



SaizenREIT  最善

Annual Report 2009

¥4.27b
(S\$63.24m)

Gross revenue

¥2.91b
(S\$43.17m)

Net property income

¥26.05
(S\$0.40)

Net asset value per Unit

CONTENTS

02	Saizen REIT at a Glance
03	Corporate Structure
04	Chairman's Statement
05	CEO's Statement
10	Financial Highlights
12	Financial Review
17	Management Team
22	Portfolio Summary
32	Portfolio Overview
41	Corporate Governance
49	Financial Statements
95	Statistics of Unitholdings and Warrant-holdings
99	Additional Information
100	Notice of Unitholders Information Meeting
	Corporate Information



In spite of challenges induced by a volatile marketplace, Saizen REIT remained resilient in FY2009 because of a defensive business model, a strong asset portfolio and a highly focused management team.

Saizen REIT at a Glance

We offer investors a unique investment opportunity to access the residential property market in Japan.



Corporate Profile

Listed on the Singapore Stock Exchange on 9 November 2007, Saizen Real Estate Investment Trust ("**Saizen REIT**") is the first REIT listed in Singapore to offer access to exclusively Japanese real estate and in particular residential properties. Its investment objective 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.

As at 22 September 2009, being the latest practicable date for printing of this report ("**LPD**"), Saizen REIT's portfolio consists of 164 residential properties located over 13 regional cities in Japan. The properties are generally located in close proximity to business districts and transportation hubs and/or in residential neighbourhoods, targeting mass market tenants such as small families, working couples without children, working singles and students. This is consistent with the expected continuing strong demand for rental housing across Japan, as the home ownership rate in Japan is relatively low at around 60.0%⁽¹⁾. With 5,587

occupied residential and commercial units, Saizen REIT's portfolio is well diversified, ensuring stable cashflow with low default rate.

Saizen REIT has a corporate family rating of Caa1 from Moody's Investors Service, Inc.

Rights Issue

A rights cum warrants issue was conducted in May 2009 to raise funds to repay loans that were due to mature at the end of 2009 and the beginning of 2010 (the "**Rights Issue**"). Pursuant to 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 "**Warrants**"), each Warrant carrying 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. The Rights Issue was concluded in June 2009.

Note:

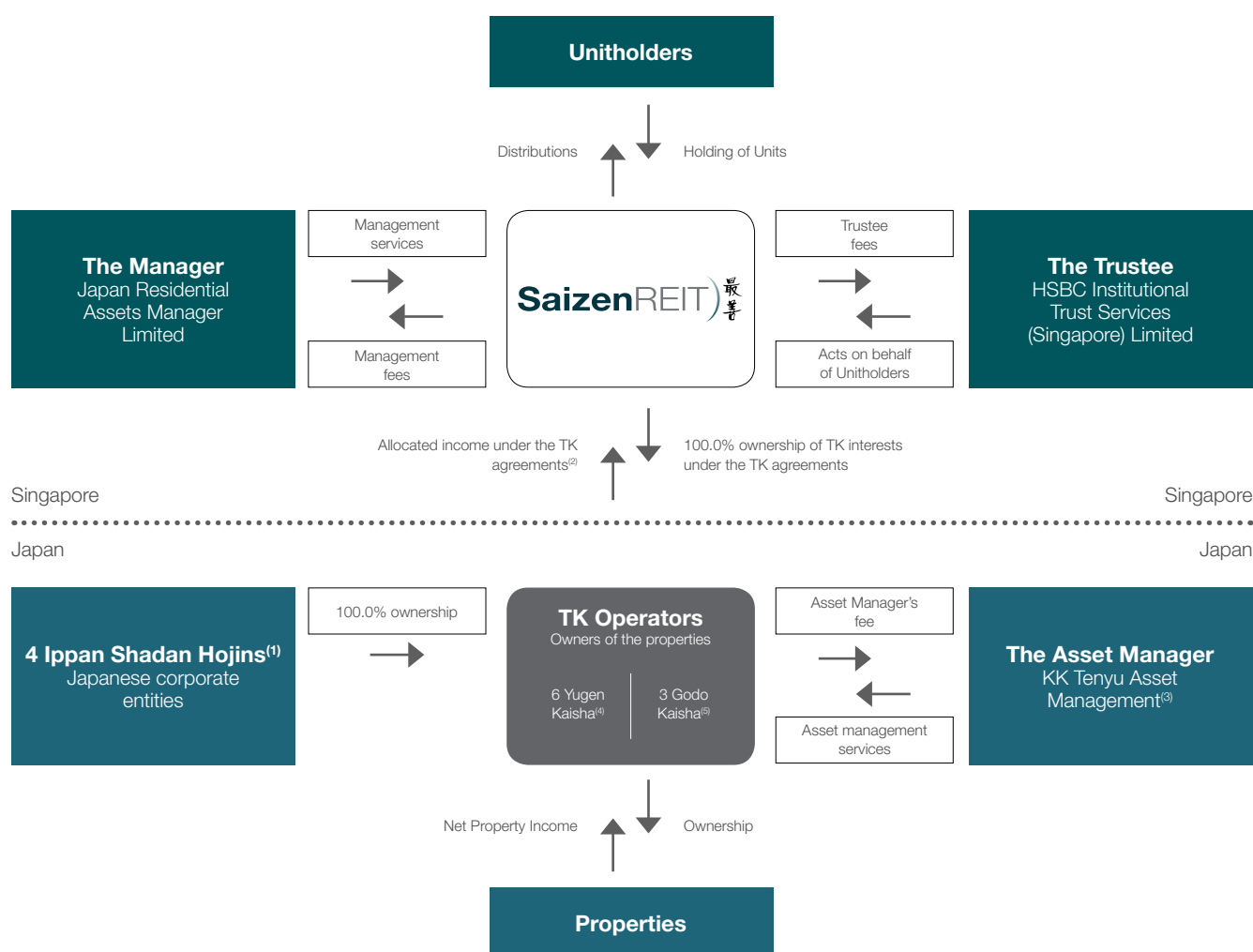
⁽¹⁾ Based on the 2003 Housing and Land Survey from the Ministry of Internal Affairs and Communications, Japan.

Corporate Structure

Saizen REIT invests in 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**”). Such TK arrangements are 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 real estate held by the TK operators. The TK investor can enter into TK arrangements with TK operators either

through the acquisition from existing TK investors of all rights and obligations (“**TK interests**”) under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

The following diagram illustrates the relationship between Saizen REIT, Japan Residential Assets Manager Limited (the “**Manager**”), HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Saizen REIT (the “**Trustee**”), the TK operators, the ippan shadan hojins⁽¹⁾, KK Tenyu Asset Management, the asset manager of Saizen REIT (the “**Asset Manager**”) and the holders of units of Saizen REIT (“**Units**”, and the holders of Units, the “**Unitholders**”).



Notes:

¹ Ippan shadan hojins (previously known as chukan hojins) are bankruptcy remote entities established solely to act as the holding company of the TK operators, and have no potential income, loss or net worth.

² Under the terms of the existing TK agreements, Saizen REIT is entitled to 97.0% of the profits generated and is required to bear 97.0% of the losses incurred by the TK operators.

³ Certain daily operations of managing the properties are delegated to third party property managers appointed by the Asset Manager.

⁴ A Yugen Kaisha (“**YK**”) is a Japanese company established under Japanese law before May 2006. Its corporate structure is similar to that of a private limited company, with directors managing the company on behalf of the shareholders who own the company.

⁵ A Godo Kaisha (“**GK**”) is a Japanese company established under Japanese law from May 2006. Its corporate structure is similar to that of a limited liability company, with the members of the GK both owning and managing the GK.

Chairman's Statement

The ability of Saizen REIT to survive through this period is a reflection of the **high quality** and **stable** cash flow of its assets.

The year ended 30 June 2009 was a year of survival for Saizen REIT. The overall economic environment in Japan was tough. The banking crisis led to a standstill in the credit markets. Banks were unable to extend new loans. Faced with falling asset prices and refinancing needs, real estate companies failed. The economy in Japan went into recession.

The Group started the year with new banking relationships, and was on the way to refinancing all the six commercial mortgage backed securities ("**CMBS**") loans raised prior to listing in November 2007. These loans (the "**CMBS Loans**") have maturity dates from early 2009 to early 2010. They were extended by Morgan Stanley Japan Securities Co., Ltd and Credit Suisse Principal Investments Ltd (Tokyo Branch), part of the sponsor group to Saizen REIT's initial public offering. The loans were in the form of mortgages which were securitized by the lenders and sold to third party investors. However, the closure of this securitized mortgage market in late 2007 and the cessation of business by investment houses in this area put an end to the possibility of refinancing such loans through this market. Thus it was necessary for the Group to establish new banking relationships.

By August 2008, the Group had successfully replaced approximately 25% of total loans through new banking relationships. However, the banking crisis that started in late 2008 halted any further progress by putting a freeze on bank lending. By the end of 2008, it became clear that the only viable alternative to refinance the remaining securitized loans was to raise further equity. Saizen REIT launched a Rights Issue and temporarily suspended distributions. The Rights Issue was successfully completed in June 2009 with enthusiastic support from Unitholders.

Two of the CMBS Loans amounting to an aggregate of JPY 5.256 billion were fully repaid in January 2009 and April 2009. The proceeds from the Rights Issue, together with cash flow generated from rental operations, will facilitate the full repayment of three out of the four remaining CMBS Loans. These three maturing CMBS Loans amount to an aggregate of JPY 6.96 billion and the repayments will ensure that 90% of Saizen REIT's net assets can be protected from loan defaults. As of today, the refinancing of the one remaining CMBS Loan maturing in November 2009 remains uncertain. Default on the loan may result in the loss of approximately

10% of Saizen REIT's net assets, and approximately 21% of its gross assets. Notwithstanding, the impact on Saizen REIT will not be critical. Needless to say, the Asset Manager will continue to do its best to seek refinancing of this remaining loan.

We wish to point out that the refinancing difficulties are not specific to Saizen REIT, but are faced by the entire real estate sector in Japan. From 2002, the Manager and the Asset Manager (the "**Management Team**") have been utilising leverage from CMBS Loans to invest in property assets. Until the end of 2007, the use of such securitized loans in Japan has become a common financing method for property investors. The sudden closure of the securitized mortgage market at the end of 2007, exacerbated by the banking crisis in late 2008, resulted in a sharp withdrawal of liquidity from the Japanese property market.

The ability of Saizen REIT to survive through this period is a reflection of the high quality and stable cash flow of its assets. This is also a reflection of the pragmatism and resourcefulness of the Management Team. They have identified and acknowledged the need for further equity early, avoiding any further deterioration of the Group's financial position. Saizen REIT's Rights Issue was one of the first on the market, and was launched at a time when the stock market sentiment was so poor that underwriters were not able to underwrite. In addition, our Asset Manager has tackled the tough leasing environment with brilliance, achieving well above average performance, ensuring steady cash flow and improved occupancy. Further, the Asset Manager has dedicated resources and effort to developing new banking relationships. We look forward to the success of such efforts when the financial markets return to normality.

We expect the worst of the property market to be over, and liquidity in the credit markets to return. We aim to distribute rental flow on a steady and sustainable basis, and will work towards the resumption of distributions as a priority. There will be good investment opportunities in the market, and we will take advantage of such opportunities subject to Saizen REIT's financial capacity.



Arnold Ip Tin Chee

30 September 2009

CEO's Statement

While Japan has experienced a severe economic downturn in the past year, **Saizen REIT's** property operations have remained **stable**.

I am pleased to present to you the report of Saizen REIT for the financial year ended 30 June ("FY") 2009.

The past one year has been a tumultuous one for financial markets and the global economy. Japan in particular experienced a severe economic downturn, reporting economic figures which are the worst since the end of World War Two.

As for Saizen REIT, the stability of property operations achieved in such a difficult environment has affirmed the defensiveness of the asset class which it invests in. While property values have been adversely affected by the overall decline in the Japanese real estate market, triggered by loan defaults as a result of the global credit crunch, the market seems to have stabilised in recent months with liquidity of transactions improving.

Since the onset of the financial crisis, there has been continued and lingering concerns over Saizen REIT's ability to refinance several of its loans which are maturing in end of 2009 and early 2010. The Management Team has since early 2008 made efforts on several fronts to address this issue including establishing new bilateral banking relationships, negotiating for loan extension, implementing a disposal program to reduce debt and conducting an equity capital fund raising. In June 2009, Saizen REIT successfully

completed a capital raising exercise by way of the Rights Issue with strong support from Unitholders. The Management Team would like to take this opportunity to express our heartfelt appreciation. Bearing in mind that the Rights Issue would be dilutive to Unitholders who were not able to subscribe for their rights, the Rights Issue was conducted with the objective of raising the minimum amount of capital to protect as much assets as possible.

With these efforts thus far, Saizen REIT will have the ability to repay all but one of its loans falling due by early 2010. Meanwhile, the Management Team is continuing its efforts in finding a solution for this remaining loan. The loan structure which the Management Team has put in place has proven to be critical. These loans are borrowed through separate TK operators of Saizen REIT and each loan is segregated; being not cross-collateralised against other TK operators and having no recourse towards Saizen REIT. Hence, in the worst case scenario where a loan goes into default, Saizen REIT's ability to operate as a going concern will not be affected.

The Property Portfolio

Since the completion of an investment in May 2008, Saizen REIT has suspended its investment activities in order to conserve cash. This is in view of the uncertainties surrounding the refinancing of loans mentioned above.



CEO's Statement



It is expected that **Saizen REIT** will start accumulating cash for distribution from the last quarter of FY2010 or the first quarter of FY2011.

As at 30 June 2009, the portfolio of Saizen REIT consisted of 166 residential properties located in 13 Japanese cities. Since then, Saizen REIT has divested two properties, namely U.I. Building in August 2009 and Crestage Tayacho in September 2009. Basic details of the portfolio of 164 properties are summarised below:

Residential (units)		5,947
Commercial and retail (units)		114
Car parking spaces		1,900
Total lettable floor area (square meters)		221,956
Portfolio value ⁽¹⁾	(JPY million)	42,379.1
	(S\$ million)	645.0 ⁽²⁾
Value per square meter of lettable floor area	(S\$)	2,906
Value per square foot of lettable floor area	(S\$)	270
Portfolio annual rental revenue ⁽³⁾	(JPY million)	3,999.6
	(S\$ million)	59.3 ⁽⁴⁾
Portfolio gross income return ⁽⁵⁾		9.4%

Notes:

¹ Based on independent valuations performed as at 30 June 2009

² Computed based on an exchange rate of JPY 65.7 : S\$1.00 as at 30 June 2009

³ The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

⁴ Computed based on an average exchange rate of JPY 67.5 : S\$1.00 between 1 July 2008 and 30 June 2009

⁵ Computed based on Portfolio annual rental revenue divided by Portfolio value

Saizen REIT has full ownership of each entire building block and full title of the freehold land.

Market Overview

After contracting for several consecutive quarters since early 2008, Japan's economic conditions appear to have stopped worsening, where quarter-to-quarter growth in gross domestic product of 0.9% was recorded in the second quarter of 2009. Nevertheless, there remains uncertainty in the economy. As reported by the Bank of Japan, private consumption continued to be weak and housing investment has decreased amidst worsening employment and income situation. While the Bank of Japan noted that financial conditions, which remained generally tight, have continued to show signs of improvement, the Management Team's observation has been that the availability of financing continues to be limited.

In a Fitch Ratings report in July 2009, it was stated that Japanese CMBS "continue to see an unprecedented increase in underlying loan defaults", with a majority of defaults resulting from the lack of refinancing options. The default rate on maturing loans and loans becoming due in Fitch-rated CMBS reached 53% in the first six months of 2009 and Fitch

Ratings expects the overall default rate to continue to rise under an “extremely challenging refinancing environment” in the near-to-medium term. In a report issued by Moody's in September 2009, the default rate of loans in Moody's-rated Japanese CMBS more than doubled from January 2009 to July 2009, with the aggregate defaulted loan amount reaching JPY 160 billion in July 2009 and residential buildings making up the largest proportion of defaulted loan collateral.

A recent major event in Japan is the change in leadership and government. Given Japan's mature and established social and governmental structures, the Management Team expects it to have limited impact on the operations of Saizen REIT.

The Japanese real estate market has also gone through a drastic downturn as evidenced by the large number of bankruptcies of real estate companies. These include the high profile bankruptcy of a Japanese residential REIT, New City Residence as well as similar situations being experienced by several sponsors of Japanese residential REITs such as Joint REIT, Re-Plus REIT and Nippon Residential REIT.

More specifically in respect of the regional mass market residential sector which Saizen REIT operates in, the lack of financing has adversely affected liquidity. Coupled with the distressed state of certain sellers, prices have declined substantially. Based on the valuations performed by independent valuers, the aggregate valuation of portfolio properties of Saizen REIT declined by approximately JPY 6.4 billion (S\$97.4 million) from JPY 49.1 billion (S\$747.3 million) as at 30 June 2008 to JPY 42.7 billion (S\$649.9 million) as at 30 June 2009, a decline of about 13%. At such levels, the valuations of some of the portfolio properties are in fact below their replacement costs.

Operations Overview

The Management Team is pleased to report that property operations have remained stable. At the height of the downturn, the adverse impact has been observed at certain specific cases where for example, a few properties located near a major car factory in Hiroshima recorded increased vacancies and higher tenant turnover when the factory downsized its operations and laid off workers. With the pro-active management of the Asset Manager, occupancy rates shortly recovered to normal levels. Overall, occupancy rate of Saizen REIT's portfolio has been maintained at around 91.6% in FY2009 and average turnover rate in FY2009 was 22% compared with 21% in FY2008. These are commendable achievements in this challenging environment.

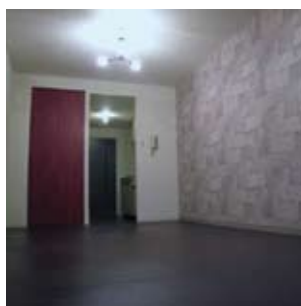
Increased leasing competition has been observed in certain cities, resulting in higher leasing and marketing expenses. Higher renovation costs were incurred as upgrading was conducted on several properties to maintain their competitiveness. Despite the deteriorating economic situation, overall rental reversions of contracts entered into during the leasing season between January and April 2009 were at rental rates which were marginally lower by 6.5% compared with previous contracted rental rates. The Management Team will closely monitor the market development so as to formulate appropriate strategies to respond to the continuously changing environment.

Financing

At the time of listing, Saizen REIT has relied solely on two lenders, being Morgan Stanley and Credit Suisse, who would extend loans to Saizen REIT's TK operators and then transfer these loans to other issuers for securitization into CMBS. Due to the global credit crisis, the Japanese CMBS market and their arrangers, mostly being western investment banks, have abruptly shut down at the beginning of year 2008. Since then, the origination or extension of CMBS Loans has been virtually impossible, thus making uncertain the ability of Saizen REIT to refinance its CMBS Loans.



Before asset enhancement



After asset enhancement



Before asset enhancement



After asset enhancement

CEO's Statement



The Management Team has endeavoured to replace its CMBS Loans with traditional loans from commercial banks and financial institutions, and has been successful in securing three new traditional lenders during the course of year 2008 for approximately 25% of Saizen REIT's outstanding debt. This process was however interrupted when the credit market deteriorated further since September 2008 with the collapse of several prominent financial institutions. Meanwhile in the past few months, the Asset Manager has had direct discussions with some of the holders of the CMBS on possible loan restructuring and the extension of loan maturity. By doing this, it has gone beyond the formal but sometimes unresponsive channels of the loan servicers, bond trustees and initial arrangers, to reach out to the ultimate holders of the CMBS. Given the diverse objectives of the various CMBS holders as well as the complexity of the structure of the CMBS, negotiations with existing CMBS holders for such a restructuring or extension have proven to be difficult.

Given the above development, the main focus of Saizen REIT in FY2010 will be the refinancing of its loans. It has an aggregate of JPY 14.90 billion (\$226.9 million) loans, all of which are CMBS Loans, coming due as set out below:

TK Operator	Maturity Date	Loan Amount (JPY million)	Loan Amount (S\$ million)
YK Kokkei	November 2009	794.3	12.1
YK Shingen	December 2009	4,620.0	70.3
YK Keizan	January 2010	1,536.3	23.4
		6,950.6	105.8
YK Shintoku	November 2009	7,953.0	121.1
		14,903.6	226.9

It is expected that with the current cash balance, proceeds of the Rights Issue, short-term bridging loans and operational cash flow to be conserved, the loans of YK Kokkei, YK Shingen and YK Keizan can be fully repaid when they come due. Plans in respect of the loan of YK Shintoku (the "YK Shintoku Loan") are further discussed below. For the purpose above, a short-term bridging loan of JPY 400.0 million has been drawdown and subject to the cash balance at the time of the aforesaid repayments, further similar amounts may be drawn. It is intended that these bridging loans will be repaid as soon as practicable using operational cashflow due to its high interest rate of 15% per annum.

YK Shintoku Loan

The original lender of the YK Shintoku Loan is Credit Suisse Principal Investments Limited (Tokyo Branch). This loan has been subsequently transferred to another issuer for securitization into CMBS. In respect of the YK Shintoku Loan, an application for extension has been rejected. Meanwhile, the arrangement of syndicated loan financing with the assistance of financial adviser, Société Générale, has to-date yet to yield any definite results. It remains uncertain whether a solution to the refinancing of YK Shintoku Loan can be found by its maturity in November 2009. However, we wish to point out that given the non-recourse nature of this loan, Saizen REIT's ability to operate as a going concern will not be impacted.

In view of the above uncertainty, the Asset Manager has put in place a divestment program specifically for the YK Shintoku portfolio as part of a deleveraging plan to facilitate refinancing efforts of the YK Shintoku Loan. The successful divestment of any of the properties under the YK Shintoku portfolio for loan repayment will reduce

the absolute amount of YK Shintoku Loan and the leverage of the YK Shintoku portfolio. This will in turn make the refinancing of the YK Shintoku Loan more acceptable to potential lenders.

In this respect, the sale of two properties, U.I. Building and Crestage Tayacho, has been completed as at the LPD. The Management Team recognises that it is not ideal to divest properties in the current subdued market environment. This divestment program is therefore specifically for the portfolio of YK Shintoku only, due to its refinancing issues.

The following summarises the financial impact on the Group in the worst case scenario of a default of the YK Shintoku Loan. The valuation of the YK Shintoku property portfolio was JPY 9.76 billion (S\$148.5 million) as at 30 June 2009 or approximately 23% of the Group's portfolio of JPY 42.73 billion (S\$650.4 million). The gross revenue of YK Shintoku in FY2009 was JPY 1.01 billion (S\$15.4 million), which was approximately 24% of the Group's gross revenue in FY2009. The net property income of YK Shintoku in FY2009 was JPY 670.09 million (S\$10.2 million), which was approximately 23% of the Group's net property income in FY2009. The interests expenses of YK Shintoku in FY2009 was JPY 247.6 million (S\$3.8 million), which amounted to 32% of the Group's interests expenses.

The NAV of the Group as at 30 June 2009 was JPY 24.73 billion (S\$376.4 million). In this worst case scenario, the assets and corresponding liabilities of YK Shintoku (adjusted for dues to Saizen REIT), amounting to approximately JPY 10.75 billion (S\$163.6 million) and JPY 8.27 billion (S\$125.9 million) respectively as at 30 June 2009, may have to be given up. The net result is that the NAV of the Group will be reduced by JPY 2.48 billion (S\$37.7 million) or approximately 10.0%. Under the loan agreement for the YK Shintoku Loan, in the event that the foreclosure action by the loan servicer results in proceeds in excess of the outstanding loan amount and reasonable costs for the foreclosure action, Saizen REIT will then be able to recoup an amount equivalent to this excess.

Utilisation of proceeds from IPO and Rights Issue

All proceeds from the IPO have been fully deployed. In respect of proceeds from the Rights Issue, save for issuing costs incurred, those designated for the repayment of the YK Shingen and YK Keizan loans in December 2009 and January 2010 respectively have yet to be deployed.

Outlook for Financial Year Ending 30 June 2010

Upon repayment of the loans of YK Kokkei, YK Shingen and YK Keizan by January 2010 and the short-term bridging loans thereafter, Saizen REIT will have no further CMBS Loans other than that of YK Shintoku. Saizen REIT will have five unencumbered property portfolios valued, as at 30 June 2009, at JPY 21.00 billion (S\$319.7 million). The remaining loans of Saizen REIT will be bilateral loans with commercial banks with maturity in mid 2011 and thereafter. Given the above, the near term refinancing issues of Saizen REIT will have been substantially resolved.

The due date for the YK Shintoku Loan is on 2 November 2009. Under the relevant loan agreement, the average interest rate payable will increase from about 3.07% currently to 7.07% upon an event of default. The course of action which will be taken by the loan servicers in the case of a default is currently unclear; but the Asset Manager will endeavour to work closely with the loan servicers.

Until the situation above becomes clear, the Management Team does not envisage any acquisitions in the short term. Meanwhile, the Management Team expects property operations to remain stable and believe Saizen REIT can emerge from the credit crisis in a position of strength.

Distribution

Since the beginning of FY2009, the board of directors of the Manager (the "**Board**") has recommended a suspension of distribution in order to conserve cash for loan repayments. Its intention is to resume distribution as soon as practicable after repayment of the loans of YK Kokkei, YK Shingen and YK Keizan in November 2009, December 2009 and January 2010, as well as the short term bridging facilities. Based on the schedule above, it is expected that Saizen REIT will start accumulating cash for distribution from the last quarter of FY2010 or first quarter of FY2011.



Chang Sean Pey

Chief Executive Officer
30 September 2009

Financial Highlights

Key financial information of Saizen REIT

	FY2009
NAV per Unit as at 30 June 2009	JPY26.05 S\$0.40
Distribution per Unit for FY2009	NIL
Closing market price per Unit on LPD	S\$0.155
Closing market price per Warrant on LPD	S\$0.065
Distribution yield based on closing market price	NA
Discount of closing market price per Unit on LPD to NAV per Unit	61.3%
4Q FY2009 annualised net property income yield	6.6%
Impairment of account receivable as % of gross revenue	0.051%
Gearing (aggregate leverage ratio) ⁽¹⁾	43.5%
Net gearing ⁽²⁾	41.1%
4Q FY2009 interest cover ratio	4.1 times
Deposited property: as at 1 July 2008	JPY 57.5 billion
as at 30 June 2009	JPY 50.2 billion
Net cash as at 30 June 2009	JPY 4.2 billion
Borrowings due within next 12 months	JPY 14.9 billion
Value of investment properties as at 30 June 2009	JPY 42.7 billion
Net depreciation in the value of investment properties in FY2009	JPY 6.4 billion
Occupancy rate (by revenue)	91.6%

Notes:

¹ Gearing is equal to the sum of total borrowings divided by the total value of the assets of Saizen REIT.

² Net gearing is equal to the sum of net borrowings divided by the total value of investment properties. Net borrowings being total borrowings less net cash (i.e. cash at bank plus deposit with cash management agents less current rental deposits, current derivative financial instruments, other current liabilities and current tax liabilities).

Summary of statement of total return for FY2009

	Actual FY2009 (JPY '000)	Forecast FY2009 ⁽¹⁾ (JPY '000)	Increase/ (Decrease) %
Gross Revenue	4,268,751	4,340,922	(1.7)
Net property income	2,913,684	3,094,990	(5.9)
Net income from operations	992,442	1,963,964	(49.5)
Total (loss)/return for the period after tax before distribution	(4,806,386)	1,571,772	NM ⁽²⁾

Notes:

¹ Based on the forecast together with the accompanying assumptions as shown in the Prospectus.

² NM denotes not meaningful.

