

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 Second Quarter Ended 31 December 2008

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In relation to the initial public offering of Saizen REIT ("IPO"), the financial adviser and issue manager is Morgan Stanley Asia (Singapore) Pte.. The joint bookrunners and underwriters are Morgan Stanley Asia (Singapore) Pte., Morgan Stanley & Co. International plc and Credit Suisse (Singapore) Limited.

INTRODUCTION

Summary of results

The financial year-end of Saizen Real Estate Investment Trust (“**Saizen REIT**” or the “**REIT**”) is 30 June. The following is a summary of Saizen REIT’s operating performance for the second quarters ended 31 December 2008 (“**2Q FY2009**”) and 31 December 2007 (“**2Q FY2008**”), and for the financial year ending 30 June 2009 (“**FY2009**”) and ended 30 June 2008 (“**FY2008**”).

	2Q FY2009 ¹	1Q FY2009 ¹	2Q FY2008 ²
Gross revenue			
(JPY’000)	1,059,598	1,065,417	851,042
(S\$’000)	16,352 ³	13,801 ⁴	10,925 ⁵
Net property income			
(JPY’000)	751,537	741,248	602,439
(S\$’000)	11,598 ³	9,602 ⁴	7,733 ⁵

	As at 31 Dec 2008
Net asset value per Unit (JPY)	65.04
(S\$)	1.04⁵

Notes:

1. There were 166 properties at the start and end of both 2Q FY2009 and 1Q FY2009.
2. There were 103 and 164 properties respectively at the start and end of 2Q FY2008.
3. Based on S\$/ JPY average exchange rate of 64.8 between 1 October 2008 and 31 December 2008.
4. Based on S\$/ JPY average exchange rate of 77.2 between 1 July 2008 and 30 September 2008.
5. Based on S\$/ JPY average exchange rate 77.9 between 1 October 2007 and 31 December 2007.
6. Based on S\$/ JPY exchange rate of 62.7 as at 31 December 2008, which is applied throughout this announcement unless stated otherwise.

Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 November 2007 (“**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 Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 31 December 2008, Saizen REIT’s portfolio comprised 166 properties, with a total appraised value of JPY 49.06 billion (approximately S\$782.5 million) located in 13 regional cities in Japan.

Saizen REIT invests in the properties by entering into Japanese *tokumei kumiai* arrangements (“**TK arrangements**”) as a *tokumei kumiai* investor (“**TK investor**”) with Japanese limited liability companies known as *tokumei kumiai* operators (“**TK operators**”), which are the property holding companies. Such TK arrangement is a common method of investing and holding real estate in Japan. The relationship between the TK operators and the TK investors is governed by *tokumei kumiai* agreements (“**TK agreements**”), whereby the TK investors provide funds to the TK operators in return for income derived from the investments in properties held by the TK operators (the “**TK business**”).

As at the date hereof, Saizen REIT has entered into TK agreements with nine Japanese TK operators, being Yugen Kaisha (“YK”) JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, Godo Kaisha (“GK”) Chosei, GK Choan and GK Chogen.

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

Significant accounting policies

Saizen REIT consolidates the financial statements of the TK operators for reporting purpose.

Upon the initial formation of Saizen REIT, as part of the acquisition of its interest in the properties, Saizen REIT has entered into agreements with vendors of the properties, being Central-Top Properties Ltd, a wholly-owned subsidiary of Japan Opportunities Fund (“**JOF**”), Japan High Yield Property Fund (“**JHYP**”) and Japan High Yield Property Fund II (“**JHYP II**”) (together the “**Vendors**”) to acquire from them all rights and obligation (the “**TK interest**”) under the TK agreements, which were entered into among the Vendors and the respective TK operators (the “**Acquisition**”).

For the purpose of preparation of the financial statements, the Acquisition has been accounted for as a reverse acquisition. The three TK operators of JHYP, as a combining entity, have been identified as the acquirer for accounting purposes (the “**Accounting Acquirer**”), and are treated as having acquired the TK operators of JOF and JHYP II as well as Saizen REIT (the “**Accounting Acquirees**”).

