

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 Quarterly And Full Year Financial Statements For The Period And Year Ended 30 June 2011

TABLE OF CONTENTS

Item no.	Description	Page no.
	Introduction	2
-	Key financial information	2 – 3
-	Summary of results	3 – 4
-	Distribution details	5
-	Background of Saizen REIT	5
	Information Required for Announcements	
1(a)	Statement of total return	6 – 8
1(b)(i)	Balance sheet	9 – 10
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	10
1(c)	Cash flow statement	11 – 13
1(d)(i)	Statement of changes in Unitholders' funds	13 – 14
1(d)(ii)	Details of changes in the Units and warrants	14
2 & 3	Audit statement	14
4 & 5	Changes in accounting policies	15
6	Earnings per Unit for the financial period (Group)	15
7	Net Asset Value per Unit based on issued Units at the end of 30 June 2011 and 30 June 2010	16
8	Review of performance	16 – 20
9	Outlook and prospects	20 – 21
10	Distributions	21 – 22
11	Segmental Results	23
12	Factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments	23
13	A breakdown of sales	23
14	A breakdown of total annual distribution	23
15	Interested person transactions	24

INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 0.50 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 30 June 2011 (“**2H FY2011**”). Saizen REIT’s previous distribution had been 0.52 cents per Unit for the six-month financial period ended 31 December 2010 (“**1H FY2011**”).

Distributable income from operations as at 30 June 2011 amounted to JPY 402.0 million (S\$6.1 million) as compared to JPY 383.9 million (S\$5.9 million) as at 31 December 2010 and JPY 176.1 million (S\$2.7 million) as at 30 June 2010.

The distribution per Unit (“**DPU**”) for 2H FY2011 had been affected by warrant exercises, which had resulted in an increase of about 6% in the number of Units in issue since the declaration of the previous distribution in February 2011. Repair and renovation expenses incurred in connection with the earthquake in March 2011 were paid using capital expenditure reserves and did not affect DPU.

Financial position strengthened with successful resolution of loan default issue as well as new banking relationships. The loan of YK Shintoku, which had been in maturity default since November 2009, was fully repaid on 31 May 2011 and this has enabled Saizen REIT to resume a normalised state of operations without the burden of default interest charges and pressure to sell its properties. The distribution for 2H FY2011 included operational cashflow generated by YK Shintoku in June 2011.

The loan of GK Chosei was also fully repaid in May 2011. Two new loans amounting to an aggregate of approximately JPY 0.6 billion (S\$9.2 million) were secured in April 2011 and August 2011.

While property operations remained stable, revenue and income decreased year-on-year for the financial year ended 30 June 2011 (“**FY2011**”) and for the fourth quarter ended 30 June 2011 (“**4Q FY2011**”), due mainly to the sale of 31 properties between September 2010 and June 2011. Property income was also affected by earthquake-related rectification work which amounted to about JPY 78 million in FY2011.

The average occupancy rate in FY2011 was 90.9% as compared to 91.5% in the financial year ended 30 June 2010 (“**FY2010**”), while overall rental reversion of new contracts entered into in FY2011 was marginally lower by about 4.1% (FY2010: lower by about 4.3%) from previous contracted rates. The average turnover rate was 21% in FY2011, as compared to 20% in FY2010.

March 2011 earthquake. Saizen REIT has 28 properties located in the cities of Sendai, Koriyama and Morioka which were affected by the earthquake and tsunami which hit the north-eastern region of Japan on 11 March 2011. Inspections on all affected properties revealed only minor damage and repairs are on-going. Based on current estimates, repair expenses on affected properties are expected to amount to no more than JPY 120 million (S\$1.8 million). There has also been no material adverse impact on rental collection so far. Average occupancy rates of these 28 properties have in fact experienced a slight improvement to 92% in 4Q FY2011 from 91% in the third quarter ended 31 March 2011 (“**3Q FY2011**”), due to heightened demand for housing in and around the respective city centres as people in coastal towns move inland and tenants sought to move into safer buildings which have withstood the earthquake. None of Saizen REIT’s properties are within the current evacuation zone surrounding the nuclear power plant at risk in Fukushima.

Divestment of 31 properties. A total of 31 properties from the property portfolios of YK Shintoku, YK Shingen and YK Keizan were sold in FY2011 to raise funds for the repayment of the loan of YK Shintoku. These properties were sold at a weighted-average discount of 3.3% to valuation. In aggregate, these 31 properties had contributed a gross revenue of JPY 427.8 million (S\$6.5 million), or 11.1% of the Group’s total revenue, in FY2011.

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

Key financial information

	FY2011	FY2010
Net asset value per Unit as at 30 June 2011 / 2010 (JPY)	20.97 ²	25.06 ³
(S\$)	0.32 ²	0.40 ³
Distribution per Unit (cents)	1.02 ⁴	0.26 ⁵
Annualised net property income yield ⁶	6.2% ⁷	6.7%
Interest cover ratio ⁸	4.6 times	3.4 times
Impairment of account receivable as % of gross revenue	(0.017%)	0.038%
Gearing – net borrowings ⁹ /value of investment properties	21.1%	34.7%
Gearing – total borrowings / total assets	24.5%	36.9%
Net cash as at 30 June	JPY 2.0 billion	JPY 2.3 billion
Borrowings due within next 12 months from date hereof	JPY 0.4 billion	JPY 7.8 billion
Value of investment properties as at 30 June	JPY 33.0 billion	JPY 40.4 billion
Net depreciation in the value of investment properties	JPY 1.6 billion	JPY 1.7 billion
Average occupancy rate (by revenue)	90.9%	91.5%

Notes:

1. Based on S\$ / JPY exchange rate of 65.5 as at 30 June 2011, which is applied throughout this announcement unless stated otherwise.
2. Based on 1,182,249,611 Units in issue as at 30 June 2011 and S\$ / JPY exchange rate of 65.5 as at 30 June 2011.
3. Based on 953,203,055 Units in issue as at 30 June 2010 and S\$ / JPY exchange rate of 63.4 as at 30 June 2010.
4. Distribution per Unit in FY2011 comprised DPU of 0.52 cents and 0.50 cents declared for 1H FY2011 and 2H FY2011 respectively.
5. Distribution per Unit in FY2010 relates to distributable cash accumulated over two months in May 2010 and June 2010.
6. Net property income of 4Q (annualised) divide by value of investment properties as at 30 June.
7. The annualised net property income yield of 6.2% for FY2011 was affected by repair and renovation expenses of about JPY 78 million which were incurred in connection the earthquake in March 2011. Excluding such repair and renovation expenses, the annualised net property income yield for FY2011 was about 7.1%.
8. Net property income of 4Q divide by sum of interest expenses and realised loss on interest rate swap of 4Q.
9. Net borrowings being total borrowings less Net Cash (cash at bank plus deposit with cash management agent less current rental deposits, other current liabilities and current tax liabilities).

