

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 2011

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INTRODUCTION

An earthquake and tsunami hit the north-eastern region of Japan on 11 March 2011. Saizen REIT has 28 properties, valued at an aggregate of JPY 5.9 billion (S\$89.9 million¹), located in the cities of Sendai, Koriyama and Morioka which were affected by the earthquake and tsunami. Inspections on all affected properties revealed only minor damage, and the properties continue to be occupied by tenants. Based on current estimates, repair expenses on affected properties are expected to amount to no more than JPY 200 million (S\$3.0 million).

None of Saizen REIT's properties are within the current evacuation zone surrounding the nuclear power plant at risk in Fukushima. Saizen REIT's properties closest to the affected nuclear plant are the 3 properties located in Koriyama, and they are more than 50 km away.

Despite the earthquake and tsunami, the overall occupancy rates of properties in Sendai, Koriyama and Morioka remained stable at 90% as at 31 March 2011, which is the same level as at the end of February 2011. There has also been no material adverse impact on rental collection so far.

Property operations remained stable. Revenue and income decreased year-on-year and quarter-on-quarter for the third quarter ended 31 March 2011 ("**3Q FY2011**"), due mainly to the sale of 18 properties between September 2010 and March 2011, of which six properties were sold in 3Q FY2011.

The average occupancy rate was 91.0% in 3Q FY2011, as compared to 91.8% in the third quarter ended 31 March 2010 ("**3Q FY2010**") and 90.8% in the previous quarter ended 31 December 2010 ("**2Q FY2011**"). Overall rental reversion of new contracts entered into in 3Q FY2011 was marginally lower by about 3.6% (3Q FY2010 and 2Q FY2011: lower by about 4.7% and 3.2% respectively) from previous contracted rates.

Loan of YK Shintoku to be fully repaid by end of May 2011. YK Shintoku and YK Shingen divested three properties each in 3Q FY2011, at a weighted average discount of about 2% to valuation. In aggregate, these six properties contributed a gross revenue of JPY 28.0 million (S\$0.4 million), or 2.9% of the Group's total revenue, in 3Q FY2011. Partial loan repayment using sale proceeds as well as principal repayments made from YK Shintoku's operations cash flow in 3Q FY2011 had reduced the loan balance of YK Shintoku to JPY 4.8 billion (S\$73.1 million) as at the end of March 2011. YK Shintoku has commenced a repayment plan which will enable its loan to be fully repaid by the end of May 2011 (please see the section "**Outlook and prospects**" for further details).

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

Note:

1. Based on S\$ / JPY exchange rate of 65.6 as at 31 March 2011, which is applied throughout this announcement unless stated otherwise.

Summary of results

Net asset value increased from JPY 23.9 billion as at 30 June 2010 to JPY 26.4 billion as at 31 March 2011, attributable mainly to the total return of the Group and the exercise of warrants in the first nine months of the financial year ending 30 June 2011. Following the issue of new Units pursuant to the exercise of warrants, the number of issued Units increased from 953,203,055 as at 30 June 2010 to 1,174,855,611 as at 31 March 2011. 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\$0.34 per Unit as at 31 March 2011, 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 3Q FY2011, 2Q FY2011 and 3Q FY2010.

	3Q FY2011 ¹	2Q FY2011 ²	3Q FY2010 ³
Gross revenue (S\$'000) (JPY'000)	14,886⁴ 958,667	15,310⁵ 970,659	15,843⁶ 1,025,064
Net property income (S\$'000) (JPY'000)	9,944⁴ 640,414	10,484⁵ 664,717	10,123⁶ 654,942
Net income from operations (S\$'000) (JPY'000)	5,154⁴ 331,932	5,031⁵ 318,995	5,145⁶ 332,910

Notes:

1. There were 149 properties at the start of 3Q FY2011 and 143 properties at the end of 3Q FY2011.
2. There were 156 properties at the start of 2Q FY2011 and 149 properties at the end of 2Q FY2011.
3. There were 161 properties at the start of and end of 3Q FY2010.
4. Based on S\$ / JPY average exchange rate of 64.4 between 1 January 2011 and 31 March 2011.
5. Based on S\$ / JPY average exchange rate of 63.4 between 1 October 2010 and 31 December 2010.
6. Based on S\$ / JPY average exchange rate of 64.7 between 1 January 2010 and 31 March 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 31 March 2011, Saizen REIT’s portfolio comprised 143 properties, with a total appraised value of JPY 37.4 billion (S\$570.1 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 10 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen and GK Gyokou.