Unit price performance

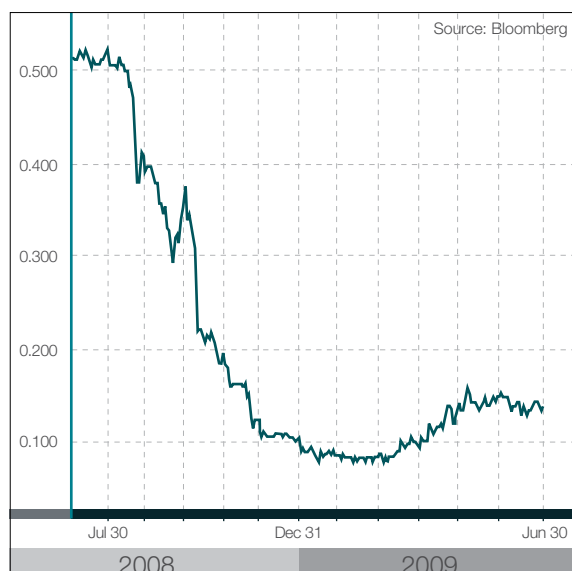
	1 July 2008 to 30 June 2009
Closing price on first day closing (1 July 2008)	S\$0.690
Closing price on last day closing (30 June 2009)	S\$0.130
Rights-adjusted highest price (per Unit) ⁽¹⁾	S\$0.517
Rights-adjusted lowest price (per Unit) ⁽¹⁾	S\$0.070
NAV per Unit as at 30 June 2008 ⁽²⁾	JPY 67.97 S\$0.87
NAV per Unit as at 30 June 2009 ⁽²⁾	JPY 26.05 S\$0.40
Rights-adjusted volume weighted average price (per Unit) ⁽¹⁾	S\$0.127
Rights-adjusted trading volume (million Units)	416.729

Notes:

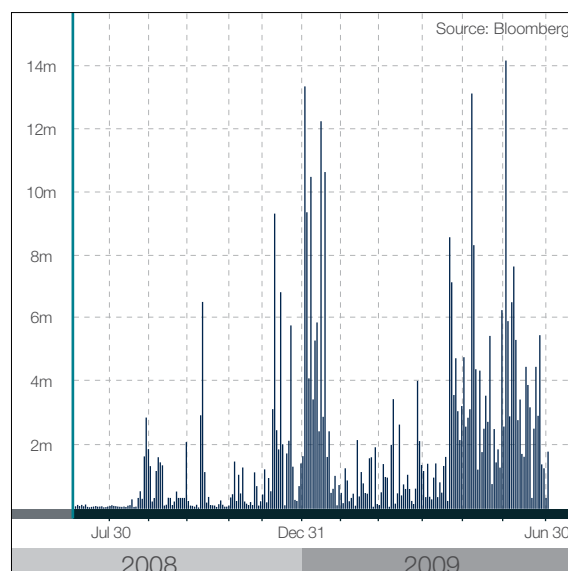
¹ Based on daily rights-adjusted closing prices

² The NAV per Unit as at 30 June 2008 is based on 451,149,067 Units in issue, while the NAV per Unit as at 30 June 2009 is based on 949,194,055 Units in issue (following the Rights Issue where 497,185,362 rights Units were issued at S\$0.09 each)

Rights-adjusted Unit price performance



Rights-adjusted Unit daily trading volume



Warrant Price Performance

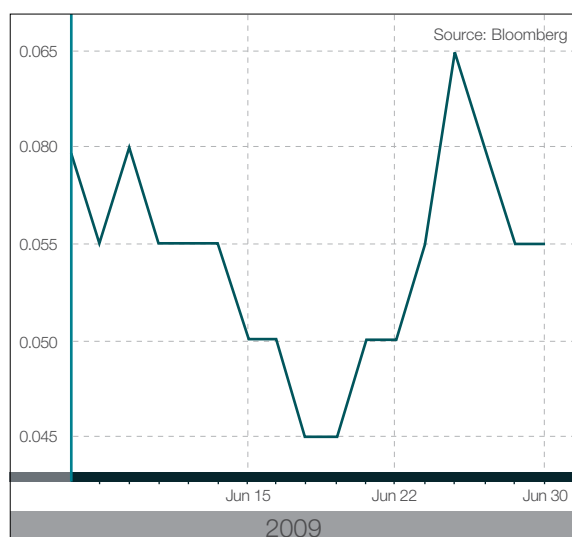
**5 June 2009
to 30 June 2009**

Exercise price (per Warrant)	S\$0.090
Closing price on first day closing (5 June 2009)	S\$0.060
Closing price on last day closing (30 June 2009)	S\$0.055
Highest price (per Warrant) ⁽¹⁾	S\$0.065
Lowest price (per Warrant) ⁽¹⁾	S\$0.045
Volume weighted average price (per Warrant)	S\$0.057
Trading volume (million Warrants)	39.327

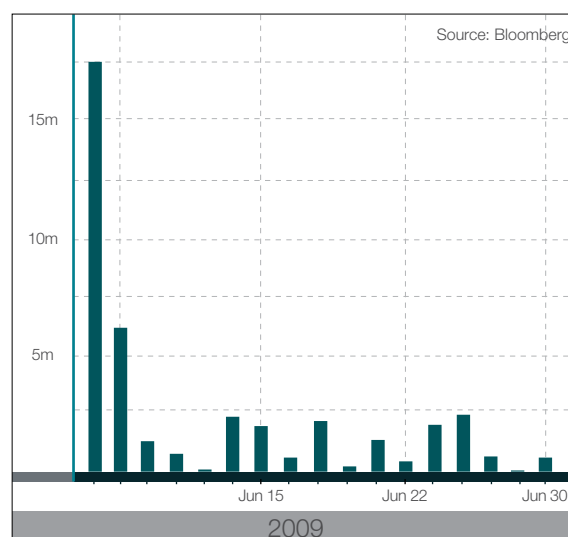
Note:

¹ Based on daily closing prices

Warrant price performance



Warrant daily trading volume



Financial Review

REVIEW OF PERFORMANCE

FY 2009 vs FY 2008

	FY 2009 (JPY'000)	FY 2008 (JPY'000)	Increase/ (Decrease) %
Gross revenue	4,268,751	3,578,346	19.3
Net income from operations	992,442	62,256	>100.0
Total loss for the year before income tax	(4,827,379)	(4,600,951)	4.9
Total loss for the year after income tax	(4,806,386)	(3,733,813)	28.7

Total loss for the year after income tax increased by JPY 1.1 billion from JPY 3.7 billion in FY2008 to JPY 4.8 billion in FY2009, due mainly to (i) an increase in net fair value loss on investment properties of JPY 1.8 billion, and (ii) a decrease in negative goodwill and income tax write-back of JPY 0.8 billion.

This was partially offset by (i) an increase in net property income of JPY 0.4 billion due mainly to the increase in the number of properties in FY2009 compared with FY2008, (ii) a decrease in issuing costs of JPY 0.6 billion and (iii) an increase in fair value gain on financial derivatives of JPY 0.6 billion. Issuing costs in FY2009 comprised costs incurred in connection with the Rights Issue, which included professional fees and commitment fees. The issuing costs in FY2008 comprised costs incurred in connection with the initial public offering of Saizen REIT in November 2007.

Property level

	FY 2009 ⁽¹⁾ (JPY'000)	FY 2008 ⁽²⁾ (JPY'000)	Increase/ (Decrease) %
Gross revenue	4,268,490	3,578,345	19.3
Property operating expenses ⁽³⁾	(1,355,067)	(1,091,638)	24.1
Net property income	2,913,423	2,486,707	17.2
Other administrative expenses	(125,301)	(122,211)	2.5
Asset Manager's asset management fees	(22,454)	(26,080)	(13.9)
Interest expenses ⁽⁴⁾	(764,616)	(720,918)	6.1
Net income from operations	2,001,052	1,617,498	23.7

Notes:

¹ There were 166 properties at the start and end of FY2009

² There were 101 and 166 properties respectively at the start and end of FY2008

³ Property operating expenses comprised the following:

	FY 2009 (JPY'000)	FY 2008 (JPY'000)	Increase/ (Decrease) %
Property tax	317,000	266,572	18.9
Property manager's fees	166,611	143,305	16.3
Operation and maintenance expenses	212,992	175,368	21.5
Repairs and renovations	197,030	175,885	12.0
Leasing and marketing expenses	174,845	118,274	47.8
Utilities charges	183,449	144,934	26.6
Insurance expenses	55,480	47,041	17.9
Impairment on account receivables	2,190	1,618	35.4
Bad debt written-off	798	762	4.7
Consumption tax arising from operation	44,672	17,879	>100.0

⁴ Interest expenses include the realised loss payment on interest rate swap

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

Compared with FY2008, gross revenue in FY2009 increased by 19.3% due to the increase in number of properties as well as full year contribution from these properties. Accordingly, property operating expenses increased by 24.1%. The rate of increase in property operating expenses was higher due mainly to an increase in leasing and marketing expenses in response to leasing competition in certain cities as a result of the deteriorating economic conditions in Japan. Net property income increased in tandem with the movements in gross revenue and property operating expenses.

Other administrative expenses increased by 2.5% in FY2009 when compared with FY2008, due mainly to an increase in legal and professional fees, which included expenses incurred in the establishment of new ippan shadan hojins to facilitate the refinancing of bank borrowings. The increase in interest expenses in FY2009 when compared with FY2008 was mainly due to the increase in the number of properties, which in turn resulted in an increase in bank borrowings.

Variance between forecast or prospectus statement (if disclosed previously) and the actual results

	Actual FY 2009 (JPY'000)	Forecast FY 2009 (JPY'000)	Increase/ (Decrease) %
Gross revenue	4,268,751	4,340,922	(1.7)
Property operating expenses	(1,355,067)	(1,245,932)	8.8
Net property income	2,913,684	3,094,990	(5.9)
Other administrative expenses	(156,376)	(54,993)	>100.0
Interest income	12,730	—	NM ⁽¹⁾
Manager's management fee	(234,747)	(265,427)	(11.6)
Asset Manager's asset management fee	(22,454)	(43,000)	(47.8)
Trustee's fee	(9,136)	(13,808)	(33.8)
Other trust expenses	(94,766)	(50,000)	89.5
Finance cost ⁽²⁾	(1,171,767)	(703,798)	66.5
Issuing costs	(244,726)	—	NM ⁽¹⁾
Net income from operations	992,442	1,963,964	(49.5)
Fair value gain on financial derivatives ⁽³⁾	625,270	—	NM ⁽¹⁾
Net fair value losses on investment properties	(6,445,091)	—	NM ⁽¹⁾
Total (loss)/ return for the year before income tax	(4,827,379)	1,963,964	NM ⁽¹⁾
Income tax	20,993	(392,192)	NM ⁽¹⁾
Total (loss)/ return for the year after income tax before Distribution	(4,806,386)	1,571,772	NM ⁽¹⁾
Attributable to:			
Unitholders	(4,775,751)	1,552,812	NM ⁽¹⁾
Minority Interests	(30,635)	18,960	NM ⁽¹⁾
	(4,806,386)	1,571,772	NM ⁽¹⁾

Notes:

¹ NM denotes not meaningful.

² Finance costs comprise the following:

	Actual FY 2009 (JPY'000)	Forecast FY 2009 (JPY'000)	Increase/ (Decrease) %
(i) interest expenses	(747,683)	(618,730)	20.8
(ii) amortisation of loan commission	(213,586)	(85,068)	>100.0
(iii) cost of refinancing	(191,172)	—	NM ¹
(iv) exchange difference	(19,326)	—	NM ¹

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

³ Fair value gain on financial derivatives comprise the following:

	Actual FY 2009 (JPY'000)	Forecast FY 2009 (JPY'000)	Increase/ (Decrease) %
(i) realised loss (payment) on interest rate swap	(16,971)	—	NM ¹
(ii) unrealised fair value (loss) on interest rate swap	(72,999)	—	NM ¹
(iii) unrealised fair value (loss) on interest rate cap	(522)	—	NM ¹
(iv) fair value gain on nil-paid rights	387,712	—	NM ¹
(v) fair value gain on warrants	328,050	—	NM ¹

Financial Review

Variance between forecast or prospectus statement (if disclosed previously) and the actual results (cont'd)

Since the Listing, the occurrence of certain events has affected the Forecast adversely. The original refinancing exercise to lower borrowing costs which was aborted in December 2007 resulted in higher borrowing costs. Other administrative expenses and other trust expenses were higher due to legal and professional fees relating to ongoing loan restructuring and valuation exercises. In addition, the weakness of the Japanese real estate market results in net fair value losses being recognised on Saizen REIT's investment properties.

Gross revenue

The Actual gross revenue achieved is 1.7% lower than the Forecast gross revenue. A relatively large Additional Property (as defined in the Prospectus) was not eventually acquired as assumed in the Forecast. The loss of expected income is however offset by contribution of several properties not taken into account at the time of Saizen REIT's initial public offering.

Property operating expenses ("POE")

The increase in Actual POE of 8.8% in FY2009 compared to the Forecast POE was mainly due to higher leasing and marketing expenses of JPY 86.2 million.

Leasing and marketing expenses was higher due to the implementation of various initiatives aimed at tackling the increased leasing competition in certain cities as a result of deteriorating economic conditions. Overall, these initiatives have enabled us to maintain an occupancy rate of over 90% despite the adverse environment.

Interest income

Interest income was derived from bank deposits placed with financial institutions. No interest income was forecasted for FY2009.

Other administrative expenses and other trust expenses

Other administrative expenses increased significantly due to an increase in legal and professional fees, which included expenses incurred in the establishment of new *ippan shadan* *hojins* to facilitate the refinancing of bank borrowings.

Finance cost

Actual interest expenses (including payments in respect of interest rate swap) were JPY 764.7 million or 23.6% higher than the Forecast interest expenses as the refinancing

exercise originally intended to lower borrowing costs was aborted. The one-off refinancing cost incurred in respect of GK Choan was also not anticipated during preparation of the Forecast.

Issuing costs

Issuing costs of JPY 244.7 million were incurred in FY2009 in connection with the Rights Issue in May 2009. Such costs have not been anticipated in the Forecast.

Fair value gain on financial derivatives

Fair value gain in derivatives comprised mainly fair value gains on the nil-paid rights and warrants recognised in connection with the Rights Issue in FY2009. Such fair value gains were offset by realised losses as well as unrealised fair value losses on interest rate swap. No forecast was made for these fair value gains and losses.

Net fair value losses on investment properties

For the Forecast, it was assumed that the values of properties will remain at the amounts at which they were historically valued. Saizen REIT nevertheless recorded an actual net fair value loss on investment properties of JPY 6.45 billion based on valuations performed by independent valuers.

Exposure to derivatives

The fair value gain in derivatives recognised in the Statement of Total Return of the Group comprised the aggregate of the following:

- (i) realised loss (payment) on interest rate swap;
- (ii) unrealised fair value loss on interest rate swap;
- (iii) unrealised fair value loss on interest rate cap;
- (iv) fair value gain on nil-paid rights; and
- (v) fair value gain on warrants.

(i) Interest rate swap

The TK operator GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan of JPY 5.9 billion (the "GK Choan Loan"). The GK Choan Loan is subject to a variable interest rate of 1.55% per annum plus 3-month JPY LIBOR. In order to fix the interest rate of the GK Choan Loan throughout its term of up to June 2011, GK Choan has entered into interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 1.11% per annum, in exchange for a variable payment for 3-month JPY LIBOR. The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 2.66% (being 1.55% + 1.11%) per annum.

The realised loss (payment) on interest rate swap refers to the settlement of the difference between an interest rate of 1.11% per annum and the then prevailing 3-month JPY LIBOR. Consequently when computing the cost of borrowing of the Group, the realised loss payment on interest rate swap is included.

This interest rate swap is classified as a derivative financial instrument and recognised as a non-current liability on the Group's balance sheet as at 30 June 2009. Under FRS 39, the interest rate swap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate swap in the Statement of Total Return of the Group if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate swap does not affect the amount available for distribution and does not have any impact on cash flow.

	As at 30 June 2009	As at 30 June 2008
Fair value of interest rate swap (JPY'000)	72,999	–
Group net assets attributable to Unitholders (JPY'000)	24,726,514	30,662,438
Percentage of fair value of interest rate swap to Group net asset value	0.30%	–
Percentage of notional amount of interest rate swap to total Group borrowings	27.04%	–

(ii) Interest rate cap

The TK operator GK Chosei uses an interest rate cap to hedge against fluctuations in interest rates in respect of its loan of JPY 0.5 billion (the "GK Chosei Loan"). The GK Chosei Loan is subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR. GK Chosei has purchased an interest rate cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.

This interest rate cap is classified as a derivative financial instrument and recognised as a non-current asset on the Group's balance sheet. Under FRS 39, the interest rate cap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate cap in the Statement of Total Return if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate cap does not affect the amount available for distribution and does not have any impact on cash flow.

	As at 30 June 2009	As at 30 June 2008
Fair value of interest rate cap (JPY'000)	36	559
Group net assets attributable to Unitholders (JPY'000)	24,726,514	30,662,438
Percentage of fair value of interest rate cap to Group net asset value	0.0001%	0.002%
Percentage of notional amount of interest rate cap to total Group borrowings	2.18%	1.94%

(iii) Nil-paid rights

Fair value gain on nil-paid rights arose due to the difference between the fair value of the nil-paid rights on the date on which Saizen REIT was obligated to issue the rights units (being the ex-rights date) and the fair value of the nil-paid rights on the day of exercise of such rights (being the last date of acceptance of the right issue). The fair value gain on nil-paid rights is one-off and does not have any impact on cash flow. As at 30 June 2009, all the nil-paid rights have been exercised.

(iv) Warrants

Warrants that are outstanding are classified as derivative financial instruments and recognised as current liabilities on the Group's balance sheet. Any gain or loss arising from changes in the fair value of the warrants is recognised as a fair value gain or loss on warrants in the Statement of Total Return of the Group. The fair value gain or loss on warrants does not have any impact on cash flow. The exercise price of each warrant is fixed at S\$0.09.

	As at 30 June 2009	As at 30 June 2008
Fair value of warrants (JPY'000)	1,797,050	–
Group net assets attributable to Unitholders (JPY'000)	24,726,514	30,662,438
Percentage of fair value of warrants to Group net asset value	7.27%	–

Financial Review

Borrowings

As at 30 June 2009, the Group had eight outstanding loans which were borrowed through separate TK operators of Saizen REIT. Each loan is segregated and properties under each TK operator's portfolio are used security for the respective loans. Each loan is not cross-collateralised against any other TK operators and there is no recourse towards Saizen REIT. Interest expense on all of these loans is payable on a monthly basis, while the loan principal is payable on maturity of the each loan. The following table sets out the loans obtained by the TK operators of Saizen REIT:

Lender	Borrower	Type	Amount (JPY'000)	Amount (S\$'000) ⁽¹⁾	Maturity Date	Interest Rate
CSC Series 1 Godo Kaisha ⁽²⁾	YK Shintoku	CMBS (non-amortising)	7,953,000	121,050	2 Nov 2009	3.07%
Rex Funding Three Limited ⁽³⁾	YK Kokkei	CMBS (amortising)	794,267	12,089	25 Nov 2009	3.59%
Godo Kaisha JLOC 38 ⁽³⁾	YK Shingen	CMBS (non-amortising)	4,620,000	70,320	25 Dec 2009	3.00%
Deutsche Trust Bank ⁽³⁾	YK Keizan	CMBS (non-amortising)	1,536,250	23,383	25 Jan 2010	3.63%
The Higo Bank, Ltd	GK Chogen	Term Loan (amortising)	327,056	4,978	25 Mar 2023	1.10%+short-term prime rate ⁽⁴⁾
Orix Corporation	GK Chosei	Term Loan (amortising)	475,200	7,233	20 May 2011	3.0%+3-month JPY LIBOR ⁽⁵⁾
Société Générale	GK Choan	Term Loan (non-amortising)	5,900,000	89,802	31 Jul 2011	2.66% ⁽⁶⁾
Star Finance Co., Ltd	YK JOF	Bridging Loan (non-amortising)	400,000	6,088	30 Oct 2010	15.00%
Total			22,005,773	334,943		

Notes:

¹ Based on an exchange rate of JPY 65.7 : S\$1.00 as at 30 June 2009

² The original lender of this loan was Credit Suisse Principal Investments Ltd (Tokyo Branch)

³ The original lender of these loans was Morgan Stanley Japan Securities Co., Ltd.

⁴ The prevailing short-term prime rate is 1.975%.

⁵ The variable interest rate on the loan of GK Chosei is 3.0% per annum plus 3-month JPY LIBOR. GK Chosei has purchased an interest cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.

⁶ GK Choan uses interest rate swap arrangements to hedge against interest rate fluctuations in respect of its loan. The interest rate swap arrangements enable the effective interest rate on the loan of GK Choan to be fixed at 2.66% per annum.

Property valuation

The aggregate value of Saizen REIT's investment properties decreased from JPY 49.1 billion as at 30 June 2008 to JPY 42.7 billion as at 30 June 2009 due to the write-down in properties values based on valuations performed by independent valuers. The decrease in property value was mainly due to the depressed state of the Japanese real estate market in FY2009 caused by the lack of financing and the distressed state of certain sellers, which in turn exerted downward pressure on property prices.

As at 30 June 2009, Saizen REIT has a portfolio of 166 properties in 13 cities in Japan. Each property's value and rental income is not material in the context of the whole portfolio, and there is no reliance on any single tenant. Only 23 of the 166 properties in the portfolio have valuations that individually amount to more than 1% of the total portfolio value, with no single property accounting for more than 2.5% of the total portfolio value as at 30 June 2009. No single property accounted for more than 2.5% of Saizen REIT's total rental income in June 2009. The properties in Saizen REIT's portfolio possess similar characteristics in that they comprise predominantly residential units that are rented to mass market tenants. On this basis, we are of the view that analysis of the changes in fair value of each of the 166 properties in the portfolio will not be meaningful.

Management Team

BOARD OF DIRECTORS OF THE MANAGER

Mr Arnold Ip Tin Chee

Chairman

Mr Arnold Ip Tin Chee is the Chairman of Japan Residential Assets Manager Limited, the Manager. Mr Ip is concurrently the director of KK Tenyu Asset Management, the Asset Manager and is involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions.

Mr Ip is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Ip has been investing in Japanese regional real estate since 2000 and has extensive experience in real estate investment management and has experience in the evaluation and management of private equity investments including real estate and related companies. Prior to that, Mr Ip was a director of Yuanta Securities (Hong Kong) Company Limited between 1997 and 2001.

From 1989 to 1997, Mr Ip worked for Standard Chartered Asia Limited, a corporate finance advisory company focusing on the mid-cap segment of the Hong Kong/China market, where his last position there was as a director. During 1984 to 1988, Mr Ip worked for Arthur Andersen & Co in London, specialising in taxation.

Mr Ip holds a BA in Economics from Trinity College, Cambridge University and has been qualified as a chartered accountant since 1988. Mr Ip is a member of the Corporate Announcement Committee.

Mr CHANG Sean Pey

Chief Executive Officer

Mr Chang Sean Pey is the Chief Executive Officer and is responsible for the development and review of investment and divestment strategies, the day-to-day operations of Saizen REIT and working with the Manager's Executive Officers in meeting the strategic, financial, investment, operational and investor relations objectives of Saizen REIT.

Mr Chang is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Chang has been managing investments in Japanese regional real estate since 2000 and has experience in the evaluation and management of private equity investments

including real estate and related companies. Prior to this, Mr Chang worked for the corporate finance services division of DBS Group in Singapore between 1996 and 2000, specialising in fund raising activities in the equity capital markets.

Mr Chang holds a Bachelor of Engineering (Hons) degree from the National University of Singapore. Mr Chang is a member of the Corporate Announcement Committee.

Mr Raymond WONG Kin Jeon

Executive Director

Mr Raymond Wong Kin Jeon is a member of the Corporate Announcement Committee. He oversees the investor relations function of Saizen REIT and formulates strategic plans focusing primarily on the creation of value for the Unitholders, and promoting and marketing Saizen REIT to the Unitholders, analysts and prospective investors together with the Board and the Chief Executive Officer.

Mr Wong is a founder, managing director and responsible officer of Cheetah Investment Management Limited, an investment advisory firm licensed by the Securities and Futures Commission in Hong Kong, and is a director of Cheetah Korea Value Fund. Mr Wong is also a founder and director of Cheetah Group Holdings Limited, a substantial shareholder of the Sponsor, the holding company of the Manager.

Through its group companies, Cheetah Group Holdings Limited has launched eight funds and two managed accounts since 2002 that invest in various alternative investment strategies around Asia with total assets under management of over US\$570 million. Mr Wong manages and supervises the fund raising, compliance and investor relations for these funds and managed accounts.

Mr Wong has 15 years of experience managing both hedge fund portfolios and family office investments, and has extensive entrepreneurial experience in Canada and Hong Kong. He has more than 20 years of experience in real estate investment management. He is a member of the executive committee of the Hong Kong/China Chapter of Alternative Investment Management Association (AIMA).

Mr Wong holds a BA in Engineering from Cambridge University and an MA in Systems Control from the University of Toronto and is also a Chartered Financial Analyst.

Management Team

Mr SOH Yew Hock

Lead Independent Non-executive Director

Mr Soh is the Lead Independent Director and the Chairman of the Audit Committee. He is currently an independent director of Asia Dekor Holdings and chairman of its remuneration committee and member of its nominating and audit committees. He is also the lead independent director of Kencana Agri Limited. Mr Soh has wide experience in commerce and industry and had previously served as head of finance and corporate affairs of Guthrie Berhad (now known as Guthrie GTS) and WBL Corporation Limited respectively. He was chief executive officer managing director of Wearnes International (1994) Limited from 1993 to 2006, an executive director of WBL Corporation Ltd from 1993 to 2007 and several of its joint ventures and subsidiaries in Asia, People's Republic of China, Australia and the United States of America, a director of MFS Technology Ltd and deputy chairman of O'Connor's Corporation Berhad (now known as OCB Berhad). Mr Soh was also a past president of the Singapore Division of CPA (Australia).

Mr Soh holds a Bachelor of Accountancy degree from the University of Singapore and is a graduate of the Chartered Institute of Marketing (UK) and the Advanced Management Program of Harvard Business School. He is a fellow of CPA (Singapore), CPA (Australia), Association of Chartered Certified Accountants (UK) and the Chartered Institute of Marketing (UK).

Mr Dennis LAM Siu Sun

Independent Non-executive Director

Mr Lam is a member of the Audit Committee. He is a practising solicitor in Hong Kong and the senior partner of a Hong Kong law firm Messrs. Li, Wong & Lam & W.I. Cheung. Mr Lam specialises in corporate, financial and property work, and is experienced in working with Japanese clients, having previously worked at the Japan Desk of Messrs. Baker & McKenzie from 1989 to 1992 and was involved in several mergers of Japanese banks.

Mr Lam holds a Bachelor of Laws degree from the University of Warwick, England, and a Postgraduate Certificate in Laws from The University of Hong Kong. He is also admitted as a solicitor in England & Wales.

Mr Harold SUN Dai Hoe

Independent Non-executive Director

Mr Sun is a member of the Audit Committee. He is the executive director of Sun International (S) Pte Ltd and Sun Sung Trading (S) Pte Ltd, with long experience in import, export and distribution of consumer products from Japan and other Asian countries. Mr Sun also has real estate investments in China, Hong Kong, Singapore, Malaysia and Canada through his family investment holding companies. He has worked for the Corporate Banking Real Estate Division in Citibank, Hong Kong from 1987 to 1990.

Mr Sun holds a MBA degree from University of British Columbia, Canada and a Bachelor degree in Business Administration from Georgetown University in the United States.

EXECUTIVE OFFICERS OF THE MANAGER

Mr CHANG Sean Pey **Chief Executive Officer**

Details of the roles, experience and expertise of Mr Chang are set out under the “**Board of Directors of the Manager**” section.

Ms NG Bee Ting **Chief Investment and Operations Officer**

Ms Ng has been involved in managing Japanese regional real estate since 2002. Prior to that, she was an equity analyst with more than 6 years of extensive research experience in Malaysia specialising in various industries, including real estate. Her previous experience included being an investment analyst in Omega Securities Sdn Bhd (1996 to 1997), vice president of research at CIMB Securities Sdn Bhd (1997 to 2002) and senior vice president of investment in Opus Capital Sdn Bhd (2002 to 2007). She graduated with a Bachelor of Commerce from the University of Western Australia and is a Chartered Financial Analyst.

Ms Ng works closely with the Board in the evaluations of potential investment and divestment opportunities with a view to enhancing Saizen REIT's portfolio. Ms Ng recommends and analyses potential asset enhancement initiatives. In order to support these various initiatives, Ms Ng and the investment operation team has developed financial models to test the financial impact of different courses of action. These findings are research-driven to help develop and implement the proposed initiatives.

Ms Ng also oversees the database management team of the Manager which is responsible for the setting up and ongoing maintenance of the database of property operating information to ensure the Manager maintains the most up-to-date information of each underlying assets in the portfolio and provides periodical and ad-hoc reports for management review. Ms Ng analyses this information and reports on property portfolio performance to the management.

Mr Joey GOH **Corporate Finance and Compliance Manager**

Mr Goh works closely with the Board and the Chief Executive Officer to ensure compliance with organisational and regulatory rules and obligations, which includes evaluating processes and procedures for compliance, alerting management to current regulatory issues and maintaining a compliance manual. He co-ordinates

corporate actions and corporate finance activities with external advisers and professionals and reviews these activities and their related documentation for compliance with the relevant regulations.

Mr Goh assists in facilitating and maintaining continuous disclosure, which includes statutory reporting of quarterly and annual financial results as well as reporting to the SGX-ST with regard to compliance with the Listing Manual. He reviews documents prior to public dissemination, such as announcements on the SGXNet as well as presentation materials, to ensure compliance with relevant rules and regulations. Mr Goh ensures that effective communication is maintained with the Trustee as well as regulatory authorities such as the MAS and SGX-ST.

Mr Goh has four years of corporate finance experience and has participated a number of initial public offerings and other corporate finance advisory activities for companies listed on the SGX-ST. Prior to his involvement in corporate finance, he was an auditor in Ernst & Young and an accountant in Singapore Technologies Kinetics Ltd. He is a Certified Public Accountant of the Institute of Certified Public Accounts of Singapore and holds degree of Bachelor of Accountancy from the Nanyang Technological University. Mr Goh holds a Masters of Business Administration from the Imperial College Business School, United Kingdom.

Ms Ivy CHAN Ka Lam **Finance Manager**

Ms Chan is a member of the Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants, and is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Ms Chan graduated with a Bachelor of Sociology (Hons) from Hong Kong Baptist University and a Bachelor of Applied Accounting (Hons) from Oxford Brookes University. As Finance Manager, Ms Chan is in charge of the finance and accounting team of the Manager, which is responsible for the keeping and reporting of Saizen REIT's financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT's assets.

