) ¹
Trade and other receivables	2,361	3,084
Other current assets	(10,991)	3,989
Other current liabilities	(107,170)	(88,066)
Rental received in advance	(10,688)	(9,609)
Rental deposits	(22,719)	(31,862)
Cash generated from operations	480,329	(59,493)
Income tax paid	(713)	(711)
Withholding tax paid	(38,483)	(58,842)
Cash flows provided by/(used in) operating activities	441,133	(119,046)
Investing activities		
Capital expenditure	(1,728)	(3,547)
Proceeds from sale of investment properties	506,968	562,380
Cash flows provided by investing activities	505,240	558,833
Financing activities		
Bank borrowings obtained	-	1,000,000
Repayment of bank borrowings	(566,681) ¹	(28,027)
Distribution to Unitholders	(179,139)	-
Interest received	628	816
Interest paid	(301,274)	(205,657)
Payment of interest rate swap	(8,571)	(9,189)
Proceeds from exercise of warrants	887,913	20,712
Bank deposits pledged for bank borrowings	(274)	(200,000)
Cash flows (used in)/provided by financing activities	(167,398)	578,655
Net increase in cash and cash equivalents	778,975	1,018,442
Cash and cash equivalent at beginning of the period	2,166,393	5,070,301
Cash and cash equivalent at end of the period²	2,945,368	6,088,743

Notes:

- The change in deposit with cash management agent in 1Q FY2010 comprised mainly sale proceeds from the divestment of four properties held by YK Shintoku that was retained by the loan servicer. These sale proceeds were subsequently used to pay down the loan of YK Shintoku after its maturity default in November 2009. Since then, sale proceeds are typically applied towards loan repayment shortly after the completion of each property divestment. As such, the repayment of bank borrowings in 1Q FY2011 comprised mainly the repayment of the loan of YK Shintoku using proceeds from the sale of five properties in the same quarter.
- For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)
Cash and bank balances (per balance sheet)	3,148,159	6,288,743
Less: Bank deposits pledged	(202,791)	(200,000)
	<u>2,945,368</u>	<u>6,088,743</u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF and YK Shintoku under the terms of their respective loans.

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

The Group

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)
OPERATION		
Balance as at beginning of the period	(11,505,071)	(10,621,193)
Total return for the period	378,389	163,860
Distribution to Unitholders	(179,139)	-
Balance as at end of period	(11,305,821)	(10,457,333)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	35,387,994	35,347,707
Issue of new units from exercise of warrants	1,570,240	35,699
Balance as at end of period	36,958,234	35,383,406
TOTAL ATTRIBUTABLE TO UNITHOLDERS	25,652,413	24,926,073
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	8,391	-
Total return for the period	4,361	709
Balance as at end of period	12,752	709
TOTAL	25,665,165	24,926,782

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	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)
OPERATION		
Balance as at beginning of the period	(13,016,678)	(12,090,811)
Total loss for the period	(6,555)	(233,605)
Distribution to Unitholders	(179,139)	-
Balance as at end of period	(13,202,372)	(12,324,416)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	36,642,921	36,602,634
Issue of new units from exercise of warrants	1,570,240	35,699
Balance as at end of period	38,213,161	36,638,333
TOTAL ATTRIBUTABLE TO UNITHOLDERS	25,010,789	24,313,917

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

	1Q FY2011 (Units)	1Q FY2010 (Units)
Issued Units as at beginning of period	953,203,055	949,194,055
Issue of new Units from exercise of warrants	157,799,657	3,576,000
Issued Units as at end of period	<u>1,111,002,712</u>	<u>952,770,055</u>
	1Q FY2011 (Warrants)	1Q FY2010 (Warrants)
Number of warrants outstanding as at beginning of period	493,154,362	497,163,362
Exercise of warrants	(157,799,657)	(3,576,000)
Number of warrants outstanding as at end of period	<u>335,354,705</u>	<u>493,587,362</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.

After 30 September 2010 and following the exercise of an aggregate of 7,272,000 warrants in October 2010 and November 2010, the number of Units in issue and warrants outstanding as at 9 November 2010, being the market day immediately preceding the date of this announcement, are 1,118,274,712 and 328,082,705 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 2010.

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 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 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.

		<u>1Q FY2011</u>	<u>1Q FY2010</u>
Total return for the period attributable to Unitholders for basic and diluted EPU	(JPY'000)	378,389	163,860
Basic EPU	(JPY)	0.38	0.17
	(cents)	0.60 ¹	0.26 ²
Diluted EPU	(JPY)	0.32	0.14
	(cents)	0.51 ¹	0.22 ²
Weighted average number of Units		997,555,657	949,458,327
Weighted average number of Units plus dilutive effect		1,192,900,763	1,143,125,756

Notes:

1. Based on S\$ / JPY average exchange rate of 63.3 between 1 July 2010 and 30 September 2010.
2. Based on S\$ / JPY average exchange rate of 65.1 between 1 July 2009 and 30 September 2009.