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) (3Q FY2011 vs 3Q FY2010)**

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	958,667	1,025,064	(6.5)
Property operating expenses	(318,253)	(370,122)	(14.0)
Net property income	640,414	654,942	(2.2)
Interest income	344	942	(63.5)
Other administrative expenses	(50,242)	(32,599)	54.1
Manager's management fees	(47,308)	(51,844)	(8.7)
Asset management fees	(3,634)	(7,082)	(48.7)
Trustee's fee	(2,500)	(1,540)	62.3
Other trust expenses	(26,041)	(30,636)	(15.0)
Finance costs ¹	(179,101)	(199,273)	(10.1)
Net income from operations	331,932	332,910	(0.3)
Loss on divestment of properties	(109,392)	-	NM ⁴
Net fair value gain/ (loss) on financial derivatives - fair value through profit or loss ²	298,698	(187,010)	NM ⁴
Net fair value losses on investment properties	(10,400)	-	NM ⁴
Total return for the period before income tax ³	510,838	145,900	>100.0
Income tax	(26,130)	(50,015)	(47.8)
Total return for the period after income tax before distribution	484,708	95,885	>100.0
Less: Distribution	(394,805)	-	NM ⁴
Total return for the period	89,903	95,885	(6.2)
Attributable to:			
Unitholders	85,619	95,294	(10.2)
Non-controlling interests	4,284	591	>100.0
	89,903	95,885	(6.2)

Notes:

1. Finance costs comprise the following:

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(169,784)	(177,521)	(4.4)
(ii) amortisation of loan commission	(28,646)	(19,187)	49.3
(iii) guarantor fee to asset manager	(1,907)	(1,198)	59.2
(iv) cost of refinancing	-	(1,257)	(100.0)
(v) exchange difference	21,236	(110)	NM ⁴

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

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,536)	(11,462)	(25.5)
(ii) unrealised fair value gain on interest rate swap	5,637	9,956	(43.4)
(iii) unrealised fair value loss on interest rate cap	-	(8)	(100.0)
(iv) fair value gain/(loss) on warrants	301,597	(185,496)	NM ⁴

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

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) write back /(impairment) on account receivable	1,341	(2,087)	NM ⁴

4. NM denotes not meaningful.

Statement of total return (for the Group) (YTD Mar 2011¹ vs YTD Mar 2010²)

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	2,959,455	3,102,732	(4.6)
Property operating expenses	(933,396)	(996,746)	(6.4)
Net property income	2,026,059	2,105,986	(3.8)
Interest income	968	1,820	(46.8)
Other administrative expenses	(129,800)	(103,330)	25.6
Manager's management fees	(147,250)	(158,566)	(7.1)
Asset management fees	(16,547)	(19,866)	(16.7)
Trustee's fee	(7,322)	(7,884)	(7.1)
Other trust expenses	(66,560)	(87,047)	(23.5)
Finance costs ³	(628,084)	(648,247)	(3.1)
Issue expenses	-	(4,110)	(100.0)
Net income from operations	1,031,464	1,078,756	(4.4)
Loss on divestment of properties	(292,302)	(57,699)	>100.0
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ⁴	208,784	(697,142)	NM ⁶
Net fair value losses on investment properties	(10,800)	-	NM ⁶
Total return for the period before income tax⁵	937,146	323,915	>100.0
Income tax	(119,056)	(157,066)	(24.2)
Total return for the period after income tax before distribution	818,090	166,849	>100.0
Less: Distribution	(573,944)	-	NM ⁶
Total return for the period	244,146	166,849	46.3
Attributable to:			
Unitholders	233,185	164,828	41.5
Non-controlling interests	10,961	2,021	>100.0
	244,146	166,849	46.3

Notes:

1. YTD Mar 2011 denotes the nine-month financial period ended 31 March 2011.

2. YTD Mar 2010 denotes the nine-month financial period ended 31 March 2010.

3. Finance costs comprise the following:

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(559,117)	(550,974)	1.5
(ii) amortisation of loan commission	(85,030)	(93,428)	(9.0)
(iii) guarantor fee to asset manager	(5,884)	(2,448)	>100.0
(iv) cost of refinancing	-	(1,257)	(100.0)
(v) exchange difference	21,947	(140)	NM ⁶

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

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(25,924)	(32,223)	(19.5)
(ii) unrealised fair value gain on interest rate swap	14,359	6,714	>100.0
(iii) unrealised fair value loss on interest rate cap	-	(36)	(100.0)
(iv) fair value gain/(loss) on warrants	220,349	(671,597)	NM ⁶

