

## Saizen Real Estate Investment Trust

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

### Announcement In Relation To The Unaudited Financial Statements For The Second Quarter Ended 31 December 2009

#### TABLE OF CONTENTS

Item no.	Description	Page no.
	<b>Introduction</b>	
-	Summary of results	2
-	Background of Saizen REIT	3
	<b>Information Required for Announcements</b>	
1(a)	Statement of total return	4 – 5
1(b)(i)	Balance sheet	6 – 7
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	7
1(c)	Cash flow statement	8 – 9
1(d)(i)	Statement of changes in Unitholders' funds	10
1(d)(ii)	Details of changes in the Units and warrants	11
2 & 3	Audit statement	11
4 & 5	Changes in accounting policies	11
6	Earnings per Unit for the financial period (Group)	11 – 12
7	Net Asset Value per Unit based on issued Units at the end of 31 December 2009 and 30 June 2009	12
8	Review of performance	13 – 14
9	Outlook and prospects	15
10 & 11	Distributions	15
12	Interested person transactions	15
13	Update on utilisation of Rights Issue proceeds	15
14	Confirmation by Directors pursuant to Clause 705(4) of the Listing Manual of SGX-ST	16

## INTRODUCTION

### Summary of results

In the second quarter ended 31 December 2009 (“**2Q FY2010**”) loans amounting to an aggregate of JPY 6.5 billion (S\$99.1 million<sup>1</sup>) were repaid. The loans of Yugen Kaisha (“**YK**”) Kokkei and YK Shingen, amounting to JPY 5.4 billion (S\$82.3 million), were fully repaid. Pursuant to an agreement between YK Keizan and its lender on 25 January 2010, JPY 950.0 million (S\$14.5 million) of its loan was partially repaid in January 2010, with the balance of JPY 586.3 million (S\$8.9 million) to be repaid in April 2010.

In respect of the loan of YK Shintoku, the loan servicer is currently conducting a review of the properties in the YK Shintoku portfolio. As previously announced, notwithstanding the maturity default of the loan of YK Shintoku, it is expected that Saizen Real Estate Investment Trust (“**Saizen REIT**”) will start accumulating cash for distribution in the last quarter of the current financial year ending 30 June 2010 (“**FY2010**”). Saizen REIT remains on-track to resume distributions for FY2010 which is ending on 30 June 2010.

Property operations of Saizen REIT had remained stable in 2Q FY2010. The divestment of five properties in the first half of FY2010 contributed to a slight decrease in gross revenue in 2Q FY2010.

The financial year-end of Saizen REIT is 30 June. The following is a summary of Saizen REIT’s operating performance for 2Q FY2010, the first quarter ended 30 September 2009 (“**1Q FY2010**”) and the second quarter ended 31 December 2008 (“**2Q FY2009**”), and for the financial year ended 30 June 2009 (“**FY2009**”).

	2Q FY2010 <sup>2</sup>	1Q FY2010 <sup>3</sup>	2Q FY2009 <sup>4</sup>
<b>Gross revenue</b>			
(JPY’000)	1,026,319	1,051,349	1,059,598
(S\$’000)	15,937 <sup>5</sup>	16,150 <sup>6</sup>	16,352 <sup>7</sup>
<b>Net property income</b>			
(JPY’000)	715,384	735,660	751,537
(S\$’000)	11,108 <sup>5</sup>	11,300 <sup>6</sup>	11,598 <sup>7</sup>
<b>Net income from operations</b>			
(JPY’000)	364,000	381,846	345,848
(S\$’000)	5,652 <sup>5</sup>	5,866 <sup>6</sup>	5,337 <sup>7</sup>

	As at 31 Dec 2009
<b>Net asset value per Unit (JPY)</b>	26.06
(S\$)	0.40

#### Notes:

1. Based on S\$/JPY exchange rate of 65.6 as at 31 December 2009, which is applied throughout this announcement unless stated otherwise.
2. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.
3. There were 166 properties at the start of 1Q FY2010 and 162 properties at the end of 1Q FY2010.
4. There were 166 properties at the start and end of 2Q FY2009.
5. Based on S\$/JPY average exchange rate of 64.4 between 1 October 2009 and 31 December 2009.
6. Based on S\$/JPY average exchange rate of 65.1 between 1 July 2009 and 30 September 2009.
7. Based on S\$/JPY average exchange rate of 64.8 between 1 October 2008 and 31 December 2008.