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

The Group

		As at 30 Sep 2010	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	23.09	25.06
	(S\$)	0.36 ¹	0.40 ²
Number of Units ³		1,111,002,712	953,203,055

Saizen REIT

		As at 30 Sep 2010	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	22.51	24.79
	(S\$)	0.35 ¹	0.39 ²
Number of Units ³		1,111,002,712	953,203,055

Notes:

1. Based on S\$ / JPY exchange rate of 63.6 as at 30 September 2010.
2. Based on S\$ / JPY exchange rate of 63.4 as at 30 June 2010.
3. The number of Units in issue increased from 953,203,055 Units as at 30 June 2010 to 1,111,002,712 Units as at 30 September 2010 due to the issue of 157,799,657 new Units pursuant to the exercise of warrants.

8. Review of performance

Income statement: 1Q FY2011 vs 1Q FY2010

	1Q FY2011 ¹ (JPY'000)	1Q FY2010 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	1,030,129	1,051,349	(2.0)
Property operating expenses ³	(309,201)	(315,689)	(2.1)
Net property income	720,928	735,660	(2.0)
Other property-level expenses ⁴			
- Other administrative expenses	(33,201)	(28,192)	17.8
- Asset management fees	(6,534)	(6,336)	3.1
- Interest expenses ⁵	(215,837)	(180,866)	19.3
- Guarantor fee to asset manager	(2,010)	-	NM ⁶
Net income from property operations	463,346	520,266	(10.9)
Other operating income and expenses ⁷	(91,380)	(147,609)	(38.1)
Adjustment ⁸	8,571	9,189	(6.7)
Net income from operations	380,537	381,846	(0.3)

Notes:

1. There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.

2. There were 166 properties at the start of 1Q FY2010 and 162 properties at the end of 1Q FY2010.

3. Property operating expenses comprised the following:

	1Q FY2011 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	77,151	77,903	(1.0)
Property manager's fees	40,265	41,214	(2.3)
Operation and maintenance expenses	51,796	51,204	1.2
Repairs and renovations	53,002	51,005	3.9
Leasing and marketing expenses	24,395	28,874	(15.5)
Utilities charges	40,972	40,630	0.8
Insurance expenses	10,984	13,972	(21.4)
(Write back)/impairment of account receivables	(983)	1,202	NM ⁶
Bad debt written-off	1,734	209	>100.0
Consumption tax arising from operation	9,885	9,476	4.3

4. Income and expense items at Saizen REIT level have been excluded.

5. Interest expenses include the realised loss (payment) on interest rate swap.

6. NM denotes not meaningful.

7. Other operating income and expenses comprised interest income, Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and realised loss (payment) on interest rate swap), REIT-level other administrative expenses and issue expenses.

8. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue decreased by 2.0%, due mainly to the divestment of five properties in financial year ended 30 June 2010 ("FY2010") as well as a slight decrease in rental rates of new contracts entered into after 1Q FY2010. Property operating expenses and net operating expenses remained relatively stable at JPY 0.3 billion and JPY 0.7 billion respectively in both 1Q FY2011 and 1Q FY2010, while net income from property operations decreased by 10.9%.

Average occupancy rates in 1Q FY2011 was 90.9% as compared to 91.3% in 1Q FY2010, while overall rental reversion of new contracts entered into in 1Q FY2011 was marginally lower by about 3.2% (1Q FY2010: lower by about 3.9%) from previous contracted rates.

Other administrative expenses increased by 17.8%, due mainly to an increase in legal and professional fee expenses incurred in respect of the establishment of new holding companies (ippan shadan hojins) for YK Keizan and YK Shingen in 1Q FY2011 to facilitate future financing arrangements involving the unencumbered properties of these two TK operators (separate ippan shadan hojins are typically set up for different loans).

The increase in interest expenses of 19.3% in 1Q FY2011 as compared to 1Q FY2010 was mainly due to the new loan of YK Shinzan which was secured in March 2010 as well as the increase in annual interest rates of (i) the loan of YK Shintoku from 3.07% to 7.07% after its maturity default in November 2009 and (ii) the loan of GK Choan from 2.66% to 3.8275% after its refinancing in June 2010. This was partially offset by decreases in interest expenses following the repayment of four loans in FY2010.

Guarantor fees of JPY 2.0 million were paid to the Asset Manager in respect of the loans of YK JOF and YK Shinzan.

Group-level operations

Net income from operations remained relatively stable at JPY 0.4 billion in both 1Q FY2011 and 1Q FY2010.