Under this accounting policy adopted, the financial statements have been prepared as a reverse acquisition and:

- (a) represent a continuation of the financial statements of the Accounting Acquirer. Hence, the assets and liabilities of the Accounting Acquirer are recognised and measured in the financial statements at their pre-combination carrying amounts; and
- (b) reflect the fair values of the assets, liabilities and contingent liabilities of the Accounting Acquirees. Therefore, the cost of the business combination or the Acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Accounting Acquirees that satisfy the recognition criteria at their fair values as at 9 November 2007 (being the completion date of the Acquisition which is also the date of the Listing).

With the adoption of the above accounting policy, the implications on the Statement of Total Return and the definition of the “**Group**” include, inter alia, the following:

- (a) in respect of 2Q FY2008 and 1 July 2007 up to 31 December 2007 (“YTD Dec 2007”), it comprises (i) those of the three TK operators of JHYP from 1 October 2007 or 1 July 2007 (as the case may be) up to 8 November 2007 with income and expense items at the TK operators’ level only; and (ii) thereafter from 9 November 2007 (being the completion date of the Acquisition which is also the date of Listing) to 31 December 2007, those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition) with income and expense items at both the TK operators’ level and Saizen REIT level.;
- (b) in respect of 2Q FY2009 and 1 July 2008 up to 31 December 2008 (“YTD Dec 2008”), it comprises those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition and two new TK operators) with income and expense items at both the TK operators’ level and Saizen REIT level throughout the period.

The financial statements in this announcement are prepared assuming completion date of the Acquisition is the date of Listing. They are therefore on a different basis from the financial statements prepared for inclusion in the prospectus of Saizen REIT dated 29 October 2007 (“**Prospectus**”), which are on a proforma basis.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (2Q FY2009 vs 2Q FY2008)**

	2Q FY2009 (JPY'000)	2Q FY2008 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,059,598	851,042	24.5
Property operating expenses	(308,061)	(248,603)	23.9
Net property income	751,537	602,439	24.7
Interest income	195	6,672	(97.1)
Other administrative expenses	(35,513)	(47,909)	(25.9)
Manager's management fees	(61,832)	(37,265)	65.9
Asset management fees	(6,594)	(5,512)	19.6
Trustee's fee	(3,221)	(2,699)	19.3
Other trust expenses	(11,292)	(7,881)	43.3
Finance costs ²	(287,432)	(564,828)	(49.1)
IPO expenses	-	(993,600)	NM ¹
Net income from operations	345,848	(1,050,583)	NM ¹
Fair value loss on financial derivatives ³	(69,235)	-	NM ¹
Net fair value gains on investment properties	-	381,016	NM ¹
Total return for the period before income tax⁴	276,613	(669,567)	NM ¹
Negative goodwill	-	350,047	NM ¹
Income tax	(56,968)	(110,968)	(48.7)
Total return for the period after income tax before distribution	219,645	(430,488)	NM ¹
Less: Distribution	-	(88,451) ⁵	NM ¹
Total return for the period	219,645	(518,939)	NM ¹
Attributable to:			
Unitholders	214,687	(565,189)	NM ¹
Minority Interests	4,958	46,250	(89.3)
	219,645	(518,939)	NM ¹

Notes:

1. NM denotes not meaningful

2. Finance costs comprise the following:

	2Q FY2009 (JPY'000)	2Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(205,023)	(188,775)	8.6
(ii) amortisation of loan commission	(46,010)	(62,400)	(26.3)
(iii) exchange difference	(36,399)	(313,653)	(88.4)

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

	2Q FY2009 (JPY'000)	2Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) Realised loss (payment) on interest rate swap	(5,534)	-	NM ¹
(ii) Unrealised fair value loss on interest rate swap	(63,484)	-	NM ¹
(iii) Unrealised fair value loss on interest rate cap	(217)	-	NM ¹

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

	2Q FY2009 (JPY'000)	2Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(1,384)	(572)	>100.0

5. Distribution relates to the allocation of profit to TK investor (i.e. JHYP) for the periods prior to Listing.

1(a) Statement of total return (for the Group) (YTD Dec 2008 vs YTD Dec 2007)