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

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)	Increase / (Decrease) %
(i) write back of account receivable	2,579	240	>100.0

6. NM denotes not meaningful.

Statement of distributable income from operations

		3Q FY2011
Total return for the period after income tax	(JPY'000)	484,708
Adjustments ¹	(JPY'000)	(181,768)
Adjusted return for the period	(JPY'000)	302,940
Income available for distribution to Unitholders at the beginning of the period	(JPY'000)	383,858
Deployed for loan principal repayment	(JPY'000)	(104,780) ²
Previous distribution to Unitholders paid during the period	(JPY'000)	(394,805)
Distributable income from operations at the end of the period	(JPY'000)	187,213
Distribution to Unitholders	(JPY'000)	NA ³

Notes:

1. Adjustments comprised non-cash items, namely fair value gain on warrants, unrealised fair value gain 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. NA denotes not applicable.

Income available for distribution to Unitholders is affected by factors including, inter alia, the repayment and the amortisation of loans. Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders.

1(b)(i) Balance sheet

	The Group	
	As at 31 Mar 2011 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	4,152,639	2,368,910
Deposits with cash management agents ¹	1,138,195	1,247,262
Trade and other receivables	29,271	37,721
Other current assets	39,541	45,222
	<u>5,359,646</u>	<u>3,699,115</u>
Non-current assets		
Investment properties ²	37,364,958	40,381,700
	<u>37,364,958</u>	<u>40,381,700</u>
Total assets	<u>42,724,604</u>	<u>44,080,815</u>
Current liabilities		
Rental deposits	523,880	602,947
Rental received in advance	226,310	256,888
Borrowings	5,515,978	7,827,162
Other current liabilities	370,647	394,464
Current tax liabilities	431,737	356,545
Derivative financial instruments ³	980,728	2,189,316
	<u>8,049,280</u>	<u>11,627,322</u>
Non-current liabilities		
Rental deposits	25,319	23,594
Borrowings	8,195,667	8,453,768
Derivative financial instruments ⁴	70,458	84,817
	<u>8,291,444</u>	<u>8,562,179</u>
Total liabilities	<u>16,340,724</u>	<u>20,189,501</u>
Total net assets	<u>26,383,880</u>	<u>23,891,314</u>
Represented by:		
Unitholders	26,364,528	23,882,923
Non-controlling Interests	19,352	8,391
	<u>26,383,880</u>	<u>23,891,314</u>
Number of Units in issue ('000) ⁵	<u>1,174,856</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>22.44</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 3.0 billion from JPY 40.4 billion as at 30 June 2010 to JPY 37.4 billion as at 31 March 2011 was mainly due to the divestment of 18 properties in the first nine months of the financial year ending 30 June 2011.
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 both the number of warrants that are outstanding as well as the market traded price of the warrants 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 1,174,855,611 Units as at 31 March 2011 due to the issue of 221,652,556 new Units pursuant to the exercise of warrants.

	Saizen REIT	
	As at 31 Mar 2011 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash equivalents	764,768	290,216
Distribution receivables	2,072,700	1,555,225
Other receivables	829	821
Other assets	3,247	1,746
	<u>2,841,544</u>	<u>1,848,008</u>
Non-current assets		
Investment in subsidiaries	23,367,321	24,355,372
	<u>23,367,321</u>	<u>24,355,372</u>
Total assets	<u>26,208,865</u>	<u>26,203,380</u>
Current liabilities		
Other current liabilities	67,290	85,598
Current tax liabilities	416,611	302,223
Derivative financial instruments ¹	980,728	2,189,316
	<u>1,464,629</u>	<u>2,577,137</u>
Total liabilities	<u>1,464,629</u>	<u>2,577,137</u>
Total net assets	<u>24,744,236</u>	<u>23,626,243</u>
Represented by:		
Unitholders	<u>24,744,236</u>	<u>23,626,243</u>
Number of Units in issue ('000)	<u>1,174,856</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>21.06</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 31 Mar 2011 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	744,691	716,171
- Commercial mortgage- backed securities loans	4,771,287	7,110,991
	<u>5,515,978</u>	<u>7,827,162</u>
Amount repayable after one year		
- Bank loans	8,195,667	8,453,768
	<u>13,711,645</u>	<u>16,280,930</u>

As at 31 March 2011, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 25.9 billion.