Summary of results

Net asset value increased from JPY 23.9 billion as at 30 June 2010 to JPY 24.8 billion as at 30 June 2011, due mainly to the exercise of warrants in FY2011 and partially offset by a depreciation in the value of investment properties. 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 1,182,249,611 as at 30 June 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\$0.32 per Unit as at 30 June 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 4Q FY2011 and the fourth quarter ended 30 June 2010 ("4Q FY2010"), and for FY2011 and the financial year ended 30 June 2010 ("FY2010").

	4Q FY2011 ¹	4Q FY2010 ²	FY2011 ³	FY2010 ⁴	Increase/ (Decrease) %
Gross revenue (S\$'000) (JPY'000)	13,808 ⁵ 908,570	15,536 ⁶ 1,030,060	60,250 ⁷ 3,868,026	63,484 ⁸ 4,132,792	(6.4)
Net property income (S\$'000) (JPY'000)	7,753 ⁵ 510,124	10,205 ⁶ 676,623	39,504 ⁷ 2,536,184	42,744 ⁸ 2,782,609	(8.9)
Net income from operations (S\$'000) (JPY'000)	3,867 ⁵ 254,476	4,998 ⁶ 331,382	20,030 ⁷ 1,285,943	21,661 ⁸ 1,410,138	(8.8)
Total loss after income tax (S\$'000) (JPY'000)	(25,888) ⁵ (1,703,411)	(15,722) ⁶ (1,042,336)	(13,790) ⁷ (885,320)	(13,448) ⁸ (875,487)	1.1

		FY2011	FY2010
Distributable income	(S\$'000)	12,459 ⁷	2,704 ⁸
	(JPY'000)	799,859	176,058
Distribution			
- FY2010	(S\$'000)	NA ⁹	2,885
	(JPY'000)	NA ⁹	179,139
- 1H FY2011	(S\$'000)	6,101	NA ⁹
	(JPY'000)	394,805	NA ⁹
- 2H FY2011	(S\$'000)	5,986 ¹⁰	NA ⁹
	(JPY'000)	380,418 ¹¹	NA ⁹
Distribution per Unit			
- FY2010	(cents)	NA ⁹	0.26
- 1H FY2011	(cents)	0.52	NA ⁹
- 2H FY2011	(cents)	0.50	NA ⁹

Notes:

1. There were 143 properties at the start of 4Q FY2011 and 130 properties at the end of 4Q FY2011.
2. There were 161 properties at the start and end of 4Q FY2010.
3. There were 161 properties at the start of FY2011 and 130 properties at the end of FY2011.
4. There were 166 properties at the start of FY2010 and 161 properties at the end of FY2010.
5. Based on S\$/JPY average exchange rate of 65.8 between 1 April 2011 and 30 June 2011.
6. Based on S\$/JPY average exchange rate of 66.3 between 1 April 2010 and 30 June 2010.
7. Based on S\$/JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011.
8. Based on S\$/JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010.
9. NA denotes not applicable.
10. Estimated based on 1,197,223,411 Units in issue as at the date of this announcement.
11. Based on actual S\$/JPY exchange rate of 63.55 hedged.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	0.50 cents per Unit
Books closure date	1 September 2011, 5.00 p.m.
Date payable	16 September 2011

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 June 2011, Saizen REIT’s portfolio comprised 130 properties, with a total appraised value of JPY 32.99 billion (S\$503.7 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 11 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou and GK Gyosei.

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) (4Q FY2011 vs 4Q FY2010)**

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	908,570	1,030,060	(11.8)
Property operating expenses	(398,446)	(353,437)	12.7
Net property income	510,124	676,623	(24.6)
Interest income	66	142	(53.5)
Manager's management fees	(44,745)	(52,081)	(14.1)
Asset management fees	(16,584)	(6,825)	>100.0
Trustee's fee	(2,083)	(2,296)	(9.3)
Other trust expenses	(25,934)	(26,968)	(3.8)
Finance costs ²	(121,882)	(219,241)	(44.4)
Other administrative expenses	(44,486)	(37,972)	17.2
Net income from operations	254,476	331,382	(23.2)
Loss on divestment of properties	(288,760)	-	NM ¹
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ³	(89,634)	230,958	NM ¹
Net fair value loss on investment properties	(1,558,302)	(1,698,345)	(8.2)
Total loss for the period before income tax⁴	(1,682,220)	(1,136,005)	48.1
Income tax	(21,191)	93,669	NM ¹
Total loss for the period after income tax	(1,703,411)	(1,042,336)	63.4
Attributable to:			
Unitholders	(1,648,672)	(1,048,706)	57.2
Non-controlling interest	(54,739)	6,370	NM ¹
	(1,703,411)	(1,042,336)	63.4

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(101,776)	(188,921)	(46.1)
(ii) amortisation of loan commission	(27,886)	(23,670)	17.8
(iii) guarantor fee to asset manager	(1,873)	(2,042)	(8.3)
(iv) exchange difference	9,653	(4,608)	NM ¹

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

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(9,071)	(12,808)	(29.2)
(ii) unrealised fair value gain/(loss) on interest rate swap	6,372	(18,532)	NM ¹
(iii) fair value (loss)/gain on warrants	(86,935)	262,298	NM ¹