## Background of Saizen REIT

Saizen REIT, listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 November 2007 (the “**Listing**”), is the first REIT listed in Singapore offering access to purely Japanese residential real estate.

The principal investment objective of Saizen REIT is to invest in a diversified portfolio of income-producing real estate located in Japan, which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing.

At the time of the Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 31 December 2009, Saizen REIT’s portfolio comprised 161 properties, with a total appraised value of JPY 42.1 billion (S\$641.8 million) located in 13 regional cities in Japan.

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

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

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

### *Rights Issue*

A rights cum warrants issue was conducted in May 2009 to raise funds to repay loans that are 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; 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. Proceeds from the Rights Issue had been fully deployed in December 2009.

**INFORMATION REQUIRED FOR ANNOUNCEMENTS****1(a) Statement of total return (for the Group) (2Q FY2010 vs 2Q FY2009)**

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	1,026,319	1,059,598	(3.1)
<b>Property operating expenses</b>	(310,935)	(308,061)	0.9
<b>Net property income</b>	715,384	751,537	(4.8)
Interest income	62	195	(68.2)
Other administrative expenses	(37,360)	(35,513)	5.2
Manager's management fees	(53,023)	(61,832)	(14.3)
Asset management fees	(6,448)	(6,594)	(2.2)
Trustee's fee	(2,463)	(3,221)	(23.5)
Other trust expenses	(17,374)	(11,292)	53.9
Finance costs <sup>2</sup>	(234,778)	(287,432)	(18.3)
<b>Net income from operations</b>	364,000	345,848	5.3
Loss on divestment of properties	(10,080)	-	NM <sup>1</sup>
Net fair value loss on financial derivatives - fair value through profit or loss <sup>3</sup>	(401,741)	(69,235)	>100.0
<b>Total (loss)/return for the period before income tax<sup>4</sup></b>	(47,821)	276,613	NM <sup>1</sup>
Income tax	(45,784)	(56,968)	(19.6)
<b>Total (loss)/return for the period after income tax before distribution</b>	(93,605)	219,645	NM <sup>1</sup>
Less: Distribution	-	-	NM <sup>1</sup>
<b>Total (loss)/return for the period</b>	(93,605)	219,645	NM <sup>1</sup>
<b>Attributable to:</b>			
Unitholders	(94,326)	214,687	NM <sup>1</sup>
Minority Interests	721	4,958	(85.5)
	(93,605)	219,645	NM <sup>1</sup>

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(201,776)	(205,023)	(1.6)
(ii) amortisation of loan commission	(33,465)	(46,010)	(27.3)
(iii) guarantor fee to asset manager	(1,250)	-	NM <sup>1</sup>
(iv) exchange difference	1,713	(36,399)	NM <sup>1</sup>

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

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(11,572)	(5,534)	>100.0
(ii) unrealised fair value loss on interest rate swap	(1,153)	(63,484)	(98.2)
(iii) unrealised fair value loss on interest rate cap	(11)	(217)	(94.9)
(iv) fair value loss on warrants	(389,005)	-	NM <sup>1</sup>

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

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)	Increase / (Decrease) %
(i) written back/(impairment) on account receivable	3,529	(1,384)	NM <sup>1</sup>