The decrease in borrowings from JPY 16.3 billion as at 30 June 2010 to JPY 13.7 billion as at 31 March 2011 was mainly due to the partial repayment of the loan of YK Shintoku, which amounted to JPY 2.3 billion.

1(c) Cash flow statement (for the Group) (3Q FY2011 vs 3Q FY2010)

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	484,708	95,885
Adjustments for:		
Income tax	26,130	50,015
Interest income	(344)	(942)
Interest expenses	198,430	197,965
Net fair value (gain)/ loss on financial derivatives	(298,698)	187,010
Loss on divestment of properties	109,392	-
Net fair value losses on investment properties	10,400	-
Operating profit before working capital changes	530,018	529,933
Changes in working capital		
Deposit with cash management agents	7,230	197,781 ¹
Trade and other receivables	1,645	2,003
Other current assets	22,445	1,785
Other current liabilities	100,064	96,051
Rental received in advance	(16,245)	855
Rental deposits	(23,356)	531
Cash generated from operations	621,801	828,939
Income tax paid	-	-
Withholding tax paid	-	-
Cash flows provided by operating activities	621,801	828,939
Investing activities		
Capital expenditure	(7,025)	(12,352)
Proceeds from sale of investment properties	1,238,908	-
Cash flows provided by/(used in) investing activities	1,231,883	(12,352)
Financing activities		
Bank borrowings obtained	-	2,000,000 ²
Repayment of bank borrowings ³	(832,002)	(1,136,670)
Distribution to Unitholders	(394,805)	-
Interest received	345	942
Interest paid	(202,806)	(237,487)
Payment of interest rate swap	(8,536)	(11,462)
Proceeds from exercise of warrants	304,499	876
Bank deposits pledged for bank borrowings	(166)	1,112
Cash flows (used in)/provided by financing activities	(1,133,471)	617,311
Net increase in cash and cash equivalents	720,213	1,433,898
Cash and cash equivalent at beginning of the period	3,231,811	1,112,057
Cash and cash equivalent at end of the period ⁴	3,952,024	2,545,955

Notes:

1. The change in deposit with cash management agent in 3Q FY2010 was mainly due to (i) the partial repayment of the loan of YK Shintoku using reserves held by the loan servicer of YK Shintoku and (ii) the reclassification of YK Shingen's deposits to cash and cash equivalent as such cash is no longer held by a cash management agent after the full repayment of YK Shingen's loan in December 2009.
2. Bank borrowings obtained comprised the new loan obtained by YK Shinzan in March 2010.
3. Repayment of borrowings in 3Q FY2011 comprised the partial repayment of the loan of YK Shintoku, while repayment of borrowings in 3Q FY2010 comprised mainly the partial repayment of the loan of YK Keizan.

4. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)
Cash and bank balances (per balance sheet)	4,152,639	2,747,463
Less: Bank deposits pledged	(200,615)	(201,508)
	<u>3,952,024</u>	<u>2,545,955</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 (c) Cash flow statement (for the Group) (YTD Mar 2011 vs YTD Mar 2010)

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	818,090	166,849
Adjustments for:		
Income tax	119,056	157,066
Interest income	(968)	(1,820)
Interest expenses	644,147	645,659
Net fair value (gain)/ loss on financial derivatives	(208,784)	697,142
Loss on divestment of properties	292,302	57,699
Net fair value losses on investment properties	10,800	-
Operating profit before working capital changes	<u>1,674,643</u>	<u>1,722,595</u>
Changes in working capital		
Deposit with cash management agents	109,067	752,847
Trade and other receivables	8,442	10,096
Other current assets	5,408	(2,637)
Other current liabilities	47,244	40,704
Rental received in advance	(30,578)	(6,927)
Rental deposits	(77,342)	(56,415)
Cash generated from operations	<u>1,736,884</u>	<u>2,460,263</u>
Income tax paid	(2,599)	(59,553)
Withholding tax paid	(41,265)	-
Cash flows provided by operating activities	<u>1,693,020</u>	<u>2,400,710</u>
Investing activities		
Capital expenditure	(41,358)	(26,584)
Proceeds from sale of investment properties	2,754,998	625,300
Cash flows provided by investing activities	<u>2,713,640</u>	<u>598,716</u>
Financing activities		
Bank borrowings obtained	-	3,000,000
Repayment of bank borrowings	(2,639,339)	(7,697,427)
Distribution to Unitholders	(573,944)	-
Interest received	977	1,820
Interest paid	(644,880)	(616,091)
Payment of interest rate swap	(25,924)	(32,223)
Proceeds from exercise of warrants	1,260,179	21,657
Bank deposits pledged for bank borrowings	1,902	(201,508)
Cash flows used in financing activities	<u>(2,621,029)</u>	<u>(5,523,772)</u>
Net increase/(decrease) in cash and cash equivalents	1,785,631	(2,524,346)
Cash and cash equivalent at beginning of the period	2,166,393	5,070,301
Cash and cash equivalent at end of the period ¹	<u>3,952,024</u>	<u>2,545,955</u>

