

Saizen Real Estate Investment Trust

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

Announcement In Relation To The Unaudited Financial Statements For The Third Quarter Ended 31 March 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 “**Company**”) is 30 June. The following is a summary of Saizen REIT’s operating performance for the third quarters ended 31 March 2008 (“**3Q FY2008**”) and 31 March 2007 (“**3Q FY2007**”).

	3Q FY2008¹	3Q FY2007²
Gross revenue (JPY’000)	1,054,523	530,519
(S\$’000)	14,098³	6,802⁴
Net property income (JPY’000)	711,508	377,749
(S\$’000)	9,512³	4,843⁴

	As at 31 Mar 2008
Net asset value per Unit (JPY)	78.30¹
(S\$)	1.09⁵

Notes:

1. There were 164 properties at the start and end of 3Q FY2008
2. There were 84 and 99 properties respectively at the start and end of 3Q FY2007
3. Based on S\$/JPY average exchange rate of 74.8 between 1 January 2008 and 31 March 2008
4. Based on S\$/JPY average exchange rate of 78.0 between 1 January 2007 and 31 March 2007
5. Based on S\$/JPY exchange rate of 71.9 as at 31 March 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, with a total appraised value of JPY46.87 billion (approximately S\$651.9 million) located in 12 regional cities in Japan. As at 31 March 2008, Saizen REIT’s portfolio comprised 164 properties, with a total appraised value of JPY53.38 billion (approximately S\$742.4 million) located 13 regional cities in Japan. Saizen REIT invested in a further property in April 2008.

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**”).

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

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 3Q FY2007 and YTD Mar 2007, it comprises those of the three TK operators of JHYP only with income and expense items at the TK operators’ level only;
- (b) in respect of YTD Mar 2008, it comprises (i) those of the three TK operators of JHYP from 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 March 2008, 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.
- (c) in respect of 3Q FY2008, it comprises 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 throughout the period.

The implications on the Balance Sheet and the definition of the “**Group**” include, inter alia, the following:

- (a) as at 31 March 2007, it comprises those of the three TK operators of JHYP only;
- (b) as at 31 March 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) as well as Saizen REIT.

The financial statements in this announcement are prepared assuming completion date of the Acquisition is the date of the 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 OF QUARTERLY RESULTS**1(a) Statement of total return (for the Group) (3Q FY2008 vs 3Q FY2007)**

	3Q FY2008 (JPY'000)	3Q FY2007 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,054,523	530,519	98.8
Property operating expenses	(343,015)	(152,770)	>100.0
Net property income	711,508	377,749	88.4
Other administrative expenses	(38,979)	(14,362)	>100.0
Interest income	11,929	893	>100.0
Manager's management fee	(66,548)	-	NM ¹
Asset Manager's asset management fee	(7,964)	(4,409)	80.6
Trustee's fee	(4,628)	-	NM ¹
Other trust expenses	(5,102)	-	NM ¹
Finance costs ²	(403,954)	(135,315)	>100.0
IPO expenses	(12,762)	-	NM ¹
Net income from operations	183,500	224,556	(18.3)
Net appreciation in the value of investment properties	-	1,890,847	NM ¹
Total return for the period before income tax	183,500	2,115,403	(91.3)
Income tax	(77,824)	(405,214)	(80.8)
Total return for the period after income tax before distribution	105,676	1,710,189	(93.8)
Less: Distribution ⁴	-	(125,784)	NM ¹
Total return for the period	105,676	1,584,405	(93.3)
Attributable to:			
Unitholders	100,590	1,544,519	(93.5)
Minority Interests	5,086	39,886	(87.2)
	105,676	1,584,405	(93.3)

Notes:

1. NM denotes not meaningful
2. Finance costs comprise the following:

	3Q FY2008 (JPY'000)	3Q FY2007 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(193,521)	(113,837)	70.0
(ii) amortisation of loan commission	(35,996)	(21,478)	67.6
(iii) exchange difference	(174,437)	-	NM ¹

Exchange difference arises due to the difference between the S\$/JPY rate booked on last quarter and the prevailing rate at the quarter-end

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

	3Q FY2008 (JPY'000)	3Q FY2007 (JPY'000)	Increase / (Decrease) %
(i) (impairment)/written back on account receivable	(1,320)	217	NM ¹