## 1(a) Statement of total return (for the Group) (YTD Dec 2009 vs YTD Dec 2008)

	YTD Dec 2009 (JPY'000)	YTD Dec 2008 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	2,077,668	2,125,015	(2.2)
<b>Property operating expenses</b>	(626,624)	(632,230)	(0.9)
<b>Net property income</b>	1,451,044	1,492,785	(2.8)
Interest income	878	8,849	(90.1)
Other administrative expenses	(70,731)	(74,885)	(5.5)
Manager's management fees	(106,722)	(124,153)	(14.0)
Asset management fees	(12,784)	(11,731)	9.0
Trustee's fee	(6,344)	(4,128)	53.7
Other trust expenses	(56,411)	(26,536)	>100.0
Finance costs <sup>2</sup>	(448,974)	(778,555)	(42.3)
Issue expenses	(4,110)	-	NM <sup>1</sup>
<b>Net income from operations</b>	745,846	481,646	54.9
Loss on divestment of properties	(57,699)	-	NM <sup>1</sup>
Net fair value loss on financial derivatives - fair value through profit or loss <sup>3</sup>	(510,132)	(73,835)	>100.0
<b>Total return for the period before income tax<sup>4</sup></b>	178,015	407,811	(56.3)
Income tax	(107,051)	(78,263)	36.8
<b>Total return for the period after income tax before distribution</b>	70,964	329,548	(78.5)
Less: Distribution	-	-	NM <sup>1</sup>
<b>Total return for the period</b>	70,964	329,548	(78.5)
<b>Attributable to:</b>			
Unitholders	69,534	324,711	(78.6)
Minority Interests	1,430	4,837	(70.4)
	70,964	329,548	(78.5)

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	YTD Dec 2009 (JPY'000)	YTD Dec 2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(373,453)	(402,437)	(7.2)
(ii) amortisation of loan commission	(74,241)	(130,828)	(43.3)
(iii) guarantor fee to asset manager	(1,250)	-	NM <sup>1</sup>
(iv) cost of refinancing	-	(191,172)	NM <sup>1</sup>
(v) exchange difference	(30)	(54,118)	(99.9)

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

	YTD Dec 2009 (JPY'000)	YTD Dec 2008 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,761)	(6,923)	>100.0
(ii) unrealised fair value loss on interest rate swap	(3,242)	(66,436)	(95.1)
(iii) unrealised fair value loss on interest rate cap	(28)	(476)	(94.1)
(iv) fair value loss on warrants	(486,101)	-	NM <sup>1</sup>

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

	YTD Dec 2009 (JPY'000)	YTD Dec 2008 (JPY'000)	Increase / (Decrease) %
(i) written back/(impairment) on account receivables	2,327	(1,522)	NM <sup>1</sup>

## 1(b)(i) Balance sheet

	<b>The Group</b>	
	<b>As at 31 Dec 2009 (JPY'000)</b>	<b>As at 30 Jun 2009 (JPY'000)</b>
<b>Current assets</b>		
Cash and cash equivalents	1,314,677	5,070,301
Deposits with cash management agents <sup>1</sup>	1,745,255	2,300,322
Trade and other receivables	38,298	46,391
Other current assets	41,746	37,000
	<u>3,139,976</u>	<u>7,454,014</u>
<b>Non-current assets</b>		
Derivative financial instruments <sup>2</sup>	8	36
Investment properties	42,065,332	42,734,100
	<u>42,065,340</u>	<u>42,734,136</u>
<b>Total assets</b>	<u>45,205,316</u>	<u>50,188,150</u>
<b>Current liabilities</b>		
Rental deposits	633,797	683,341
Rental received in advance	256,637	264,419
Borrowings	8,905,424	14,890,781
Other current liabilities	336,339	358,714
Current tax liabilities	336,016	289,062
Derivative financial instruments <sup>3</sup>	2,268,112	1,797,050
	<u>12,736,325</u>	<u>18,283,367</u>
<b>Non-current liabilities</b>		
Rental deposits	22,073	29,475
Borrowings	7,393,117	6,932,075
Derivative financial instruments <sup>4</sup>	76,240	72,999
Deferred tax liabilities	144,263	143,720
	<u>7,635,693</u>	<u>7,178,269</u>
<b>Total liabilities</b>	<u>20,372,018</u>	<u>25,461,636</u>
<b>Total net assets</b>	<u>24,833,298</u>	<u>24,726,514</u>
<b>Represented by:</b>		
Unitholders	24,831,868	24,726,514
Minority Interests	1,430	-
	<u>24,833,298</u>	<u>24,726,514</u>
<b>Number of Units in issue ('000)</b>	<u>952,782</u>	<u>949,194</u>
<b>Net asset value per unit attributable to Unitholders (JPY)</b>	<u>26.06</u>	<u>26.05</u>

**Notes:**

1. The cash management agents are professional service providers appointed by lenders to the TK operators to administer cash movements of the TK operators.
2. The derivative financial instruments (non-current assets) comprised an interest rate cap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Chosei.
3. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.
4. The derivative financial instruments (non-current liabilities) comprised an interest rate swap used to hedge against fluctuations in interest rates in respect of the loan obtained by GK Choan.