Ms Chan is also responsible for the preparation of statutory accounts, co-ordination with external auditors, management of tax affairs, as well as the preparation of Saizen REIT's performance reports for the Unitholders and investors. Prior to this, Ms Chan was an accountant with Fung Kiu Manufacturing Limited from 1999 to 2003 and an audit assistant with Poon & Company, CPA from 2003 to 2004.

Management Team

Ms Sally LAW Yin Nee

Finance Manager

Ms Law is a qualified member of Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants. Ms Law graduated with a Bachelor of Accountancy (Hons) from Hong Kong Baptist University. Ms Law has over seven years of experience in accounting including experience in the accounting and audit department of Chan, Li Law & Co., and over six years of accounting and auditing experience in a number of industries such as commodities trading, insurance brokerage and global wholesale.

As a Finance Manager, Ms Law, together with Ms Ivy Chan, are in charge of the finance and accounting team of the Manager, which is responsible for the keeping and reporting of Saizen REIT's financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT's assets.

Ms Law is also responsible for the preparation of statutory accounts, co-ordination with external auditors, management of tax affairs as well as the preparation of Saizen REIT's performance reports for the Unitholders and investors.

ASSET MANAGER

Mr Yutaka MATSUNAGA

President

Mr Matsunaga, the Representative Director and President of KK Tenyu Asset Management, the Asset Manager, works closely with Mr Arnold Ip Tin Chee and Mr Richard Lo for the acquisition and disposal functions of the Asset Manager and is responsible for the overall management, operation and monitoring of the Asset Manager in its role as the asset manager for the TK Operators in order to enhance the performance of the TK Operators and other asset holding entities and Saizen REIT as an investor in those entities.

Mr Matsunaga bases in Tokyo, Japan, and has been managing Japanese real estate since 1999. He has more than ten years of experience in real estate investment, and has established an extensive network in the property market in Japan. From 1999 to 2001, Mr Matsunaga was the chief executive officer and director of JAIC International (HK) Co., Ltd, a wholly-owned subsidiary of Japan Asia Investment Co., Ltd, one of the largest specialist private equity investment managers listed on the TSE Main Board.

Mr Matsunaga holds a bachelor's degree in commerce from University of Meiji and is a licensed person under the Hong Kong Securities and Futures Ordinance.

Mr Arnold IP Tin Chee

Director

Mr Ip is involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions. Details of Mr Ip's experience and expertise are set out in the "**Board of Directors of the Manager**" section.

Mr Richard LO

Director

Mr Lo has previously lived in Japan and has over 25 years of business experience in Japan, including engaging in distributorships of computer and related products for major Japanese corporations in China and South East Asia. Mr Lo has over 10 years of experience in real estate investment management and has invested in real estate in Japan since 1999.

Mr Lo has established a wide network of contacts in both the property and corporate sectors in Japan. Mr Lo is a founder and director of a computer and related-products distribution group of companies, but he is no longer involved in the daily operations of these companies and will dedicate substantially all his time to the Asset Manager. Mr Lo is also a director of Altus Capital Limited, a company under the Altus Group.

Mr Lo holds a Master of Business Administration from the University of California, Los Angeles (UCLA).

EXECUTIVE OFFICERS OF THE ASSET MANAGER

Ms Aki KURAMITSU

Financing and Administration Manager

Ms Kuramitsu oversees the financing, acquisition and administration function of the Asset Manager and TK Operators. She oversees the preparation of statutory accounts, co-ordinates with external auditors, manages tax affairs, and liaises with lenders and loan servicers, gathering and providing them with all necessary information to proceed with the nonrecourse loan applications.

She is also responsible for the due diligence of property acquisitions. Ms Kuramitsu works closely with appraisal companies and engineering companies to evaluate suitable investment targets, and coordinates the valuation reports and engineering reports to be produced in a timely and an appropriate manner.

Ms Eiko KIDANI

Property Operations Manager

Ms Kidani, bases in Fukuoka, Japan, oversees the property management, leasing and renovation functions of the Asset Manager, focusing on the southern part of Japan.

Ms Kidani works directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels. Ms Kidani assists the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

Ms Kidani liaises with property managers on a regular basis and seeks quotations from various service providers and suppliers with the objectives of lowering operating costs (for example, renovation, cleaning, elevator maintenance etc.) and, in the long-run, increasing property management efficiency.

Ms Ikuko SHIMOYASHIKI

Property Operations Manager

Ms Shimoyashiki, bases in Sapporo, Japan, oversees the property management, leasing and renovation functions of the Asset Manager, focusing on the northern part of Japan. Ms Shimoyashiki graduated with a Bachelor of Arts in English from the Sapporo University, Japan.

Ms Shimoyashiki works directly and closely with property managers and property agents in each of the relevant cities with the objectives of keeping market information updated and enhancing or maintaining occupancy rates at satisfactory levels. Ms Shimoyashiki also assists the board and other executive officers to establish plans in property management, capital expenditure and renovation budgets.

Ms Shimoyashiki will also liaise with property managers on a regular basis and seek quotations from various service providers and suppliers with the objectives of lowering operating costs (for example, renovation, cleaning, elevator maintenance etc.) and, in the long-run, increasing property management efficiency.

Portfolio Summary

No. Property Name		Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)
Fukuoka				
1	Arati Hakata South	1991	472.0	333.0
2	Central Court Tenjin Higashi	1991	203.0	134.0
3	Chic Takaramachi	1985	243.0	198.0
4	Gold Mansion Nakao	1988	179.0	134.0
5	Johnan Building III	1983	452.0	318.0
6	La Finesse Hakataeki Minami	2006	550.0	439.0
7	Le Pied Hirao	2000	288.0	260.0
8	Orion Heim	1996	268.0	213.0
9	Patios Ohashi	1995	140.0	102.0
10	Relief Ohorinishi	1989	132.0	119.0
11	Saumur Meinohama II	1991	76.0	54.7
12	Wealth Meinohama	1988	79.1	60.0
13	Wing Befu	1992	206.0	129.0
Subtotal			3,288.1	2,493.7
Hakodate				
14	Jewel Town Suehiro	1991	203.0	148.0
15	Legions Yunokawa ⁽³⁾	1989	185.0	119.0
16	Matsukaze Building	1990	382.0	261.0
17	Villa Kaigancho	1990	383.0	270.0
Subtotal			1,153.0	798.0
Hiroshima				
18	Aistage Ushita Minami	2006	359.0	275.0
19	Alpha Shinonome	1984	118.0	91.0
20	Estate 18 Shinonome	1990	253.3	263.0
21	Fujimicho Building	2007	513.0	341.0
22	Funairi Honmachi 54	1992	227.0	178.0
23	Global Matsukawa Building	1985	301.0	243.0
24	Grand Polestone Fujimi	2005	228.4	175.0
25	Grand Polestone Higashi Hiratsuka	2007	505.0	409.0
26	Grand Polestone Kinya	2005	178.0	157.0
27	Grand Polestone Otemachi	2007	655.0	505.0
28	Grand Polestone Otemachi II	2007	470.0	371.0
29	Grand Polestone Takeya	2006	641.0	573.0
30	Grand Polestone Tsurumi	2006	465.0	384.0
31	Higashi Hakushima Y Building	2003	210.0	164.0
32	Kamei Five	1989	139.0	93.0
33	Kinyacho Grande	2004	573.0	449.0
34	Kinyacho Y Building	2002	244.0	187.0
35	Kusatsu Higashi Heights	1988	197.0	207.0
36	Matoba Meijibashi II	1996	324.0	296.0
37	Matoba Y Building	1999	229.0	175.0

Notes:

¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.

² The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

³ On 28 August 2009, YK Shintoku entered into a conditional sale and purchase agreement for the disposal of Legions Yunokawa to an independent private investor for a cash consideration of JPY108,130,000.

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
62	0	15	1,406	1,376	87%	32,263,776	0.8%
27	0	0	579	546	100%	14,220,000	0.4%
30	0	17	2,102	1,949	94%	21,936,000	0.5%
28	0	0	739	739	93%	12,912,000	0.3%
24	6	21	2,108	1,759	100%	35,473,644	0.9%
50	0	7	1,319	1,228	92%	35,638,800	0.9%
32	0	10	1,004	794	94%	20,469,600	0.5%
29	0	6	963	815	94%	18,622,800	0.5%
23	0	7	475	442	65%	7,605,600	0.2%
17	0	0	519	450	94%	9,828,000	0.2%
14	0	0	290	290	71%	4,604,400	0.1%
12	0	1	298	283	83%	5,370,000	0.1%
29	0	3	768	751	79%	12,155,496	0.3%
377	6	87	12,570	11,422		231,100,116	5.7%
30	0	8	1,594	1,382	91%	17,863,440	0.4%
20	0	13	1,763	1,486	92%	17,079,000	0.4%
32	4	30	3,101	2,447	94%	34,072,536	0.8%
50	1	24	4,275	3,907	84%	36,360,000	0.9%
132	5	75	10,733	9,222		105,374,976	2.6%
32	0	7	1,000	920	100%	25,944,000	0.6%
27	0	0	579	512	96%	10,524,000	0.3%
68	0	0	1,133	1,142	93%	25,128,000	0.6%
32	1	4	1,047	960	95%	29,748,000	0.7%
28	1	3	830	769	97%	18,067,200	0.4%
32	2	5	1,369	1,105	79%	21,396,000	0.5%
19	0	1	598	548	100%	16,140,000	0.4%
39	1	6	1,414	1,312	98%	35,148,000	0.9%
16	0	2	531	416	93%	11,340,000	0.3%
38	0	8	1,812	1,529	90%	38,988,000	1.0%
30	0	6	1,271	1,197	100%	32,448,000	0.8%
52	1	3	1,897	1,575	89%	38,652,000	1.0%
36	0	5	1,216	1,060	100%	29,772,000	0.7%
19	0	4	561	536	94%	14,892,000	0.4%
22	2	2	522	449	84%	9,649,800	0.2%
50	0	8	1,438	1,360	98%	40,044,000	1.0%
24	0	2	718	621	96%	17,328,000	0.4%
60	0	5	1,183	1,183	92%	22,566,000	0.6%
42	0	0	916	820	83%	21,240,000	0.5%
23	1	2	753	663	92%	15,864,000	0.4%

Portfolio Summary

No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)
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Hiroshima (cont'd)

38	Otemachi Y Building	2001	244.0	181.0
39	Quest Tower Noboricho	2008	680.0	552.1
40	Residence II Yasuda	1985	120.0	98.0
41	Royal Shinonome	1990	320.0	334.0
42	Shinonome Heights	1988	175.0	174.0
43	Sun Park Yokokawa	1988	81.7	56.1
44	Villa Kaita	1992	300.0	320.0
45	VOGA Minami Kannon	1993	230.0	199.0
46	Wing Nakahirodori	2007	838.0	726.0
Subtotal			9,818.4	8,176.2



Kagoshima

47	Abitare Korimoto	1990	338.0	268.0
48	Abitare Shimoarata I	1989	342.0	274.0
49	Abitare Shinyashiki	1989	316.0	246.0
50	Yamamoto Mansion	2004	765.0	565.0
Subtotal			1,761.0	1,353.0



Kitakyushu

51	Alte Heim Kokura	1992	113.0	82.5
52	Alte Heim Kokura II	1995	586.0	420.0
53	Alte Heim Kokura IV	1989	124.0	102.0
54	Alte Heim Mojjekimae	1992	211.0	158.0
55	Alte Heim Orio	1996	405.0	294.0
56	Chalet Aoyama	1989	325.0	228.0
57	Chalet Einomaru II	1991	147.0	112.0
58	Chalet Harunomachi	1991	478.6	362.0
59	Chalet Kanda II	1992	341.0	260.0
60	Chalet Kishinoura	1991	384.0	318.0
61	Chalet Matsuo II	1991	78.8	64.8
62	Chalet Numahon Machi II	1991	246.0	168.0
63	Chalet Shiragane	1990	285.0	225.0
64	Chalet Suwamachi	1996	387.0	277.0
65	Chalet Tsudashin Machi	1990	193.0	154.0
66	City Room Nakai III	1998	193.0	155.0
67	Club House Kikugaoka	1991	330.0	249.0
68	Katano Residential Building	1990	515.0	411.0
69	KN 21 Shiragane	2000	302.0	236.0
70	KN 7 Kirigaoka	1996	452.0	318.0
71	Shinko Kokura Kogane Sky Mansion	1990	267.0	215.0
72	Urban KN 2 Kumamoto	1984	113.0	73.0
Subtotal			6,476.4	4,882.3

Notes:

¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.

² The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
24	0	2	651	577	96%	16,980,000	0.4%
60	0	5	1,736	1,665	100%	52,135,200	1.3%
21	0	2	580	445	100%	10,572,000	0.3%
80	0	16	1,373	1,358	99%	33,654,000	0.8%
48	0	0	778	778	88%	16,464,000	0.4%
21	0	0	402	322	96%	7,008,000	0.2%
80	0	3	1,408	1,335	100%	33,984,000	0.8%
39	0	0	890	659	92%	16,884,000	0.4%
72	2	13	2,239	2,161	90%	52,649,712	1.3%
1,134	11	114	30,845	27,974		715,209,912	17.7%
58	0	3	1,279	1,277	100%	27,366,000	0.7%
60	0	0	1,252	1,235	100%	27,426,000	0.7%
54	0	0	1,409	1,292	100%	26,124,000	0.6%
99	1	8	2,762	2,672	99%	58,719,840	1.5%
271	1	11	6,702	6,476		139,635,840	3.5%
21	0	2	624	465	76%	7,433,148	0.2%
87	1	9	1,833	1,799	77%	32,040,000	0.8%
17	0	2	818	733	94%	10,772,400	0.3%
31	0	8	774	699	97%	16,236,000	0.4%
60	0	12	1,424	1,329	88%	28,044,000	0.7%
40	0	24	2,098	2,098	81%	22,857,600	0.6%
20	0	9	937	937	90%	11,175,600	0.3%
50	0	20	3,089	2,750	84%	33,972,000	0.8%
38	0	25	2,094	2,094	95%	25,908,000	0.6%
41	0	23	1,754	1,727	95%	27,196,800	0.7%
12	0	1	411	411	100%	6,564,000	0.2%
20	3	14	1,344	1,313	78%	14,817,300	0.4%
21	1	5	1,337	1,316	80%	19,380,000	0.5%
28	0	23	2,317	2,221	78%	23,874,000	0.6%
23	2	0	1,276	1,227	91%	14,689,200	0.4%
30	0	5	855	855	93%	14,678,856	0.4%
25	0	26	1,928	1,867	84%	23,028,600	0.6%
34	2	36	3,721	2,315	81%	30,558,588	0.8%
31	1	27	1,472	1,390	81%	20,906,520	0.5%
32	0	41	2,194	2,122	76%	26,929,716	0.7%
54	1	4	1,209	1,161	88%	21,050,880	0.5%
15	0	10	914	799	82%	8,378,004	0.2%
730	11	326	34,423	31,627		440,491,212	10.9%

Portfolio Summary

	No. Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)
	Koriyama			
	73 Arioso Phrase	2006	475.0	465.0
	74 Leggiero Viola	2004	375.0	289.0
	75 Maestoso Figur	2000	456.0	367.0
	Subtotal		1,306.0	1,121.0
	Kumamoto			
	76 EMYU Heisei Keyakidori Mansion	2007	956.0	709.0
	77 EMYU Honjo	2006	1,100.0	850.0
	78 EMYU Shinmachi	2006	761.0	601.0
	79 EMYU Suizenji	2006	1,305.0	1,050.0
	80 KC Heights	1980	155.0	111.0
	81 Mon Palais Toroku	1994	362.0	245.0
	82 Rise Fujisaki Dai	2006	331.0	292.0
	83 Rise Gofuku	2006	336.0	256.0
	84 Rise Heiseiekimae	2007	225.0	198.0
	85 Rise Kojo Horibata	2004	111.0	81.0
	86 Rise Kuhonji II	2005	484.0	375.0
	87 Rise Kumadai Hospital II	2007	622.0	548.0
	88 Rise Kumamoto Station South	2006	211.0	156.0
	89 Rise Oe	1998	306.0	248.0
	90 Rise Shimodori	2005	389.0	273.0
	91 Romauge Kamidori Namikizaka	2007	750.0	656.0
	Subtotal		8,404.0	6,649.0
	Kurashiki			
	92 Gardenia Kurashiki	1994	148.0	124.0
	Subtotal		148.0	124.0
	Morioka			
	93 K1 Mansion Morioka	1995	79.0	68.7
	94 K2 Mansion Morioka	1997	380.0	314.0
	95 Senboku Heim I	1991	204.0	162.0
	96 Senboku Heim II	1995	125.0	79.5
	Subtotal		788.0	624.2
	Niigata			
	97 GEO Kamiokawamaedori 3	2005	450.2	380.0
	98 Hills Kawabata	2006	315.0	278.0
	99 Hills Nogizaka	2006	404.9	318.0
	Subtotal		1,170.1	976.0

Notes:

¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.

² The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
45	0	43	1,949	1,882	98%	41,630,256	1.0%
33	0	37	1,656	1,414	90%	26,723,316	0.7%
45	0	45	1,710	1,662	93%	32,684,628	0.8%
123	-	125	5,316	4,957		101,038,200	2.5%
90	0	53	4,281	3,699	96%	65,703,000	1.6%
99	0	30	4,160	3,458	96%	75,754,800	1.9%
81	0	22	2,932	2,517	98%	54,625,200	1.4%
119	0	57	4,503	4,257	98%	89,223,600	2.2%
20	0	21	1,283	1,152	100%	13,637,400	0.3%
72	0	10	1,740	1,494	96%	26,781,600	0.7%
36	0	8	1,405	1,338	97%	26,016,000	0.6%
34	1	2	1,583	1,358	96%	25,422,000	0.6%
18	2	7	863	852	100%	18,009,144	0.4%
12	0	6	442	345	100%	7,354,200	0.2%
45	3	4	1,973	1,884	100%	32,660,400	0.8%
54	0	18	2,789	2,419	100%	48,569,148	1.2%
20	0	7	980	940	96%	14,823,600	0.4%
36	1	0	1,204	1,163	92%	22,728,000	0.6%
36	0	13	1,398	1,265	100%	23,982,000	0.6%
56	13	6	3,048	2,796	89%	55,487,940	1.4%
828	20	264	34,584	30,939		600,778,032	14.9%
19	0	10	869	846	100%	15,103,152	0.4%
19	-	10	869	846		15,103,152	0.4%
6	0	6	496	434	100%	6,996,000	0.2%
42	0	44	1,880	1,870	95%	29,952,000	0.7%
24	0	26	1,325	1,230	87%	16,368,000	0.4%
12	0	8	786	713	83%	7,680,000	0.2%
84	-	84	4,487	4,247		60,996,000	1.5%
54	0	6	1,605	1,351	100%	33,360,000	0.8%
40	0	0	1,320	1,067	100%	24,000,000	0.6%
32	3	0	1,402	1,302	100%	32,832,000	0.8%
126	3	6	4,327	3,720		90,192,000	2.2%

Portfolio Summary



No. Property Name

Year
Built

Purchase
Consideration
(JPY million)

Latest
Valuation⁽¹⁾
(JPY million)

Oita

100 Taisei Building III	1979	373.0	270.0
Subtotal		373.0	270.0

Sapporo

101 Art Side Terrace	1986	687.0	459.0
102 Aster Yamahana	1987	193.0	138.0
103 Casa Motomachi	2007	341.0	295.0
104 Chateau 24	1994	649.0	483.0
105 Chateau Nakanoshima	1989	298.0	223.0
106 Dear Misono	1996	61.0	43.9
107 Dominion Yamanote	1988	179.0	142.0
108 Ebisu Building III	1985	91.0	68.8
109 Escort South 11	1992	64.0	49.9
110 Estella 24-ken A	2006	109.0	77.0
111 Estoille S12	2002	269.0	175.0
112 First Kotake Building	1984	1,147.0	892.0
113 Glance Nishimachi	1993	466.0	378.0
114 Heart Inn Hongou	1989	103.0	68.9
115 Infinity Higashi Sapporo	1991	244.0	187.0
116 Jeunes 23	1988	376.0	242.0
117 Kohatsu 88	1990	68.1	48.8
118 Kotoni 1-6 Mansion	1990	351.0	279.0
119 Les Chambres	1986	89.7	68.5
120 Lumiere et vent	1998	75.1	54.2
121 Luna Heights	1988	316.0	243.0
122 Maison Towa	1988	210.0	173.0
123 Matsui 38	1987	188.0	137.0
124 Matsui 53	1988	243.0	172.0
125 Matsui 82	1989	452.0	358.0
126 Misono	1991	339.0	271.0
127 Park Crystal	1990	317.0	244.0
128 Plaza Nakajima Park	1990	370.0	303.0
129 Reef Suite	2005	210.0	139.0
130 Residence Shiroishi ABCD	1988(A,B) 1989(C,D)	525.0	534.0
131 S. Heim	1987	136.0	105.0
132 Sec' As Blue II	2004	440.0	338.0
133 Studio City	1985	314.0	200.0
134 Suien	2004	131.0	96.0
135 Sun City	1988	404.0	302.0
136 Three Tower	1992	1,071.0	844.0
137 TOA Mansion	1988	823.0	612.0
138 Towa Kita 7 Jo	1989	350.0	334.0
139 Towa Kotoni	1989	330.0	293.0
140 Treasure 15	1990	187.0	146.0
141 Urban Yamahana	1990	136.0	118.0
Subtotal		13,352.9	10,335.0

Notes:

¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.

² The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
45	8	8	3,315	2,827	91%	35,052,432	0.9%
45	8	8	3,315	2,827		35,052,432	0.9%
61	2	22	4,122	3,265	95%	50,364,576	1.2%
20	0	10	1,015	986	95%	15,156,000	0.4%
32	1	14	1,616	1,364	91%	27,158,400	0.7%
84	2	45	2,580	2,105	94%	44,574,936	1.1%
49	0	17	1,775	1,379	87%	22,248,000	0.6%
9	1	2	361	314	100%	5,088,000	0.1%
33	0	5	964	800	83%	13,656,000	0.3%
16	0	0	459	403	100%	7,128,000	0.2%
10	0	0	554	495	100%	6,336,000	0.2%
12	0	1	468	372	100%	7,704,000	0.2%
18	0	12	1,186	919	78%	14,010,000	0.3%
28	8	16	4,379	3,169	92%	68,268,000	1.7%
40	0	37	3,192	2,668	93%	36,868,800	0.9%
20	0	4	503	458	75%	6,528,000	0.2%
22	2	10	1,732	1,398	71%	15,681,144	0.4%
34	1	14	1,700	1,502	94%	25,205,436	0.6%
8	1	0	533	453	100%	5,940,000	0.1%
42	2	6	1,923	1,662	88%	26,616,000	0.7%
20	0	3	546	469	90%	7,116,000	0.2%
9	0	6	545	337	79%	4,788,000	0.1%
50	0	2	1,575	1,304	92%	23,844,000	0.6%
25	2	7	1,502	1,149	90%	19,280,004	0.5%
20	2	2	1,100	847	88%	13,788,000	0.3%
36	0	4	1,233	1,074	94%	19,032,000	0.5%
48	2	4	2,970	2,483	98%	40,962,288	1.0%
26	8	16	1,837	1,598	95%	28,987,500	0.7%
56	0	5	1,575	1,286	86%	21,751,200	0.5%
37	0	14	2,465	2,189	78%	27,570,000	0.7%
18	0	15	1,260	894	73%	11,832,000	0.3%
124	0	25	3,927	3,492	85%	52,104,000	1.3%
26	0	8	794	636	78%	9,504,000	0.2%
48	0	11	2,159	1,643	98%	32,571,420	0.8%
51	1	12	1,963	1,435	98%	25,766,412	0.6%
15	0	0	681	577	74%	7,548,000	0.2%
50	0	18	4,316	2,833	87%	36,141,696	0.9%
57	3	103	6,258	5,569	97%	93,439,596	2.3%
70	1	28	5,335	4,406	97%	64,716,288	1.6%
33	0	23	2,781	2,509	94%	33,975,144	0.8%
29	0	18	2,330	2,084	87%	27,603,144	0.7%
36	0	0	886	879	94%	15,252,000	0.4%
18	0	11	829	752	84%	11,316,000	0.3%
1,440	39	550	77,929	64,155		1,027,419,984	25.4%

Portfolio Summary

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No.	Property Name	Date of Completion of Sale	Sale Price (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)
Properties Sold				
1	Crestage Tayacho	9 Sep 2009	93.415	98.0
2	U.I. Building	27 Aug 2009	274.680	257.0
	Total		368.095	355.0

Notes:

¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.

² The annual rental income represents the annualised rental income of each property in June 2009. Rental income comprises base rental income, common area management fees and car parking rental income only.

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
27	0	0	643	607	100%	17,508,000	0.4%
30	0	1	1,091	1,038	95%	19,169,676	0.5%
20	0	13	1,178	1,097	95%	20,140,560	0.5%
46	3	43	4,780	3,849	78%	43,430,400	1.1%
15	0	7	652	652	100%	9,934,596	0.2%
14	0	2	378	314	100%	9,028,572	0.2%
24	0	19	1,430	1,363	92%	22,503,492	0.6%
39	0	30	1,082	1,021	98%	27,338,640	0.7%
50	1	10	1,206	1,125	77%	23,807,400	0.6%
32	0	9	781	671	100%	16,050,228	0.4%
12	0	3	294	277	100%	6,918,288	0.2%
28	0	0	661	598	75%	10,122,000	0.3%
6	0	0	294	270	67%	3,456,000	0.1%
40	0	18	2,713	2,287	95%	36,816,000	0.9%
16	1	0	754	661	94%	13,452,792	0.3%
27	0	10	937	732	97%	15,562,200	0.4%
26	0	5	691	678	94%	13,944,000	0.3%
15	0	0	335	334	100%	6,228,000	0.2%
35	0	13	887	883	87%	15,062,892	0.4%
31	0	4	680	666	97%	17,436,576	0.4%
47	0	26	1,715	1,527	100%	36,044,952	0.9%
33	0	0	757	677	82%	11,820,000	0.3%
25	5	27	2,810	2,218	93%	41,416,524	1.0%
638	10	240	26,749	23,544		437,191,788	10.8%
5,947	114	1,900	252,849	221,956		3,999,583,644	99.0%

No. of Residential Units	No. of Commercial Units	No. of Parking Units	Gross Floor Area (sqm)	Net Lettable Area (sqm) (Residential+ Commercial)	Occupancy rate by sqm (Residential +Commercial) as at 30 June 2009	Annual Rental Income ⁽²⁾ (JPY)	% of Total Rental Income for June 2009
19	0	18	1,172	1,027	95%	13,119,000	0.3%
31	0	31	2,061	2,002	96%	27,516,000	0.7%
50	0	49	3,233	3,029		40,635,000	1.0%

Portfolio Overview

As at 30 June 2009

Geographical distribution

As at 30 June 2009, Saizen REIT's portfolio consists of 166 properties located across 13 regional Japanese cities. The divestments of two properties, namely U.I. Building and Crestage Tayacho, were completed in August and September 2009 respectively.