4. 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) (year-to-date (“YTD”) Mar 2008 vs YTD Mar 2007)

	YTD Mar 2008 (JPY'000)	YTD Mar 2007 (JPY'000)	Increase / (Decrease) %
Gross revenue	2,525,116	1,356,489	86.2
Property operating expenses	(770,652)	(375,245)	>100.0
Net property income	1,754,464	981,244	78.8
Other administrative expenses	(95,309)	(38,448)	>100.0
Interest income	20,565	1,100	>100.0
Manager's management fee	(103,813)	-	NM ¹
Asset Manager's asset management fee	(18,929)	(11,257)	68.2
Trustee's fee	(7,327)	-	NM ¹
Other trust expenses	(12,983)	-	NM ¹
Finance cost ²	(1,151,785)	(338,829)	>100.0
IPO expenses	(1,006,362)	-	NM ¹
Net (loss)/ income from operations	(621,479)	593,810	NM ¹
Net appreciation in the value of investment properties	1,329,735	1,580,949	(15.9)
Total return for the period before income tax	708,256	2,174,759	(67.4)
Excess of Acquirer's interest in the net fair value of Acquiree's identifiable assets, liabilities and contingent liabilities over cost	350,047	-	NM ¹
Income tax	(403,700)	(413,455)	(2.4)
Total return for the period after income tax before distribution	654,603	1,761,304	(62.8)
Less: Distribution ⁴	(223,929)	(422,159)	(47.0)
Total return for the period	430,674	1,339,145	(67.8)
Attributable to:			
Unitholders	358,257	1,304,918	(72.5)
Minority Interests	72,417	34,227	>100.0
	430,674	1,339,145	(67.8)

Notes:

1. NM denotes not meaningful
2. Finance costs comprise the following:

	YTD Mar 2008 (JPY'000)	YTD Mar 2007 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(536,333)	(293,282)	82.9
(ii) amortisation of loan commission/ swap breakage	(127,362)	(45,547)	>100.0
(iii) exchange difference	(488,090)	-	NM ¹

Exchange difference arises due to the difference between the S\$/JPY rate booked based on day of Listing and (a) the actual rates where the S\$ proceeds were converted into JPY, or (b) the prevailing rate at period-end

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

	YTD Mar 2008 (JPY'000)	YTD Mar 2007 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(1,742)	(1,495)	16.5

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

1(b)(i) Balance sheet

	The Group		The Company ²
	As at 31 Mar 2008 (JPY'000)	As at 31 Mar 2007 (JPY'000)	As at 31 Mar 2008 (JPY' 000)
Current assets			
Cash at bank	5,614,125	602,739	2,486,799
Deposit with cash management agents ¹	2,677,322	1,752,611	-
Trade and other receivables	102,610	52,792	59,306
Other assets	155,201	124,817	3,616
	<u>8,549,258</u>	<u>2,532,959</u>	<u>2,549,721</u>
Non-current assets			
Investment in subsidiaries	-	-	30,813,674
Investment properties	53,494,031	29,085,700	-
Other assets	-	-	-
	<u>53,494,031</u>	<u>29,085,700</u>	<u>30,813,674</u>
Total assets	<u>62,043,289</u>	<u>31,618,659</u>	<u>33,363,395</u>
Current liabilities			
Rental deposits	760,444	424,311	-
Rental received in advance	261,259	131,016	-
Borrowings	3,993,417	-	-
Other current liabilities	468,142	162,368	127,280
	<u>5,483,262</u>	<u>717,695</u>	<u>127,280</u>
Non-current liabilities			
Rental deposits	19,589	12,253	-
Borrowings	19,963,985	17,882,797	-
Deferred tax liabilities	1,268,812	413,360	-
	<u>21,252,386</u>	<u>18,308,410</u>	<u>-</u>
Total liabilities	<u>26,735,648</u>	<u>19,026,105</u>	<u>127,280</u>
Total net assets	<u>35,307,641</u>	<u>12,592,554</u>	<u>33,236,115</u>
Represented by:			
Unitholders	35,087,516	12,552,589	33,236,115
Minority Interests	220,125	39,965	-
	<u>35,307,641</u>	<u>12,592,554</u>	<u>33,236,115</u>
Number of Units in issue ('000)	<u>450,944</u>	<u>160,838</u>	<u>450,944</u>
Net asset value per Unit (JPY)	<u>78.30</u>	<u>78.29</u>	<u>73.70</u>

Notes:

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
2. There is no prior period comparative figure for the Company as Saizen Reit was set up on 27 September 2007

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

	As at 31 Mar 2008 (JPY'000)	As at 31 Mar 2007 (JPY'000)
Secured borrowings		
Amount repayable in one year or less, on demand	3,993,417	-
Amount repayable after one year	19,963,985	17,882,797
	<u>23,957,402</u>	<u>17,882,797</u>

As at 31 March 2008, the above borrowings are secured over certain investment properties.