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)	Increase / (Decrease) %
Gross revenue	2,125,015	1,470,593	44.5
Property operating expenses	(632,230)	(427,637)	47.8
Net property income	1,492,785	1,042,956	43.1
Interest income	8,849	8,636	2.5
Other administrative expenses	(74,885)	(56,330)	32.9
Manager's management fees	(124,153)	(37,265)	>100.0
Asset management fees	(11,731)	(10,965)	7.0
Trustee's fee	(4,128)	(2,699)	52.9
Other trust expenses	(26,536)	(7,881)	>100.0
Finance costs ²	(778,555)	(747,831)	4.1
IPO expenses	-	(993,600)	NM ¹
Net income from operations	481,646	(804,979)	NM ¹
Fair value loss on financial derivatives ³	(73,835)	-	NM ¹
Net fair value gains on investment properties	-	1,329,735	NM ¹
Total return for the period before income tax⁴	407,811	524,756	(22.3)
Negative goodwill	-	350,047	NM ¹
Income tax	(78,263)	(325,876)	(76.0)
Total return for the period after income tax before distribution	329,548	548,927	(40.0)
Less: Distribution	-	(223,929) ⁵	NM ¹
Total return for the period	329,548	324,998	1.4
Attributable to:			
Unitholders	324,711	257,667	26.0
Minority Interests	4,837	67,331	(92.8)
	329,548	324,998	1.4

Notes:

1. NM denotes not meaningful

2. Finance costs comprise the following:

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(402,437)	(342,812)	17.4
(ii) amortisation of loan commission	(130,828)	(91,366)	43.2
(iii) cost of refinancing	(191,172)	-	NM ¹
(iv) exchange difference	(54,118)	(313,653)	(82.7)

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

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)	Increase / (Decrease) %
(i) Realised loss (payment) on interest rate swap	(6,923)	-	NM ¹
(ii) Unrealised fair value loss on interest rate swap	(66,436)	-	NM ¹
(iii) Unrealised fair value loss on interest rate cap	(476)	-	NM ¹

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

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(1,522)	(423)	>100.0

5. Distribution relates to the allocation of profit to TK investor (i.e. JHYP) for the periods prior to Listing.

1(b)(i) Balance sheet (Group)

	As at 31 Dec 2008 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Current assets		
Cash and cash equivalents	2,154,374	5,609,118
Deposits with cash management agents ¹	6,605,835	2,639,772
Trade and other receivables	31,593	100,544
Other current assets	50,341	46,914
	<u>8,842,143</u>	<u>8,396,348</u>
Non-current assets		
Derivative financial instruments	83	559
Investment properties	49,150,155	49,062,300
	<u>49,150,238</u>	<u>49,062,859</u>
Total assets	<u>57,992,381</u>	<u>57,459,207</u>
Current liabilities		
Rental deposits	718,403	741,997
Rental received in advance	263,942	264,504
Borrowings	18,582,916	5,314,479
Other current liabilities	308,071	455,415
Current tax liabilities	197,268	169,244
	<u>20,070,600</u>	<u>6,945,639</u>
Non-current liabilities		
Rental deposits	24,168	22,289
Borrowings	8,051,389	19,472,617
Derivative financial instruments	66,435	-
Deferred tax liabilities	347,215	325,589
	<u>8,489,207</u>	<u>19,820,495</u>
Total liabilities	<u>28,559,807</u>	<u>26,766,134</u>
Total net assets	<u>29,432,574</u>	<u>30,693,073</u>
Represented by:		
Unitholders	29,397,102	30,662,438
Minority Interests	35,472	30,635
	<u>29,432,574</u>	<u>30,693,073</u>
Number of Units in issue ('000)	<u>451,987</u>	<u>451,149</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>65.04</u>	<u>67.97</u>

Note:

1. The cash management agents are professional service providers appointed by the lenders to the TK operators to administer the cash movements of the TK operators. The increase in deposits with cash management agents is due to set aside for repayment of a loan of JPY 3.92 billion falling due in January 2009.