The map below shows the cities where Saizen Reit operates as at 30 June 2009:

Hiroshima⁽¹⁾

No. of Properties	30
Total Gross Floor Area (sqm)	32,906
Total Net Lettable Area (sqm)	29,976
Average Occupancy Rate (%)	88

Oita

No. of Properties	1
Total Gross Floor Area (sqm)	3,315
Total Net Lettable Area (sqm)	2,827
Average Occupancy Rate (%)	85

Kitakyushu

No. of Properties	22
Total Gross Floor Area (sqm)	34,423
Total Net Lettable Area (sqm)	31,627
Average Occupancy Rate (%)	91

Fukuoka

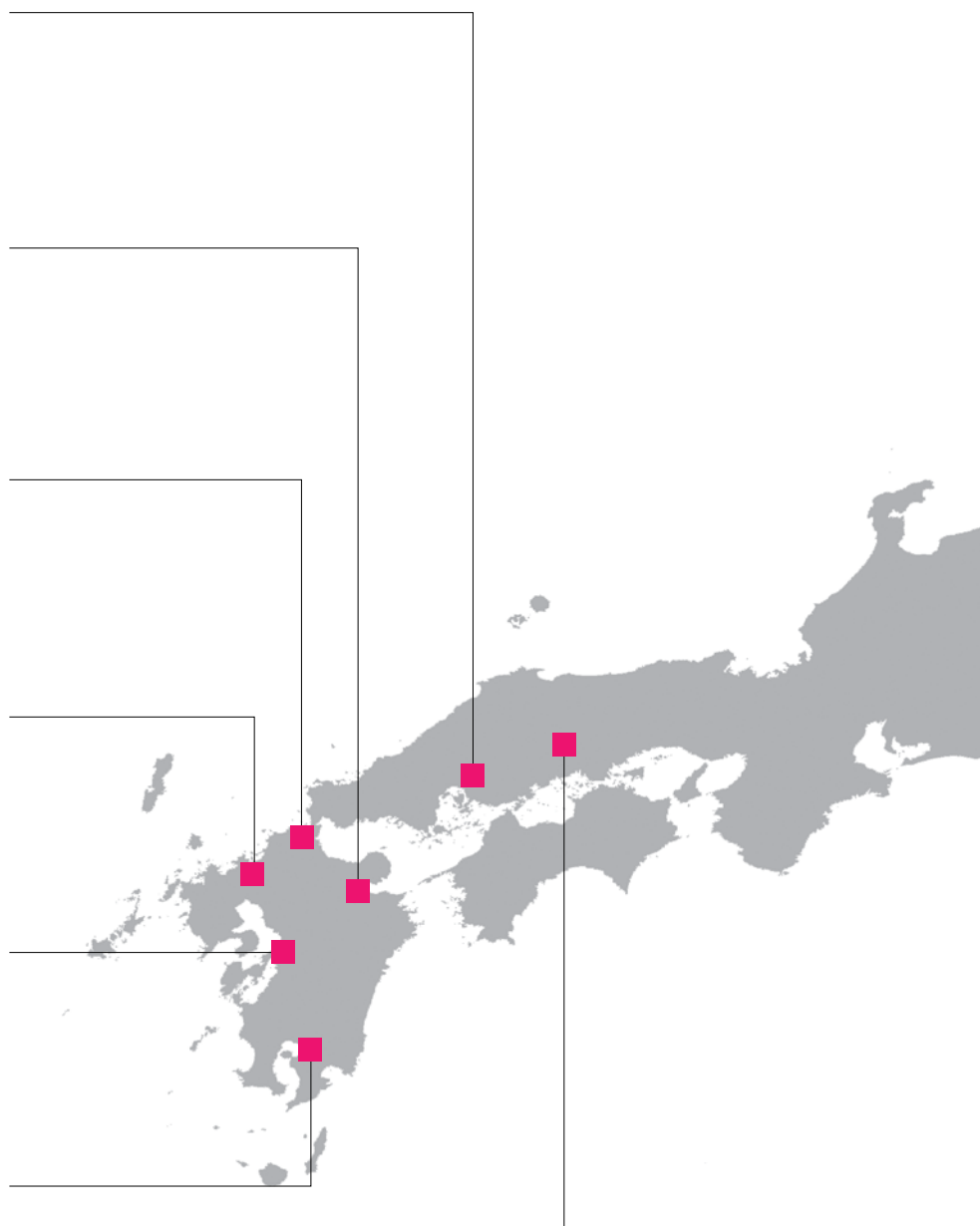
No. of Properties	13
Total Gross Floor Area (sqm)	12,570
Total Net Lettable Area (sqm)	11,422
Average Occupancy Rate (%)	93

Kumamoto

No. of Properties	16
Total Gross Floor Area (sqm)	34,584
Total Net Lettable Area (sqm)	30,939
Average Occupancy Rate (%)	96

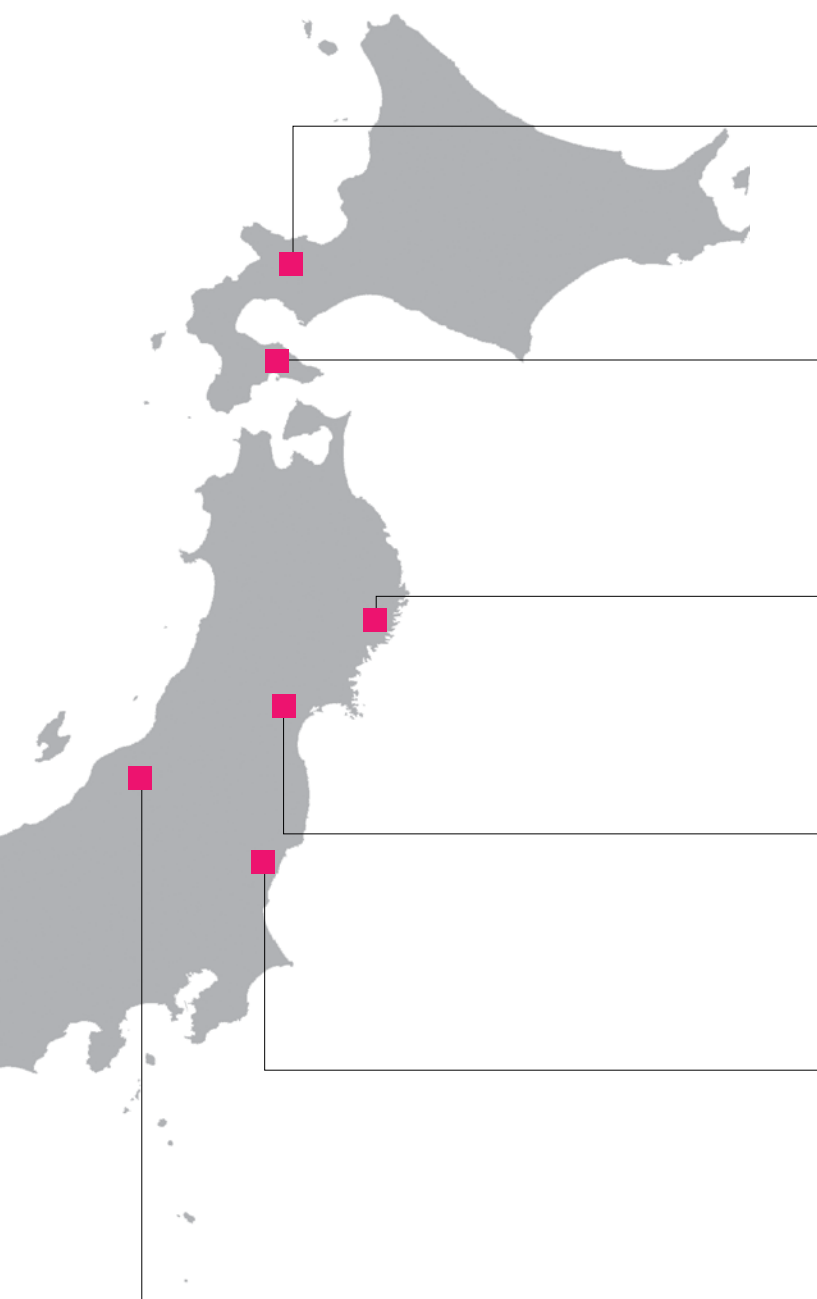
Kagoshima

No. of Properties	4
Total Gross Floor Area (sqm)	6,702
Total Net Lettable Area (sqm)	6,476
Average Occupancy Rate (%)	96



Note:

¹ Includes U.I. Building, which was divested in August 2009. U.I. Building has a gross floor area of 2,061 sqm and a net lettable area of 2,002 sqm.



Sapporo

No. of Properties	41
Total Gross Floor Area (sqm)	77,929
Total Net Lettable Area (sqm)	64,155
Average Occupancy Rate (%)	90

Hakodate⁽²⁾

No. of Properties	5
Total Gross Floor Area (sqm)	11,905
Total Net Lettable Area (sqm)	10,250
Average Occupancy Rate (%)	89

Morioka

No. of Properties	4
Total Gross Floor Area (sqm)	4,487
Total Net Lettable Area (sqm)	4,247
Average Occupancy Rate (%)	98

Sendai

No. of Properties	23
Total Gross Floor Area (sqm)	26,749
Total Net Lettable Area (sqm)	23,544
Average Occupancy Rate (%)	88

Koriyama

No. of Properties	3
Total Gross Floor Area (sqm)	5,316
Total Net Lettable Area (sqm)	4,957
Average Occupancy Rate (%)	94

Niigata

No. of Properties	3
Total Gross Floor Area (sqm)	4,327
Total Net Lettable Area (sqm)	3,720
Average Occupancy Rate (%)	98

Kurashiki

No. of Properties	1
Total Gross Floor Area (sqm)	869
Total Net Lettable Area (sqm)	846
Average Occupancy Rate (%)	95

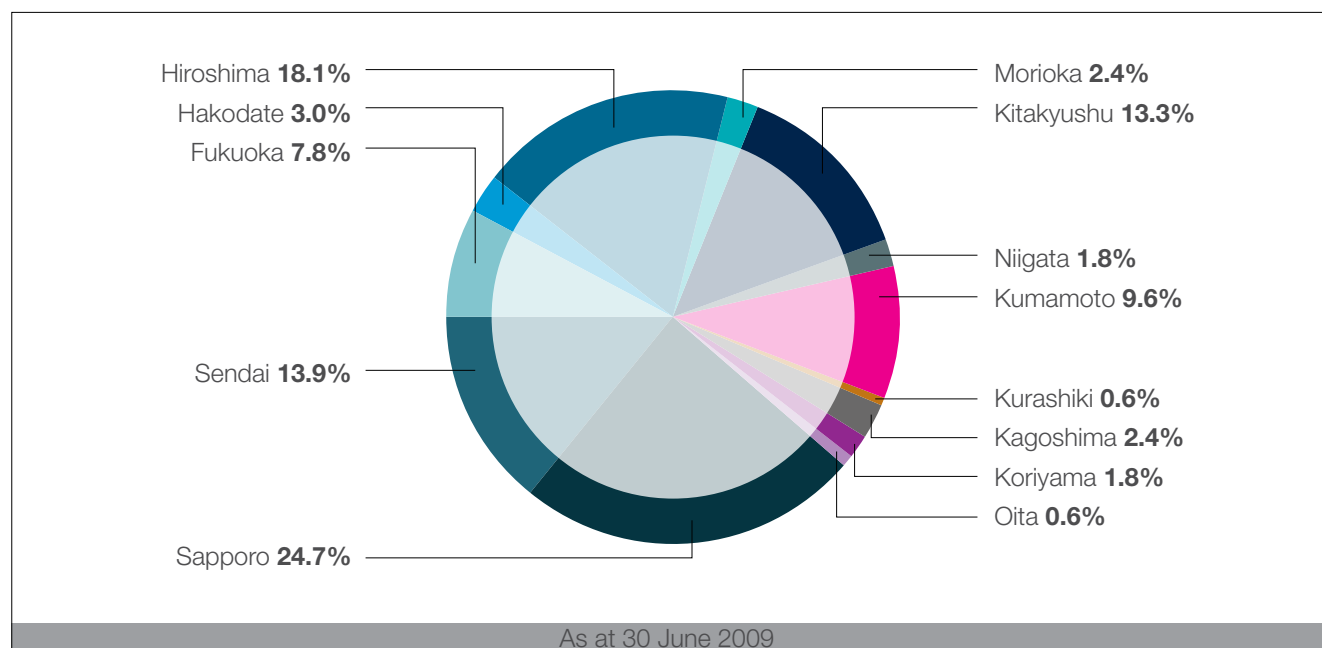
Note:

² Includes Crestage Tayacho, which was divested in September 2009. Crestage Tayacho has a gross floor area of 1,172 sqm and a net lettable area of 1,027 sqm.

Portfolio Overview

As at 30 June 2009

Portfolio Distribution (in terms of number of properties) by Location (%)



Lease terms and tenant profile

As at 30 June 2009, the property portfolio of Saizen REIT comprises 5,997 residential units and 114 commercial units, of which 5,543 residential units and 92 commercial units were occupied. Over 98% of our units are for residential use where the tenants are principally working singles, students and families. In view of the fact that the tenant mix of Saizen REIT's residential units is principally individuals and families and the trade sectors of such tenants cannot be clearly defined, we believe the disclosure of the trade sector mix of tenants as required by the Code on Collective Investment Schemes will not be meaningful. As less than 2% of the property portfolio of Saizen REIT comprises commercial units, we are also of the view that the disclosure of the trade sector mix of tenants in such commercial units will not be meaningful.

In line with the general practice of the Japan residential property market, the majority of the leases for our properties are standard leases for periods of two years. Notwithstanding, under their terms, such leases may

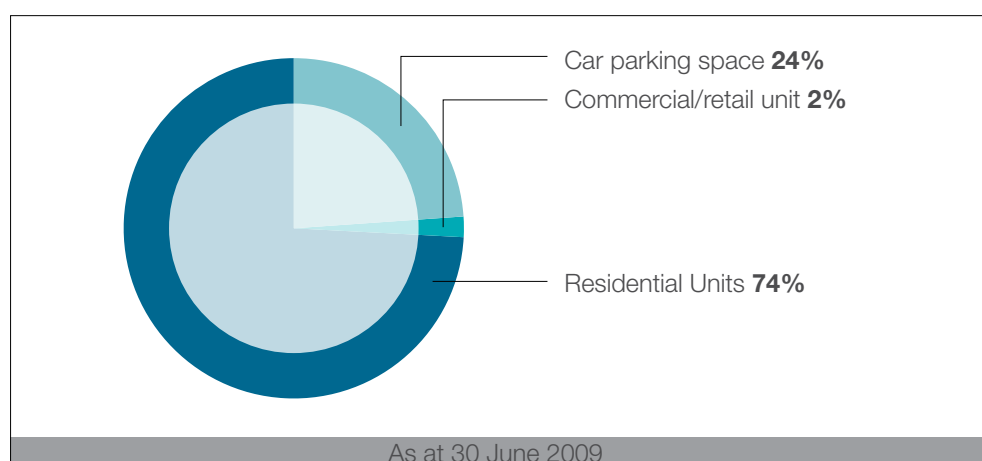
generally be terminated by tenants upon giving one to two months' notice. During FY2009, tenant turnover rates (i.e. rate of termination of leases by tenants) of Saizen REIT's property portfolio were 25% for the small type units, 23% for the medium type units and 17% for family type units. Given that the lease tenures of two years are relatively short, we are of the view that an analysis on lease maturity will not be meaningful. Saizen REIT's property portfolio has 5,635 occupied residential and commercial units as at 30 June 2009. Given the broad tenant base, we believe the risk of lease maturity is well diversified.

Due to the diversification mentioned above, the aggregate revenue attributable to the top 10 residential unit tenants only accounted for about 0.4% of the gross monthly rental revenue of Saizen REIT in June 2009. For commercial units, the aggregate revenue attributable by the top 10 tenants only accounted for about 1.9% of the gross monthly rental revenue of Saizen REIT in June 2009. On this basis, we are of the view that analysis of the top 10 tenants will not be meaningful.

Unit Type

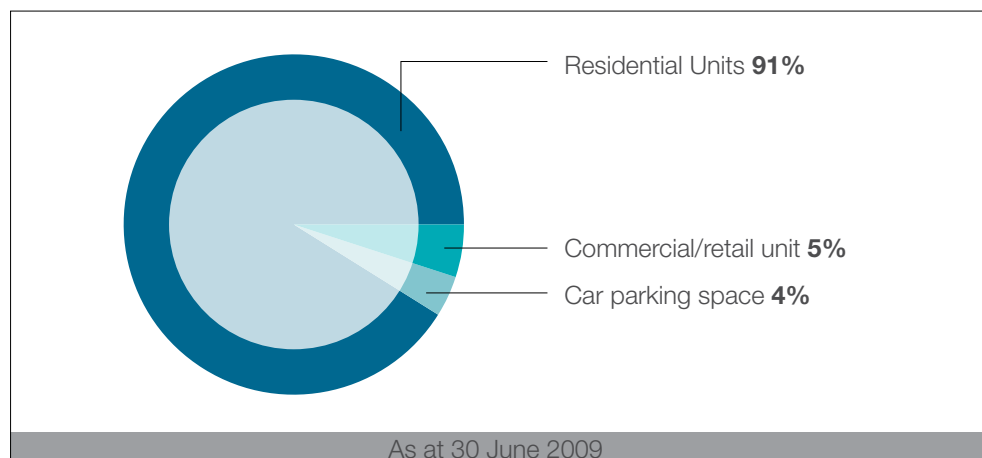
Saizen REIT's portfolio consists predominantly of residential units, with some commercial elements in the form of office and retail units located in the property's lower floors. The portfolio also has a number of car parking spaces, including tower parking facilities. The charts below show the composition of the portfolio in terms of the type of units and their revenue contribution.

Portfolio Distribution by Unit Type (%)*



* As a percentage of total number of units in Saizen REIT's portfolio

Revenue Contribution by Unit Type (%)*



* As a percentage of total gross revenue attributable to Saizen REIT's portfolio for June 2009

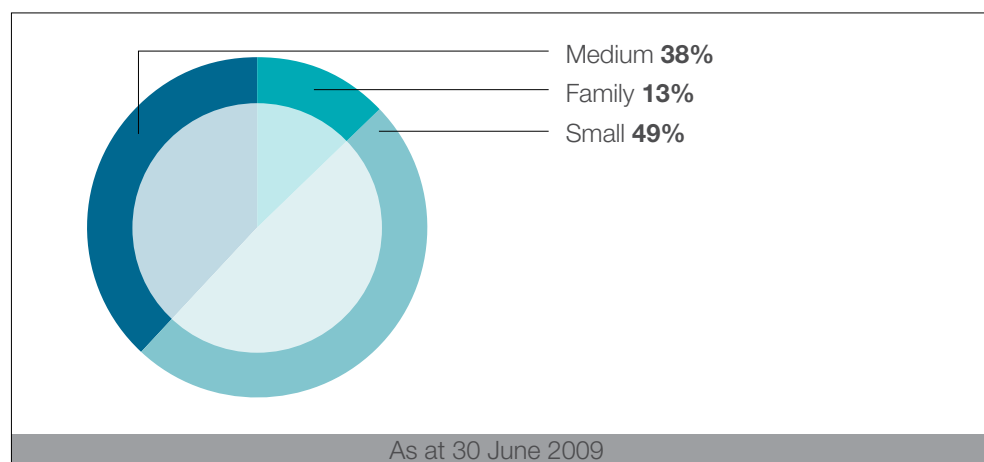
Portfolio Overview

As at 30 June 2009

Residential Units

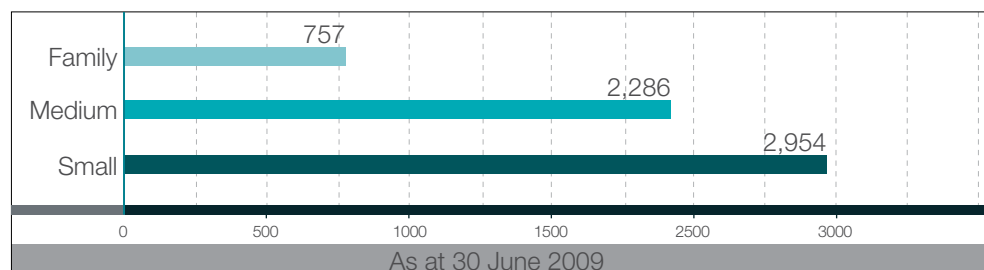
Residential units in the portfolio are divided into three categories in terms of their size, comprising small, medium and family units. Each property may have a combination of unit types, but a majority of the portfolio properties consist of small and medium units.

Residential Units Distribution by Size (%)*

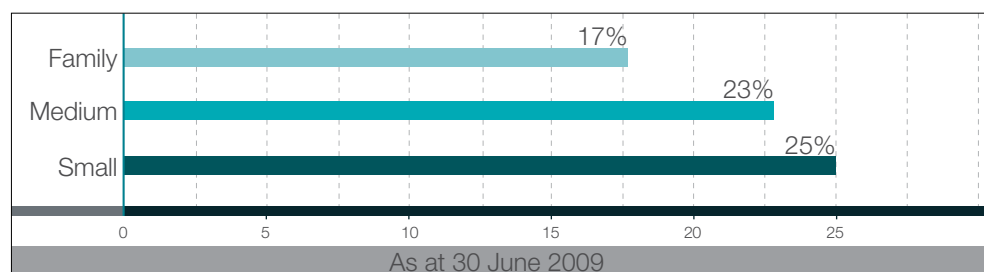


* As a percentage of total number of residential units in Saizen REIT's portfolio

Portfolio Distribution by Residential Unit Size (Number)



Average Lease Turnover Rate by Residential Unit

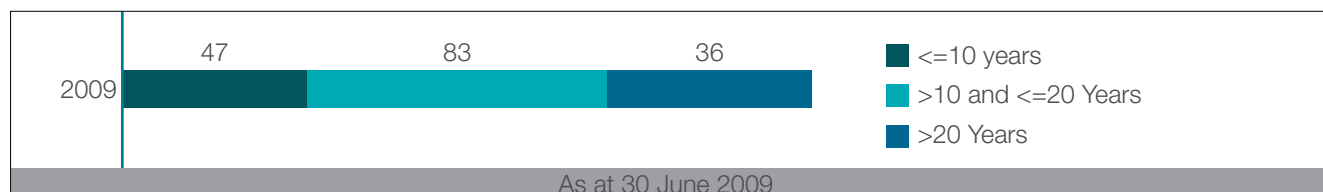


Below are descriptions of the general characteristics of a typical residential unit type:

Type	Layout and Size	Tenant Profile	Location
Small	Layout Type Studio (1R) Studio plus kitchen (1K) Average Size 20sqm - 35sqm	Young working singles, students	<ul style="list-style-type: none"> - Downtown, around major business and entertainment areas.
Medium	Layout Type 1 Bedroom plus dining and kitchen (1DK) 2 Bedrooms plus dining and kitchen (2DK) 2 Bedrooms plus living dining and kitchen (2LDK) Average Size 35sqm - 50sqm	Young Professionals, working singles, working couples without children	<ul style="list-style-type: none"> - Towns along major transportation networks linking major business and commercial centres ("Bed Towns") - Close to educational institutions
Family	Layout Type 3 Bedrooms plus living, dining and kitchen (3LDK) Average Size 50sqm and above	Families	<ul style="list-style-type: none"> - Suburbs, residential areas - Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)

Portfolio Distribution by Age of Properties

About 28% of Saizen REIT's 166 properties are less than 10 years old, while half of Saizen REIT's properties are between 10 and 20 years old. The remaining 22% of Saizen REIT's properties were built more than 20 years ago. The weighted average age of Saizen REIT's properties is 12.7 years.



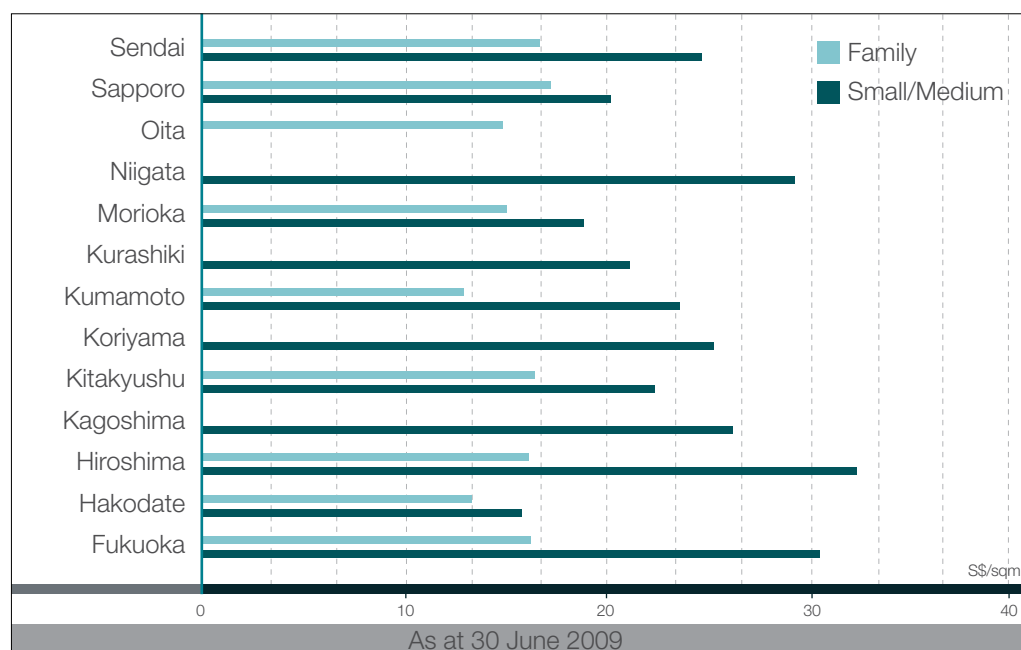
Portfolio Overview

As at 30 June 2009

Rental Rates

Factors which affect rental rates include age of property, unit condition, location, purpose and type. The table below shows the average rental per square meter by unit type for each city in which Saizen REIT operates:

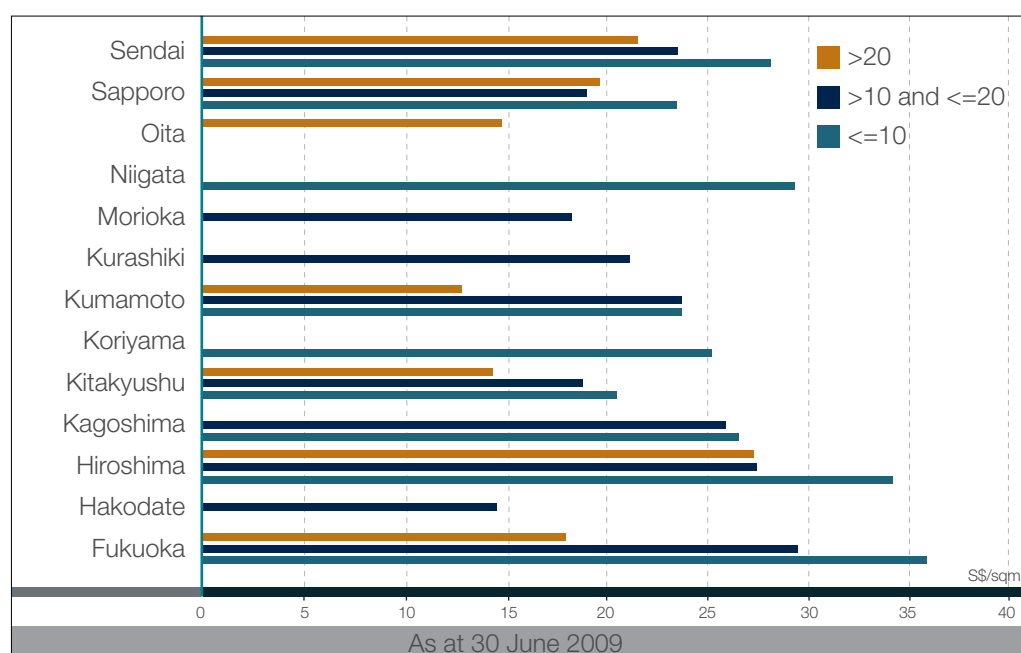
Average S\$/sqm* Rental Rates by Unit Type



* Computed based on an exchange rate of JPY 67.5 : S\$1.00

The table below shows the average rental per square meter by property age for each city in which Saizen REIT operates:

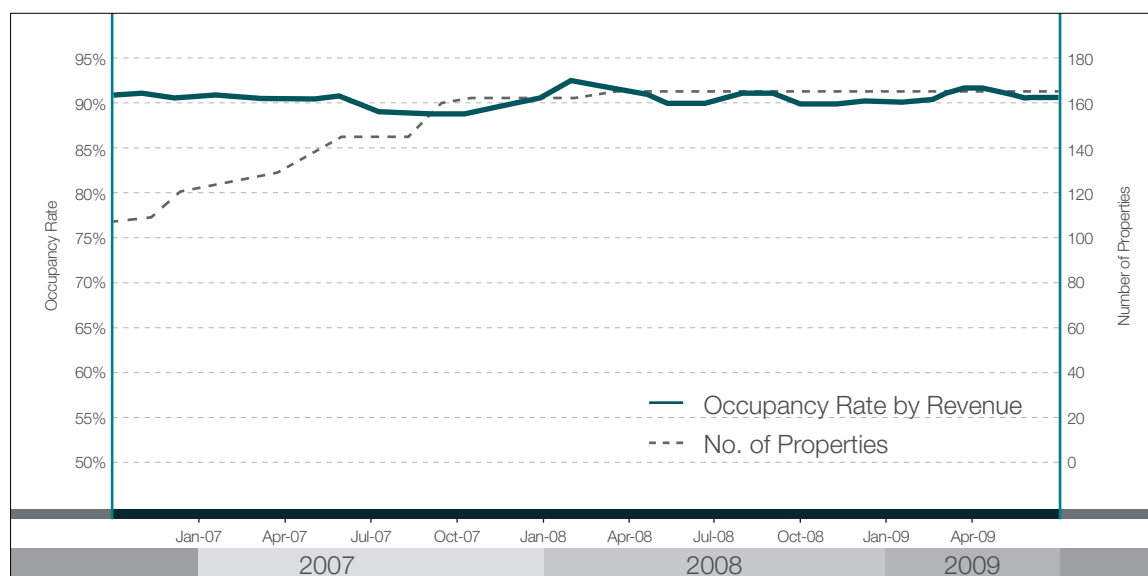
Average S\$/sqm* Rental Rates by Property Age



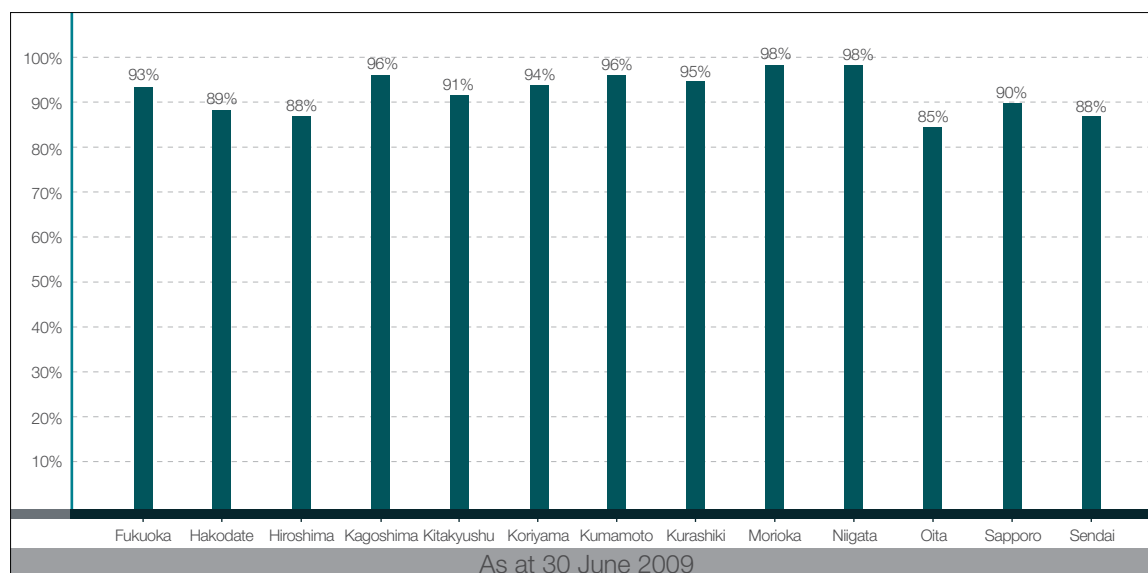
* Computed based on an exchange rate of JPY 67.5 : S\$1.00

Occupancy Rates

Saizen REIT's portfolio has maintained stable occupancy. The diversification in terms of number of units (5,997 residential, 114 commercial and 1,949 car parking spaces), geographical distribution (13 cities) and a large tenant base further enhances stability.