1(c) Cash flow statement (for the Group) (3Q FY2008 vs 3Q FY2007)

	3Q FY2008 (JPY'000)	3Q FY2007 (JPY'000)
Operating activities		
Returns for the period after tax	105,676	1,710,189
Adjustments for:		
Tax expenses	77,824	405,214
Interest income	(11,929)	(893)
Interest expenses	229,517	135,315
Net appreciation in the value of investment properties	-	(1,890,847)
Operating profit before working capital changes	<u>401,088</u>	<u>358,978</u>
Changes in working capital		
Deposit with cash management agent ¹	(68,909)	(326,464)
Free rent	(5,632)	(1,353)
Rent receivable	(3,510)	57
Consumption tax receivable	(647)	(22,276)
GST receivable	(1,340)	-
Other current assets	(2,387)	18,318
Other current liabilities	(162,326)	41,905
Rental received in advance	10,263	15,778
Rental deposits	16,927	85,470
Cash flows generated from operation	<u>183,527</u>	<u>170,413</u>
Income tax paid	(250)	(106)
Cash flows provided by operating activities	<u>183,277</u>	<u>170,307</u>
Investing activities		
Purchase of/ additions to investment properties	<u>(89,289)</u>	<u>(5,741,353)</u>
Cash flows used in investing activities	<u>(89,289)</u>	<u>(5,741,353)</u>

Financing activities		
Bank borrowings obtained	-	4,170,000
Repayment of bank borrowings	(18,923)	-
Refund of IPO expenses	1,285	-
Distribution to Unitholders	-	(125,784)
Contributions from Unitholders	-	(48,818)
Interest received	13,775	893
Interest paid	(194,906)	(233,168)
Cash flows from financing activities	(198,769)	3,763,123
Net decrease in Cash at bank	(104,781)	(1,807,923)
Cash balance at the beginning of the period	5,718,906	2,410,662
Cash at bank at end of the period	5,614,125	602,739

Note:

1. The negative cash flow shown was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc.

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

	<u>YTD Mar 2008</u> <u>(JPY'000)</u>	<u>YTD Mar 2007</u> <u>(JPY'000)</u>
Operating activities		
Returns for the period after tax	654,603	1,761,304
Adjustments for:		
Tax expenses	403,700	413,455
Excess of Acquirer's interest in the net fair value of Acquiree's identifiable assets, liabilities and contingent liabilities over cost	(350,047)	-
Interest income	(20,565)	(1,100)
Interest expenses	651,695	338,829
Net appreciation in the value of investment properties	(1,329,735)	(1,580,949)
Operating profit before working capital changes	9,651	931,539
Changes in working capital		
Deposit with cash management agent ¹	(100,324)	(741,721)
Free rent	(6,535)	(1,864)
Rent receivable	1,546	(460)
Consumption tax receivable	26,074	15,047
GST receivable	(59,305)	-
Other current assets	83,677	(43,191)
Other current liabilities	103,658	55,105
Rental received in advance	47,702	46,495
Rental deposits	96,599	191,332
Cash flows generated from operation	202,743	452,282
Income tax paid	(250)	(251)
Cash flows provided by operating activities	202,493	452,031

Investing activities

Purchase of/ additions to investment properties	(7,051,525)	(12,016,551)
Net cash effect on acquisition of subsidiaries	203,063	-
Cash flows used in investing activities	(6,848,462)	(12,016,551)

Financing activities

Issue of new Units to Unitholders	15,400,394	-
Expenses of issue of new Units	(665,495)	-
Bank borrowings obtained	510,000	9,100,000
Repayment of bank borrowings	(3,025,511)	-
Distribution to Unitholders	(223,929)	(422,159)
Return of capital	(18,335)	-
Contributions from Unitholders	-	3,537,996
Interest received	16,949	1,100
Interest paid	(488,744)	(469,162)
Cash flows from financing activities	11,505,329	11,747,775
Net increase in Cash at bank	4,859,360	183,255
Cash balance at beginning of the period	754,765	419,484
Cash at bank at end of the period	5,614,125	602,739

Note:

1. The negative cash flow shown was primarily due to reserves set aside for the working capital requirements of the rental business, such as reserves to meet quarterly rates, insurance, etc.