## Saizen REIT

	As at 31 Dec 2009 (JPY'000)	As at 30 Jun 2009 (JPY'000)
<b>Current assets</b>		
Cash and cash equivalents	99,801	492,040
Distribution receivables	1,473,654	1,235,323
Other receivables	-	5,390
Other assets	4,051	1,679
	<u>1,577,506</u>	<u>1,734,432</u>
<b>Non-current assets</b>		
Investment in subsidiaries	25,035,450	24,911,233
	<u>25,035,450</u>	<u>24,911,233</u>
<b>Total assets</b>	<u>26,612,956</u>	<u>26,645,665</u>
<b>Current liabilities</b>		
Other current liabilities	66,608	88,220
Current tax liabilities	296,238	248,572
Derivative financial instruments <sup>1</sup>	2,268,112	1,797,050
	<u>2,630,958</u>	<u>2,133,842</u>
<b>Total liabilities</b>	<u>2,630,958</u>	<u>2,133,842</u>
<b>Total net assets</b>	<u>23,981,998</u>	<u>24,511,823</u>
<b>Represented by:</b>		
Unitholders	<u>23,981,998</u>	<u>24,511,823</u>
<b>Number of Units in issue ('000)</b>	<u>952,782</u>	<u>949,194</u>
<b>Net asset value per unit attributable to Unitholders (JPY)</b>	<u>25.17</u>	<u>25.82</u>

**Note:**

1. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.

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

	As at 31 Dec 2009 (JPY'000)	As at 30 Jun 2009 (JPY'000)
<b>Secured borrowings</b>		
Amount repayable in one year or less		
- Bank loans	116,032	16,819
- Commercial mortgage-backed securities loans	8,789,392	14,873,962
	<u>8,905,424</u>	<u>14,890,781</u>
Amount repayable after one year		
- Bank loans	7,393,117	6,932,075
	<u>16,298,541</u>	<u>21,822,856</u>

As at 31 December 2009, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 26.1 billion. The decrease in borrowings from JPY 21.8 billion as at 30 June 2009 to JPY 16.3 billion as at 31 December 2009 was mainly due to (i) the full repayment of the loans of YK Kokkei and YK Shingen which amounted to an aggregate of JPY 5.4 billion, (ii) the full repayment of the JPY 0.4 billion short-term bridging loan by YK JOF, (iii) the partial repayment of the loan of YK Shintoku which amounted to JPY 0.7 billion using proceeds from the divestment of properties. The amount was partially offset by a new JPY 1.0 billion loan drawn down by YK JOF.

## 1(c) Cash flow statement (for the Group) (2Q FY2010 vs 2Q FY2009)

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)
<b>Operating activities</b>		
Total (loss)/return for the period after income tax before distribution	(93,605)	219,645
Adjustments for:		
Income tax	45,784	56,968
Interest income	(62)	(195)
Interest expenses	236,491	251,033
Loss on divestment of properties	10,080	-
Net fair value loss on financial derivatives	401,741	69,235
Operating profit before working capital changes	600,429	596,686
<b>Changes in working capital</b>		
Deposit with cash management agents	1,085,578 <sup>1</sup>	(3,914,823)
Trade and other receivables	5,009	2,796
Other current assets	(8,411)	(3,776)
Other current liabilities	32,719	(30,125)
Rental received in advance	1,827	1,554
Rental deposits	(25,084)	(19,488)
Cash generated from operations	1,692,067	(3,367,176)
Income tax paid	-	(27,997)
<b>Cash flows provided by/(used in) operating activities</b>	<b>1,692,067</b>	<b>(3,395,173)</b>
<b>Investing activities</b>		
Capital expenditure/ acquisition of investment properties	(10,685)	(66,761)
Sale of investment properties	62,920 <sup>2</sup>	-
<b>Cash flows provided by/(used in) investing activities</b>	<b>52,235</b>	<b>(66,761)</b>
<b>Financing activities</b>		
Bank borrowings obtained	-	2,065,000
Repayment of bank borrowings	(6,532,730) <sup>3</sup>	(25,138)
Interest received	62	195
Interest paid	(185,769)	(211,309)
Proceeds from exercise of warrants	69	-
<b>Cash flows (used in)/provided by financing activities</b>	<b>(6,718,368)</b>	<b>1,828,748</b>
Net decrease in cash and cash equivalents	(4,974,066)	(1,633,186)
Cash and cash equivalent at beginning of the period	6,288,743	3,787,560
<b>Cash and cash equivalent at end of the period</b>	<b>1,314,677</b>	<b>2,154,374</b>