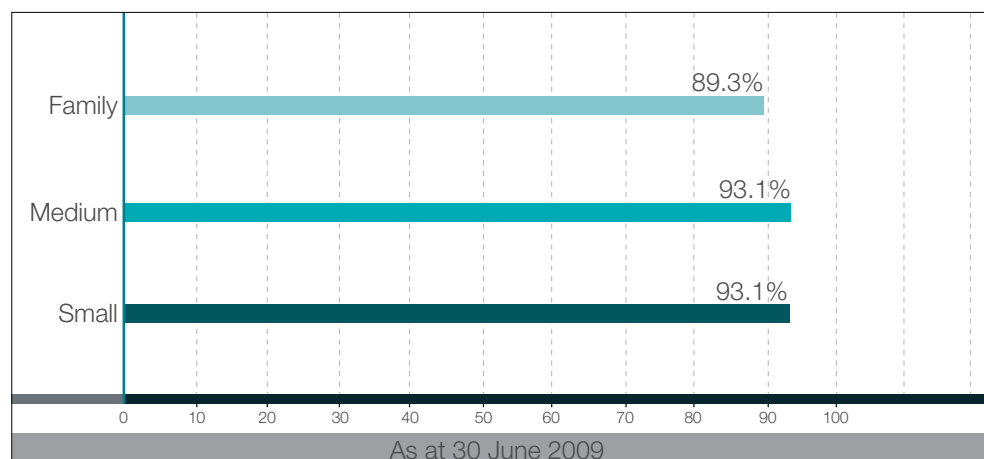
Occupancy Rate by Geographical Distribution



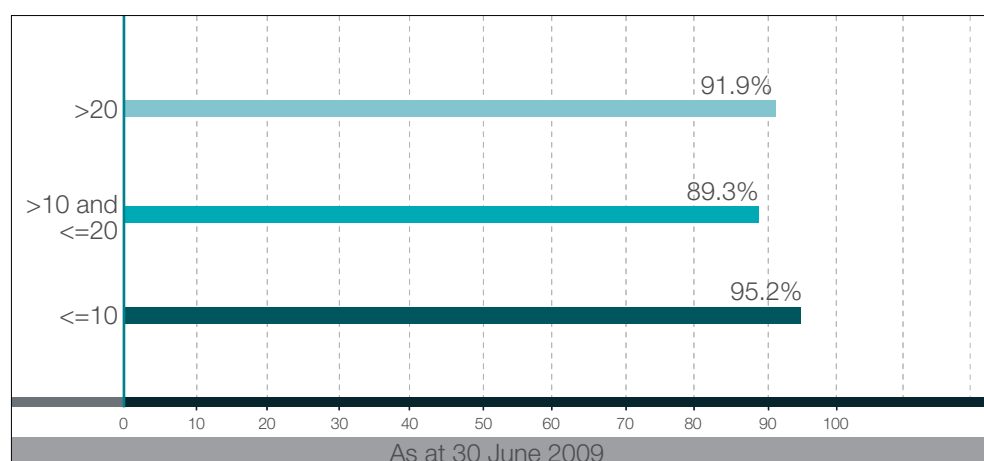
Portfolio Overview

As at 30 June 2009

Occupancy Rate by Residential Unit Size (%)



Occupancy Rate by Property Age (%)*



* Occupancy rate of residential and commercial units in Saizen REIT's portfolio

Corporate Governance

As the manager of Saizen REIT, Japan Residential Assets Manager Limited (the “**Manager**”) is committed to high corporate governance standards to ensure clear internal control systems, policies, procedures, communication and reporting lines are in place so as to protect the interests of Unitholders.

The Manager also ensures that applicable laws and regulations within the Listing Manual of the Singapore Exchange Securities Trading Limited, the Code on Collective Investment Schemes (including the Property Funds Guidelines) issued by the Monetary Authority of Singapore (“**MAS**”), and the Securities and Futures Act, are complied with, and that the Manager’s obligations under the tax rulings dated 28 June 2007 and 10 July 2007 respectively issued by the Inland Revenue Authority of Singapore in relation to the taxation of Saizen REIT and its Unitholders, the trust deed dated 27 September 2007 (as supplemented from time to time) entered into between the Trustee, as trustee of Saizen REIT and the Manager (the “**Trust Deed**”) and the warrant deed poll dated 12 May 2009 are properly carried out.

The Manager uses the Code of Corporate Governance 2005, which took effect on 1 January 2007, as a benchmark for its corporate governance policies and practices. The following sets out the Manager’s main corporate governance policies and practices for the year ended 30 June 2009:

The Manager

Japan Residential Assets Manager Limited was appointed as the manager of Saizen REIT in accordance with the Trust Deed. The Manager has general powers of management over the investment activities of Saizen REIT, for the benefits of the Unitholders. Pursuant to the Trust Deed, the Manager has the power to retire in favour of a corporation approved by the Trustee to act as the manager of Saizen REIT. Also, the Manager may be removed by an ordinary resolution passed by a simple majority of Unitholders.

The principal responsibilities of the Manager include:

- setting the strategic directions of Saizen REIT and giving recommendations to the Trustee on the establishment of new TK investments, divestments, or propose other investment methods and strategies that are beneficial to Unitholders;
- making recommendations to the Trustee on investment opportunities identified by the Asset Manager;
- reviewing reports prepared by the Asset Manager on a regular basis, which may contain information and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to forecasts, written commentary on key issues and any relevant assumptions;
- preparing reports to Unitholders such as annual reports, quarterly and annual financial results as well as circulars and public announcements, when necessary.
- implementing suitable hedging strategies to minimise any foreign exchange rate risk;
- ensuring compliance with applicable rules and regulations; and
- attending to all regular communication with Unitholders.

Board of Directors of the Manager

The Board is responsible for the overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, compliance monitoring, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Saizen REIT, including a system of internal control and business risk management process.

Corporate Governance

As at 30 June 2009, the Board consisted of six members, three of whom are independent non-executive directors. None of the directors has entered into any service contract with Saizen REIT or the Manager.

Members of the Board are:

- Mr Arnold Ip Tin Chee (Chairman)
- Mr Chang Sean Pey (Chief Executive Officer)
- Mr Raymond Wong Kin Jeon (Executive Director)
- Mr Soh Yew Hock (Lead Independent Non-executive Director)
- Mr Dennis Lam Siu Sun (Independent Non-executive Director)
- Mr Harold Sun Dai Hoe (Independent Non-executive Director)

To assist and facilitate the execution of its responsibilities, the Board has established the Audit Committee and Corporate Announcement Committee.

Saizen REIT is externally managed by the Manager and has no personnel of its own. The Manager appoints experienced and qualified management personnel to handle its day-to-day operations and all directors and employees of the Manager are remunerated by the Manager.

The Board meets regularly, at least once every quarter, to review key activities, objectives and business strategies of the Manager. These include any significant investments and divestments, the budgets, the financial performance of Saizen REIT and approval for the release of the quarterly and annual financial results. The meeting also reviews the risks relating to the assets of Saizen REIT, examines debt management and refinancing status, and acts upon any comments from the auditors of Saizen REIT ("**Quarterly Review Board Meetings**"). Where appropriate, Board meetings are also convened for administrative matters such as approving public announcements ("Administrative Board Meetings"). To simplify the process of approval for standard announcements, the Manager has formed the Corporate Announcement Committee on 26 August 2008.

The Board is provided with complete, adequate and timely information prior to Board meetings. The Board has separate and independent access to the Manager's senior management and the Company Secretary at all times. At least one Company Secretary attends all Board meetings and ensures that all Board procedures are followed and that applicable rules and regulations are complied with.

The Board has the right to seek independent professional advice on matters relating to the management of Saizen REIT where it deems necessary for proper and efficient discharge of its duties and responsibilities. Such costs shall be borne by Saizen REIT.

The Board is responsible for providing a balanced and understandable assessment of Saizen REIT's performance, position and prospects in interim, annual and other price sensitive public reports, and in reports to regulators (if required).

Composition of the Board

The composition of the Board, including the selection of candidates for new appointments to the Board as part of the renewal process, is determined using the following principles:

- there should be a clear separation of the roles of the Chairman and the Chief Executive Officer;
- the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the real estate industry; and
- at least one-third of the Board should comprise independent directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Newly-appointed directors of the Manager will be given a briefing session by the management and company secretary of the Manager to ensure each director understands his roles and duties as well as the business model and operations of Saizen REIT.

Corporate Governance

The positions of Chairman and Chief Executive Officer are held by two separate individuals to ensure clear and effective segregation of duties. The Chairman ensures that the members of the Board work together with management in a constructive manner to address strategy, business operations and enterprise issues. The Chief Executive Officer has full executive responsibilities over the development and review of investment and divestment strategies, the day-to-day operations of Saizen REIT and works closely with the management team to ensure the strategic, financial, investment, operational and investor relations objectives of Saizen REIT are met.

Mr Soh Yew Hock was appointed as the lead independent non-executive director of the Manager on 29 December 2008 to provide an independent channel to the Unitholders where they have concerns which contact through the normal channels of the Chairman and/or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

The members of the Board possess extensive experience in various areas such as real estate investment management, fund management, corporate finance, investment advisory, laws and accounting. This enables the Manager to benefit from their external and objective views on issues brought before the Board.

Audit Committee

The Audit Committee is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board. The Audit Committee currently consists of three members, all of which are independent non-executive directors.

The members of the Audit Committee are:

- Mr Soh Yew Hock (Chairman of Audit Committee)
- Mr Dennis Lam Siu Sun
- Mr Harold Sun Dai Hoe

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls and is responsible for the nomination of external auditors and review of adequacy of existing audits in respect of cost, scope and performance, including the quality and reliability of information prepared for inclusion in financial reports.

The Audit Committee's responsibilities also include:

- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- reviewing internal audit reports at least twice a year to ensure guidelines and procedures established have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within Saizen REIT;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines, including procedures established to regulate Related Party Transactions (as defined below);
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of Saizen REIT and any formal announcements relating to Saizen REIT's financial performance;
- investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations;
- reviewing the Whistle-Blowing Policy and Press Policy of the Manager; and
- reviewing the Manager's determination of the fair market price of a Unit in relation to the issue of Units, and the determination of the number of Units that the Manager is entitled to receive as its management fee.

Corporate Governance

The Audit Committee has full access to and co-operation from management and enjoys full discretion to invite any director and executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee has reviewed the Internal Systems Control Manual, Whistle-Blowing Policy and Press Policy and is of the view that:

- (i) the extent of disclosure and transparency of the Internal Systems Control Manual has provided further clarity about Saizen REIT's operations, which could help its members to form constructive opinions and advices to the Manager
- (ii) appropriate arrangements are in place for employees of the Manager to raise concerns about possible improprieties in Saizen REIT's operations or other matters; and
- (iii) appropriate arrangements are in place for employees and directors of the Manager to handle media and general queries to ensure proper disclosures to stakeholders and compliance with the Listing Manual and the relevant rules and regulations.

The Audit Committee has also conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Audit Committee meetings are generally held after the end of each quarter of every financial year. During the year ended 30 June 2009, four Audit Committee meetings have been held. Details of the members' participation in the Audit Committee meetings are set out on page 48 of this report.

Corporate Announcement Committee

The Corporate Announcement Committee operates under the delegated authority of the Board.

The members of the Corporate Announcement Committee are:

- Mr Arnold Ip Tin Chee (Chairman of the Corporate Announcement Committee)
- Mr Chang Sean Pey
- Mr Raymond Wong Kin Jeon

The principle role and responsibilities of the Corporate Announcement Committee include:

- reviewing and approving general corporate disclosure issues and announcements to be made to the SGX-ST and the public;
- ensuring that disclosure of any price-sensitive information is made in a timely manner to prevent the creation of a false market in dealings of the Units; and
- ensuring all disclosures are in compliance with applicable rules and regulations.

Internal Control and Audit

The Board has adopted a set of internal controls which sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories, amongst others. Approvals of matters not exceeding specified sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important bearing on the Manager's or directors' obligations, the directors will be briefed either during Board meetings, at specially-convened sessions or via circulation of Board papers.

Corporate Governance

Furthermore, in order to ensure high corporate governance standards, the Manager has put in place a system of internal controls of procedures and processes to safeguard the assets of and Unitholders' interests in Saizen REIT. The Audit Committee has appointed Yoshioka, Certified Public Accountant Office to provide internal audit services on such procedures and processes.

Yoshioka, Certified Public Accountant Office's scope is to provide risk assessment services and compliance audits in order to ensure internal controls are aligned to business objectives and related risks. Key operational activities are selected to be regularly and objectively evaluated to maintain and improve the efficiency and effectiveness of internal controls and corporate governance. The Board is satisfied that the Manager's internal controls are adequate based on the reports of Yoshioka, Certified Public Accountant Office and the external auditors.

Dealings in Units

The Manager has undertaken that it will not deal in the Units:

- during the period commencing one month before the public announcement of Saizen REIT's annual results and (where applicable) property valuations and two weeks before the public announcement of Saizen REIT's quarterly results, and ending on the date of announcement of the relevant results, or as the case may be, property valuation; and
- at any time while in possession of price sensitive information.

The Manager has also undertaken to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two days after the date on which it acquires or disposes of any Units, as the case may be.

In general, the directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units. They are prohibited from dealing in the Units at the above time period and the Directors and employees are advised not to deal in the Units on short-term considerations.

Management of Business Risk

Effective risk management is a fundamental part of Saizen REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests and value of the Units. Saizen REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risk involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board. In assessing business risk, the Board considers the economic environment and risks relevant to the real estate industry.

The Manager has determined that significant risk for Saizen REIT will most likely arise when making property investment and financing decisions. Accordingly, when making such decisions, the Manager has set out procedures to be followed prior to the completion of an investment in properties and the relevant financing. The Manager ensures comprehensive due diligence is carried out in relation to the proposed investment and a suitable determination is made as to whether the anticipated return on investment is appropriate having regard to the level of risk.

The above are reviewed by the Board at least once every quarter during the Quarterly Review Board Meeting, or more often if necessary.

The setting up of a Risk Management Committee ("**RMC**") is currently under consideration. It is intended that the RMC shall be responsible for overseeing the processes for identification and assessment of the general business risks, reviewing the outcome of programmed risk assessments, and advising the Audit Committee as necessary. The RMC shall also review the adequacy of the system of internal control with management, the internal auditors and the external auditors. The RMC shall review any significant risks, findings and recommendation made by the internal and external auditors, together with management's responses to them.

Corporate Governance

Conflicts of Interest

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

- The Manager will be a dedicated manager to Saizen REIT and will not manage any other real estate investment trust (excluding other investment vehicles such as closed-end funds) with the same investment strategies as Saizen REIT.
- All executive officers will be employed by the Manager.
- All resolutions in writing of the directors in relation to matters concerning Saizen REIT must be approved by a majority of the directors, which must include at least one independent director.
- At least one-third of the Board shall comprise independent non-executive directors.
- Prior to Japan Regional Assets Manager Limited (being the sponsor of Saizen REIT (the “**Sponsor**”)), entering into any transaction which places it in a conflict of interest situation with Saizen REIT, the Sponsor shall resolve such conflict with Saizen REIT, for so long as (a) the Manager remains the manager of Saizen REIT, and (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains a controlling shareholder of the Manager.
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries (save for the Manager).
- In respect of matters in which a director has an interest, direct or indirect, such interested director shall abstain from voting. In such matters, the quorum must comprise a majority of the directors and must exclude such interested director.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager (as defined below), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee or such person) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee or such person, on behalf of Saizen REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The directors will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Related Party Transactions

The Manager has established internal control procedures to ensure that all future transactions involving the Trustee and a related party (either an “interested party” pursuant to the Property Funds Guidelines or an “interested person” pursuant to the Listing Manual) of the Manager (“**Related Party Transactions**”) are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. In respect of such transactions, the Manager would have to demonstrate to the Audit Committee that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuation reports from independent valuers (in accordance with the Property Funds Guidelines). The Audit Committee shall also periodically review the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

Corporate Governance

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Saizen REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Saizen REIT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Saizen REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of the Unitholders.

Where the Audit Committee's approval is required for a Related Party Transaction, such approval will have to be granted by a majority of the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process of that transaction. In addition, the Trustee has the right to review the audit reports to ascertain that the Property Funds Guidelines have been complied with.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual during the relevant financial year will be disclosed in Saizen REIT's annual report, if applicable.

Communication with Unitholders

The Board has established relevant policies and procedures which are regularly reviewed, to ensure requirements of the Listing Manual of the SGX-ST is complied with. The Listing Manual requires a listed entity to disclose to the market matters that could or might be expected to have a material effect on the price of the entity's securities.

The Board aims to ensure that the Unitholders and the investment community are informed of all information and major developments affecting Saizen REIT's state of affairs on a timely basis. Communication to the Unitholders and/or the investment community includes the following:

- a. Quarterly and annual results announcements containing financial information and review of operations of Saizen REIT during the relevant financial period;
- b. Annual report containing information on the operations of Saizen REIT during the financial year, changes in the state of affairs of Saizen REIT and details of future developments;
- c. Notice of meetings of Unitholders, where applicable;
- d. Distribution notices with information including the components which make up the distributions;
- e. Announcements and press releases in relation to the latest affairs of Saizen REIT;
- f. Regular briefings for analysts, media representatives and investment community, which will generally coincide with the release of Saizen REIT's results announcement; and
- g. Notwithstanding holding of annual general meeting is not applicable to Saizen REIT, the Board intends to hold Unitholders meetings from time to time to keep investors informed of latest developments relating to Saizen REIT and to facilitate communications with Unitholders.

Items (a) to (e) above will be made available on the SGXNet website and Saizen REIT's corporate website at www.saizenreit.com.sg.

Corporate Governance

Members' Participation in Board Meetings and Audit Committee Meetings

During the financial year ended 30 June 2009, the Manager has held 11 Board meetings and four Audit Committee meetings respectively. Of the 11 Board meetings held, four of them were Quarterly Review Board Meetings and seven of them were Administrative Board Meetings. The attendance at the meetings is as follows:

	Quarterly Review Board Meetings	Administrative Board Meetings	Audit Committee Meetings
No. of meetings held	4	7	4
Members' Participation			
Mr Arnold Ip Tin Chee	4	7	4
Mr Chang Sean Pey	4	7	4
Mr Raymond Wong Kin Jeon	4	6	4
Mr Yeh V-Nee ⁽¹⁾⁽²⁾	2	3	1
Mr Soh Yew Hock ⁽¹⁾	4	6	4
Mr Dennis Lam Siu Sun ⁽¹⁾	4	6	4
Mr Harold Sun Dai Hoe ⁽¹⁾⁽³⁾	4	7	4

Notes:

¹ Members of Audit Committee

² Mr Yeh V-Nee resigned from the Board on 20 January 2009. While he was a Director, Mr Yeh V-Nee attended one (out of two) Audit Committee meetings and five (out of five) Board Meetings held.

³ Mr Harold Sun Dai Hoe was appointed as a member of the Audit Committee on 18 March 2009

Financial Statements

CONTENTS

50	Report of the Trustee
51	Statement by the Manager
52	Independent Auditor's Report
54	Statements of Total Return
55	Balance Sheets
56	Distribution Statements
57	Statement of Movements in Unitholders' Funds
58	Consolidated Cash Flow Statement
59	Portfolio Statement
64	Notes to the Financial Statements

Report of the Trustee

For the financial year ended 30 June 2009

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Saizen Real Estate Investment Trust ("Saizen REIT") held by it or through its subsidiaries ("Group", which shall mean Saizen REIT and its subsidiaries) in trust for the Unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Japan Residential Assets Manager Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed, First, Second and Third Supplemental Deeds dated 27 September 2007, 3 October 2007, 29 October 2007 and 5 May 2009 respectively between the Trustee and the Manager (the "Trust Deed") in each annual accounting period and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Saizen REIT and the Group during the period covered by these financial statements set out on pages 54 to 94, comprising the Balance Sheets for Saizen REIT and the Group and Portfolio Statement for the Group as at 30 June 2009, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds for Saizen REIT and the Group, the Consolidated Cash Flow Statement for the Group and Notes to the Financial Statements for the year then ended, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited



John van Verre
Director

Singapore
22 September 2009

Statement by the Manager

For the financial year ended 30 June 2009

In the opinion of the directors of Japan Residential Assets Manager Limited, the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") as set out on pages 54 to 94, comprising the Balance Sheets for Saizen REIT and the Group and Portfolio Statement for the Group as at 30 June 2009, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds for Saizen REIT and the Group, the Consolidated Cash Flow Statement for the Group and Notes to the Financial Statements for the period then ended, are drawn up so as to present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2009, the total return, amount distributable, movements of unitholders' funds of Saizen REIT and of the Group and consolidated cash flows of the Group for the financial period then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that Saizen REIT will be able to meet its financial obligations as and when they materialise.

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the Group has interest-bearing borrowings of JPY14.9 billion, which are due for repayment within the next 12 months. The Group is currently in negotiations with financial institutions to refinance JPY8.0 billion of these borrowings, which were drawn down by a subsidiary Yugen Kaisha Shintoku ("YK Shintoku"). An unsuccessful refinancing of this loan by YK Shintoku may cast significant uncertainty on YK Shintoku's ability to continue as a going concern. Therefore, the subsidiary may be unable to continue in operational existence for the foreseeable future and adjustments would have to be made to reflect the situation that the assets held by the subsidiary may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the subsidiary may have to provide for further liabilities which may arise. The Group's financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern.

For and on behalf of the Manager,
Japan Residential Assets Manager Limited



Chang Sean Pey
Director

Singapore
22 September 2009

Independent Auditor's Report

We have audited the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") as set out on pages 54 to 94, which comprise the Balance Sheets of Saizen REIT and of the Group and Portfolio Statement of the Group as at 30 June 2009, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds of Saizen REIT and of the Group, the Consolidated Cash Flow Statement of the Group for the financial year then ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

The Manager of Saizen REIT is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Saizen REIT, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2009, the total return, amount distributable, movements of unitholders' funds of Saizen REIT and the Group and consolidated cash flows of the Group for the financial year ended 30 June 2009 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

Without qualifying our opinion, we draw attention to Note 1 of the financial statements. As at 30 June 2009, the Group has interest-bearing borrowings of JPY14.9 billion, which are due for repayment within the next 12 months, of which the Group expects to repay JPY6.9 billion with cash generated from operating activities and loan facility available to the Group. The Group is currently in negotiations with financial institutions to refinance JPY8.0 billion of these borrowings, which were held by a subsidiary Yugen Kaisha Shintoku ("YK Shintoku").

In accordance with the loan agreement of YK Shintoku, the lender has the right to take control of YK Shintoku in the event of default. As at 30 June 2009, the net asset value of YK Shintoku (adjusted for dues to Saizen REIT) amounts to JPY 2.5 billion which approximates 10% of the net assets of the Group.

The subsidiary's ability to continue as a going concern is dependent on the successful outcome of these negotiations. This condition indicates the existence of a material uncertainty, which may cast significant doubt on the subsidiary's ability to continue as a going concern. If the subsidiary is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that its assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the subsidiary may have to provide for further liabilities which may arise. The Group's financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern.



PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 22 September 2009

Statements of Total Return

For the financial year ended 30 June 2009

	Note	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Gross revenue	4	4,268,751	3,578,346	801,096	636,539
Property operating expenses	5	(1,355,067)	(1,091,638)	–	–
Net property income/distribution income		2,913,684	2,486,708	801,096	636,539
Interest income		12,730	27,559	3,744	21,312
Other administrative expenses		(156,376)	(138,526)	(31,075)	(16,315)
Manager's management fees		(234,747)	(169,609)	(234,747)	(169,609)
Asset management fees		(22,454)	(26,080)	–	–
Trustee's fees		(9,136)	(11,612)	(9,136)	(11,612)
Other trust expenses	6	(94,766)	(76,585)	(72,548)	(134,502)
Finance costs	7	(1,171,767)	(1,222,111)	(1,056)	(324,194)
Issue expenses		(244,726)	(807,488)	(244,726)	(828,164)
Net income/(loss) from operations		992,442	62,256	211,552	(826,545)
Net fair value gain on financial derivatives - fair value through profit or loss		625,270	559	715,762	–
Net fair value losses on investment properties		(6,445,091)	(4,663,766)	–	–
Impairment loss on investment in subsidiaries		–	–	(8,572,278)	–
Total loss for the year before income tax		(4,827,379)	(4,600,951)	(7,644,964)	(826,545)
Negative goodwill		–	350,047	–	–
Income tax	8	20,993	517,091	(160,219)	(128,815)
Total loss for the year after income tax		(4,806,386)	(3,733,813)	(7,805,183)	(955,360)
Attributable to:					
Unitholders		(4,775,751)	(3,646,192)	(7,805,183)	(955,360)
Minority interests		(30,635)	(87,621)	–	–
		(4,806,386)	(3,733,813)	(7,805,183)	(955,360)
Loss per unit (JPY)	9				
- Basic and diluted		(7.49)	(7.77)		

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 30 June 2009

	Note	Group 2009 JPY'000	Group 2008 JPY'000	Saizen REIT 2009 JPY'000	Saizen REIT 2008 JPY'000
ASSETS					
Current assets					
Cash and cash equivalents	11	5,070,301	5,609,118	492,040	1,877,045
Deposits with cash management agent	10	2,300,322	2,639,772	–	–
Trade and other receivables	12	46,391	100,544	1,240,713	710,029
Other current assets	13	37,000	46,914	1,679	1,991
		7,454,014	8,396,348	1,734,432	2,589,065
Non-current assets					
Derivative financial instruments	14	36	559	–	–
Investments in subsidiaries	15	–	–	24,911,233	31,156,661
Investment properties	16	42,734,100	49,062,300	–	–
		42,734,136	49,062,859	24,911,233	31,156,661
Total assets		50,188,150	57,459,207	26,645,665	33,745,726
LIABILITIES					
Current liabilities					
Rental deposits		683,341	741,997	–	–
Rental received in advance		264,419	264,504	–	–
Borrowings	17	14,890,781	5,314,479	–	–
Other current liabilities	18	358,714	455,415	88,220	139,731
Current tax liabilities		289,062	169,244	248,572	128,815
Derivative financial instruments	14	1,797,050	–	1,797,050	–
		18,283,367	6,945,639	2,133,842	268,546
Non-current liabilities					
Rental deposits		29,475	22,289	–	–
Borrowings	17	6,932,075	19,472,617	–	–
Derivative financial instruments	14	72,999	–	–	–
Deferred tax liabilities	19	143,720	325,589	–	–
		7,178,269	19,820,495	–	–
Total liabilities		25,461,636	26,766,134	2,133,842	268,546
Net assets		24,726,514	30,693,073	24,511,823	33,477,180
Represented by:					
Unitholders		24,726,514	30,662,438	24,511,823	33,477,180
Minority interests		–	30,635	–	–
		24,726,514	30,693,073	24,511,823	33,477,180
Number of units in issue ('000)	20	949,194	451,149	949,194	451,149
Net asset value per unit attributable to Unitholders¹ (JPY)		26.05	67.97	25.82	74.20

Note:

¹ Net asset value per unit for FY2008 have not been restated with the effects of Rights Issue and are computed based on the issued units at the end of the financial year ended 30 June 2008.

The accompanying notes form an integral part of these financial statements.