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

	YTD Mar 2008 (JPY'000)	YTD Mar 2007 (JPY'000)
OPERATION		
Balance as at beginning of period	1,354,946	(92,591)
Total return for the period	582,186	1,727,077
Distributions	(223,929)	(422,159)
Balance as at end of period	1,713,203	1,212,327
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of period	11,293,957	7,802,266
Issue of new Units to Manager ¹	69,679	-
Issue of new Units to Unitholders	15,400,394	-
Contributions from Unitholders	-	3,537,996
Return of capital	(18,335)	-
Expenses of issue of Units	(665,495)	-
Cost of acquisition	7,294,113	-
Balance at end of period	33,374,313	11,340,262
TOTAL (Attributable to Unitholders)	35,087,516	12,552,589
MINORITY INTERESTS		
Balance as at beginning of period	40,828	5,738
Effect on acquisition	106,880	-
Total return for the period	72,417	34,227
Balance at end of period	220,125	39,965
TOTAL EQUITY	35,307,641	12,592,554

The Company

From 27 Sep 2007
to 31 Mar 2008
(JPY '000)

OPERATION	
Balance as at 27 September 2007	-
Total return for the period	(1,393,123)
Balance as at 31 March 2008	<u>(1,393,123)</u>
UNITHOLDERS CONTRIBUTION	
Balance as at 27 September 2007	-
Issue of new Units	35,294,733
Expenses of issue of Units	(665,495)
Balance as at 31 March 2008	<u>34,629,238</u>
TOTAL EQUITY	<u><u>33,236,115</u></u>

Note:

1. Saizen REIT issued 944,094 new Units as payment of acquisition fee to the Manager of JPY69.7m, calculated based on 1.0 per cent of the aggregate acquisition price for the 17 properties invested in November and December 2007.

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

The Manager made an offering of 196,740,000 units (“**Offering**”) representing undivided interests in Saizen REIT (“**Units**”) for subscription at an offering price of S\$1.00 per Unit on 9 November 2007.

Concurrently, but separate from the Offering, Central-Top Properties Ltd., a wholly-owned subsidiary of JOF, JHYP and JHYP II received 53,191,511 Units, 160,838,440 Units and 39,230,049 Units respectively in full satisfaction of the purchase consideration for the Acquisition.

In consideration of acquisition fee entitlements for acquisitions in November and December 2007, Manager received 944,094 Units at S\$0.8101 on 21 February 2008.

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 in 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 Units for the financial period (Group)

	<u>3Q FY2008</u>	<u>3Q FY2007</u>
Total return for the period after income tax (JPY'000)	105,676	1,710,189
Basic earnings per Unit (JPY)	0.23	10.63
(S\$ cents)	0.31 ¹	13.63 ²

Notes:

1. Based on S\$/JPY average exchange rate of 74.8 between 1 January 2008 and 31 March 2008
2. Based on S\$/JPY average exchange rate of 78.0 between 1 January 2007 and 31 March 2007

The basic earnings per Unit is calculated based on total return for the period after income tax divided by the weighted average Units during the period of 450,414,986 Units (2007: 160,838,440 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instruments in issue during the financial period.

	<u>YTD Mar 2008</u>	<u>YTD Mar 2007</u>
Total return for the period after income tax (JPY'000)	654,603	1,761,304
Basic earnings per Unit (JPY)	2.10	10.95
(S\$ cents)	2.73 ¹	14.47 ²

Notes:

1. Based on S\$/JPY average exchange rate of 76.79 between 1 July 2007 and 31 March 2008
2. Based on S\$/JPY average exchange rate of 75.68 between 1 July 2006 and 31 March 2007

The basic earnings per Unit is calculated based on total return for the period after income tax divided by the weighted average Units during the period of 312,391,271 Units (2007: 160,838,440 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instruments in issue during the financial period.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 3Q FY2008 and 3Q FY2007**The Group**