Note:

1. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)
Cash and bank balances (per balance sheet)	4,152,639	2,747,463
Less: Bank deposits pledged	(200,615)	(201,508)
	<u>3,952,024</u>	<u>2,545,955</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**

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)
OPERATION		
Balance as at beginning of the period	(11,505,071)	(10,621,193)
Total return for the period	807,129	164,828
Distribution to Unitholders	(573,944)	-
Balance as at end of period	<u>(11,271,886)</u>	<u>(10,456,365)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	35,387,994	35,347,707
Issue of new units from exercise of warrants	2,248,420	37,426
Balance as at end of period	<u>37,636,414</u>	<u>35,385,133</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>26,364,528</u>	<u>24,928,768</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	8,391	-
Total return for the period	10,961	2,021
Balance as at end of period	<u>19,352</u>	<u>2,021</u>
TOTAL	<u>26,383,880</u>	<u>24,930,789</u>

Saizen REIT

	YTD Mar 2011 (JPY'000)	YTD Mar 2010 (JPY'000)
OPERATION		
Balance as at beginning of the period	(13,016,678)	(12,090,811)
Total loss for the period	(556,483)	(658,253)
Distribution to Unitholders	(573,944)	-
Balance as at end of period	<u>(14,147,105)</u>	<u>(12,749,064)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	36,642,921	36,602,634
Issue of new units from exercise of warrants	2,248,420	37,426
Balance as at end of period	<u>38,891,341</u>	<u>36,640,060</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>24,744,236</u>	<u>23,890,996</u>

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

	3Q FY2011 (Units)	3Q FY2010 (Units)
Issued Units as at beginning of period	1,122,925,619	952,782,055
Issue of new Units from exercise of warrants	51,929,992	150,000
Issued Units as at end of period	<u>1,174,855,611</u>	<u>952,932,055</u>
	3Q FY2011 (Warrants)	3Q FY2010 (Warrants)
Number of warrants outstanding as at beginning of period	323,431,798	493,575,362
Exercise of warrants	(51,929,992)	(150,000)
Number of warrants outstanding as at end of period	<u>271,501,806</u>	<u>493,425,362</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 31 March 2011 and following the exercise of an aggregate of 1,047,000 warrants in April 2011 and May 2011, the number of Units in issue and warrants outstanding as at the date of this announcement are 1,175,902,611 and 270,454,806 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.

		3Q FY2011	3Q FY2010	YTD Mar 2011	YTD Mar 2010
Total return for the period attributable to Unitholders for basic and diluted EPU	(JPY'000)	480,424	95,294	807,129	164,828
Basic EPU	(JPY)	0.42	0.10	0.74	0.17
	(cents)	0.65 ¹	0.15 ²	1.16 ³	0.26 ⁴
Diluted EPU	(JPY)	0.38	0.08	0.65	0.14
	(cents)	0.59 ¹	0.12 ²	1.02 ³	0.22 ⁴
Weighted average number of Units		1,148,925,398	952,823,999	1,087,881,707	952,599,205
Weighted average number of Units plus dilutive effect		1,279,802,567	1,174,287,442	1,244,368,657	1,153,108,145

Notes:

1. Based on S\$ / JPY average exchange rate of 64.4 between 1 January 2011 and 31 March 2011.
2. Based on S\$ / JPY average exchange rate of 64.7 between 1 January 2010 and 31 March 2010.
3. Based on S\$ / JPY average exchange rate of 63.6 between 1 July 2010 and 31 March 2011.
4. Based on S\$ / JPY average exchange rate of 64.7 between 1 July 2009 and 31 March 2010.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 31 March 2011 and 30 June 2010

The Group

		As at 31 Mar 2011	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	22.44	25.06
	(S\$)	0.34 ¹	0.40 ²
Number of Units ³		1,174,855,611	953,203,055

Saizen REIT

		As at 31 Mar 2011	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY)	21.06	24.79
	(S\$)	0.32 ¹	0.39 ²
Number of Units ³		1,174,855,611	953,203,055

Notes:

1. Based on S\$ / JPY exchange rate of 65.6 as at 31 March 2011.
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 1,174,855,611 Units as at 31 March 2011 due to the issue of 221,652,556 new Units pursuant to the exercise of warrants.