Distribution Statements

For the financial year ended 30 June 2009

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Total loss for the year after income tax	(4,806,386)	(3,733,813)	(7,805,183)	(955,360)
Distribution adjustments (Note a)	6,181,370	5,430,977	9,180,167	2,652,524
Income available for distribution to Unitholders	1,374,984	1,697,164	1,374,984	1,697,164
Note a - Distribution adjustments				
Distribution adjustments items:				
- Change in fair value of investment properties	6,445,091	4,663,766	-	-
- Change in fair value of financial derivatives - unrealised	73,521	(559)	-	-
- Change in fair value of rights issue - unrealised	(387,712)	-	(387,712)	-
- Change in fair value of warrants - unrealised	(328,050)	-	(328,050)	-
- Impairment loss on investment in subsidiaries	-	-	8,572,278	-
- Amortisation of transaction cost for borrowings	213,586	110,259	-	-
- Negative goodwill	-	(350,047)	-	-
- Deferred tax	(181,869)	(646,842)	-	-
- Foreign exchange (gain)/loss arising from conversion of proceeds from initial public offering/rights issue	(25,617)	323,777	(25,617)	323,777
- Unrealised exchange loss	76,450	-	76,450	-
- Acquisition fee and Manager's management fee paid/payable in units	-	116,985	-	116,985
- Issue expense	244,726	807,488	244,726	828,164
- Working capital funded by proceeds from initial public offering	274,252	251,254	274,252	251,254
- Profit for the period from 1 July 2007 to 8 November 2007 attributable to previous TK investor (excluding change in fair value of investment properties and deferred tax)	-	(407,742)	-	-
- Overseas income not distributed to the Trust	-	-	976,848	571,520
- Other	-	1,814	-	-
Sub-total	6,404,378	4,870,153	9,403,175	2,091,700
- Cash deployed for loan repayment	(223,008)	-	(223,008)	-
- Special dividend ¹	-	560,824	-	560,824
	6,181,370	5,430,977	9,180,167	2,652,524
Distribution per Unit ² (S\$ cents)	-	4.67	-	4.67

Notes:

¹ The special dividend is derived from cash generated and accumulated in the subsidiaries prior to the business combination on 9 November 2007.

² No distribution is declared for financial year 2009.

The accompanying notes form an integral part of these financial statements.

Statement of Movements in Unitholders' Funds

For the financial year ended 30 June 2009

	Note	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
OPERATIONS					
Balance at beginning of the year		(2,515,175)	1,354,946	(955,360)	—
Total loss for the year		(4,775,751)	(3,646,192)	(7,805,184)	(955,360)
Distribution to previous TK investor		—	(223,929)	—	—
Deemed distribution from rights issue	14(iii)	(3,330,267)	—	(3,330,267)	—
Balance at end of the year		(10,621,193)	(2,515,175)	(12,090,811)	(955,360)
UNITHOLDERS' CONTRIBUTION					
Balance at beginning of the year		33,177,613	11,293,956	34,432,540	—
Creation of new units		—	—	—	—
- Acquisition of subsidiaries		—	—	—	19,824,661
- Initial public offering		—	15,400,394	—	15,400,394
- Exercise of rights	20	3,759,932	—	3,759,932	—
- Exercise of warrants	20	210	—	210	—
- Acquisition fee and Manager's management fee		47,472	69,512	47,472	69,512
Distribution to Unitholders		(1,637,520)	—	(1,637,520)	—
Return of capital to previous TK investor		—	(18,335)	—	—
Issue expenses		—	(862,027)	—	(862,027)
Cost of acquisition		—	7,294,113	—	—
Balance at end of the year		35,347,707	33,177,613	36,602,634	34,432,540
TOTAL ATTRIBUTABLE TO UNITHOLDERS		24,726,514	30,662,438	24,511,823	33,477,180
MINORITY INTERESTS					
Balance at beginning of the year		30,635	40,828	—	—
Effect on acquisition		—	78,250	—	—
Effect on investment in new TK operators		—	(822)	—	—
Total loss for the year		(30,635)	(87,621)	—	—
Balance at end of the year		—	30,635	—	—
TOTAL		24,726,514	30,693,073	24,511,823	33,477,180

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 30 June 2009

	Note	2009 JPY'000	Group 2008 JPY'000
Operating activities			
Total loss for the year after income tax before distribution		(4,806,386)	(3,733,813)
Adjustments for:			
Income tax		(20,993)	(517,091)
Negative goodwill		–	(350,047)
Interest income		(12,730)	(27,559)
Interest expense	7	1,152,441	898,334
Net fair value gain on financial derivatives		(625,270)	(559)
Net fair value losses on investment properties		6,445,091	4,663,766
Operating profit before working capital changes		2,132,153	933,031
Changes in working capital			
Deposits with cash management agent		339,450	(62,775)
Trade and other receivables		45,716	(22,910)
Other current assets		9,914	188,349
Other current liabilities		(22,410)	270,528
Rental received in advance		(85)	50,947
Rental deposits		(51,470)	80,853
Cash flows generated from operations		2,453,268	1,438,023
Income tax paid		(597)	(250)
Withholding tax paid		(40,462)	–
Cash flows provided by operating activities		2,412,209	1,437,773
Investing activities			
Capital expenditure/acquisition of investment properties		(116,891)	(8,613,295)
Net cash effect on acquisition of subsidiaries		–	203,064
Cash flows used in investing activities		(116,891)	(8,410,231)
Financing activities			
Issue of new Units at initial public offering		–	15,400,394
Issue expenses		–	(862,027)
Bank borrowings obtained		6,300,000	1,340,000
Repayment of bank borrowings		(9,272,059)	(3,049,223)
Distribution to previous TK investor		–	(223,929)
Distribution to Unitholders		(1,637,520)	–
Return of capital to previous TK investor		–	(18,335)
Interest received		21,167	19,121
Interest paid		(1,171,438)	(779,190)
Payment of interest rate swap		(16,971)	–
Proceeds from rights issue		2,942,555	–
Proceeds from exercise of warrants		131	–
Cash flows (used in)/ provided by financing activities		(2,834,135)	11,826,811
Net (decrease)/increase in cash and cash equivalents		(538,817)	4,854,353
Cash and cash equivalents at beginning of the year	11	5,609,118	754,765
Cash and cash equivalents at end of the year	11	5,070,301	5,609,118

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2009

Description of properties	Location	Latest Valuation Date	Valuation			Percentage of net assets attributable to Unitholders	
			30 June 2009		30 June 2008	30 June 2009	30 June 2008
			JPY'000		JPY'000	%	%
Yugen Kaisha (“YK”) JOF							
Three Tower	Sapporo	30 June 2009	844,000	(e)	960,000 (a)	3.4	3.1
Luna Heights	Sapporo	30 June 2009	243,000	(e)	257,000 (a)	1.0	0.8
Matsui 53	Sapporo	30 June 2009	172,000	(e)	191,000 (a)	0.7	0.6
Plaza Nakajima Park	Sapporo	30 June 2009	303,000	(e)	340,000 (a)	1.2	1.1
Chateau Nakanoshima	Sapporo	30 June 2009	223,000	(e)	250,000 (a)	0.9	0.8
Chateau 24	Sapporo	30 June 2009	483,000	(e)	561,000 (a)	2.0	1.8
YK KOKKEI							
Glance Nishimachi	Sapporo	30 June 2009	378,000	(e)	427,000 (a)	1.5	1.4
Matsui 82	Sapporo	30 June 2009	358,000	(k)	410,000 (a)	1.4	1.3
Urban Yamahana	Sapporo	30 June 2009	118,000	(k)	131,000 (a)	0.5	0.4
Misono	Sapporo	30 June 2009	271,000	(k)	319,000 (a)	1.1	1.0
Maison Towa	Sapporo	30 June 2009	173,000	(k)	199,000 (a)	0.7	0.6
Wing Befu	Fukuoka	30 June 2009	129,000	(d)	171,000 (a)	0.5	0.6
YK KEIZAN							
Chic Takaramachi	Fukuoka	30 June 2009	198,000	(d)	221,000 (a)	0.8	0.7
Matsui 38	Sapporo	30 June 2009	137,000	(e)	162,000 (a)	0.6	0.5
Sun City	Sapporo	30 June 2009	302,000	(e)	356,000 (a)	1.2	1.2
S.Heim	Sapporo	30 June 2009	105,000	(e)	120,000 (a)	0.4	0.4
Les Chambres	Sapporo	30 June 2009	68,500	(e)	81,400 (a)	0.3	0.3
Dominion Yamanote	Sapporo	30 June 2009	142,000	(e)	164,000 (a)	0.6	0.5
Treasure 15	Sapporo	30 June 2009	146,000	(e)	173,000 (a)	0.6	0.6
Infinity Higashi Sapporo	Sapporo	30 June 2009	187,000	(e)	226,000 (a)	0.8	0.7
Arati Hakata South	Fukuoka	30 June 2009	333,000	(d)	413,000 (a)	1.3	1.3
First Kotake Building	Sapporo	30 June 2009	892,000	(e)	996,000 (a)	3.6	3.2
Park Crystal	Sapporo	30 June 2009	244,000	(e)	269,000 (a)	1.0	0.9
YK SHINTOKU							
KN 21 Shiragane	Kitakyushu	30 June 2009	236,000	(a)	270,000 (b)	1.0	0.9
Urban KN 2 Kumamoto	Kitakyushu	30 June 2009	73,000	(a)	94,000 (b)	0.3	0.3
KN 7 Kirigaoka	Kitakyushu	30 June 2009	318,000	(a)	409,000 (b)	1.3	1.3
Chalet Aoyama	Kitakyushu	30 June 2009	228,000	(a)	262,000 (b)	0.9	0.9
City Room Nakai III	Kitakyushu	30 June 2009	155,000	(c)	190,000 (c)	0.6	0.6
Matsukaze Building	Hakodate	30 June 2009	261,000	(m)	307,000 (a)	1.1	1.0
Johnan Building III	Fukuoka	30 June 2009	318,000	(d)	406,000 (a)	1.3	1.3
Gold Mansion Nakao	Fukuoka	30 June 2009	134,000	(a)	168,000 (b)	0.5	0.5
Lumiere et vent	Sapporo	30 June 2009	54,200	(e)	58,500 (a)	0.2	0.2
Kohatsu 88	Sapporo	30 June 2009	48,800	(e)	57,400 (a)	0.2	0.2
Central Court Tenjin Higashi	Fukuoka	30 June 2009	134,000	(a)	189,000 (b)	0.5	0.6
Legions Yunokawa	Hakodate	30 June 2009	119,000	(m)	130,000 (a)	0.5	0.4
Etoile S12	Sapporo	30 June 2009	175,000	(e)	219,000 (a)	0.7	0.7
Villa Kaigancho	Hakodate	30 June 2009	270,000	(m)	319,000 (a)	1.1	1.0
Escort South 11	Sapporo	30 June 2009	49,900	(e)	55,000 (a)	0.2	0.2

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2009

Description of properties	Location	Latest Valuation Date	Valuation		Percentage of net assets attributable to Unitholders		
			30 June 2009 JPY'000	30 June 2008 JPY'000	30 June 2009 %	30 June 2008 %	
YK SHINTOKU (continued)							
Ebisu Building III	Sapporo	30 June 2009	68,800	(e) 80,700	(a)	0.3	0.3
Crestage Tayacho	Hakodate	30 June 2009	98,000	(m) 111,000	(a)	0.4	0.4
Heart Inn Hongou	Sapporo	30 June 2009	68,900	(e) 74,200	(a)	0.3	0.2
Reef Suite	Sapporo	30 June 2009	139,000	(e) 174,000	(a)	0.6	0.6
Alpha Shinonome	Hiroshima	30 June 2009	91,000	(k) 108,000	(a)	0.4	0.4
Saumur Meinohama II	Fukuoka	30 June 2009	54,700	(d) 67,000	(d)	0.2	0.2
Urban Hills Dainohara	Sendai	30 June 2009	144,000	(a) 158,000	(e)	0.6	0.5
Residence II Yasuda	Hiroshima	30 June 2009	98,000	(k) 108,000	(a)	0.4	0.4
Sun Park Yokokawa	Hiroshima	30 June 2009	56,100	(k) 75,400	(e)	0.2	0.2
Funairi Honmachi 54	Hiroshima	30 June 2009	178,000	(k) 211,000	(a)	0.7	0.7
Global Matsukawa Building	Hiroshima	30 June 2009	243,000	(k) 271,000	(a)	1.0	0.9
Sun Port 6	Sendai	30 June 2009	152,000	(a) 176,000	(e)	0.6	0.6
Exceed Tsuchitoi	Sendai	30 June 2009	88,000	(a) 112,000	(e)	0.4	0.4
Sun Hills Asahigaoka	Sendai	30 June 2009	56,000	(a) 68,000	(e)	0.2	0.2
Aisho Plaza Hachiman	Sendai	30 June 2009	197,000	(a) 229,000	(e)	0.8	0.7
Sun Rise Kashiwagi	Sendai	30 June 2009	188,000	(a) 236,000	(e)	0.8	0.8
Lively Kamisugi	Sendai	30 June 2009	67,000	(a) 82,800	(e)	0.3	0.3
Etoile Higashi Sendai	Sendai	30 June 2009	101,000	(h) 116,000	(e)	0.4	0.4
Mansion Lilac	Sendai	30 June 2009	45,000	(a) 61,700	(e)	0.2	0.2
U.I. Building	Hiroshima	30 June 2009	257,000	(k) 324,000	(a)	1.0	1.1
Matoba Y Building	Hiroshima	30 June 2009	175,000	(k) 212,000	(a)	0.7	0.7
Otemachi Y Building	Hiroshima	30 June 2009	181,000	(k) 222,000	(a)	0.7	0.7
Higashi Hakushima Y Building	Hiroshima	30 June 2009	164,000	(k) 202,000	(a)	0.7	0.7
Kinyacho Y Building	Hiroshima	30 June 2009	187,000	(k) 231,000	(a)	0.8	0.8
Kinyacho Grande	Hiroshima	30 June 2009	449,000	(k) 557,000	(a)	1.8	1.8
Kamei Five	Hiroshima	30 June 2009	93,000	(k) 118,000	(a)	0.4	0.4
Shinko Kokura Kogane							
Sky Mansion	Kitakyushu	30 June 2009	215,000	(f) 243,000	(f)	0.9	0.8
Katano Residential Building	Kitakyushu	30 June 2009	411,000	(f) 465,000	(f)	1.7	1.5
High Grace II	Sendai	30 June 2009	313,000	(a) 387,000	(e)	1.3	1.3
Art Side Terrace	Sapporo	30 June 2009	459,000	(e) 595,000	(a)	1.9	1.9
Jewel Town Suehiro	Hakodate	30 June 2009	148,000	(m) 172,000	(a)	0.6	0.6
Estella 24-ken A	Sapporo	30 June 2009	77,000	(e) 73,000	(g)	0.3	0.2
Niken Chaya Grand Heights	Sendai	30 June 2009	382,000	(a) 459,000	(e)	1.5	1.5
River City Kimachi	Sendai	30 June 2009	136,000	(a) 154,000	(e)	0.6	0.5
Kotoni 1-6 Mansion	Sapporo	30 June 2009	279,000	(e) 330,000	(a)	1.1	1.1
Aster Yamahana	Sapporo	30 June 2009	138,000	(e) 169,000	(a)	0.6	0.6
Patios Ohashi	Fukuoka	30 June 2009	102,000	(f) 134,000	(a)	0.4	0.4
K1 Mansion Morioka	Morioka	30 June 2009	68,700	(h) 71,800	(h)	0.3	0.2
K2 Mansion Morioka	Morioka	30 June 2009	314,000	(h) 329,000	(h)	1.3	1.1
Mon Palais Toroku	Kumamoto	30 June 2009	245,000	(a) 271,000	(b)	1.0	0.9
Rise Gofuku	Kumamoto	30 June 2009	256,000	(a) 301,000	(b)	1.0	1.0

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2009

Description of properties	Location	Latest Valuation Date	Valuation			Percentage of net assets attributable to Unitholders		
			30 June 2009	30 June 2008		30 June 2009	30 June 2008	
			JPY'000	JPY'000		%	%	
YK SHINZAN								
Chalet Kishinoura	Kitakyushu	30 June 2009	318,000	(c)	348,000	(b)	1.3	1.1
Chalet Shiragane	Kitakyushu	30 June 2009	225,000	(d)	283,000	(b)	0.9	0.9
Chalet Suwamachi	Kitakyushu	30 June 2009	277,000	(d)	345,000	(b)	1.1	1.1
Chalet Numahon Machi II	Kitakyushu	30 June 2009	168,000	(c)	222,000	(b)	0.7	0.7
Chalet Matsuo II	Kitakyushu	30 June 2009	64,800	(d)	75,000	(b)	0.3	0.2
Chalet Tsudashin Machi	Kitakyushu	30 June 2009	154,000	(d)	175,000	(b)	0.6	0.6
Chalet Harunomachi	Kitakyushu	30 June 2009	362,000	(d)	459,000	(b)	1.5	1.5
Chalet Kanda II	Kitakyushu	30 June 2009	260,000	(d)	320,000	(b)	1.1	1.0
Chalet Einomaru II	Kitakyushu	30 June 2009	112,000	(d)	134,000	(b)	0.5	0.4
EMYU Honjo	Kumamoto	30 June 2009	850,000	(c)	944,000	(b)	3.4	3.1
EMYU Shinmachi	Kumamoto	30 June 2009	601,000	(c)	653,000	(b)	2.4	2.1
Yamamoto Mansion	Kagoshima	30 June 2009	565,000	(k)	710,000	(b)	2.3	2.3
Rise Kojo Horibata	Kumamoto	30 June 2009	81,000	(c)	99,000	(b)	0.3	0.3
KC Heights	Kumamoto	30 June 2009	111,000	(c)	136,000	(b)	0.4	0.4
Rise Shimodori	Kumamoto	30 June 2009	273,000	(c)	330,000	(b)	1.1	1.1
Rise Kuhonji II	Kumamoto	30 June 2009	375,000	(c)	440,000	(b)	1.5	1.4
YK SHINGEN								
Alte Heim Kokura	Kitakyushu	30 June 2009	82,500	(f)	101,000	(b)	0.3	0.3
Alte Heim Kokura II	Kitakyushu	30 June 2009	420,000	(f)	495,000	(b)	1.7	1.6
Alte Heim Kokura IV	Kitakyushu	30 June 2009	102,000	(f)	109,000	(b)	0.4	0.4
Alte Heim Mojiekimae	Kitakyushu	30 June 2009	158,000	(f)	185,000	(b)	0.6	0.6
Alte Heim Orio	Kitakyushu	30 June 2009	294,000	(f)	335,000	(b)	1.2	1.1
Castle Kano	Sendai	30 June 2009	185,000	(a)	229,000	(e)	0.7	0.7
Clio Court	Sendai	30 June 2009	197,000	(a)	232,000	(e)	0.8	0.8
Club House Kikugaoka	Kitakyushu	30 June 2009	249,000	(c)	307,000	(c)	1.0	1.0
Core Life	Sendai	30 June 2009	435,000	(a)	512,000	(e)	1.8	1.7
Taisei Building III	Oita	30 June 2009	270,000	(f)	307,000	(b)	1.1	1.0
EMYU Heisei Keyakidori Mansion	Kumamoto	30 June 2009	709,000	(c)	789,000	(b)	2.9	2.6
EMYU Suizenji	Kumamoto	30 June 2009	1,050,000	(c)	1,070,000	(b)	4.2	3.5
Gardenia Kurashiki	Kurashiki	30 June 2009	124,000	(k)	144,000	(a)	0.5	0.5
Aistage Ushita Minami	Hiroshima	30 June 2009	275,000	(k)	349,000	(a)	1.1	1.1
Jeunes 23	Sapporo	30 June 2009	242,000	(e)	290,000	(a)	1.0	0.9
Matoba Meijibashi II	Hiroshima	30 June 2009	296,000	(a)	312,700	(e)	1.2	1.0
Rise Fujisaki Dai	Kumamoto	30 June 2009	292,000	(c)	298,000	(b)	1.2	1.0
Rise Kumadai Hospital II	Kumamoto	30 June 2009	548,000	(c)	563,000	(b)	2.2	1.8
Rise Kumamoto Station South	Kumamoto	30 June 2009	156,000	(c)	170,000	(b)	0.6	0.6
Rise Oe	Kumamoto	30 June 2009	248,000	(c)	251,000	(b)	1.0	0.8
Royal Hills Katagiri	Sendai	30 June 2009	165,000	(a)	184,000	(e)	0.7	0.6
Studio City	Sapporo	30 June 2009	200,000	(e)	240,000	(a)	0.8	0.8
Suien	Sapporo	30 June 2009	96,000	(e)	93,100	(i)	0.4	0.3
Sun Vario Shinden Eki Mae	Sendai	30 June 2009	435,000	(a)	484,000	(e)	1.8	1.6
TOA Mansion	Sapporo	30 June 2009	612,000	(e)	684,000	(a)	2.5	2.2

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2009

Description of properties	Location	Latest Valuation Date	Valuation		Percentage of net assets attributable to Unitholders		
			30 June 2009 JPY'000	30 June 2008 JPY'000	30 June 2009 %	30 June 2008 %	
YK SHINGEN (continued)							
Wealth Meinohama	Fukuoka	30 June 2009	60,000	(d)	70,600 (d)	0.2	0.2
YSK Co-op Saiwaicho	Sendai	30 June 2009	470,000	(a)	500,000 (e)	1.9	1.6
Grand Polestone Takeya	Hiroshima	30 June 2009	573,000	(a)	636,000 (e)	2.3	2.1
Grand Polestone Kinya	Hiroshima	30 June 2009	157,000	(a)	171,000 (e)	0.6	0.6
Maestoso Figur	Koriyama	30 June 2009	367,000	(h)	441,000 (e)	1.5	1.4
Leggiero Viola	Koriyama	30 June 2009	289,000	(h)	349,000 (e)	1.2	1.1
Godo Kaisha (“GK”) CHOAN							
Sec’ As Blue II	Sapporo	30 June 2009	338,000	(e)	361,000 (j)	1.4	1.2
Wing Nakahirodori	Hiroshima	30 June 2009	726,000	(m)	812,000 (b)	2.9	2.6
Abitare Shimoarata I	Kagoshima	30 June 2009	274,000	(k)	315,000 (b)	1.1	1.0
Abitare Shinyashiki	Kagoshima	30 June 2009	246,000	(k)	301,000 (k)	1.0	1.0
Royal Hills Komatsushima	Sendai	30 June 2009	132,000	(e)	157,000 (e)	0.5	0.5
Senboku Heim I	Morioka	30 June 2009	162,000	(k)	180,000 (k)	0.7	0.6
Senboku Heim II	Morioka	30 June 2009	79,500	(k)	109,000 (k)	0.3	0.4
Liesse Wakabayashi	Sendai	30 June 2009	132,000	(a)	139,000 (a)	0.5	0.5
Dear Misono	Sapporo	30 June 2009	43,900	(k)	46,000 (k)	0.2	0.2
Casa Motomachi	Sapporo	30 June 2009	295,000	(e)	299,000 (l)	1.2	1.0
Grand Polestone Tsurumi	Hiroshima	30 June 2009	384,000	(a)	440,000 (a)	1.6	1.4
La Finesse Hakataeki Minami	Fukuoka	30 June 2009	439,000	(d)	519,000 (a)	1.8	1.7
Rise Heiseiekimae	Kumamoto	30 June 2009	198,000	(c)	215,000 (b)	0.8	0.7
Maison d’Etoile II	Sendai	30 June 2009	85,700	(f)	102,000 (a)	0.3	0.3
Abitare Kohrimoto	Kagoshima	30 June 2009	268,000	(f)	310,000 (b)	1.1	1.0
Orion Heim	Fukuoka	30 June 2009	213,000	(a)	226,000 (a)	0.9	0.7
Fujimicho Building	Hiroshima	30 June 2009	341,000	(m)	429,000 (b)	1.4	1.4
Grand Polestone Fujimi	Hiroshima	30 June 2009	175,000	(m)	207,000 (b)	0.7	0.7
Grand Polestone Otemachi	Hiroshima	30 June 2009	505,000	(k)	611,000 (a)	2.0	2.0
Kusatsu Higashi Heights	Hiroshima	30 June 2009	207,000	(a)	232,000 (k)	0.8	0.8
VOGA Minami Kannon	Hiroshima	30 June 2009	199,000	(a)	191,000 (k)	0.8	0.6
Le Pied Hirao	Fukuoka	30 June 2009	260,000	(a)	296,000 (k)	1.1	1.0
Residence Shiroishi ABCD	Sapporo	30 June 2009	534,000	(m)	535,000 (b)	2.2	1.7
GEO Kamiokawamaedori 3	Niigata	30 June 2009	380,000	(k)	423,000 (l)	1.5	1.4
Hills Kawabata	Niigata	30 June 2009	278,000	(k)	306,000 (l)	1.1	1.0
Hills Nogizaka	Niigata	30 June 2009	318,000	(k)	358,000 (l)	1.3	1.2
Grand Polestone Otemachi II	Hiroshima	30 June 2009	371,000	(k)	457,000 (a)	1.5	1.5
Grand Polestone Higashi Hiratsuka	Hiroshima	30 June 2009	409,000	(k)	494,000 (a)	1.7	1.6
Floreceer Miyagino	Sendai	30 June 2009	258,000	(f)	272,000 (a)	1.0	0.9
Shinonome Heights	Hiroshima	30 June 2009	174,000	(a)	181,000 (k)	0.7	0.6
Estate 18 Shinonome	Hiroshima	30 June 2009	263,000	(a)	272,000 (k)	1.1	0.9
Royal Shinonome	Hiroshima	30 June 2009	334,000	(a)	321,000 (k)	1.4	1.0
Villa Kaita	Hiroshima	30 June 2009	320,000	(a)	314,000 (k)	1.3	1.0
Arioso Phrase	Koriyama	30 June 2009	465,000	(a)	491,000 (e)	1.9	1.6

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

As at 30 June 2009

Description of properties	Location	Latest Valuation Date	Valuation		Percentage of net assets attributable to Unitholders		
			30 June 2009 JPY'000	30 June 2008 JPY'000	30 June 2009 %	30 June 2008 %	
GK CHOAN (continued)							
Fantage Yaotome	Sendai	30 June 2009	213,000	(f)	235,000	(l) 0.9	0.8
Towa Kita 7 Jo	Sapporo	30 June 2009	334,000	(m)	355,000	(b) 1.4	1.2
Towa Kotoni	Sapporo	30 June 2009	293,000	(m)	327,000	(b) 1.2	1.1
Relief Ohorinishi	Fukuoka	30 June 2009	119,000	(m)	130,000	(b) 0.5	0.4
GK CHOGEN							
Romaage Kamidori Namikizaka	Kumamoto	30 June 2009	656,000	(d)	764,000	(b) 2.7	2.5
GK CHOSEI							
Quest Tower Noboricho	Hiroshima	30 June 2009	552,100	(n)	685,000	(a) 2.2	2.2
Investment properties			42,734,100		49,062,300	172.8	160.0
Other assets and liabilities (net)			(18,007,586)		(18,369,227)	(72.8)	(59.9)
Net assets			24,726,514		30,693,073	100.0	100.1
Net assets attributable to minority interests			—		(30,635)	—	(0.1)
Net assets attributable to Unitholders			24,726,514		30,662,438	100.0	100.0

The properties above comprise of freehold land and freehold buildings, and are used primarily for residential and residential-related purposes.

The carrying amounts of the properties were based on independent full valuations undertaken by:

- (a) Rich Appraisal Institute Co., Ltd,
- (b) Asset Research Corporation,
- (c) KK Sakura Business Partners,
- (d) KK Soken,
- (e) Real Value Inc.,
- (f) Prime Appraisal Institute Co., Ltd,
- (g) Mizuno Real Estate Appraisal Office,
- (h) Real Estate Appraisal Aota Jimusho,
- (i) Toho Appraisal,
- (j) Kokudo Kantei Research Institute Co., Ltd,
- (k) Tokyo Asset Research Inc.,
- (l) Total Asset Research,
- (m) KK Asset Research, and
- (n) Chuo Real Estate Appraisal Co., Ltd.

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on the Income Approach, which includes the direct capitalisation method and discounted cash flow method.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2009

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Saizen Real Estate Investment Trust ("Saizen REIT") is a Singapore domiciled unit trust constituted pursuant to the Trust Deed dated 27 September 2007 between Japan Residential Assets Manager Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of Saizen REIT in trust for the holders ("Unitholders") of units in Saizen REIT (the "Units").

Saizen REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 November 2007 (the "Listing") and was included in the Central Provident Fund ("CPF") Investment Scheme on 9 November 2007.

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.

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 TK investor can enter into TK arrangements with TK operators either through the acquisition from existing TK investors of all rights and obligations under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

During the financial year, Saizen REIT has entered into three TK agreements with existing Japanese TK operators, being Godo Kaisha ("GK") Chogen, Yugen Kaisha ("YK") JOF and YK Shinzan for increase in investment in these TK operators. During financial period ended 30 June 2008, Saizen REIT had entered into TK agreements with nine Japanese TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan and GK Chogen. Under the TK agreements, the net income of the TK business, comprising principally the income generated from the property holding business, will be passed up to Saizen REIT. Saizen REIT is entitled to 97.0% of the profits and losses of such business while the shareholder of the TK operators is entitled to the remaining 3.0% of the allocated profits and losses. Saizen REIT is, therefore, exposed to the majority of risks and rewards from its agreements with the TK operators and the underlying property holding business.