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

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(1,906)	(1,793)	6.3

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

	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,868,026	4,132,792	(6.4)
Property operating expenses	(1,331,842)	(1,350,183)	(1.4)
Net property income	2,536,184	2,782,609	(8.9)
Interest income	1,035	1,962	(47.2)
Manager's management fees	(191,994)	(210,646)	(8.9)
Asset management fees	(33,131)	(26,691)	24.1
Trustee's fee	(9,405)	(10,180)	(7.6)
Other trust expenses	(92,494)	(114,016)	(18.9)
Finance costs ²	(749,966)	(867,488)	(13.5)
Issue expenses	-	(4,110)	(100.0)
Other administrative expenses	(174,286)	(141,302)	23.3
Net income from operations	1,285,943	1,410,138	(8.8)
Loss on divestment of properties	(581,063)	(57,699)	>100.0
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ³	119,150	(466,184)	NM ¹
Net fair value loss on investment properties	(1,569,103)	(1,698,345)	(7.6)
Total loss for the year before income tax⁴	(745,073)	(812,090)	(8.3)
Income tax	(140,247)	(63,397)	>100.0
Total loss for the year after income tax before distribution	(885,320)	(875,487)	1.1
Less: Distribution	(573,944)	-	NM ¹
Total loss for the year	(1,459,264)	(875,487)	66.7
Attributable to:			
Unitholders	(841,543)	(883,878)	(4.8)
Non-controlling interest	(43,777)	8,391	NM ¹
	(885,320)	(875,487)	1.1

Notes:

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(660,892)	(739,895)	(10.7)
(ii) amortisation of loan commission	(112,916)	(117,098)	(3.6)
(iii) guarantor fee to asset manager	(7,757)	(4,490)	72.8
(iv) cost of refinancing	-	(1,257)	(100.0)
(v) exchange difference	31,599	(4,748)	NM ¹

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

	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(34,995)	(45,031)	(22.3)
(ii) unrealised fair value gain/(loss) on interest rate swap	20,732	(11,818)	NM ¹
(iii) unrealised fair value loss on interest rate cap	-	(36)	(100.0)
(iv) fair value gain/(loss) on warrants	133,413	(409,299)	NM ¹

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

	FY 2011 (JPY'000)	FY 2010 (JPY'000)	Increase / (Decrease) %
(i) write back /(impairment) on account receivable	673	(1,553)	NM ¹

Distribution Statement

		FY2011	FY2010
Total loss for the year after income tax	(JPY'000)	(885,320)	(875,487)
Adjustments ¹	(JPY'000)	2,118,547	2,242,434
Adjusted return for the year	(JPY'000)	1,233,227	1,366,947
Cash deployed for loan principal repayment and loan borrowing costs ²	(JPY'000)	(433,368)	(1,190,889)
Distributable income generated during the year	(JPY'000)	799,859	176,058
Income available for distribution to Unitholders at the beginning of the year	(JPY'000)	176,058	1,434,628
Cash deployed for loan principal repayment and loan borrowing costs ²	(JPY'000)	-	(1,434,628)
Previous distribution paid during the year	(JPY'000)	(573,944) ³	-
Distributable income from operations at the end of the year	(JPY'000)	401,973	176,058
Distribution to Unitholders			
- for FY2010	(JPY'000)	NA ⁴	179,139 ⁵
- for six months financial period ended 30 June	(JPY'000)	380,418 ⁶	NA ⁴
Distribution per Unit			
- for FY2010	(cents)	NA ⁴	0.26
- for six months financial period ended 30 June	(cents)	0.50	NA ⁴

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain/loss on warrants, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loss on divestment of properties and unrealised exchange differences.
- In FY2011, the amount deployed for loan principal repayment comprised mainly amortisation payments on the loan principals of YK Shinzan, YK JOF, GK Choan, GK Chosei, GK Chogen and GK Gyokou. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward. Solely for illustration purposes only, had the aforesaid amount in FY2011 been distributable, it would have amounted to an additional distribution of approximately 0.46 cents per Unit annually (based on 1,182,249,611 Units in issue as at 30 June 2011).

In FY2010, the amount deployed for loan principal repayment and loan borrowing costs comprised mainly (i) cash from operations used for loan repayments by YK Kokkei, YK Shingen, YK Keizan and YK JOF, (ii) cash from operations used for partial loan repayments by YK Shintoku and GK Choan, and (iii) amortisation payments on the loan principals of YK Shinzan, YK JOF, GK Choan, GK Chosei and GK Chogen.
- Previous distribution paid during FY2011 comprised payments of JPY179.1 million and JPY 394.8 million paid in respect of distributions declared for FY2010 and for 1H FY2011 respectively.
- NA denotes not applicable.
- Related to distributable cash accumulated over two months (May 2010 and June 2010) and based on 1,109,474,364 Units in issue as at 13 September 2010, being the book closure day for the distribution.
- Estimated based on 1,197,223,411 Units in issue as at the date of this announcement and actual S\$/JPY exchange rate of 63.55 hedged in respect of this distribution.