8. Review of performance

Income statement: 3Q FY2011 vs 3Q FY2010

	3Q FY2011 ¹ (JPY'000)	3Q FY2010 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	958,667	1,025,064	(6.5)
Property operating expenses ³	(318,253)	(370,122)	(14.0)
Net property income	640,414	654,942	(2.2)
Other property-level expenses ⁴			
- Other administrative expenses	(45,439)	(27,012)	68.2
- Asset management fees	(3,634)	(7,082)	(48.7)
- Interest expenses ⁵	(178,320)	(188,983)	(5.6)
- Guarantor fee to asset manager	(1,907)	(1,198)	59.2
Net income from property operations	411,114	430,667	(4.5)
Interest income	344	942	(63.5)
Other operating expenses ⁶	(88,062)	(110,161)	(20.1)
Adjustment ⁷	8,536	11,462	(25.5)
Net income from operations	331,932	332,910	(0.3)

Notes:

1. There were 149 properties at the start of 3Q FY2011 and 143 properties at the end of 3Q FY2011.

2. There were 161 properties at the start and end of 3Q FY2010.

3. Property operating expenses comprised the following:

	3Q FY2011 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	70,794	77,474	(8.6)
Property manager's fees	37,516	40,164	(6.6)
Operation and maintenance expenses	51,945	56,381	(7.9)
Repairs and renovations	54,378	62,162	(12.5)
Leasing and marketing expenses	35,035	54,317	(35.5)
Utilities charges	45,900	51,170	(10.3)
Insurance expenses	11,070	13,054	(15.2)
(Write back of)/impairment on account receivables	(1,341)	2,087	NM ⁸
Bad debt written-off	2,108	499	>100.0
Consumption tax arising from operation	10,848	12,814	(15.3)

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. Other operating expenses comprised 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 decreased by 6.5%, due mainly to the divestment of 18 properties in YTD Mar 2011 as well as slight decreases in occupancy rates and rental rates of new contracts entered into after 3Q FY2010. The 18 divested properties, in aggregate, had contributed average gross revenue of approximately JPY 80.8 million per quarter in the financial year ended 30 June 2010.

Average occupancy rates in 3Q FY2011 was 91.0% as compared to 91.8% in 3Q FY2010, while overall rental reversion of new contracts entered into in 3Q FY2011 was marginally lower by about 3.6% (3Q FY2010: lower by about 4.7%) from previous contracted rates.

Property operating expenses and net income from property operations decreased slightly from JPY 370.1 million and JPY 430.7 million in 3Q FY2010 to JPY 318.3 million and JPY 411.1 million respectively in 3Q FY2011.

Leasing and marketing expenses decreased by 35.5% in 3Q FY2011 as compared to 3Q FY2010, due partly to tight control over such costs by the loan servicer of YK Shintoku. This has also contributed to the slight decrease in average occupancy rates in 3Q FY2011 as compared to 3Q FY2010. Repairs and renovations expenses decreased by 12.5% in 3Q FY2011 as major upgrades (such as upgrades of common areas and electrical systems) had been conducted in 3Q FY2010 on properties. Repairs and renovation expenses are expected to increase in the next few quarters as continuing rectification work is carried on properties affected during the earthquake in March 2011.

Other administrative expenses increased from JPY 27.0 million in 3Q FY2010 to JPY 45.4 million in 3Q FY2011, due mainly to legal and professional expenses incurred in respect of financing-related issues.

The decrease in interest expenses of 5.6% in 3Q FY2011 as compared to 3Q FY2010 was mainly due to the full repayment of the loans of YK Keizan in April 2010 and the partial repayment of the loan of YK Shintoku. This was partially offset by the new loan of YK Shinzan which was secured in March 2010 as well as the increase in annual interest rates of the loan of GK Choan after its refinancing in June 2010.

Guarantor fees of JPY 1.9 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 decreased marginally from JPY 332.9 million in 3Q FY2010 to JPY 331.9 million in 3Q FY2011.