The Manager has assessed the economic reality of Saizen REIT and its investment activities through the TK operators, and concluded that as Saizen REIT primarily bears the risks and enjoys the benefits under the TK agreements, the TK operators are considered as special purpose entities. The consolidated financial statements of Saizen REIT are presented on a group basis by consolidating Saizen REIT and the TK operators as special purpose entities (together referred to as the "Group").

Refinancing plan

As at 30 June 2009, the Group has interest-bearing borrowings amounting to JPY14.9 billion that are due for repayment between 2 November 2009 and 25 January 2010. Borrowings of YK Keizan, YK Kokkei and YK Shingen, amounting to JPY 1.5 billion, JPY0.8 billion and JPY 4.6 billion respectively, will be repaid with cash generated from operating activities and loan facility available to the Group.

The Manager is in negotiations with financial institutions to refinance the borrowings of YK Shintoku amounting to JPY8.0 billion.

Notes to the Financial Statements

For the financial year ended 30 June 2009

1. General information (continued)

Refinancing plan (continued)

In accordance with the loan agreement of YK Shintoku, if the loan goes into default, the lender has the right to take control of YK Shintoku (including its property portfolio). In the worst case scenario, the lender will take control of the assets and corresponding liabilities (being the net assets adjusted for dues to Saizen REIT) of YK Shintoku, which amounted to JPY 2.5 billion as at 30 June 2009, which approximates 10% of the net asset value of the Group as at 30 June 2009. In the event that the foreclosure action by the lender results in proceeds in excess of the outstanding loan amount and reasonable costs for foreclosure action of YK Shintoku, Saizen REIT will then be able to recoup an amount equivalent to this excess.

The subsidiary's ability to continue as a going concern is dependent on the successful outcome of these negotiations. This condition indicates the existence of a material uncertainty, which may cast significant doubt on the subsidiary's ability to continue as a going concern. If the subsidiary is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that its assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet. In addition, the subsidiary may have to provide for further liabilities which may arise. The Group's financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern.

Service agreements

Saizen REIT has entered into several service agreements in relation to the management of Saizen REIT and its property operations. The fee structures for these services are as follows:

(a) *Trustee's fees*

The Trustee's fee shall not exceed 0.03% per annum of the value of the Deposited Property (being all the assets of Saizen REIT as stipulated in the Trust Deed), subject to an aggregate minimum fee of S\$10,000 per month, or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders.

The Trustee's fee is payable out of the Deposited Property of Saizen REIT on a monthly basis, in arrears. The Trustee is also entitled to the reimbursement of all reasonable out-of-pocket expenses (including a one-time inception fee of S\$25,000) incurred by it in the performance of its duties under the Trust Deed.

(b) *Manager's Management fees*

The Manager is entitled to receive 0.5% per annum of the monthly weighted average value of all property assets of Saizen REIT (or proportional share) for the time being held or deemed to be held upon the trusts under the Trust Deed from time to time (the "Property Assets"). For the avoidance of doubt, cash does not form part of the Property Assets.

The management fee payable to the Manager will be paid in the form of cash and/or Units (as it may in its sole discretion determine). Where the management fees are paid in cash, the amounts are paid monthly in arrears. Where the management fees are paid in the form of Units, the amounts are paid quarterly in arrears.

(c) *Acquisition and Divestment fees*

The Manager is also entitled to receive an acquisition fee of 1.0% of the acquisition price and a divestment fee of 0.3% of the sale price on all future acquisitions or disposals of properties.

The acquisition and disposal fee will be paid in the form of cash and/or Units and is payable as soon as practicable after completion of the acquisition and disposal respectively.

Notes to the Financial Statements

For the financial year ended 30 June 2009

1. General information (continued)

Service agreements (continued)

(d) *Asset Manager's asset management fees*

The Asset Manager is entitled to receive 3.0% of the net profits of the property-holding business (before deducting the asset management fee and any expense of such business payable to Saizen REIT), calculated in accordance with accounting standards applicable to the property holding vehicles (the "Property Business Profits").

In the case of a TK arrangement, JPY150,000 per annum for overhead incurred by each TK operator will be deducted from the Property Business Profits.

The asset management fee is payable out of the Deposited Property of property holding vehicles, on a monthly basis, in advance.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountants of Singapore and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

The financial statements, which are expressed in Japanese Yen ("JPY"), the functional currency of Saizen REIT and rounded to the nearest thousand, have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

There are no new or amended Standards and Interpretations effective in financial year 2009 which are relevant to the Group.

2.2 Revenue recognition

(a) *Rental income and rental-related income*

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Rental-related income includes non-refundable deposits from tenants which are amortised over the lease terms. The amortisation is taken to the Statements of Total Return.

(b) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.3 Expenses

(a) *Property expenses*

Property expenses are recognised on an accrual basis.

(b) *Trustee's fees, manager's management fees, acquisition and divestment fees and asset management fees*

These expenses are recognised on an accrual basis using the applicable formula stipulated in Note 1(a) - (d).

(c) *Borrowing costs*

Interest expense and similar charges are recognised on a time proportion basis in the period in which they are incurred using the effective interest method.

2.4 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

The Group identified the TK operators established in Japan as special purpose entities as defined in Interpretations of Financial Reporting Standards 12 Consolidation - Special Purpose Entities ("INT FRS 12"). The TK operators are principally engaged in the investment holding business. Under the TK agreements, the Group primarily bears the risks and enjoys the benefits of the investments held by TK operators and, accordingly, consolidates their financial statements for reporting purpose.

The TK operators are consolidated from the date on which the relationship of special purpose entities defined under INT FRS 12 is established between the Group and the TK operators. They are de-consolidated from the date that such relationship ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to Note 2.7 for Saizen REIT's accounting policy on investments in subsidiaries in separate financial statements of Saizen REIT.

(b) *Minority interests*

Minority interests represent the interests in the operating results and net assets of special purpose entities attributable to the shareholder of the TK operators, in accordance with the TK agreements.

2.5 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Japanese Yen, which is Saizen REIT's functional currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the Statement of Total Return.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.6 Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment properties are initially recognised at cost, including related transaction costs.

After initial recognition, investment properties are carried at fair value. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent professional valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

Changes in fair values are recognised in the Statement of Total Return as a net appreciation or depreciation in the value of the investment properties.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Total Return during the financial period in which they are incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the Statement of Total Return.

2.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.16) in Saizen REIT's balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the Statement of Total Return.

2.8 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) *Classification (continued)*

(i) Financial assets, at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "deposits with cash management agent" and "trade and other receivables" on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the Statement of Total Return.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the Statement of Total Return.

(d) *Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the Statement of Total Return when the changes arise.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. The amount of allowance for impairment is recognised in the Statement of Total Return.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delay in payments are objective evidence that the receivable is impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the Statement of Total Return.

The allowance for impairment loss account is reduced through the Statement of Total Return in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.10 Trade payables

Trade payables are initially measured at fair value, and subsequently at amortised cost, using the effective interest method.

2.11 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Total Return over the period of the borrowings using the effective interest method.

2.12 Leases

The Group leases investment properties to third parties.

(a) *Finance leases*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the Statement of Total Return on a basis that reflects a constant periodic rate of interest on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the Statement of Total Return over the lease term on the same basis as the lease income.

(b) *Operating leases*

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the Statement of Total Return on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the Statement of Total Return over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the Statement of Total Return when earned.

2.13 Income tax

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.13 Income tax (continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the Statement of Total Return, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.14 Provisions

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the Statement of Total Return as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the Statement of Total Return when the changes arise.

2.15 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.16 Impairment of non-financial assets

Investments in subsidiaries and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.16 Impairment of non-financial assets (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the Statement of Total Return.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the Statement of Total Return.

2.17 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the Statement of Total Return when the changes arise.

2.18 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair value of interest rate caps and interest rate swaps are determined based on brokers' quote. The fair value of warrants are determined based on quoted market prices at the balance sheet date.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.19 Issue expenses

Issue expenses relate to expenses incurred in the issuance of units in Saizen REIT. Issue expenses directly attributable to the issue of new units are deductible from net assets attributable to the Unitholders. Other issue expenses are recognised in the Statement of Total Return in the period in which they are incurred.

Notes to the Financial Statements

For the financial year ended 30 June 2009

2. Significant accounting policies (continued)

2.20 Distribution policy

The distribution of Saizen REIT is based on the cash flow it receives from the TK operators pursuant to its TK interests under the TK agreements entered into with the TK operators. Due to the difference between cash flow and accounting profits of the TK operators as further discussed below, the cash flow received by Saizen REIT may comprise profits from the TK operators' operations and return of capital from the TK interests.

Under the TK agreements, Saizen REIT will be entitled to 97.0% of the profits of the TK business and such profits are subject to a withholding tax at a rate of 20.0% when distributed to Saizen REIT. Return of capital from the TK interests is not taxable. After deducting expenses at the Saizen REIT level such as the Manager's fee, the Trustee's fee, other trust expenses and hedging costs (if any), the residual cash flow is available for distribution to Unitholders as distributable income (the "Distributable Income").

Saizen REIT's distribution policy is to distribute at least 90.0% of its Distributable Income in each financial year. For the avoidance of doubt, Distributable Income excludes cash from realisation of investments pursuant to sale of the underlying real properties by the TK operators.

Saizen REIT's distribution to Unitholders is not affected by non-cash expense items and unrealised gains or losses.

The actual proportion of Saizen REIT's distributable income distributed to the Unitholders may be greater than 90.0%, to the extent that the Manager believes it to be appropriate, having regard to Saizen REIT's funding requirements, other capital management considerations and the overall stability of distributions. Distributions, when made, will be in Singapore dollars.

Pending the repayment and refinancing of the loans which are falling due by end 2009 and early 2010, the Board of the Manager ("Board") believes it will be prudent for Saizen REIT to conserve cash at this juncture. The Board therefore does not propose to declare any distribution for FY2009.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involve certain estimates.

The fair values are determined using the Income Approach, which includes the direct capitalisation method and discounted cash flow method. This approach involves the estimation of income and expenses, taking into account expected future changes in economic and social conditions, which may affect the value of the properties.

The Manager is of the view that the valuation methods and estimates are reflective of the current market condition.

(b) Income tax

The profit of the TK business which is distributed to Saizen REIT is subject to only withholding income tax in Japan. This profit distributed to Saizen REIT is exempt from Japan national and local corporate income taxes, subject to the TK arrangement meeting certain organizational and operational requirements. The Group calculated the tax expense on the basis that the requirements have been adhered to. In the event that the requirements are not met, the final tax outcome will be different from the amounts that were initially recorded. Such differences will impact the income tax in the period which such determination is made.

Notes to the Financial Statements

For the financial year ended 30 June 2009

4. Gross Revenue

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Distribution income	—	—	801,096	636,539
Rental income	4,127,354	3,486,231	—	—
Rental-related income	141,397	92,115	—	—
	4,268,751	3,578,346	801,096	636,539

5. Property operating expenses

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Property related taxes	317,000	266,572	—	—
Property management fees	166,611	143,305	—	—
Operation and maintenance	212,992	175,368	—	—
Renovations	197,030	175,885	—	—
Marketing and leasing commission	174,845	118,274	—	—
Utilities	183,449	144,934	—	—
Insurance	55,480	47,041	—	—
Allowance for impairment on trade receivables	2,190	1,618	—	—
Trade receivables written off	798	761	—	—
Net consumption tax expense for operations	44,672	17,880	—	—
	1,355,067	1,091,638	—	—

Property-related taxes comprised property tax of 1.4% (2008: 1.4%) and city planning tax of 0.3% (2008: 0.3%) on the municipal government's assessed value of the land and building.

Notes to the Financial Statements

For the financial year ended 30 June 2009

6. Other trust expenses

Included in other trust expenses are:

	2009	Group	Saizen REIT	Saizen REIT
	JPY'000	2008	For the	For the
		JPY'000	financial	financial
			year ended	period from
			30 June 2009	27 September
			JPY'000	2007 to
				30 June 2008
				JPY'000
Auditors' remuneration ¹	35,560	26,559	13,342	12,000
Property valuation fees paid on behalf of subsidiaries	46,508	39,437	46,508	39,437
Goods and services tax	12,698	10,589	12,698	10,589
Acquisition fees paid on behalf of subsidiaries	—	—	—	72,476
	94,766	76,585	72,548	134,502

Note:

¹ Included in the prior year's issue expenses taken to the Statement of Total Return and Unitholders' Funds are fees paid to auditors of Saizen REIT amounting to JPY100,246,000 and JPY55,549,000 respectively, for acting as reporting accountants. Prior year's issue expenses taken to the Statement of Total Return also include fees for other non-audit services amounting to JPY2,184,000. Fees for non-audit services paid to auditors of Saizen REIT taken to the Statement of Total Return amounted to JPY 670,000 for the financial year ended 30 June 2009.

7. Finance costs

	2009	Group	Saizen REIT	Saizen REIT
	JPY'000	2008	For the	For the
		JPY'000	financial	financial
			year ended	period from
			30 June 2009	27 September
			JPY'000	2007 to
				30 June 2008
				JPY'000
Interest expense:				
- Bank borrowings	1,152,403	897,917	—	—
- Other	38	417	38	417
Exchange loss	19,326	323,777	1,018	323,777
	1,171,767	1,222,111	1,056	324,194

Included in interest expense from bank borrowings are amortisation of loan commission, amounting to JPY213,586,000 (2008: JPY151,462,000).

Notes to the Financial Statements

For the financial year ended 30 June 2009

8. Income tax

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Tax (credit)/expense attributable to return is made up of:				
Current income tax				
- Foreign	160,876	129,751	160,219	128,815
Deferred income tax (Note 19)	(181,869)	(646,842)	-	-
	(20,993)	(517,091)	160,219	128,815

The income tax expense on the results for the financial period differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Total loss for the year before income tax	(4,827,379)	(4,250,904)	(7,644,965)	(826,545)
Tax calculated at tax rate of 17% (2007: 18%)	(820,654)	(765,163)	(1,299,644)	(148,778)
Effects of:				
- Different tax rates in other countries	(147,543)	(67,102)	24,033	12,731
- Partial tax exemption	(637)	(2,140)	(637)	(2,140)
- Expenses not deductible for tax purposes	1,042,230	434,522	1,558,146	267,192
- Income not subject to tax	(121,679)	(103,316)	(121,679)	-
- Other	27,290	(13,892)	-	(190)
Tax (credit)/charge	(20,993)	(517,091)	160,219	128,815

The Ministry of Finance has issued a tax ruling on the taxation of Saizen REIT for the income earned after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling, Saizen REIT will not be taxed on TK distribution receivable from the TK operators in Japan.

The above tax ruling does not apply to gains derived from the sale of real properties or TK interests by Saizen REIT. Such gains, if they are considered as trading gains, are assessable to tax on Saizen REIT. Where the gains are capital gains, Saizen REIT will not be assessed to tax.

Notes to the Financial Statements

For the financial year ended 30 June 2009

9. Earnings per Unit

Earnings per Unit 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 year.

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the loss attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the year plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units. Diluted and basic earnings per Unit are similar as there are no dilutive potential Units during the year.

EPU		FY2009	FY2008
Total loss for the year attributable to Unitholders for basic and diluted EPU (JPY'000)		(4,775,751)	(3,646,192)
Basic and diluted EPU	- per Unit (JPY)	(7.49)	(7.77)
	- per Unit (S\$ cents)	(11.10) ¹	(10.13) ²
Units		FY2009	FY2008
Weighted average number of Units applicable to basic and diluted EPU ('000)		637,421	469,327

Basic earnings per Unit calculation for the financial years ended 30 June 2009 and 2008 is based on the weighted average number of Units of 637,420,581 and 469,327,069 outstanding during the respective financial years after adjustments for the effects of the rights issue completed in June 2009.

Notes:

¹ Based on S\$ / JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009

² Based on S\$ / JPY average exchange rate of 76.7 between 1 July 2007 and 30 June 2008

10. Deposits with cash management agent

The balance relates to deposits placed with cash management agent as required by the bank borrowing agreements. The deposits are restricted for use and are required to be maintained for payments of certain operating expenses and capital expenditure of the properties, and a minimum amount of deposits placed with the cash management agent should be maintained. The calculation of minimum amount of deposits required is based on the estimated future capital expenditure for each investment property acquired.

As at 30 June 2009, the minimum amount of deposits required is JPY1,989,325,000 (2008: JPY2,267,703,000).

11. Cash and cash equivalents

	Group		Saizen REIT	
	2009 JPY'000	2008 JPY'000	2009 JPY'000	2008 JPY'000
Cash at bank and on hand	5,070,301	3,959,558	492,040	227,485
Short-term bank deposits	—	1,649,560	—	1,649,560
	5,070,301	5,609,118	492,040	1,877,045

Notes to the Financial Statements

For the financial year ended 30 June 2009

12. Trade and other receivables

	Group		Saizen REIT	
	2009 JPY'000	2008 JPY'000	2009 JPY'000	2008 JPY'000
Trade receivables	15,488	15,212	–	–
Less: Allowance for impairment	(6,848)	(4,658)	–	–
Trade receivables – net	8,640	10,554	–	–
Interest receivable	–	8,437	–	8,437
Deferred rent receivable	32,361	16,500	–	–
Distribution receivable from subsidiaries	–	–	1,235,323	636,539
Goods and services tax receivable	5,390	65,053	5,390	65,053
	46,391	100,544	1,240,713	710,029

Deferred rent receivable relates to rental incentives (rent free period) granted to tenants which will be amortised over the remaining lease term.

13. Other current assets

	Group		Saizen REIT	
	2009 JPY'000	2008 JPY'000	2009 JPY'000	2008 JPY'000
Prepayments	29,862	30,655	1,679	1,991
Deposits	512	500	–	–
Prepaid transaction costs for borrowings	–	14,075	–	–
Prepaid asset management fees	6,626	1,684	–	–
	37,000	46,914	1,679	1,991

14. Derivative financial instruments

	Group Contract/notional amount		Group Fair value assets/(liabilities)	
	2009 JPY'000	2008 JPY'000	2009 JPY'000	2008 JPY'000
Interest rate swap	5,900,000	–	(72,999)	–
Interest rate cap	480,000	480,000	36	559
Warrants	2,940,626	–	(1,797,050)	–

	Saizen REIT Contract/notional amount		Saizen REIT Fair value assets/(liabilities)	
	2009 JPY'000	2008 JPY'000	2009 JPY'000	2008 JPY'000
Interest rate swap	–	–	–	–
Interest rate cap	–	–	–	–
Warrants	2,940,626	–	(1,797,050)	–

Notes to the Financial Statements

For the financial year ended 30 June 2009

14. Derivative financial instruments (continued)

(i) *Interest rate swap*

The TK operator GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan of JPY 5.9 billion (the "GK Choan Loan"). The GK Choan Loan is subject to a variable interest rate of 1.55% per annum plus 3-month JPY LIBOR. In order to fix the interest rate of the GK Choan Loan throughout its term of up to June 2011, GK Choan has entered into interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 1.11% per annum, in exchange for a variable payment for 3-month JPY LIBOR. The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 2.66% (being 1.55% + 1.11%) per annum.

The realised loss (payment) on interest rate swap refers to the settlement of the difference between an interest rate of 1.11% per annum and the then prevailing 3-month JPY LIBOR. Consequently when computing the interest expense of the Group, the realised loss payment on interest rate swap is included.

This interest rate swap is classified as a derivative financial instrument and recognised as a non-current liability on the Group's balance sheet as at 30 June 2009. Under FRS 39, the interest rate swap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate swap in the Statement of Total Return of the Group if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate swap does not affect the amount available for distribution and does not have any impact on cash flow.

(ii) *Interest rate cap*

The TK operator GK Chosei uses an interest rate cap to hedge against fluctuations in interest rates in respect of its loan of JPY 0.5 billion (the "GK Chosei Loan"). The GK Chosei Loan is subject to a variable interest rate of 3.0% per annum plus 3-month JPY LIBOR. GK Chosei has purchased an interest rate cap which caps the 3-month JPY LIBOR rate at an upper limit of 2.5%.

This interest rate cap is classified as a derivative financial instrument and recognised as a non-current asset on the Group's balance sheet. Under FRS 39, the interest rate cap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate cap in the Statement of Total Return if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate cap does not affect the amount available for distribution and does not have any impact on cash flow.

(iii) *Rights and warrants*

Rights and warrants issued by Saizen REIT during the year are denominated in Singapore Dollar, which is not the functional currency of Saizen REIT. The details of the issue of rights and warrants are disclosed in Note 20 of the financial statements. Accordingly, under the requirements of FRS 32 paragraph 16(b)(ii), it was not an issue of a fixed number of shares for a fixed amount of cash, and therefore the Group is prohibited from accounting for the issue of rights and warrants as equity instruments. The issue of rights and warrants have been accounted for as derivative financial liabilities at the end of the financial year and are measured in accordance with the accounting policy for derivative financial instruments set out in Note 2.17.

Under FRS 39, these derivative financial liabilities are measured at their fair value. The fair value of rights at inception is recognised in the Statements of Movements in Unitholders' fund as a deemed distribution to Unitholders. Subsequently, the rights issue is re-measured at fair value with movements in fair value recognised in the Statement of Total Return until the exercise of the rights which was on 25 May 2009.

Warrants that are outstanding are classified as derivative financial instruments and recognised as derivative liabilities on the Group's balance sheet. Any gain or loss arising from changes in the fair value of the warrants is recognised as a fair value gain or loss on warrants in the Statement of Total Return. The fair value gain or loss on warrants does not have any impact on cash flow. The exercise price of the warrants is fixed at S\$0.09 each.

Notes to the Financial Statements

For the financial year ended 30 June 2009

15. Investments in subsidiaries

	Saizen REIT	
	2009 JPY'000	2008 JPY'000
Balance at beginning of the financial year	31,156,661	–
- Acquisition of TK interest	–	19,824,661
- New TK agreements	–	735,000
- Additional investments in TK operators (Note a)	2,385,000	10,597,000
- Return on investments in TK operators	(58,150)	–
- Impairment losses	(8,572,278)	–
Balance at end of the financial year	24,911,233	31,156,661

Details of the subsidiaries are included in Note 27.

During the year, Saizen REIT has made additional investments in the following TK operators:

(a) Name of entities	2009 JPY'000	2008 JPY'000
YK JOF	1,220,000	95,000
YK Kokkei	–	94,000
YK Keizan	–	60,000
YK Shintoku	–	48,000
YK Shingen	–	3,300,000
YK Shinzan	1,140,000	–
GK Choan	–	7,000,000
GK Chogen	25,000	–
	2,385,000	10,597,000

16. Investment properties

	Group	
	2009 JPY'000	2008 JPY'000
Balance at beginning of the financial year	49,062,300	29,930,200
Acquisition of subsidiaries	–	15,182,572
Acquisition of investment properties	–	8,613,295
Capital expenditure	116,891	–
Net fair value losses recognised in the Statement of Total Return	(6,445,091)	(4,663,767)
Balance at end of the financial year	42,734,100	49,062,300

Investment properties amounting to JPY37.9 billion (2008: JPY43.1 billion) are pledged as security for bank facilities granted to the TK operators.

The carrying amount of the Group's interests in investment properties as at 30 June 2009 and 30 June 2008 are based on independent valuations undertaken by independent professional valuers. Details of the properties are disclosed in the Portfolio Statement.

Notes to the Financial Statements

For the financial year ended 30 June 2009

17. Borrowings

	2009 JPY'000	Group 2008 JPY'000
<i>Current</i>		
Bank loans	16,819	19,130
Commercial mortgage-backed securities loans	14,873,962	5,295,349
	14,890,781	5,314,479
<i>Non-current</i>		
Bank loans	6,932,075	4,690,054
Commercial mortgage-backed securities loans	–	14,782,563
	6,932,075	19,472,617
Total borrowings	21,822,856	24,787,096

Borrowings are secured over some of the Group's investment properties (Note 16).

(i) Maturity of non-current borrowings

	2009 JPY'000	Group 2008 JPY'000
Between one to two years	879,975	18,698,021
Between two to five years	5,829,106	527,784
Over five years	222,994	246,812
	6,932,075	19,472,617

(ii) Interest rate risks

The weighted average effective interest rate of total borrowings at the balance sheet date was 3.06% (2008: 3.19%).

(iii) Carrying amounts and fair values

The carrying amounts of borrowings approximated their fair values. The fair values were determined from cash flow analyses, discounted at the borrowing rates which the directors expected to be available to the Group at the balance sheet date.

18. Other current liabilities

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT 2009 JPY'000	2008 JPY'000
Accrued interest payable on borrowings	65,595	92,412	–	–
Accrued operating expenses	282,477	358,196	88,220	139,731
Net consumption tax payable	10,642	4,807	–	–
	358,714	455,415	88,220	139,731

Notes to the Financial Statements

For the financial year ended 30 June 2009

19. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2009 JPY'000	Group 2008 JPY'000
Deferred income tax liabilities		
- to be settled after one year	143,720	325,589

Movement in deferred income tax account is as follows:

	2009 JPY'000	Group 2008 JPY'000
Balance at beginning of the financial year	325,589	358,889
Acquisition of subsidiaries	—	613,542
Tax credited to		
- Statement of Total Return (Note 8)	(181,869)	(646,842)
Balance at end of the financial year	143,720	325,589

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

Deferred income tax liabilities

	Fair value gain on investment properties JPY'000	Other JPY'000	Total JPY'000
2009			
Balance at beginning of the financial year	148,471	177,118	325,589
Tax credited to			
- Statement of Total Return	(90,646)	(91,223)	(181,869)
Balance at end of the financial year	57,825	85,895	143,720
2008			
Balance at beginning of the financial year	270,993	97,395	368,388
Acquisition of subsidiaries	445,721	167,821	613,542
Tax credited to			
- Statement of Total Return	(568,243)	(88,098)	(656,341)
Balance at end of the financial year	148,471	177,118	325,589

Notes to the Financial Statements

For the financial year ended 30 June 2009

19. Deferred income taxes (continued)

Deferred income tax assets

	Differences in amortisation for tax purposes JPY'000	Total JPY'000
2009		
Balance at beginning of the financial year	—	—
Tax charged to		
- Statement of Total Return	—	—
Balance at end of the financial year	—	—
2008		
Balance at beginning of the financial year	(9,499)	(9,499)
Tax charged to		
- Statement of Total Return	9,499	9,499
Balance at end of the financial year	—	—

20. Units in issue

	Saizen REIT No. of Units	
	2009 '000	2008 '000
Units at beginning of the financial year	451,149	—
Units created at acquisition of subsidiaries	—	253,260
Units created at initial public offering	—	196,740
Units created at rights issue	497,185	—
Units created at exercise of warrants	22	—
Units created, as settlement of acquisition fee and management fee	838	1,149
Units at end of the financial year	949,194	451,149

On 4 May 2009, Saizen REIT undertook a renounceable non-underwritten rights issue (the "Rights Units") in the capital of the Saizen REIT with 497,185,362 free detachable and transferable warrants ("Warrants"), at an issue price of S\$0.09 for each Rights Units with Warrant, on the basis of eleven Rights Units with eleven Warrants for every ten existing units in the capital of the Saizen REIT held by entitled unitholders as at 6 May 2009, being the books closure date determined by the Saizen REIT for the purposes of determining the entitlements of shareholders to the Rights Units with Warrant.

Pursuant to the Rights Units which closed on 25 May 2009, 497,185,362 Rights Units and 497,185,362 Warrants were allotted and issued on 3 June 2009. Following this and the units issued from exercise of warrants by Unitholders, the total number of issued units of the Saizen REIT has increased to 949,194,055 units as at 30 June 2009.

Each Warrant carries the right to subscribe for one new unit in the capital of the Saizen REIT ("New Unit") at an exercise price of S\$0.09 for each New Unit, such warrant to expire on the date immediately preceding the third anniversary of 3 June 2009. The total number of Warrants outstanding as at 30 June 2009 is 497,163,362. The maximum number of New Units that may be issued pursuant to the exercise of the Warrants as at year end is 497,163,362.

The Rights Units and New Units rank *pari passu* in all respects with the previously issued units, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Units and the relevant exercise date of the Warrants.

Notes to the Financial Statements

For the financial year ended 30 June 2009

20. Units in issue (continued)

Each unit in Saizen REIT represents an undivided interest in Saizen REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the units held;
- participate in the termination of Saizen REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Saizen REIT less any liabilities, in accordance with their proportionate interests in Saizen REIT. However, a Unitholder does not have the right to require that any assets (or part thereof) of Saizen REIT be transferred to him; and
- attend all Unitholders' meetings. The Trustee of the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in the number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of Saizen REIT in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request to redeem their units while the units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any units in Saizen REIT. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of Saizen REIT exceed its assets.

21. Related party transactions

For the purpose of these financial statements, parties are considered to be related to Saizen REIT when Saizen REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Saizen REIT and the party are subject to common significant influence. Related parties may be individuals or other entities.