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 30 Jun 2011 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash balances	3,032,810	2,368,910
Deposits with cash management agents ¹	423,927	1,247,262
Trade and other receivables	28,036	37,721
Other current assets	33,844	45,222
	<u>3,518,617</u>	<u>3,699,115</u>
Non-current assets		
Investment properties ²	32,995,420	40,381,700
	<u>32,995,420</u>	<u>40,381,700</u>
Total assets	<u>36,514,037</u>	<u>44,080,815</u>
Current liabilities		
Rental deposits	463,390	602,947
Rental received in advance	208,857	256,888
Borrowings	357,187	7,827,162
Other current liabilities	603,594	394,464
Current tax liabilities	419,604	356,545
Derivative financial instruments ³	1,038,614	2,189,316
	<u>3,091,246</u>	<u>11,627,322</u>
Non-current liabilities		
Rental deposits	25,589	23,594
Borrowings	8,579,696	8,453,768
Derivative financial instruments ⁴	64,085	84,817
	<u>8,669,370</u>	<u>8,562,179</u>
Total liabilities	<u>11,760,616</u>	<u>20,189,501</u>
Total net assets	<u>24,753,421</u>	<u>23,891,314</u>
Represented by:		
Unitholders	24,788,797	23,882,923
Non-controlling interest	(35,376)	8,391
	<u>24,753,421</u>	<u>23,891,314</u>
Number of Units in issue ('000)	<u>1,182,250</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>20.97</u>	<u>25.06</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 decrease in investment properties by JPY 7.4 billion from JPY 40.4 billion as at 30 June 2010 to JPY 33.0 billion as at 30 June 2011 was due to (i) the decrease in the value of the 130 properties held as at 30 June 2011 by approximately JPY1.4 billion and (ii) the divestment of 31 properties in FY2011.
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 30 Jun 2011 (JPY'000)	As at 30 Jun 2010 (JPY'000)
Current assets		
Cash and cash balances	173,356	290,216
Distribution receivables	2,008,505	1,555,225
Other receivables	855	821
Other assets	1,023	1,746
	<u>2,183,739</u>	<u>1,848,008</u>
Non-current assets		
Investment in subsidiaries	23,810,325	24,355,372
	<u>23,810,325</u>	<u>24,355,372</u>
Total assets	<u>25,994,064</u>	<u>26,203,380</u>
Current liabilities		
Other current liabilities	75,289	85,598
Current tax liabilities	403,733	302,223
Derivative financial instruments ¹	1,038,614	2,189,316
	<u>1,517,636</u>	<u>2,577,137</u>
Total liabilities	<u>1,517,636</u>	<u>2,577,137</u>
Total net assets	<u>24,476,428</u>	<u>23,626,243</u>
Represented by:		
Unitholders	<u>24,476,428</u>	<u>23,626,243</u>
Number of Units in issue ('000)	<u>1,182,250</u>	<u>953,203</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>20.70</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 June 2011 (JPY'000)	As at 30 June 2010 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	357,187	716,171
- Commercial mortgage-backed securities loans	-	7,110,991
	<u>357,187</u>	<u>7,827,162</u>
Amount repayable after one year		
- Bank loans	8,579,696	8,453,768
	<u>8,936,883</u>	<u>16,280,930</u>

The decrease in borrowings from JPY 16.3 billion as at 30 June 2010 to JPY 8.9 billion as at 30 June 2011 was mainly due to the full repayment of the loans of GK Chosei and YK Shintoku and the partial repayments on the loans of GK Choan, YK JOF, YK Shinzan, GK Chogen and GK Gyokou which amounted to an aggregate of JPY 7.9 billion. The reduction in borrowings was partially offset by a new loan of JPY 0.5 billion obtained by GK Gyokou.

As at 30 June 2011, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 19.5 billion.

1(c) Cash flow statement (for the Group) (4Q FY2011 vs 4Q FY2010)

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY'000)
Operating activities		
Total loss for the period after income tax before distribution	(1,703,411)	(1,042,336)
Adjustments for:		
Income tax	21,191	(93,669)
Interest income	(66)	(142)
Interest expenses	129,662	212,591
Net fair value loss/(gain) on financial derivatives	89,634	(230,958)
Loss on divestment of properties	288,760	-
Net fair value loss on investment properties	1,558,302	1,698,345
Operating profit before working capital changes	384,072	543,831
Changes in working capital		
Deposit with cash management agents ¹	714,269	300,213
Trade and other receivables	1,234	(1,418)
Other current assets	6,154	(3,076)
Other current liabilities	243,208 ²	(34,560)
Rental received in advance	(17,453)	(604)
Rental deposits	(60,220)	(29,860)
Cash generated from operations	1,271,264	774,526
Income tax paid	-	-
Withholding tax paid	(33,323)	(80,080)
Cash flows provided by operating activities	1,237,941	694,446
Investing activities		
Contribution from non-controlling interest	10	-
Capital expenditure on investment properties	(33,705)	(2,362)
Proceeds from sale of investment properties	2,556,180 ³	-
Cash flows provided by/(used in) investing activities	2,522,485	(2,362)
Financing activities		
Proceeds from bank borrowings	500,000 ⁴	-
Repayment of bank borrowings ⁵	(5,300,574)	(787,885)
Interest received	66	134
Interest paid	(114,567)	(271,676)
Payment of interest rate swap interest	(9,071)	(12,809)
Proceeds from exercise of warrants	43,891	1,599
Bank deposits pledged for bank borrowings	615	(1,009)
Cash flows used in financing activities	(4,879,640)	(1,071,646)
Net decrease in cash and cash equivalents	(1,119,214)	(379,562)
Cash and cash equivalent at beginning of the period	3,952,024	2,545,955
Cash and cash equivalent at end of the period ⁶	2,832,810	2,166,393

Notes:

1. The change in deposit with cash management agent in 4Q FY2011 was mainly due to repayment of the loans of YK Shintoku and GK Chosei, while the change in deposit with cash management agent in 4Q FY2010 was mainly due to the repayment of the loan of YK Keizan.
2. The change in other current liabilities in 4Q FY2011 was mainly due to consumption tax payable on the sale of properties in 4Q FY2011.
3. 13 properties were sold in 4Q FY2011.
4. Proceeds from bank borrowings in 4Q FY2011 comprised the new loan obtained by GK Gyokou in April 2011.
5. Repayment of bank borrowings in 4Q FY2011 comprised mainly the repayment of JPY 4.8 billion on the loan of YK Shintoku and the repayment of JPY 0.4 billion on the loan of GK Chosei, while repayment of bank borrowings in 4Q FY2010 comprised mainly the repayment of JPY 0.6 billion on the loan of YK Keizan and the partial repayment of JPY 0.1 billion on the loan of GK Choan.

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

	4Q FY2011 (JPY'000)	4Q FY2010 (JPY,000)
Cash and bank balances (per balance sheet)	3,032,810	2,368,910
Less: Bank deposits pledged	<u>(200,000)</u>	<u>(202,517)</u>
	<u>2,832,810</u>	<u>2,166,393</u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF in 4QFY2011 and by YK JOF and YK Shintoku in 4QFY2010 under the terms of their respective loans.