Other operating income and operating expenses decreased by 38.1% in 1Q FY2011 as compared to 1Q FY2010. In particular, the decrease was due to lower other trust expenses of JPY 16.2 million in 1Q FY2011 compared to JPY 39.0 million in 1Q FY2010. This was mainly due to the decrease in valuation fee expenses of JPY 16.1 million and the decrease in audit fee expenses of JPY 4.0 million.

Valuation fees of JPY 23.5 million which were recognised in 1Q FY2010 comprised accruals of JPY 12.8 million for 1Q FY2010 and an additional amount of JPY 10.7 million relating to under-accruals in the previous financial year. Meanwhile, valuation fees of JPY 7.5 million which were recognised in 1Q FY2011 comprised accruals of JPY 11.5 million for 1Q FY2011, which were partially offset by a net reversal of JPY 4.0 million relating to over-accruals in the previous financial year.

The decrease in audit fee expenses was mainly due to a write-back of JPY 3.1 million relating to over-accruals in the previous financial year.

Other Group-level non-operating items

The sale of five properties resulted in a loss incurred on the divestment of properties of JPY 57.1 million in 1Q FY2011. The fair value gain on financial derivatives of JPY 105.5 million incurred in 1Q FY2011 arose mainly due to the decrease in market-traded price of the warrants, which resulted in fair value gains on warrants of JPY 121.0 million.

Income statement: 1Q FY2011 vs 4Q FY2010

	1Q FY2011 ¹ (JPY'000)	4Q FY2010 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	1,030,129	1,030,060	0.01
Property operating expenses ³	(309,201)	(353,437)	(12.5)
Net property income	720,928	676,623	6.5
Other property-level expenses ⁴			
- Other administrative expenses	(33,201)	(30,152)	10.1
- Asset management fees	(6,534)	(6,825)	(4.3)
- Interest expenses ⁵	(215,837)	(201,729)	7.0
- Guarantor fee to asset manager	(2,010)	(2,042)	(1.6)
Net income from property operations	463,346	435,875	6.3
Other operating income and expenses ⁶	(91,380)	(117,301)	(22.1)
Adjustment ⁷	8,571	12,808	(33.1)
Net income from operations	380,537	331,382	14.8

Notes:

1. There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.

2. There were 161 properties at the start and end of 4Q FY2010.

3. Property operating expenses comprised the following:

	1Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	77,151	77,450	(0.4)
Property manager's fees	40,265	40,310	(0.1)
Operation and maintenance expenses	51,796	50,801	2.0
Repairs and renovations	53,002	75,090	(29.4)
Leasing and marketing expenses	24,395	39,478	(38.2)
Utilities charges	40,972	43,978	(6.8)
Insurance expenses	10,984	12,271	(10.5)
(Write back)/impairment of account receivables	(983)	1,793	NM ⁸
Bad debt written-off	1,734	976	77.7
Consumption tax arising from operation	9,885	11,290	(12.4)

4. Income and expense items at Saizen REIT level have been excluded.

5. Interest expenses include the realised loss (payment) on interest rate swap.

6. Other operating income and expenses comprised interest income, Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and realised loss (payment) on interest rate swap) and REIT-level other administrative expenses.

7. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

8. NM denotes not meaningful.

Property-level operations

Gross revenue remained stable at JPY 1.0 billion in 1Q FY2011 as revenue loss from the five divestments, which were mainly concluded at the end of September 2010, was minimal.

Net property income and net income from property operations increased by 6.5% and 6.3% respectively in 1Q FY2011 from the previous quarter. Repairs and renovations expenses recorded a decrease of 29.4% in 1Q FY2011 as more expenses had been incurred in 4Q FY2010 on property upgrades, such as drainage system improvements. Leasing and marketing expenses decreased by 38.2% in 1Q FY2011 following the conclusion of the leasing season in April 2010.

The increase in interest expenses of 7.0% in 1Q FY2011 as compared to 4Q FY2010 was mainly due to increase in the annual interest rate of the loan of GK Choan from 2.66% to 3.8275% when it was refinanced in June 2010. This was partially offset by the decrease in interest expenses attributable to the repayment of the loan of YK Keizan in April 2010.

Group-level operations

Net income from operations increased by 14.8% in 1Q FY2011, due mainly to the increase in net income from property operations as well as the decrease in other trust expenses.

Other trust expenses decreased by JPY 10.8 million from JPY 27.0 million in 4Q FY2010 to JPY 16.2 million in 1Q FY2011, due mainly to the decrease in valuation fee expenses of JPY 5.4 million and the decrease in audit fee expenses of JPY 6.0 million.

Valuation fees were lower in 4Q FY2010 as compared to those in 1Q FY2011, due mainly to a net reversal of JPY 4.0 million made in 4Q FY2010 relating to over-accruals in the previous financial year.