In addition to related party transactions disclosed elsewhere in the financial statements, the following transactions took place at terms agreed between the parties as follows:

	2009 JPY'000	Group 2008 JPY'000	Saizen REIT For the financial year ended 30 June 2009 JPY'000	Saizen REIT For the financial period from 27 September 2007 to 30 June 2008 JPY'000
Manager's management fees paid/payable to the Manager	234,747	169,609	237,747	169,609
Acquisition fees paid/payable to the Manager in relation to the acquisition of properties by the subsidiaries	-	72,476	-	72,476
Asset management fees	22,454	26,080	-	-
Rental income received from the Asset Manager	-	106	-	-
Trustee's fees	9,136	11,612	9,136	11,612
Commitment fees paid/payable to Directors of the Manager in relation to Rights Issue	10,955	-	-	-
	277,292	279,883	246,883	253,697

Notes to the Financial Statements

For the financial year ended 30 June 2009

22. Segment information

The Group's investment properties are primarily used for residential and residential-related purposes and are located in Japan. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in Japan.

23. Commitments

Operating lease commitments

The operating lease commitments are generally cancellable in nature. In line with the general practice in the Japan residential property market, the majority of the leases for the investment properties are standard two-year leases which the tenants may terminate upon giving one to two months' notice.

24. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors ("BOD") of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines, approved by the BOD.

(a) Market risk

(i) *Currency risk*

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's business is not exposed to significant currency risk and its portfolio of properties held by the TK operators is located in Japan and the cash flows from the operations of the properties are denominated in Japanese Yen.

However, Saizen REIT will receive distributions from the TK operators where cash flows at the TK level are denominated in Japanese Yen, before flowing through to Saizen REIT level where cash flows are denominated in Singapore dollars. This exposes the Group to fluctuations in the cross currency rates of the Japanese Yen and Singapore Dollar ("SGD"). Where appropriate based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group's and Saizen REIT's main currency exposure based on the information provided to key management is as follows:

	SGD JPY'000	JPY JPY'000	Group Others JPY'000	Total JPY'000
<u>At 30 June 2009</u>				
Financial Assets				
Cash and cash equivalents	84,828	4,985,049	424	5,070,301
Deposits with cash management agent	–	2,300,322	–	2,300,322
Derivative financial instruments	–	36	–	36
Trade and other receivables	5,390	41,001	–	46,391
	<u>90,218</u>	<u>7,326,408</u>	<u>424</u>	<u>7,417,050</u>
Financial Liabilities				
Rental deposits	–	(712,816)	–	(712,816)
Other current liabilities	(18,694)	(333,222)	(6,798)	(358,714)
Derivative financial instruments	(1,797,050)	(72,999)	–	(1,870,049)
Borrowings	–	(21,822,856)	–	(21,822,856)
	<u>(1,815,744)</u>	<u>(22,941,893)</u>	<u>(6,798)</u>	<u>(24,764,435)</u>
Net financial liabilities	(1,725,526)	(15,615,485)	(6,374)	(17,347,385)
Less: Net financial liabilities denominated in the respective entities' functional currencies	–	15,615,485	–	15,615,485
Currency exposure	<u>(1,725,526)</u>	<u>–</u>	<u>(6,374)</u>	<u>(1,731,900)</u>

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

	SGD JPY'000	JPY JPY'000	Group Others JPY'000	Total JPY'000
<i>At 30 June 2008</i>				
Financial Assets				
Cash and cash equivalents	1,848,767	3,759,782	569	5,609,118
Deposits with cash management agent	–	2,639,772	–	2,639,772
Derivative financial instruments	–	559	–	559
Trade and other receivables	73,490	27,054	–	100,544
	<u>1,922,257</u>	<u>6,427,167</u>	<u>569</u>	<u>8,349,993</u>
Financial Liabilities				
Rental deposits	–	(764,286)	–	(764,286)
Other current liabilities	(2,256)	(453,159)	–	(455,415)
Borrowings	–	(24,787,096)	–	(24,787,096)
	<u>(2,256)</u>	<u>(26,004,541)</u>	<u>–</u>	<u>(26,006,797)</u>
Net financial assets/(liabilities)	1,920,001	(19,577,374)	569	(17,656,804)
Less: Net financial liabilities denominated in the respective entities' functional currencies	–	19,577,374	–	19,577,374
Currency exposure	<u>1,920,001</u>	<u>–</u>	<u>569</u>	<u>1,920,570</u>

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The REIT's main currency exposure based on the information provided to key management is as follows:

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<i>At 30 June 2009</i>				
Financial Assets				
Cash and cash equivalents	84,828	406,788	424	492,040
Trade and other receivables	5,390	1,235,323	–	1,240,713
	90,218	1,642,111	424	1,732,753
Financial Liabilities				
Derivative liabilities warrants	(1,797,050)	–	–	(1,797,050)
Other current liabilities	(18,694)	(62,728)	(6,798)	(88,220)
	(1,815,744)	(62,728)	(6,798)	(1,885,270)
Net financial (liabilities)/assets	(1,725,526)	1,579,383	(6,374)	(152,517)
Less: Net financial assets denominated in the respective entities' functional currencies	–	(1,579,383)	–	(1,579,383)
Currency exposure	(1,725,526)	–	(6,374)	(1,731,900)

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<i>At 30 June 2008</i>				
Financial Assets				
Cash and cash equivalents	1,848,767	27,709	569	1,877,045
Trade and other receivables	73,490	636,539	–	710,029
	1,922,257	664,248	569	2,587,074
Financial Liabilities				
Other current liabilities	(2,256)	(137,475)	–	(139,731)
Net financial assets/(liabilities)	1,920,001	526,773	569	2,447,343
Less: Net financial assets denominated in the respective entities' functional currencies	–	(526,773)	–	(526,773)
Currency exposure	1,920,001	–	569	1,920,570

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the SGD changes against the JPY by 2% (2008: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease) 2009 Statement of Total Return JPY'000	2008 Statement of Total Return JPY'000
<u>Group</u>		
SGD against JPY		
- strengthened	34,511	38,399
- weakened	(34,511)	(38,399)
<u>Saizen REIT</u>		
SGD against JPY		
- strengthened	34,511	38,399
- weakened	(34,511)	(38,399)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has significant interest-bearing borrowings.

The Group's policy is to maintain over 90.0% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from floating rate borrowings obtained in the current year. The Group manages the material cash flow interest rate risks using interest rate cap and interest rate swap.

The Group's floating rate borrowings as at 30 June 2009 amounted to JPY6.7 billion (2008: JPY830 million), of which JPY480 million (2008: JPY480 million) and JPY5.9 billion (2008: nil) have been hedged by an interest rate cap and interest rate swap respectively (see Note 14). If the interest rates increase/decrease by 0.5% (2008: 0.5%) with all other variables including tax rate being held constant, the total return for the year after income tax will be lower/higher by JPY32 million (2008: JPY4 million) as a result of higher/lower interest expenses on these borrowings.

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group does not have significant concentration of credit risk. Trade receivables from tenants are monitored on an ongoing basis. Cash are placed with financial institutions which are regulated.

The credit risk for trade receivables and other receivables based on the information provided to key management is presented in note (ii) below. Other receivables of Saizen REIT are mainly distribution receivable from subsidiaries.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade receivables and other receivables of the Group that are neither past due nor impaired are mainly tenants which rental deposits have been collected from. None of the Saizen REIT's financial assets are past due nor impaired. Other receivables of Saizen REIT that are neither past due nor impaired are mainly distribution receivable from the subsidiaries.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	2009 JPY'000	Group 2008 JPY'000
Past due less than 1 month	6,785	8,398
Past due 1 to 2 months	1,855	2,156
	8,640	10,554

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2009 JPY'000	Group 2008 JPY'000
Gross amount	6,848	4,658
Less: Allowance for impairment	(6,848)	(4,658)
	—	—
Beginning of financial year	4,658	3,040
Allowance made	2,190	1,618
End of financial year	6,848	4,658

Allowance for impairment of receivables is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to original terms of the receivables.

Under the accounting policy, impairment on account receivables is made for rental in arrears for over 60 days.

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk

With recurring interest payment obligations and operating expenses, the Group is exposed to liquidity risk. The Group manages this risk by:

- (a) maintaining sufficient cash reserves for interest, tax, insurance, capital expenditure, leasing commissions, and other major operations-related disbursements; and
- (b) preparing budgets and cash flow forecasts, and regular monitoring and matching of assets to liabilities as they become due.

The table below analyses the maturity profile of the Group's and Saizen REIT's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year JPY'000	Between 1 and 2 years JPY'000	Between 2 and 5 Years JPY'000	Over 5 years JPY'000
<u>Group</u>				
At 30 June 2009				
Net-settled interest rate swaps	29,072	29,072	7,268	—
Rental deposits	683,341	—	—	—
Other current liabilities	358,714	—	—	—
Borrowings	15,387,900	1,176,512	5,997,760	256,004
	<u>16,459,027</u>	<u>1,205,584</u>	<u>6,005,028</u>	<u>256,004</u>
At 30 June 2008				
Rental deposits	741,997	—	—	—
Other current liabilities	455,415	—	—	—
Borrowings	6,102,397	19,270,623	579,147	292,885
	<u>7,299,809</u>	<u>19,270,623</u>	<u>579,147</u>	<u>292,885</u>
<u>Saizen REIT</u>				
At 30 June 2009				
Other current liabilities	88,220	—	—	—
At 30 June 2008				
Other current liabilities	139,731	—	—	—

Notes to the Financial Statements

For the financial year ended 30 June 2009

24. Financial risk management (continued)

Financial risk factors (continued)

(d) Capital risk

The Manager's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Unitholder value.

Management monitors capital based on aggregate leverage limit. Under the Property Fund Guidelines (issued by the Monetary Authority of Singapore), all Singapore-listed real estate investment trusts ("S-REITs") are given an aggregate leverage limit of 60.0% of its deposited property if a S-REIT has obtained a credit rating from a major credit rating agency.

The aggregate leverage ratio is calculated as total borrowings divided by total assets.

	2009 JPY'000	2008 JPY'000
Total borrowings	21,822,856	24,787,096
Total assets	50,188,150	57,459,207
Aggregate leverage ratio	43.5%	43.1%

Saizen REIT is in compliance with the borrowing limit requirement imposed by the Property Fund Guidelines for the financial year ended 30 June 2009 and 2008.

25. Financial ratios

	2009	2008
Ratio of expenses to weighted average net assets ¹		
- including performance component of asset management fees	1.92%	1.48%
- excluding performance component of asset management fees	1.83%	1.39%
Portfolio turnover rate ²	—	—

Notes:

¹ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore dated 25 May 2005.

The expenses used in the computation relate to expenses of the Group, excluding property expenses, issue expenses, borrowing costs, net foreign exchange differences and income tax expense.

² The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of Saizen REIT expressed as a percentage of daily average net asset value in accordance with the formulae stated in the Code on Collective Investment Schemes.

Notes to the Financial Statements

For the financial year ended 30 June 2009

26. Events occurring after balance sheet date

On 27 August 2009, YK Shintoku completed the divestment of U.I. Building at a net gain of JPY 1,937,000. On 9 September 2009, YK Shintoku completed the divestment of Crestage Tayacho at a net loss of JPY 10,693,000. On 31 August 2009, the Manager announced that YK Shintoku has, on 28 August 2009, entered into a conditional sale and purchase agreement for the disposal of Legions Yunokawa to an independent private investor for a cash consideration of JPY 108,130,000.

27. List of subsidiaries – TK operators

Name of entities	Principal activities	Country of business/ incorporation	Effective interest 2009 %	2008 %
Yugen Kaisha Shingen ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Yugen Kaisha Shintoku ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Yugen Kaisha Shinzan ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Yugen Kaisha JOF ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Yugen Kaisha Kokkei ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Yugen Kaisha Keizan ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Godo Kaisha Choan ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Godo Kaisha Chosei ^(a)	Special purpose entity - Investment in real estate	Japan	97	97
Godo Kaisha Chogen ^(a)	Special purpose entity - Investment in real estate	Japan	97	97

Note:

^(a) Audited by PricewaterhouseCoopers, Hong Kong.

These special purpose entities have been consolidated in the financial statements in accordance with Interpretations of Financial Reporting Standards 12: Consolidation – Special Purpose Entities, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

28. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

Currently, the Group does not present segment information since all of the Group's investment properties are used primarily for residential and residential-related purposes and are located in Japan. The Group does not expect the new operating segments to be significantly different from business segments currently disclosed.

(b) Revised FRS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 July 2009. The revised standard is not expected to have any impact to the Group, as the Group does not have significant qualifying assets, as defined under the revised FRS 23.

Notes to the Financial Statements

For the financial year ended 30 June 2009

29. Authorisation of financial statements

These financial statements were authorised for issue by the Manager and the Trustee on 22 September 2009.

Statistics of Unitholdings and Warrant-holdings

As at 10 September 2009

UNITHOLDINGS

As at 10 September 2009, Saizen REIT had 949,279,055 Units in issue.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	14	0.22	370	0.00
1,000 – 10,000	4,456	71.05	22,095,140	2.33
10,001 – 1,000,000	1,773	28.27	92,360,512	9.73
Above 1,000,000	29	0.46	834,823,033	87.94
Total	6,272	100.00	949,279,055	100.00

Based on the information available to the Manager as at 10 September 2009, approximately 79.10% of the number of Units in issue was held by the public. Hence, the Manager has complied with Rule 723 of the Listing Manual which requires at least 10% of the total number of issued Units to be at all times held by the public.

20 Largest Unitholders

No.	Name	No. of Units	%
1.	HSBC (Singapore) Nominees Pte Ltd	327,234,090	34.47
2.	Citibank Nominees Singapore Pte Ltd	89,406,786	9.42
3.	Raffles Nominees Pte Ltd	87,103,530	9.18
4.	UOB Kay Hian Pte Ltd	49,453,379	5.21
5.	DBS Nominees Pte Ltd	45,401,113	4.78
6.	United Overseas Bank Nominees	40,132,301	4.23
7.	Morgan Stanley Asia (Singapore)	37,517,100	3.95
8.	BNP Paribas Nominees Singapore Pl	31,843,664	3.35
9.	ING Nominees (Singapore) Pte Ltd	29,389,700	3.10
10.	Phillip Securities Pte Ltd	17,996,600	1.90
11.	DBS Vickers Securities (S) Pte Ltd	16,946,742	1.79
12.	DBSN Services Pte Ltd	10,079,702	1.06
13.	Kim Eng Securities Pte Ltd	6,960,833	0.73
14.	Wong Yip Chong (Pte) Ltd	6,130,000	0.65
15.	Merrill Lynch (Singapore) P L	5,719,830	0.60
16.	OCBC Securities Private Ltd	4,487,000	0.47
17.	Teo Cheng Tuan Donald	4,000,000	0.42
18.	CIMB-GK Securities Pte. Ltd.	3,684,000	0.39
19.	DB Nominees (S) Pte Ltd	3,262,575	0.34
20.	Jin Loong Properties Pte Ltd	2,900,000	0.31
Total		819,648,945	86.34

Statistics of Unitholdings and Warrant-holdings

As at 10 September 2009

List of Substantial Unitholders

Name	No. of Units (Deemed Interest)	%
ASM Hudson River Fund (“ ASMHRF ”) ⁽¹⁾	27,756,348 ⁽²⁾	2.92
ASM Asia Recovery (Master) Fund (“ ASMARMF ”) ⁽¹⁾	81,404,876 ⁽³⁾	8.58
ASM Asia Recovery Fund (“ ASMARF ”) ⁽¹⁾	81,404,876 ⁽⁴⁾	8.58
Argyle Street Management Ltd (“ ASML ”) ⁽¹⁾	109,161,224 ⁽⁵⁾	11.50
Argyle Street Management Holdings Ltd (“ ASMHL ”) ⁽¹⁾	109,161,224 ⁽⁶⁾	11.50
Mr Yeh V-Nee	125,833,810 ⁽⁷⁾	13.26
Mr Kin Chan	110,744,224 ⁽⁸⁾	11.67
Cube Capital Limited (“ CCL ”)	52,558,517 ⁽⁹⁾	5.54

Notes:

¹ ASMHRF, ASMARMF, ASMARF, ASML and ASMHL, collectively, is defined as the “**ASM Group**”.

² ASMHRF is deemed to be interested in the 27,756,348 Units held by a nominee for ASMHRF.

³ ASMARMF is deemed to be interested in the 81,404,876 Units held by a nominee for ASMARMF.

⁴ ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Pursuant to the Companies Act, ASMARF is deemed to be interested in the underlying Units held directly or indirectly by ASMARMF.

⁵ ASML is the beneficial holder of more than 20% of the voting shares of ASMHRF and ASMARF. ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Accordingly, pursuant to the Companies Act, ASML is deemed to be interested in the underlying Units held directly or indirectly by ASMHRF, ASMARF and ASMARMF.

⁶ ASMHL is the beneficial holder of more than 50% of the voting shares of ASML. Pursuant to the Companies Act, ASMHL is deemed to be interested in the 109,161,224 Units which ASML is deemed to be interested in. See note 5 above.

⁷ Mr Yeh V-Nee is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Yeh is deemed to be interested in the 109,161,224 Units which ASMHL is deemed to be interested in. See note 6 above. Mr Yeh is also deemed to be interested in 6,243,888 Units held by a company in which Mr Yeh is considered to be the beneficial holder of more than 20% of its issued share capital and 10,428,698 Units held by a nominee for Mr Yeh.

⁸ Mr Kin Chan is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Chan is deemed to be interested in the 109,161,224 Units which ASMHL is deemed to be interested in. See note 6 above. Mr Chan is also deemed to be interested in 1,583,000 Units held by a nominee for his wife Ms Seow Shu Ping Jo-Ann.

⁹ CCL is deemed to be interested in 45,131,517 Units held by nominees for funds managed by CCL. CCL is also deemed to be interested in 7,427,000 Units held by nominees for Mr. Francois Buclez who is a director of CCL.

Interests of directors of the Manager in Units (as at 21 July 2009)

Name	No. of Units (Direct interest)	No. of Units (Deemed interest)	%
Arnold Ip Tin Chee	–	6,143,549 ^(a)	0.65
Chang Sean Pey	512,000	–	0.05
Raymond Wong Kin Jeon	–	11,176,415	1.18
Soh Yew Hock	–	Nil	–
Dennis Lam Siu Sun	–	394,800	0.04
Harold Sun Dai Hoe	–	Nil	–

Note:

^a Among the 6,143,549 Units, Arnold Ip is deemed to be interested in the 3,957,855 Units held by the Manager as he is indirectly entitled to control the exercise of not less than 20% of the voting shares in the Manager.

Statistics of Unitholdings and Warrant-holdings

As at 10 September 2009

WARRANT-HOLDINGS

As at 10 September 2009, Saizen REIT had 497,078,362 Warrants outstanding.

Distribution of Warrant-holdings

Size of Warrant-holdings	No. of Warrant holders	%	No. of Warrants	%
1 – 999	32	0.96	10,439	0.00
1,000 – 10,000	2,421	72.68	11,249,918	2.26
10,001 – 1,000,000	855	25.67	45,549,091	9.16
Above 1,000,000	23	0.69	440,268,914	88.57
Total	3,331	100.00	497,078,362	100.00

Based on the information available to the Manager as at 10 September 2009, there are 3,331 Warrant holders. Hence, the Manager has complied with Rule 826 of the Listing Manual which requires at least 100 Warrant holders.

20 Largest Warrant holders

No.	Name	No. of Warrants	%
1.	HSBC (Singapore) Nominees Pte Ltd	164,827,013	33.16
2.	Citibank Nominees Singapore Pte Ltd	52,985,439	10.66
3.	Raffles Nominees Pte Ltd	51,586,091	10.38
4.	UOB Kay Hian Pte Ltd	25,061,511	5.04
5.	Morgan Stanley Asia (Singapore)	24,548,293	4.94
6.	United Overseas Bank Nominees	21,558,729	4.34
7.	DBS Nominees Pte Ltd	18,658,908	3.75
8.	BNP Paribas Nominees Singapore Pl	16,019,417	3.22
9.	Phillip Securities Pte Ltd	11,387,842	2.29
10.	DBS Vickers Securities (S) Pte Ltd	8,533,046	1.72
11.	Merrill Lynch (Singapore) P L	6,143,621	1.24
12.	Lim & Tan Securities Pte Ltd	6,041,400	1.22
13.	Kok Peng Lin Shirley	6,000,000	1.21
14.	DBSN Services Pte Ltd	5,169,424	1.04
15.	Loo Lip Giam	5,000,000	1.01
16.	Wong Yip Chong (Pte) Ltd	4,362,000	0.88
17.	Kim Eng Securities Pte Ltd	2,825,155	0.57
18.	CIMB-GK Securities Pte. Ltd.	2,599,000	0.52
19.	Cheng Lai Quek	1,585,000	0.32
20.	OCBC Securities Private Ltd	1,479,000	0.30
Total		436,370,889	87.79

Statistics of Unitholdings and Warrant-holdings

As at 10 September 2009

List of Substantial Warrant holders

Name	No. of Warrants (Deemed Interest)	%
ASM Hudson River Fund (“ ASMHRF ”) ⁽¹⁾	14,539,039 ⁽²⁾	2.92
ASM Asia Recovery (Master) Fund (“ ASMARMF ”) ⁽¹⁾	42,640,649 ⁽³⁾	8.58
ASM Asia Recovery Fund (“ ASMARF ”) ⁽¹⁾	42,640,649 ⁽⁴⁾	8.58
Argyle Street Management Ltd (“ ASML ”) ⁽¹⁾	57,179,688 ⁽⁵⁾	11.50
Argyle Street Management Holdings Ltd (“ ASMHL ”) ⁽¹⁾	57,179,688 ⁽⁶⁾	11.50
Mr Yeh V-Nee	65,912,947 ⁽⁷⁾	13.26
Mr Kin Chan	58,016,993 ⁽⁸⁾	11.67

Notes:

¹ ASMHRF, ASMARMF, ASMARF, ASML and ASMHL, collectively, is defined as the “**ASM Group**”.

² ASMHRF is deemed to be interested in the 14,539,039 Warrants held by a nominee for ASMHRF.

³ ASMARMF is deemed to be interested in the 42,640,649 Warrants held by a nominee for ASMARMF.

⁴ ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Pursuant to the Companies Act, ASMARF is deemed to be interested in the underlying Warrants held directly or indirectly by ASMARMF.

⁵ ASML is the beneficial holder of more than 20% of the voting shares of ASMHRF and ASMARF. ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Accordingly, pursuant to the Companies Act, ASML is deemed to be interested in the underlying Warrants held directly or indirectly by ASMHRF, ASMARF and ASMARMF.

⁶ ASMHL is the beneficial holder of more than 50% of the voting shares of ASML. Pursuant to the Companies Act, ASMHL is deemed to be interested in the 57,179,688 Warrants which ASML is deemed to be interested in. See note 5 above.

⁷ Mr Yeh V-Nee is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Yeh is deemed to be interested in the 57,179,688 Warrants which ASMHL is deemed to be interested in. See note 6 above. Mr Yeh is also deemed to be interested in 3,270,608 Warrants held by a company in which Mr Yeh is considered to be the beneficial holder of more than 20% of its issued share capital and 5,462,651 Warrants held by a nominee for Mr Yeh.

⁸ Mr Kin Chan is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Chan is deemed to be interested in the 57,179,688 Warrants which ASMHL is deemed to be interested in. See note 6 above. Mr Chan is also deemed to be interested in 837,305 Warrants held by a nominee for his wife Ms Seow Shu Ping Jo-Ann.

Interests of directors of the Manager in Warrants (as at 21 July 2009)

Name	No. of Warrants (Deemed interest)	%
Arnold Ip Tin Chee	3,313,287 ^(a)	0.67
Chang Sean Pey	242,000	0.05
Raymond Wong Kin Jeon	5,678,122	1.14
Soh Yew Hock	Nil	–
Dennis Lam Siu Sun	206,800	0.04
Harold Sun Dai Hoe	Nil	–

Note:

^a Among the 3,313,287 Warrants, Arnold Ip is deemed to be interested in the 2,073,162 Warrants held by the Manager as he is indirectly entitled to control the exercise of not less than 20% of the voting shares in the Manager.

Additional Information

Related Party Transactions

Transactions entered into the related parties during the financial year ended 30 June 2009 pursuant to the Listing Manual of the SGX-ST and the Code of CIS are listed below:

Name of related parties	Aggregate value of all related party transactions (excluding transactions less than S\$100,000)
Japan Residential Assets Manager Limited	
- Management fee paid (JPY'000) (S\$'000) ⁽¹⁾	234,747 3,478
HSBC Institutional Trust Services (Singapore) Limited	
- Trustee fees (JPY'000) (S\$'000) ⁽¹⁾	9,136 135
KK Tenyu Asset Management	
- Asset management fee (JPY'000) (S\$'000) ⁽¹⁾	22,454 333
Raymond Wong Kin Jeon	
- Commitment fee paid to Raymond Wong Kin Jeon pursuant to Rights Issue (S\$'000) ⁽¹⁾	142

Please also refer to note 21 "Related Party Transactions" in the "Notes to the Financial Statements" section of this report.

Save as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000).

Note:

¹ Computed based on average exchange rate of JPY 67.5: S\$1.00 between 1 July 2008 and 30 June 2009

Notice of Unitholders Information Meeting

NOTICE IS HEREBY GIVEN THAT the unitholders information meeting of Saizen Real Estate Investment Trust ("**Saizen REIT**") will be held at The Fullerton Hotel Singapore, The Straits Room, Level 4, One Fullerton Square, Singapore 049178, on Wednesday, November 11, 2009 at 10.30 a.m. to:

- 1) provide the management of Saizen REIT an opportunity to meet up with the unitholders of Saizen REIT ("**Unitholders**"); and
- 2) provide Unitholders an update on the operations and financial performance of Saizen REIT for the financial year ended 30 June 2009;

We look forward to seeing you at the meeting.

BY ORDER OF THE BOARD



Chang Sean Pey
Chief Executive Officer

30 September 2009

Corporate Information

SAIZEN REIT

Website: www.saizenreit.com.sg
Email: info@saizenreit.com.sg

MANAGER

Japan Residential Assets Manager Limited

72A Duxton Road
Singapore 089531
Tel: +65 6327-8163
Fax: +65 6327-8092

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay #14-01
HSBC Building
Singapore 049320
Tel: +65 6534-1900
Fax: +65 6534-5526

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd

3 Church Street
#08-01 Samsung Hub
Singapore 049483

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424

Audit Partner-in-charge:

Mr Choo Eng Beng

Date of appointment: Since the
financial period ended 30 June 2008

INDEPENDENT TAX ADVISERS

Japan

KPMG Tax Corporation

Izumi Garden Tower
1-6-1, Roppongi, Minato-ku
Tokyo 106-6012, Japan

BOARD OF DIRECTORS

Mr Arnold Ip Tin Chee (Chairman)
Mr Chang Sean Pey (CEO)
Mr Raymond Wong Kin Jeon
Mr Soh Yew Hock
Mr Dennis Lam Siu Sun
Mr Harold Sun Dai Hoe

AUDIT COMMITTEE

Mr Soh Yew Hock (Chairman)
Mr Dennis Lam Siu Sun
Mr Harold Sun Dai Hoe

CORPORATE ANNOUNCEMENT COMMITTEE

Mr Arnold Ip Tin Chee (Chairman)
Mr Chang Sean Pey
Mr Raymond Wong Kin Jeon

JOINT COMPANY SECRETARIES OF THE MANAGER

Ms Seet Geok Neo Patricia
Ms Lee Lih Feng

INDEPENDENT VALUERS

Chuo Real Estate Appraisal Co., Ltd. (Osaka Branch)

5F Nishimura Building
1-5-7, Honmachi, Chuuo-ku,
Osaka, 541-0053
Japan

KK Asset Research

601, Kinoshita Building, 17-3
Shibuya 1-chome, Shibuya-ku,
Tokyo, 150-0002
Japan

KK Sakura Business Partners

5F Shin Nihon Building, 2-4-22
Daimyo, Chuo-ku, Fukuoka,
810-0041, Japan

KK Soken

Kyogin Building,
1-13-2, Tenjin, Chuo-ku,
Fukuoka, 810-0001,
Japan

Prime Appraisal Institute Co, Ltd

7F Nisitetsu Akasaka Building,
2-4-30, Daimyo, Chuo-ku, Fukuoka,
810-0041, Japan

Real Estate Appraisal Aota Jimusho

7F Sendai Ginko Building,
2-1-1 Ichiban-cho, Aoba-ku,
Sendai, 980-0081, Japan

Real Value Inc.

175-203, Niizo, Toda-shi,
Saitama, 335-0021, Japan

Rich Appraisal Institute Co., Ltd

7F Homest Kibako Building,
Ginza, Chuo-ku,
Tokyo, 104-0061, Japan

Tokyo Asset Research Inc.

4F Chouyu Randic Building,
3-1-1, Shinbashi,
Minato-ku,
Tokyo, 105-0004, Japan

Manager of

SaizenREIT) The logo for Saizen REIT, featuring the word "Saizen" in a bold, dark blue sans-serif font, followed by "REIT" in a lighter blue sans-serif font. To the right of "REIT" is a stylized Japanese character "最善" (Saizen) in a dark blue, calligraphic font.

JAPAN RESIDENTIAL ASSETS MANAGER LIMITED

72A Duxton Road
Singapore 089531
Tel: +65 6327 8163
Fax: +65 6327 8092