1(b)(i) Balance sheet (Saizen REIT)

	As at 31 Dec 2008 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Current assets		
Cash and cash equivalents	205,667	1,877,045
Trade and other receivables	768,283	710,029
Other current assets	3,068	1,991
	<u>977,018</u>	<u>2,589,065</u>
Non-current assets		
Investment in subsidiaries	31,123,510	31,156,661
	<u>31,123,510</u>	<u>31,156,661</u>
Total assets	<u>32,100,528</u>	<u>33,745,726</u>
Current liabilities		
Other current liabilities	33,840	139,731
Current tax liabilities	157,490	128,815
	<u>191,330</u>	<u>268,546</u>
Total liabilities	<u>191,330</u>	<u>268,546</u>
Total net assets	<u>31,909,198</u>	<u>33,477,180</u>
Represented by:		
Unitholders	<u>31,909,198</u>	<u>33,477,180</u>
Number of Units in issue ('000)	<u>451,987</u>	<u>451,149</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>70.60</u>	<u>74.20</u>

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

	As at 31 Dec 2008 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	19,716	19,130
- Commercial mortgage-backed securities	18,563,200	5,295,349
	<u>18,582,916</u>	<u>5,314,479</u>
Amount repayable after one year		
- Bank loans	6,517,428	4,690,054
- Commercial mortgage-backed securities	1,533,961	14,782,563
	<u>8,051,389</u>	<u>19,472,617</u>
	<u>26,634,305</u>	<u>24,787,096</u>

As at 31 December 2008, the above borrowings are secured over the investment properties of the REIT.

1(c) Cash flow statement (for the Group) (2Q FY2009 vs 2Q FY2008)

	2Q FY2009 (JPY'000)	2Q FY2008 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	219,645	(430,488)
Adjustments for:		
Negative goodwill	-	(350,047)
Income tax	56,968	110,968
Interest income	(195)	(6,672)
Interest expenses	251,033	239,175
Fair value loss on financial derivatives	69,235	-
Net fair value gains on investment properties	-	(381,016)
Operating profit/(loss) before working capital changes	596,686	(818,080)
Changes in working capital		
Deposit with cash management agents ¹	(3,914,823)	(62,488)
Trade and other receivables	2,796	32,146
Other current assets	(3,776)	13,720
Other current liabilities	(30,125)	338,767
Rental received in advance	1,554	39,462
Rental deposits	(19,488)	71,788
Cash generated from operations	(3,367,176)	(384,685)
Income tax paid	(27,997)	-
Cash flows used in operating activities	(3,395,173)	(384,685)
Investing activities		
Purchase of/ additions to investment properties	(66,761)	(6,142,755)
Net cash effect on acquisition of subsidiaries	-	203,063
Cash flows used in investing activities	(66,761)	(5,939,692)
Financing activities		
Issue of new Units at initial public offering	-	15,400,394
Issue expenses	-	(666,780)
Bank borrowings obtained	2,065,000	-
Repayment of bank borrowings	(25,138)	(3,006,588)
Distribution to previous TK investor	-	(88,451)
Contribution from previous TK investor	-	88,451
Interest received	195	1,209
Interest paid	(211,309)	(194,760)
Cash flows from financing activities	1,828,748	11,533,475
Net (decrease)/increase in cash and cash equivalents	(1,633,186)	5,209,098
Cash and cash equivalent at beginning of the period	3,787,560	509,808
Cash and cash equivalent at end of the period	2,154,374	5,718,906

Note:

1. The negative cash flow shown was primarily due to reserves set aside for repayment of a loan of JPY 3.92 billion falling due in January 2009; and the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan requirements.

1(c) Cash flow statement (for the Group) (YTD Dec 2008 vs YTD Dec 2007)

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	329,548	548,927
Adjustments for:		
Negative goodwill	-	(350,047)
Income tax	78,263	325,876
Interest income	(8,849)	(8,636)
Interest expenses	724,437	422,178
Fair value loss on financial derivatives	73,835	-
Net fair value gains on investment properties	-	(1,329,735)
Operating profit/(loss) before working capital changes	1,197,234	(391,437)
Changes in working capital		
Deposit with cash management agents ¹	(3,966,063)	(31,415)
Trade and other receivables	60,514	30,874
Other current assets	(3,427)	28,099
Other current liabilities	(99,907)	265,984
Rental received in advance	(562)	37,439
Rental deposits	(21,715)	79,672
Cash generated from operations	(2,833,926)	19,216
Income tax paid	(28,613)	-
Cash flows (used in)/provided by operating activities	(2,862,539)	19,216
Investing activities		
Purchase of/ additions to investment properties	(87,855)	(6,962,236)
Net cash effect on acquisition of subsidiaries	-	203,063
Cash flows used in investing activities	(87,855)	(6,759,173)
Financing activities		
Issue of new Units at initial public offering	-	15,400,394
Issue expenses	-	(666,780)
Bank borrowings obtained	5,900,000	510,000
Repayment of bank borrowings	(3,990,081)	(3,006,588)
Distribution to previous TK investor	-	(242,264)
Distribution to Unitholders	(1,637,520)	-
Interest received	17,285	3,174
Interest paid	(794,034)	(293,838)
Cash flows from financing activities	(504,350)	11,704,098
Net (decrease)/increase in cash and cash equivalents	(3,454,744)	4,964,141
Cash and cash equivalent at beginning of the period	5,609,118	754,765
Cash and cash equivalent at end of the period	2,154,374	5,718,906