Other operating expenses decreased by 20.1% in 3Q FY2011 as compared to 3Q FY2010. Other trust expenses decreased by 15.0% in 3Q FY2011, due mainly to lower audit fee expenses. Accruals for audit fees in 3Q FY2011 amounted to JPY 8.6 million. Audit fees of JPY 14.6 million which were recognised in 3Q FY2010 comprised accruals of JPY 9.3 million for 3Q FY2010 and an additional amount of JPY 5.3 million relating to under-accruals in the previous financial year.

Other Group-level non-operating items

The sale of six properties in 3Q FY2011 resulted in a loss incurred on the divestment of properties of JPY 109.4 million. The net fair value loss of on investment properties JPY 10.4 million was due to the write-down in the values of six properties following desktop valuations performed on these properties in connection with their divestments in 3Q FY2011.

The fair value gain on financial derivatives of JPY 298.7 million incurred in 3Q FY2011 arose mainly due to the decrease in market-traded price of the warrants, which resulted in fair value gain on warrants of JPY 301.6 million.

Income statement: 3Q FY2011 vs 2Q FY2011

	3Q FY2011 ¹ (JPY'000)	2Q FY2011 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	958,667	970,659	(1.2)
Property operating expenses ³	(318,253)	(305,942)	4.0
Net property income	640,414	664,717	(3.7)
Other property-level expenses ⁴			
- Other administrative expenses	(45,439)	(29,561)	53.7
- Asset management fees	(3,634)	(6,379)	(43.0)
- Interest expenses ⁵	(178,320)	(190,884)	(6.6)
- Guarantor fee to asset manager	(1,907)	(1,967)	(3.1)
Net income from property operations	411,114	435,926	(5.7)
Interest income	344	4	>100.0
Other operating expenses ⁶	(88,062)	(125,752)	(30.0)
Adjustment ⁷	8,536	8,817	(3.2)
Net income from operations	331,932	318,995	4.1

Notes:

1. There were 149 properties at the start of 3Q FY2011 and 143 properties at the end of 3Q FY2011.

2. There were 156 properties at the start of 2Q FY2011 and 149 properties at the end of 2Q FY2011.

3. Property operating expenses comprised the following:

	3Q FY2011 (JPY'000)	2Q FY2011 (JPY'000)	Increase / (Decrease) %
Property tax	70,794	74,126	(4.5)
Property manager's fees	37,516	38,615	(2.8)
Operation and maintenance expenses	51,945	45,276	14.7
Repairs and renovations	54,378	59,365	(8.4)
Leasing and marketing expenses	35,035	28,498	22.9
Utilities charges	45,900	39,244	17.0
Insurance expenses	11,070	10,428	6.2
Write back of account receivables	(1,341)	(255)	>100.0
Bad debt written-off	2,108	1,047	>100.0
Consumption tax arising from operation	10,848	9,598	13.0

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 expenses comprised 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.

Property-level operations

Gross revenue and net income from property operations decreased marginally from JPY 970.7 million and JPY 435.9 million in 2Q FY2011 to JPY 958.7 million and JPY 411.1 million respectively in 3Q FY2011.

Property operating expenses increased from JPY 305.9 million in 2Q FY2011 to JPY 318.3 million in 3Q FY2011. Leasing and marketing expenses increased by 22.9% in 3Q FY2011 was mainly due to the increase in leasing and marketing activities during the leasing season in February and March 2011.

The decrease in interest expenses of 6.6% in 3Q FY2011 as compared to 2Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku following the partial repayment of this loan.

Group-level operations

Net income from operations increased from JPY 319.0 million in 2Q FY2011 to JPY 331.9 million in 3Q FY2011. Other operating expenses decreased mainly due to foreign exchange gains recognised in 3Q FY2011.

Saizen REIT maintains S\$-denominated bank balances. The foreign exchange gains of JPY 21.2 million comprised mainly unrealised gains arising from the translation of these S\$-denominated bank balances to JPY for the preparation of the Group's financial statements. Comparatively, a foreign exchange loss of JPY 10.5 million had been recognised in 2Q FY2011.

Other Group-level non-operating items

The sale of six properties resulted in a loss incurred on the divestment of properties of JPY 109.4 million in 3Q FY2011 as compared to the loss of JPY 125.8 million incurred on the divestment of seven properties in 2Q FY2011. The net fair value loss of on investment properties JPY 10.4 million was due to the write-down the values of six properties following desktop valuations performed on these properties in connection with their divestments in 3Q FY2011.

The fair value gain on financial derivatives of JPY 298.7 million incurred in 3Q FY2011 arose mainly due to the decrease in market-traded price of the warrants, which resulted in fair value gain on warrants of JPY 301.6 million.