1(c) Cash flow statement (for the Group) (FY 2011 vs FY 2010)

	FY2011 (JPY'000)	FY2010 (JPY'000)
Operating activities		
Total loss for the year after income tax before distribution	(885,320)	(875,487)
Adjustments for:		
Income tax	140,247	63,397
Interest income	(1,035)	(1,962)
Interest expenses	773,808	858,250
Loss on divestment of properties	581,063	57,699
Net fair value (gain)/loss on financial derivatives	(119,150)	466,184
Net fair value loss on investment properties	1,569,103	1,698,345
Operating profit before working capital changes	<u>2,058,716</u>	<u>2,266,426</u>
Changes in working capital		
Deposit with cash management agents ¹	823,335	1,053,061
Trade and other receivables	9,676	8,678
Other current assets	11,563	(5,714)
Other current liabilities	290,452	6,144
Rental received in advance	(48,031)	(7,531)
Rental deposits	(137,562)	(86,275)
Cash generated from operations	<u>3,008,149</u>	<u>3,234,789</u>
Income tax paid	(2,599)	(711)
Withholding tax paid	(74,589)	(138,922)
Cash flows provided by operating activities	<u>2,930,961</u>	<u>3,095,156</u>
Investing activities		
Contribution from non-controlling interest	10	-
Capital expenditure on investment properties	(75,062)	(28,946)
Proceeds from sale of investment properties	5,311,177 ²	625,300 ²
Cash flows provided by investing activities	<u>5,236,125</u>	<u>596,354</u>
Financing activities		
Proceeds from bank borrowings ³	500,000	3,000,000
Repayment of bank borrowings ⁴	(7,939,913)	(8,485,312)
Distribution to Unitholders	(573,944)	-
Interest received	1,042	1,954
Interest paid	(759,447)	(887,767)
Payment of interest rate swap interest	(34,995)	(45,032)
Proceeds from exercise of warrants	1,304,071	23,256
Bank deposits pledged for bank borrowings	2,517	(202,517)
Cash flows used in financing activities	<u>(7,500,669)</u>	<u>(6,595,418)</u>
Net increase/(decrease) in cash and cash equivalents	666,417	(2,903,908)
Cash and cash equivalent at beginning of the year	2,166,393	5,070,301
Cash and cash equivalent at end of the year ⁵	<u>2,832,810</u>	<u>2,166,393</u>

Notes:

1. The change in deposit with cash management agent in FY2011 was mainly due to repayment of the loans of YK Shintoku and GK Chosei, while the change in deposit with cash management agent in FY2010 was mainly due to the repayment of the loan of YK Kokkei, YK Shingen and YK Keizan.
2. 31 properties were sold in FY2011 while 5 properties were sold in FY2010.
3. Proceeds from bank borrowings in FY2011 comprised the loan of GK Gyokou, while bank borrowings obtained in FY2010 comprised the loans of YK JOF and YK Shinzan.
4. Repayment of bank borrowings in FY2011 comprised the full loan repayment made by YK Shintoku and GK Chosei, and partial loan repayments made by YK JOF, GK Choan, YK Shinzan, GK Gyokou and GK Chogen. Repayment of bank borrowings in FY2010 comprised full loan repayments made by YK Kokkei, YK Shingen, YK Keizan and YK JOF, as well as partial loan repayments made by YK Shintoku, GK Chosei, GK Choan and GK Chogen.
5. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	FY 2011 (JPY'000)	FY 2010 (JPY'000)
Cash and bank balances (per balance sheet)	3,032,810	2,368,910
Less: Bank deposits pledged	(200,000)	(202,517)
	<u>2,832,810</u>	<u>2,166,393</u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF in FY2011 and by YK JOF and YK Shintoku in FY2010 under the terms of their respective loans.

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

<u>The Group</u>	FY2011 (JPY'000)	FY2010 (JPY'000)
OPERATION		
Balance as at 1 July	(11,505,071)	(10,621,193)
Total loss for the year	(841,543)	(883,878)
Distribution to Unitholders	(573,944)	-
Balance as at 30 June	<u>(12,920,558)</u>	<u>(11,505,071)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at 1 July	35,387,994	35,347,707
Issue of new units arising from exercise of warrants	2,321,361	40,287
Balance as at 30 June	<u>37,709,355</u>	<u>35,387,994</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>24,788,797</u>	<u>23,882,923</u>
NON-CONTROLLING INTEREST		
Balance as at 1 July	8,391	-
Effect on investment in new TK operator	10	-
Total (loss)/return for the year	(43,777)	8,391
Balance at 30 June	<u>(35,376)</u>	<u>8,391</u>
TOTAL	<u>24,753,421</u>	<u>23,891,314</u>

Saizen REIT	FY2011 (JPY'000)	FY2010 (JPY'000)
OPERATION		
Balance as at 1 July	(13,016,678)	(12,090,811)
Total loss for the year	(897,232)	(925,867)
Distribution to Unitholders	(573,944)	-
Balance as at 30 June	(14,487,854)	(13,016,678)
UNITHOLDERS CONTRIBUTION		
Balance as at 1 July	36,642,921	36,602,634
Issue of new Units arising from exercise of warrants	2,321,361	40,287
Balance as at 30 June	38,964,282	36,642,921
TOTAL ATTRIBUTABLE TO UNITHOLDERS	24,476,428	23,626,243

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

	4Q FY2011 (Units)	4Q FY2010 (Units)
Issued Units as at beginning of period	1,174,855,611	952,932,055
Issue of new Units from exercise of warrants	7,394,000	271,000
Issued Units as at end of period	1,182,249,611	953,203,055
	4Q FY2011 (Warrants)	4Q FY2010 (Warrants)
Number of warrants outstanding as at beginning of period	271,501,806	493,425,362
Exercise of warrants	(7,394,000)	(271,000)
Number of warrants outstanding as at end of period	264,107,806	493,154,362

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 June 2011 and following the exercise of an aggregate of 14,973,800 warrants in July 2011 and August 2011, the number of Units in issue and warrants outstanding as at the date of this announcement are 1,197,223,411 and 249,134,006 respectively.

Utilisation of warrant proceeds

Since the issue of warrants by Saizen REIT in June 2009, a total of 248,051,356 warrants have been exercised as at the date of this announcement.

Such warrant exercises have raised proceeds of approximately S\$22.3 million, of which approximately S\$0.3 million has been used for working capital purposes and approximately S\$20.1 million have been deployed in 4Q FY2011 towards the repayment of the loan of YK Shintoku. S\$1.9 million in warrant proceeds remain unutilised.

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 loss 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.