Note:

1. The negative cash flow shown was primarily due to reserves set aside for repayment of loan of JPY 3.92 billion falling due in January 2009; and the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc., in accordance with the loan requirements.

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

The Group

	YTD Dec 2008 (JPY'000)	YTD Dec 2007 (JPY'000)
OPERATION		
Balance as at beginning of the period	(2,515,175)	1,354,946
Total return for the period	324,711	481,596
Distribution to previous TK investor	-	(223,929)
Balance as at end of period	(2,190,464)	1,612,613
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	33,177,613	11,293,956
Issue of new Units at initial public offering	-	15,400,394
Creation of new units arising from - Acquisition fee and Manager's management fee ¹	47,473	-
Distribution to Unitholders	(1,637,520)	-
Return of capital to previous TK investors	-	(18,334)
Issue expenses	-	(666,780)
Cost of acquisition	-	7,294,113
Balance as at end of period	31,587,566	33,303,349
TOTAL ATTRIBUTABLE TO UNITHOLDERS	29,397,102	34,915,962
MINORITY INTERESTS		
Balance as at beginning of the period	30,635	40,828
Effect on acquisition	-	106,880
Total return for the period	4,837	67,331
Balance as at end of period	35,472	215,039
TOTAL	29,432,574	35,131,001

The REIT

	YTD Dec 2008 (JPY '000)	From 27 Sep 2007 ² to 31 Dec 2007 (JPY '000)
OPERATION		
Balance as at beginning of the period/ 27 September 2007	(955,360)	-
Total return for the period	22,065	(1,352,235)
Balance as at end of period	(933,295)	(1,352,235)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period/27 September 2007	34,432,540	-
Issue of new Units	-	35,225,055
Issue expenses	-	(666,780)
Creation of new units arising from - Acquisition fee and Manager's management fee ¹	47,473	-
Distribution to Unitholders	(1,637,520)	-
Balance as at end of period	32,842,493	34,558,275
TOTAL ATTRIBUTABLE TO UNITHOLDERS	31,909,198	33,206,040

Notes:

1. Saizen REIT issued 261,402 new Units as payment of acquisition fee and 576,224 new Units as payment of management fee to the Manager.
2. Saizen REIT was set up on 27 September 2007 and had been operating since 9 November 2007 (date of Listing).

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

	2Q FY2009	2Q FY2008
	(Units)	(Units)
Issue of new Units as at beginning of period	451,986,693	-
Issue of new Units at initial public offering	-	196,740,000
Issue of new Units to Vendors for the Acquisition	-	253,260,000
Issued Units as at end of period	<u>451,986,693</u>	<u>450,000,000</u>

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 disclosed in the Prospectus.

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.

There are no significant changes in the accounting policies and methods of computation.

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

	2Q FY2009	2Q FY2008
Total return for the period after income tax and minority interests, before distribution(JPY'000)	214,687	(476,738)
Basic earnings per Unit (JPY)	0.47	(1.46)
(S\$ cents)	0.73 ¹	(1.87) ²

Notes:

1. Based on S\$/JPY average exchange rate of 64.8 between 1 October 2008 and 31 December 2008.

2. Based on S\$/JPY average exchange rate of 77.9 between 1 October 2007 and 31 December 2007.

The basic earnings per Unit is calculated based on total return for the period after income tax and minority interests before distribution, divided by the weighted average Units during the period of 451,986,693 Units (2007: 327,420,643 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instrument in issue during the financial period.