9. Outlook and prospects

Changes in capital structure

On 6 April 2011, a schedule for the full repayment of the loan of YK Shintoku by the end of May 2011 (the “**Repayment Plan**”) was sent to the loan servicer of the commercial mortgage-backed securities loan of YK Shintoku (the “**YK Shintoku Loan**”).

The Repayment Plan will be funded primarily by Saizen REIT's internal cash resources (including warrant proceeds) as well as proceeds from the divestment of Saizen REIT's properties.

Following the repayment of JPY 2.1 billion (S\$32.0 million) under the Repayment Plan on 11 April 2011, the application of proceeds from the loan of GK Gyokou (as described below), and the application of sale proceeds from the property divestments in April 2011 towards the repayment of the YK Shintoku Loan, the loan balance currently amounts to JPY 1.4 billion (S\$21.3 million).

Taking into account potential proceeds from the sale of two properties where the conditional sale and purchase agreements have been signed as well as YK Shintoku's cash reserves, the net outstanding loan of YK Shintoku amounts to approximately JPY 0.5 billion (S\$7.6 million).

The Manager expects that the YK Shintoku Loan will be fully repaid by the end of May 2011. Following this, the operational cash flow of YK Shintoku, which is currently used entirely for interest expenses as well as principal repayments in respect of the YK Shintoku Loan, can contribute towards the distributable income of Saizen REIT.

GK Gyokou, a new TK operator of Saizen REIT, obtained a JPY 500 million (S\$7.6 million) loan from Kumamoto Dai-ichi Shinkin Bank on 20 April 2011, which is secured over its portfolio of three properties valued at JPY 1.1 billion (S\$16.8 million). The proceeds of the loan of GK Gyokou was used to partially repay the YK Shintoku Loan on 21 April 2011.

The loan of GK Chosei, amounting to approximately JPY 429 million (S\$6.5 million), is expected to be fully repaid upon its maturity on 20 May 2011.

Following the above-mentioned loan repayments, the property portfolios of YK Shintoku, YK Shingen, YK Keizan and GK Chosei, currently valued at an aggregate of JPY 16.1 billion¹ (S\$245.4 million), will be unencumbered. The Management Team will actively explore the possibility of raising funds via the encumbrance of these properties with existing and new lenders. The Management Team will actively explore potential acquisition opportunities (especially in Tokyo) using new funds raised.

Note:

1. *This valuation is solely for illustration purposes only and relates to the 32 properties of YK Shintoku, 25 properties of YK Shingen, 11 properties of YK Keizan and 1 property of GK Chosei as at the date of this announcement. Further divestments are expected to take place and the number and value of unencumbered properties held by Saizen REIT after the repayment of the YK Shintoku Loan may vary depending on the number of properties divested prior to the completion of the Repayment Plan.*

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 in accordance with its distribution policy. The next distribution payment is expected to take place in September 2011 in respect of distributable cash accumulated in the six months financial period ending 30 June 2011.

Properties affected by the earthquake in March 2011

Repairs on affected properties are progressively being carried out and are not expected to cause any material disruption to rental operations. Based on current estimates, repair expenses on affected properties are expected to amount to no more than JPY 200 million (S\$3.0 million). Saizen REIT's capital expenditure reserves that have been accumulated over the years on an on-going basis are sufficient to cover the repair costs. Such repair costs are not expected to materially affect future distributable income as they will be funded by capital expenditure reserves.

The Management Team will also continue to closely monitor the rental collection in the affected areas. Based on initial assessment, there has been no material delays in payments by tenants.

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 FY2011.

12. Interested person transactions

Divestment fees payable to the Manager amounted to an aggregate of JPY 4.0 million (S\$0.06 million) in 3Q FY2011. These divestment fees were incurred in respect of the sale of six properties.

Guarantor fees amounting to an aggregate of JPY 2.0 million (S\$0.03 million) were paid to the Asset Manager in 3Q FY2011 in respect of the loans of YK JOF and YK Shinzan.

13. Update on utilisation of warrant proceeds

Since the issue of 497,185,362 warrants by Saizen REIT in June 2009, 226,730,556 warrants have been exercised as at the date of this announcement.

Such warrant exercises have raised proceeds of approximately S\$20.4 million, of which approximately S\$0.3 million has been used for working capital purposes and approximately \$20.1 million have been deployed towards the partial repayment of the YK Shintoku Loan.

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 31 March 2011 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

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

11 May 2011