		4Q FY2011	4Q FY2010	FY2011	FY2010
Total loss for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)		(1,648,672)	(1,048,706)	(841,543)	(883,878)
Basic EPU	(JPY) (cents)	(1.40) (2.13) ¹	(1.10) (1.66) ²	(0.76) (1.18) ³	(0.93) (1.43) ⁴
Diluted EPU	(JPY) (cents)	NM ⁵ NM ⁵	NM ⁵ NM ⁵	NM ⁵ NM ⁵	NM ⁵ NM ⁵
Weighted average number of Units		1,178,389,941	953,044,077	1,110,446,774	952,710,118
Weighted average number of Units plus dilutive effect		1,281,937,510	1,176,435,049	1,253,735,138	1,158,626,039

Notes:

1. Based on S\$/JPY average exchange rate of 65.8 between 1 April 2011 and 30 June 2011.
2. Based on S\$/JPY average exchange rate of 66.3 between 1 April 2010 and 30 June 2010.
3. Based on S\$/JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011.
4. Based on S\$/JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010.
5. NM denotes not meaningful.

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

The Group		As at 30 Jun 2011	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY) (S\$)	20.97 0.32 ¹	25.06 0.40 ²
Saizen REIT		As at 30 Jun 2011	As at 30 Jun 2010
NAV per Unit based on issued Units at the end of financial period	(JPY) (S\$)	20.70 0.32 ¹	24.79 0.39 ²

Notes:

1. Based on S\$/JPY exchange rate of 65.5 as at 30 June 2011.
2. Based on S\$/JPY exchange rate of 63.4 as at 30 June 2010.

8. Review of performance

Income statement: FY2011 vs FY2010

	FY2011¹ (JPY'000)	FY2010² (JPY'000)	Increase / (Decrease) %
Gross revenue	3,868,026	4,132,792	(6.4)
Property operating expenses ³	(1,331,842)	(1,350,183)	(1.4)
Net property income	2,536,184	2,782,609	(8.9)
Asset management fees	(33,131)	(26,691)	24.1
Interest expenses ⁴	(695,887)	(784,926)	(11.3)
Guarantor fee to asset manager	(7,757)	(4,490)	72.8
Other administrative expenses	(147,557)	(117,308)	25.8
Net income from property operations	1,651,852	1,849,194	(10.7)
Interest income	1,035	1,962	(47.2)
Other operating expenses ⁶	(401,939)	(486,049)	(17.3)
Adjustment ⁷	34,995	45,031	(22.3)
Net income from operations	1,285,943	1,410,138	(8.8)

Notes:

1. There were 161 properties at the start of FY2011 and 130 properties at the end of FY2011.
2. There were 166 properties at the start of FY2010 and 161 properties at the end of FY2010.
3. Property operating expenses comprised the following:

	FY2011 (JPY'000)	FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	288,859	309,374	(6.6)
Property manager's fees	151,298	162,345	(6.8)
Operation and maintenance expenses	190,779	209,403	(8.9)
Repairs and renovations	325,273	237,147	37.2
Leasing and marketing expenses	123,323	150,629	(18.1)
Utilities charges	164,170	177,471	(7.5)
Insurance expenses	41,446	52,747	(21.4)
(Write back) /impairment on account receivables	(673)	1,553	NM ⁵
Bad debt written-off	5,386	6,395	(15.8)
Consumption tax arising from operation	41,981	43,119	(2.6)

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

6. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses, guarantor fee to asset manager and realised loss (payment) on interest rate swap), REIT-level other administrative expenses and issue expenses.*
7. *The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expenses 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 6.4%, due mainly to the divestment of 31 properties between September 2010 and June 2011 as well as slight decreases in the average occupancy rate and rental rates of new contracts entered into in FY2011. Net property income and net income from property operations decreased by 8.9% and 10.7% respectively.

Average occupancy rates in FY2011 was 90.9% as compared to 91.5% in FY2010, while overall rental reversion of new contracts entered into in FY2011 was marginally lower by about 4.1% (FY2010: lower by about 4.3%) from previous contracted rates. The average turnover rate was 21% in FY2011, as compared to 20% in FY2010.

Property operating expenses decreased slightly by 1.4%, from JPY 1,350.2 million in FY2010 to JPY 1,331.8 million in FY2011. While most property operating expenses decreased following the divestment of properties in FY2011, repair and renovation expenses increased by 37.2% due mainly to rectification work, amounting to about JPY 78 million, performed on properties affected by the earthquake in March 2011 as well as an increase in the amount of upgrading works carried out during FY2011 such as waterproofing and wall repairs. More earthquake-related repair and renovation expenses of up to approximately JPY 42 million are expected to be incurred in the next few months.

Leasing and marketing expenses decreased by 18.1% in FY2011 as compared to FY2010, due partly to restrictions over incurring such costs by the loan servicer of YK Shintoku. This has contributed to the slight decrease in average occupancy rates in FY2011 as compared to FY2010.

Other administrative expenses increased by 25.8% in FY2011, due mainly to legal and professional expenses incurred in respect of financing-related issues as well as expenses related to the inspection of properties affected by the March 2011 earthquake.

The increase in asset management fees of 24.1% was mainly due to fees relating to the management of the YK Shintoku portfolio during the period from the maturity default of YK Shintoku's loan in November 2009 to the full repayment of the loan in May 2011. Such fees were not recognised in FY2010 because the Asset Manager had voluntarily refrained from charging such fees until the loan default issue was resolved.

The decrease in interest expenses of 11.3% in FY2011 as compared to FY2010 was mainly due to the full repayment of 4 loans in FY2010 and the loan of YK Shintoku in May 2011. This was partially offset by the new loans of YK Shinzan and GK Gyokou which were secured in March 2010 and April 2011 respectively as well as the increase in annual interest rate on the loan of GK Choan after its refinancing in June 2010.

Guarantor fees of JPY 7.8 million were paid to the Asset Manager in respect of the loans of YK JOF and YK Shinzan. Guarantor fees paid in FY2011 were higher than those in FY2010 due to the full year effect whereas the loans of YK JOF and YK Shinzan were secured during the course of FY2010, in September 2009 and March 2010 respectively.

Group-level operations

Net income from operations decreased by 8.8%, from JPY 1,410.1 million in FY2010 to JPY 1,285.9 million in FY2011.