	<u>3Q FY2008</u>	<u>3Q FY2007</u>
NAV per Unit based on issued Units at the end of financial period (JPY)	78.30	78.29
(S\$)	1.09 ¹	1.01 ²

The Company

	<u>3Q FY2008</u>
NAV per Unit based on issued Units at the end of financial period (JPY)	73.70
(S\$)	1.03 ¹

Notes:

1. Based on S\$/JPY exchange rate of 71.9 as at 31 March 2008
2. Based on S\$/JPY exchange rate of 77.7 as at 31 March 2007

8. Review of performance

Income statement: 3Q FY2008 vs. 3Q FY2007

	3Q FY2008 ¹ (JPY'000)	3Q FY2007 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	1,054,522	530,519	98.8
Property operating expenses	(343,015)	(152,770)	>100.0
Net property income	711,507	377,749	88.4
Other administrative expenses	(30,697)	(14,362)	>100.0
Asset Manager's asset management fees	(7,964)	(4,409)	80.6
Interest expenses	(193,421)	(113,837)	70.0
Net income from operations	479,425	245,141	95.6

Notes:

1. There were 164 properties at the start and end of 3Q FY2008
2. There were 84 and 99 properties respectively at the start and end of 3Q FY2007

3Q FY2008 vs 3Q FY2007

Due to the adoption of the reverse acquisition accounting policy, the income statement for 3Q FY2007 comprises only those of the three TK operators of JHYP. In respect of the income statement for 3Q FY2008, it comprises all the TK operators under Saizen REIT, including income and expense items at the level of Saizen REIT.

To make a like-with-like comparison of income from operations, income and expense items at Saizen REIT level were excluded.

Compared with 3Q FY2007, gross revenue in 3Q FY2008 almost doubled due to the increase in number of properties over these periods. Net property income increased in tandem while interest expenses also increased as the expanded property portfolio also has a higher amount of borrowings.

Other administrative expenses increased significantly due mainly to higher accounting and audit fees given the larger number of TK operators; as well as the legal and professional expenses incurred in respect of the refinancing exercise which has been delayed.

Income statement: 3Q FY2008 vs. 2Q FY2008

	3Q FY2008 ¹ (JPY'000)	2Q FY2008 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	1,054,522	851,042	23.9
Property operating expenses	(343,015)	(248,603)	38.0
Net property income	711,507	602,439	18.1
Other administrative expenses	(30,697)	(39,724)	(22.7)
Asset Manager's asset management fees	(7,964)	(5,512)	44.5
Interest expenses	(193,421)	(188,775)	2.5
Net income from operations	479,425	368,428	30.1

Notes:

1. *There were 164 properties at the start and end of 3Q FY2008*
2. *There were 103 and 164 properties respectively at the start and end of 2Q FY2008*

3Q FY2008 vs 2Q FY2008

The income statement for 2Q FY2008 comprises those of the three TK operators from 1 October 2007 up to 8 November 2007 and thereafter, all the TK operators under Saizen REIT, including income and expense items at the level of Saizen REIT. For 3Q FY2008, it comprises all the TK operators under Saizen REIT, as well as income and expense items at the level of Saizen REIT, throughout the period.

To make a like-with-like comparison of income from operations, income and expense items at Saizen REIT level were excluded.

Gross revenue in 3Q FY2008 increased by 23.9% over the previous quarter due to full contribution from all 164 properties throughout the period. Property operating expenses increased at a higher rate due mainly to higher leasing commissions paid to agents. The first quarter of each year is typically leasing season in Japan. As a result, tenant turnover is normally high during this period. Higher snow clearing and road heating expenses incurred during the winter season also contributed to the increase in property operating expenses. Consequently, net property income increased by about 18.1%.

Other administrative expenses were lower in 3Q FY2008 as during the previous quarter, certain one-time write-offs of due diligence costs in respect of several properties which investments were aborted were recognised. Interest expenses have remained relatively stable as no new loans were drawn during 3Q FY2008.

Investments since Listing

The Prospectus stated that there are 15 Additional Properties (as defined in the Prospectus) which Saizen REIT intends to invest in within five months after the Listing. Of these 15 Additional Properties, Saizen REIT has completed investments in 14 at a total consideration (excluding transaction costs) of about JPY 4.85 billion (S\$67.5 million).