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

	YTD Dec 2008	YTD Dec 2007
Total return for the period after income tax and minority interests, before distribution(JPY'000)	324,711	481,596
Basic earnings per Unit (JPY)	0.72	1.97
(S\$ cents)	1.01 ¹	2.53 ²

Notes:

1. Based on S\$/JPY average exchange rate of 71.0 between 1 July 2008 and 31 December 2008.
2. Based on S\$/JPY average exchange rate of 77.8 between 1 July 2007 and 31 December 2007.

The basic earnings per Unit is calculated based on total return for the period after income tax and minority interests before distribution, divided by the weighted average Units during the period of 451,959,379 Units (2007: 244,129,542 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instrument in issue during the financial period.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 31 December 2008 and 30 June 2008**The Group**

	As at 31 Dec 2008	As at 30 Jun 2008
NAV per Unit based on issued Units at the end of financial period (JPY)	65.04	67.97
(S\$)	1.04 ¹	0.87 ²

The REIT

	As at 31 Dec 2008	As at 30 Jun 2008
NAV per Unit based on issued Units at the end of financial period (JPY)	70.60	74.20
(S\$)	1.13 ¹	0.95 ²

Notes:

1. Based on S\$/JPY exchange rate of 62.7 as at 31 December 2008.
2. Based on S\$/JPY exchange rate of 77.9 as at 30 June 2008.

8. Review of performance**Income statement: 2Q FY2009 vs. 2Q FY2008**

	2Q FY2009 ¹ (JPY'000)	2Q FY2008 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	1,059,598	851,042	24.5
Property operating expenses	(308,061)	(248,603)	23.9
Net property income	751,537	602,439	24.7
Other administrative expenses	(28,954)	(39,724)	(27.1)
Asset management fees	(6,594)	(5,512)	19.6
Interest expenses	(210,557)	(188,775)	11.5
Net income from operations	505,432	368,428	37.2

Notes:

1. There were 166 properties respectively at the start and end of 2Q FY2009.
2. There were 103 and 164 properties respectively at the start and end of 2Q FY2008.

2Q FY2009 vs. 2Q FY2008

Due to the adoption of the reverse acquisition accounting policy, the income statement of 2Q FY2008 comprises (i) only those of the three TK operators of JHYP between 1 October 2007 and 8 November 2007; and (ii) those of all the TK operators of Saizen REIT and including income and expense items at the level of Saizen REIT between 9 November 2007 and 31 December 2007. Meanwhile, the income statement of 2Q FY2009 comprises those of all the TK operators under Saizen REIT with income and expense items at both the TK operators' level and Saizen REIT level throughout the period.

To make a like-with-like comparison of income from property operations, income and expense items at Saizen REIT level were excluded. When computing interest expenses, the amount of interest paid and realised loss or gain on interest rate swaps are aggregated.

Due to increase in size of the property portfolio, gross revenue and net property income increased by 24.5% and 24.7% respectively in 2Q FY2009 compared with 2Q FY2008. Due to lower gearing adopted after the Listing, interest expenses increased at a lower rate of 11.5% in 2Q FY2009 compared with 2Q FY2008.

Income statement: 2Q FY2009 vs. 1Q FY2009

	2Q FY2009 ¹ (JPY'000)	1Q FY2009 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	1,059,598	1,065,156	(0.5)
Property operating expenses	(308,061)	(324,169)	(5.0)
Net property income	751,537	740,987	1.4
Other administrative expenses	(28,954)	(33,829)	(14.4)
Asset management fees	(6,594)	(5,137)	28.4
Interest expenses	(210,557)	(197,414)	6.7
Net income from operations	505,432	504,607	0.2

Notes:

1. There were 166 properties respectively at the start and end of 2Q FY2009.
2. There were 166 properties respectively at the start and end of 1Q FY2009.

2Q FY2009 vs. 1Q FY2009

The income statements for both 2Q FY2009 and 1Q FY2009 comprise all the TK operators under Saizen REIT in existence at the relevant period, as well as income and expense items at the level of Saizen REIT. For performance review of property operations, income and expenses at Saizen REIT level were excluded.

During both periods under review, the portfolio comprises 166 properties. Compared to the previous quarter, gross revenue in 2Q FY2009 declined marginally by 0.5% during the fall/winter months which are not typical leasing seasons. Occupancy rate by revenue as at 31 December 2008 was 90.4% compared with 91.1% as at 30 September 2008. Nevertheless, net property income increased marginally by 1.4% as a result of lower leasing and renovation expenses, which are generally incurred when there is tenant turnover.