Other operating expenses decreased by 17.3% in FY2011 as compared to FY2010, due mainly to foreign exchange gains recognised in FY2011, the decrease in other trust expenses and the decrease in the Manager's management fee.

Saizen REIT maintains S\$-denominated bank balances. The foreign exchange gains of JPY 31.6 million in FY2011 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 4.7 million had been recognised in FY2010.

The decrease in other trust expenses of 18.9% was mainly attributable to lower valuation fee expenses. Valuation fees of JPY 44.8 million which were recognised in FY2011 comprised accruals of JPY 46.0 million (about JPY 11.5 million per quarter) and additional fees of JPY 4.1 million for desktop valuations performed in connection with property divestments, and partially offset by a write-back of JPY 5.3 million for over-accruals in the previous financial year. Valuation fees of JPY 62.0 million which were recognised in FY2010 comprised accruals of JPY 51.3 million (about JPY 12.8 million per quarter) and an additional amount of JPY 10.7 million relating to under-accruals in the previous financial year.

The decrease in the Manager's management fee of 8.9% in FY2011 was due mainly to the decrease in fair value of Saizen REIT's investment property portfolio following the annual valuation at the end of the previous financial year as well as the divestment of properties.

Other Group-level non-operating items

The sale of 31 properties in FY2011 resulted in a loss incurred on the divestment of properties of JPY 581.1 million as overall, these sales were conducted at an aggregate price below their aggregate valuation.

The net fair value loss on investment properties was JPY 1,569.1 million in FY2011. The fair value of Saizen REIT's properties decreased because, while the property and credit markets have stabilised, the independent valuers had generally adopted a more cautious approach that reflects the sentiment of buyers and lenders following the March 2011 earthquake in north-eastern Japan. This was more evident for properties in the affected cities of Sendai and Koriyama, where valuations decreased by an average of 5.2%. The slight decrease in rental rates of new contracts entered into in FY2011 for Saizen REIT's properties also contributed to the decrease in valuations.

The fair value gain on financial derivatives of JPY 119.2 million recognised in FY2011 arose mainly due to the decrease in market-traded price of the warrants, which resulted in fair value gain on warrants of JPY 133.4 million.

Income statement: 4Q FY2011 vs 3Q FY2011

	4Q FY2011 ¹ (JPY'000)	3Q FY2011 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	908,570	958,667	(5.2)
Property operating expenses ³	(398,446)	(318,253)	25.2
Net property income	510,124	640,414	(20.3)
Asset management fees	(16,584)	(3,634)	>100.0
Interest expenses ⁴	(110,847)	(178,320)	(37.8)
Guarantor fee to asset manager	(1,873)	(1,907)	(1.8)
Other administrative expenses	(39,355)	(45,439)	(13.4)
Net income from property operations	341,465	411,114	(16.9)
Interest income	66	344	(80.8)
Other operating expenses ⁶	(96,126)	(88,062)	9.2
Adjustment ⁷	9,071	8,536	6.3
Net income from operations	254,476	331,932	(23.3)

Notes:

1. There were 143 properties at the start of 4Q FY2011 and 130 properties end of 4Q FY2011.
2. There were 149 properties at the start of 3Q FY2011 and 143 properties end of 3Q FY2011.
3. Property operating expenses comprised the following:

	4Q FY2011 (JPY'000)	3Q FY2011 (JPY'000)	Increase / (Decrease) %
Property tax	66,789	70,794	(5.7)
Property manager's fees	34,901	37,516	(7.0)
Operation and maintenance expenses	41,762	51,945	(19.6)
Repairs and renovations	158,528	54,378	>100.0
Leasing and marketing expenses	35,396	35,035	1.0
Utilities charges	38,054	45,900	(17.1)
Insurance expenses	8,963	11,070	(19.0)
Impairment/(write back) on account receivables	1,906	(1,341)	NM ⁶
Bad debt written-off	497	2,108	(76.4)
Consumption tax arising from operation	11,650	10,848	7.4

4. Interest expenses include the realised loss (payment) on interest rate swap.
5. NM denotes not meaningful.
6. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses, guarantor fee to asset manager 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 expenses 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 5.2% in 4Q FY2011 as compared to 3Q FY2011, due mainly to the divestment of 13 properties between April 2011 and June 2011 as well as slight decreases in the average occupancy rate and rental rates of new contracts entered into in 4Q FY2011. Net property income and net income from property operations decreased by 20.3% and 16.9% respectively.

Property operating expenses increased by 25.2%, due mainly to repairs and renovation expenses incurred 4Q FY2011 in connection with the March 2011 earthquake as well as upgrading works conducted at several properties on areas such as utilities and security systems.

Other administrative expenses decreased by 13.4% in 4Q FY2011, due mainly to a decrease in legal and professional expenses incurred.

The increase in asset management fees from JPY 3.6 million in 3Q FY2011 to JPY 16.6 million in 4Q FY2011 was mainly due to fees relating to the management of the YK Shintoku portfolio which the Asset Manager had temporarily refrained from charging during the maturity default of the loan of YK Shintoku.

The decrease in interest expenses of 37.8% in 4Q FY2011 as compared to 3Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku, which was fully repaid in May 2011.

Group-level operations

Net income from operations decreased from JPY 331.9 million in 3Q FY2011 to JPY 254.5 million in 4Q FY2011.

Other operating expenses increased by 9.2% in 4Q FY2011 as compared to 3Q FY2011, due mainly to a decrease in foreign exchange gains recognised in 4Q FY2011.

Saizen REIT maintains S\$-denominated bank balances. The foreign exchange gains of JPY 9.7 million in 4Q FY2011 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 gain of JPY 21.2 million had been recognised in 3Q FY2011.

Other Group-level non-operating items

The sale of 13 properties resulted in a loss incurred on the divestment of properties of JPY 288.8 million in 4Q FY2011 as compared to the loss of JPY 109.4 million incurred on the divestment of six properties in 3Q FY2011. The net fair value loss of on investment properties of JPY 1,558.3 million was recognised following the annual valuation as at 30 June 2011 as well as desktop valuations performed on properties in connection with their divestments in 4Q FY2011.

The fair value loss on financial derivatives of JPY 89.6 million incurred in 4Q FY2011 arose mainly due to the increase in market-traded price of the warrants, which resulted in fair value loss on warrants of JPY 86.9 million.