Audit fees of JPY 11.4 million which were recognised in 4Q FY2010 comprised accruals of JPY 9.4 million for 4Q FY2010 and an additional amount of JPY 2.0 million relating to under-accruals in the previous financial year. Meanwhile, valuation fees of JPY 5.4 million which were recognised in 1Q FY2011 comprised accruals of JPY 8.5 million for 1Q FY2011, which were partially offset by a write-back of JPY 3.1 million relating to over-accruals in the previous financial year.

Other Group-level non-operating items

The sale of five properties resulted in a loss incurred on the divestment of properties of JPY 57.1 million in 1Q FY2011. No properties were sold in 4Q FY2010. The fair value gain on financial derivatives of JPY 105.5 million incurred in 1Q FY2011 arose mainly from the fair value gains on warrants of JPY 121.0 million. The net fair value loss on investment properties in 4Q FY2010 was made pursuant to the annual valuation of Saizen REIT's properties for FY2010. No property valuations were conducted in 1Q FY2011.

9. Outlook and prospects

YK Shintoku loan

In Saizen REIT's full-year results announcement on 26 August 2010, it was mentioned that discussions with a financial institution on the terms and timing of a loan, which will potentially enable the loan of YK Shintoku to be refinanced, have commenced. Efforts are currently being made to form a syndication. Potential syndicate partners have been approached and are conducting their internal reviews and assessment. Announcements will be made, when appropriate, to provide Unitholders with further information should there be any material developments on this matter.

To-date, YK Shintoku has divested a total of 16 properties (5 properties in FY2010, 5 properties in 1Q FY2011 and 6 properties in October and November 2010) as part a deleveraging plan implemented to reduce the absolute amount of the loan of YK Shintoku and the leverage of the corresponding property portfolio, so as to facilitate refinancing efforts. The loan of YK Shintoku has been reduced from JPY 7.1 billion (S\$111.6 million¹) as at 30 June 2010 to about JPY 5.6 billion (S\$88.1 million) as at the date hereof. Taking into account applicable cash reserves of JPY 0.6 billion (S\$9.4 million) maintained by YK Shintoku under the loan agreement, the net outstanding loan of YK Shintoku amounts to approximately JPY 5.0 billion (S\$78.6 million). Several divestments of YK Shintoku's properties are expected in the coming months to reduce the loan amount further.

The amount of S\$14.9 million, or approximately JPY 0.9 billion, of warrant proceeds received as at 9 November 2010, have yet to be deployed. Saizen REIT has 328,082,705 warrants which are outstanding and could potentially result in S\$29.5 million, or approximately JPY 1.9 billion, of further warrant proceeds being raised¹. These warrant proceeds may be applied towards the refinancing of the loan of YK Shintoku (if such refinancing is possible).

Saizen REIT also has an aggregate of approximately JPY 12.0 billion (S\$188.7 million) of unencumbered properties which can be used as collateral for new loans. The Asset Manager will continue to work closely with the loan servicer of YK Shintoku's loan pending any successful refinancing efforts and there is currently no indication of foreclosure actions.

Property operations and distributions

Property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions. The next distribution payment is expected to take place in March 2011 in respect of distributable cash accumulated in the six months financial period ending 31 December 2010.

Note:

1. *This is based on the assumption that all 328,082,705 warrants outstanding as at 9 November 2010 are exercised (at an exercise price of S\$0.09 per warrant). **Please be reminded that this assumption is purely for illustration purposes only and actual outcomes may differ materially from this assumption.***

10. Distributions

10(a) Current financial period

Any distributions declared for the current financial period?

No.

10(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediately preceding financial year?

No.

10(c) Date payable

Not applicable.

10(d) Books closure date

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 1Q FY2011.

12. Interested person transactions

Divestment fees amounting to an aggregate of JPY 1.6 million (S\$0.03 million) were paid to the Manager in respect of the sale of Patios Ohashi, Sun Park Yokokawa, Funairi Honmachi 54, Residence II Yasuda and Matoba Y Building in 1Q FY2011.

Guarantor fees amounting to an aggregate of JPY 2.0 million (S\$0.03 million) were paid to the Asset Manager in 1Q FY2011 in respect of the loans of YK JOF and YK Shinzan.

13. Update on utilisation of warrant proceeds

Since the Rights Issue in 2009, 169,102,657 warrants have been exercised as at 9 November 2010, being the market day immediately preceding the date of this announcement. Such warrant exercises have raised proceeds of approximately S\$15.2 million, of which approximately S\$0.3 million has been used for working capital purposes.

The remaining warrant proceeds of approximately S\$14.9 million have not been deployed.

14. 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 30 September 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
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

10 November 2010