In addition to these, Saizen REIT has invested in a further 4 properties at a total consideration (excluding transaction costs) of about JPY 1.72 billion (S\$23.9 million).

Progress of investments and additional investment

Saizen REIT has previously announced in January 2008 that in light of the uncertainties in the global credit markets, the management team of the Manager and the Asset Manager ("**Management Team**") will slow down its investment pace pending review of availability of financing and their terms.

Saizen REIT has not made any investments since January 2008, until the completion of an investment on 30 April 2008. In this connection, the Manager is pleased to announce the completion of Saizen REIT's investment in Romauge Kamidori Namikizaka ("**Romauge**") in Kumamoto. This property is built in April 2007 and is a 10-storey two building complex comprising 56 residential units and 13 commercial units. The purchase consideration is JPY 750 million (S\$10.4 million). Following this investment, Saizen REIT's portfolio comprises 165 properties located in 13 cities in Japan.

Romauge has been valued by an independent valuer and the investment is in compliance with the guidelines in Appendix 2 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. Based on the valuation report prepared by the independent valuer, Romauge was valued at JPY764 million (S\$10.6 million).

The Management Team has successfully drawn down a loan of JPY 350 million to partially finance the acquisition of Romauge. Given an expected net operating income yield of 6.1% compared with annual borrowing costs of about 3.5% in respect of the aforesaid loan, this investment is expected to be accretive to Saizen REIT's distribution per unit.

An acquisition fee of 1% of the purchase consideration of Romauge is payable to the Manager and such fee will be payable in units.

9. Forecast distribution

Based on financial performance of Saizen REIT up to the quarter ended 31 March 2008, the Manager is confident that the distribution of Saizen REIT will be in line with its forecast distribution for the Forecast Period 2008 and Projection Year 2009 (as defined in the Prospectus) as disclosed in the Prospectus.

10. Commentary of any significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

In 3Q FY2008, leasing activities and operations of Saizen REIT's portfolio properties have continued to remain stable, with occupancy rate (by revenue) of the portfolio at 92.7% as at 31 March 2008 compared with 89.4% as at 31 December 2007. Barring unforeseen circumstances, the Manager expects this situation to remain for the rest of the financial year.

Saizen REIT has previously announced in January 2008 that it has voluntarily postponed its refinancing plans due to uncertainties in the global credit markets. Such uncertainties persisted during the quarter and continued to affect the availability, and terms of financing in the form of higher credit spreads and lower loan-to-value ratios. The capital and credit crunch have resulted in significant reduction in property market liquidity, and is expected to have downward pressure on property prices over the short term.

On a more positive note, the Management Team has successfully obtained financing from a regional bank based in Kyushu, Japan to partially finance the acquisition of Romauge mentioned above in April 2008. This represents a new source of financing, especially in the midst of the global credit market crisis which has affected the availability of financing from major foreign investment banks with which Saizen REIT has traditionally worked.

As announced in January 2008, the Management Team will explore various options for Saizen REIT's voluntary refinancing plans as well as financing for its future investments. At the same time, it will slow down Saizen REIT's investment pace pending assessment of the markets. To this end, the Management Team has made progress in the discussions and negotiations with various potential lenders and in light of the continued uncertainties, the Manager will remain prudent with its pace of investment, whilst at the same time seeking to take advantage of opportunities, and any improvement in investment terms under current market conditions.

11. Distributions

Not applicable.

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

The Board does not propose to declare any distribution for 3Q FY2008.

As stated in the Prospectus, Saizen REIT's first distribution after the Listing will be for the period from the date of Listing to 30 June 2008. Such distribution is expected to be paid on or before 30 September 2008.

13. Interested person transactions

No interested person transactions were entered into since the Listing.

14. Update on utilization of IPO Proceeds

Saizen REIT raised gross proceeds of S\$196.7 million at the Listing. Since the last quarter's announcement, approximately S\$6 million have been deployed for the investment in Romage. Proceeds designated for payment of issue costs have been further deployed during the quarter and substantially all issue costs relating to the Listing have been settled.

As at the date hereof, approximately S\$41 million of the proceeds from the Listing have yet to be deployed.

15. 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 these interim financial results to be false or misleading in any material respect.

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

BY ORDER OF THE BOARD

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

12 May 2008