9. Outlook and prospects

With the resolution of YK Shintoku's loan default situation, Saizen REIT has repaid the last of its seven commercial mortgage-back securities loans and has overcome the financing problems which had overshadowed its stable property operations in the past three years. Saizen REIT now has a diversified loan portfolio comprising six loans which amount to approximately JPY 9.1 billion (S\$138.9 million), with the nearest loan maturity due in June 2013.

Importantly, Saizen REIT has resumed a normalised state of operations without the burden of default interest charges and pressure to sell its properties. Operational cashflow from YK Shintoku, which had previously been used for default interest payments and loan principal repayments, will now be available for 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 sale of 31 properties had contributed to decreases in revenue and net income from operations in FY2011. Going forward, these decreases are expected to be mitigated by lower interest expenses (based on current borrowings) following the repayment of the loan of YK Shintoku in May 2011 as well as a downward revision in the annual interest rate on the loan of YK JOF in July 2011 from a floating rate of 3.0% to a fixed rate of 2.69%.

A JPY 76.0 million (S\$1.2 million) loan from the Hiroshimashi Credit Cooperative was secured on 19 August 2011. With the recent upgrade in Saizen REIT's corporate family rating to B1 from Caa1 as well as an unencumbered property portfolio valued at an aggregate of JPY 13,331.1 million (S\$203.5 million), the Manager is cautiously optimistic that Saizen REIT will be able to secure additional financing. With potential funds from new financing, the Management Team intends to explore property acquisitions (especially in Tokyo) in the financial year ending 30 June 2012.

Saizen REIT has not invested in properties in Tokyo in the past because the yields were unattractive relative to funding costs. In the last few years however, the prices and rents of properties in Tokyo had generally fallen due to the global credit crisis. While yields of properties in Tokyo remain lower than those in regional cities, the Management Team believes such yields have risen to more attractive levels.

Acquisition of properties in Tokyo is expected to bring about several benefits to Saizen REIT. Firstly, it enables Saizen REIT to further diversify its portfolio geographically, into the capital city of Japan. Secondly, having a mix of Tokyo properties in Saizen REIT's portfolio could facilitate the establishment of new banking relationships as well as aid future financing efforts as, based on discussions with financial institutions, they appear to have more appetite to finance portfolios with certain exposure to Tokyo. Thirdly, there appears to be opportunities to acquire Tokyo properties which offer attractive potential for capital gains and rental appreciation in the medium term.

Currently, Saizen REIT has approximately S\$1.9 million of undeployed warrant proceeds and 249,134,006 warrants which are outstanding and could potentially result in S\$22.4 million, or approximately JPY 1.5 billion, of further warrant proceeds being raised¹. Such warrant proceeds could possibly be used for property acquisitions as well.

Note:

1. This is based on the assumption that all 249,134,006 warrants outstanding as at the date of this announcement 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.**

Properties affected by the earthquake in March 2011

Repairs on damages which had resulted from the March 2011 earthquake are on-going. Based on current estimates, repair expenses on affected properties are expected to amount to no more than JPY 120 million (S\$1.8 million), of which about JPY 78 million (S\$1.2 million) had been incurred in FY2011.

Out of 28 affected properties, 3 properties did not require any repairs. The more urgent repairs have been completed for all the other affected properties, while repair-work on 14 properties has been fully completed. It is expected that all other remaining repairs will be substantially completed by the end of the year.

10. Distributions

10(a) Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2011
Distribution type	Tax-exempt income
Distribution rate	0.50 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution</p> <p>Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for FY2011.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2011.</p>

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

Any distributions declared for for the corresponding period of the immediate preceding financial year?	Yes ¹
Distribution name	Distribution for the financial year ended 30 June 2010
Distribution type	Tax-exempt income
Distribution rate	0.26 cents per Unit
Tax rate	<p>(d) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(e) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for FY2010.</p> <p>(f) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2010.</p>

Note:

1. The distributions declared were for the full financial year ended 30 June 2010, not for the corresponding six-month financial period from 1 January 2010 to 30 June 2010. There were no semi-annual distributions in FY2010.

10(c) Date payable

16 September 2011

10(d) Books closure date

1 September 2011, 5 p.m.

11. Segmental Results

Segment information has not been presented as all the Group's investment properties are used primarily for rental purposes and are located in Japan.

12. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

13. A breakdown of sales as follows:-

	Group		Increase/ (Decrease) %
	FY2011 (JPY'000)	FY2010 (JPY'000)	
(a) Gross revenue reported for first half year	2,000,788	2,077,668	(3.7)
(b) Total return before deducting non-controlling interest reported for first half year	154,243	70,964	>100.0
(c) Gross revenue reported for second half year	1,867,238	2,055,124	(9.1)
(d) Total loss before deducting non-controlling interest reported for second half year	(1,039,563)	(946,451)	9.8

14. A breakdown of the total annual distribution for the current period and its previous period:-**Distribution to Unitholders**

	Group	
	FY2011 (JPY'000)	FY2010 (JPY'000)
1 July 2009 to 30 June 2010 (paid)	-	179,139 ¹
1 July 2010 to 31 December 2010 (paid)	394,805 ²	-
1 January 2011 to 30 June 2011 (to be paid)	380,418 ³	-
	775,223	179,139

Notes:

1. Related to distributable cash accumulated over 2 months (May 2010 and June 2010), after the repayment of the loan of YK Keizan in April 2010 and based on 1,109,474,364 Units in issue as at 13 September 2010, being the book closure day for the distribution.
2. Based on 1,173,218,611 Units in issue as at 21 February 2011, being the book closure day for distribution for six-month period ended 31 December 2010.
3. Estimated based on 1,197,223,411 Units in issue as at the date of this announcement.

15. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 7.8 million (S\$0.1 million) were paid to the Asset Manager in FY2011 in respect of the loans of YK JOF and YK Shinzan.

Divestment fees payable/paid to the Manager for the sale of 31 properties amounted to an aggregate of JPY 17.2 million (S\$0.3 million) in FY2011.

Fees payable to the Asset Manager for services rendered in respect of divestment activities amounted to JPY 8.6 million (S\$0.1 million) in FY2011.

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

23 August 2011