Interest expenses increased by about 6.7% following further drawdowns of the loan from a European Bank in October and November 2008. This 3-year term loan has been fully drawn.

9. Outlook and prospects

Economic development

Japan's gross domestic product experienced consecutive contractions in the second and third quarters of 2008, and is expected to shrink further in the fourth quarter. Weakening global demand for Japanese products resulted in significant decline in industrial output of close to 10% in December 2008. As exporters reduce or shut down productions, unemployment rate in Japan rose to 4.4% in December 2008, further affecting household spending and domestic consumption. The general outlook of the Japanese economy remains uncertain.

Property Operations

Whilst the deteriorating economic condition has resulted in increase leasing competition in certain cities, its negative impact on portfolio's occupancies and operations have been relatively subdued as Saizen REIT's portfolio properties cater to the local mass market segment instead of the high-end or expatriate markets. Continuous demand is also underpinned by the low homeownership in the cities which it operates. The impact has been limited to selected few properties (out of total portfolio of 166 properties) where for example, a few properties located near a major car factory in Hiroshima which has downsized its operations and laid off workers, have recorded higher tenant turnover. Meanwhile, the Management Team has continued to observe steady reservation rates for Saizen REIT's portfolio properties in the past months. Given the uncertain economic conditions, the Management Team will closely monitor the situations and implement appropriate leasing strategies to maintain steady operations, and to take advantage of the coming leasing season from February to April.

Loan maturities and refinancing plans

In the first half of 2009, Saizen REIT has an aggregate amount of JPY 5.28 billion (\$84.2 million) of loans falling due. While Saizen REIT has sufficient cash resources on hand to fully repay the above, it has a further aggregate amount of JPY 13.40 billion (\$213.7 million) of loans falling due in November and December 2009. Discussions with various potential lenders on their refinancing is ongoing.

To facilitate and improve the likelihood of refinancing above, the Manager has on 31 December 2008 announced a proposed rights cum warrants issue to strengthen the capital base of Saizen REIT. Documentation of the rights cum warrants issue is in progress and regulatory clearance is being obtained, with a view to convening the relevant extraordinary general meeting in or around end March or earlier April 2009. Please refer to the announcement for further details of the rights cum warrants issue.

10. Distributions

Not applicable.

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

In view of the current uncertain credit environment and the maturity schedule of Saizen REIT's loans, the Board believes it will be prudent for Saizen REIT to conserve cash at this juncture. As a temporary measure, the Board therefore does not propose to declare any distribution for 2Q FY2009.

The Board has on 13 January 2009 announced the proposed adoption of a scrip-only dividend scheme. Such scheme, if adopted, provides flexibility for Saizen REIT to pay out dividends in the form of Units in future. The payment of dividends in the form of units will be a temporary measure to conserve cash during this uncertain period. Saizen REIT will resume its dividend payment in the form of cash once the loan refinancing issues are resolved.

12. Interested person transactions

No interested person transactions were entered into since the Listing.

13. Update on utilization of initial public offering (“IPO”) proceeds

Saizen REIT raised gross proceeds of S\$196.7 million at the Listing. The amount of proceeds designated for payment of issue costs has been fully deployed. The amount of S\$151.9 million designated for repayment and refinancing of existing loans has been substantially deployed following partial/ full repayment of loans of three TK operators, being YK Shingen, YK Shinzan and GK Choan. There is a balance of approximately S\$8 million pending deployment.

Since Listing, Saizen REIT has invested in 19 properties which amounted to approximately S\$93.2 million, and have fully utilised the S\$15.3 million set aside from the proceeds to partially fund these investments. Two properties have been funded by long-term loans from two Japanese financial institutions while the remaining 17 properties have been funded by the long-term loan facility from the European bank as announced on 27 August 2008.

As at the date hereof, save for the balance of approximately S\$8 million designated for further repayment of loans, all IPO proceeds have been fully deployed.

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

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the second quarter ended 31 December 2008 to be false or misleading in any material respect.

This release may contain forward-looking statements that involve risks and uncertainties. Future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in tenant demands, changes in operating expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the current view of Management Team on future events.

BY ORDER OF THE BOARD

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

13 February 2009