**Notes:**

1. The change in deposit with cash management agents was mainly due to the utilisation of reserves previously held by the loan servicer for loan repayment by YK Kokkei and Shingen as well as the payment of sale proceeds from the divestment of properties of YK Shintoku that was retained by the loan servicer in 1Q FY2010.
2. One property (Urban KN2 Kumamoto) was sold in 2Q FY2010.
3. Repayment of borrowings comprised (i) the full repayment of the loans of YK Kokkei and YK Shingen, (ii) the full repayment of a short-term bridging loan by YK JOF, and (iii) the partial repayment of the loan of YK Shintoku.

## 1(c) Cash flow statement (for the Group) (YTD Dec 2009 vs YTD Dec 2008)

	YTD Dec 2009 (JPY'000)	YTD Dec 2008 (JPY'000)
<b>Operating activities</b>		
Total return for the period after income tax before distribution	70,964	329,548
Adjustments for:		
Income tax	107,051	78,263
Interest income	(878)	(8,849)
Interest expenses	448,944	724,437
Loss on divestment of properties	57,699	-
Net fair value loss on financial derivatives	510,132	73,835
Operating profit before working capital changes	1,193,912	1,197,234
<b>Changes in working capital</b>		
Deposit with cash management agents	555,066	(3,966,063)
Trade and other receivables	8,093	60,514
Other current assets	(4,422)	(3,427)
Other current liabilities	(55,347)	(99,907)
Rental received in advance	(7,782)	(562)
Rental deposits	(56,946)	(21,715)
Cash generated from operations	1,632,574	(2,833,926)
Income tax paid	(59,553)	(28,613)
<b>Cash flows provided by/(used in) operating activities</b>	<b>1,573,021</b>	<b>(2,862,539)</b>
<b>Investing activities</b>		
Capital expenditure/ acquisition of investment properties	(14,232)	(87,855)
Sale of investment properties	625,300	-
<b>Cash flows provided by/(used in) investing activities</b>	<b>611,068</b>	<b>(87,855)</b>
<b>Financing activities</b>		
Bank borrowings obtained	1,000,000	5,900,000
Repayment of bank borrowings	(6,560,757)	(3,990,081)
Distribution to Unitholders	-	(1,637,520)
Interest received	878	17,285
Interest paid	(400,615)	(794,034)
Proceeds from exercise of warrants	20,781	-
<b>Cash flows used in financing activities</b>	<b>(5,939,713)</b>	<b>(504,350)</b>
Net decrease in cash and cash equivalents	(3,755,624)	(3,454,744)
Cash and cash equivalents at beginning of the period	5,070,301	5,609,118
<b>Cash and cash equivalents at end of the period</b>	<b>1,314,677</b>	<b>2,154,374</b>

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

**The Group**

	<b>YTD Dec 2009</b> <b>(JPY'000)</b>	<b>YTD Dec 2008</b> <b>(JPY'000)</b>
<b>OPERATION</b>		
<b>Balance as at beginning of the period</b>	(10,621,193)	(2,515,175)
Total return for the period	69,534	324,711
<b>Balance as at end of period</b>	<u>(10,551,659)</u>	<u>(2,190,464)</u>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at beginning of the period</b>	35,347,707	33,177,613
Creation of new units arising from		
- Acquisition fee and Manager's management fee	-	47,473
- Exercise of warrants	35,820	-
Distribution to Unitholders	-	(1,637,520)
<b>Balance as at end of period</b>	<u>35,383,527</u>	<u>31,587,566</u>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<u>24,831,868</u>	<u>29,397,102</u>
<b>MINORITY INTERESTS</b>		
<b>Balance as at beginning of the period</b>	-	30,635
Total return for the period	1,430	4,837
<b>Balance as at end of period</b>	<u>1,430</u>	<u>35,472</u>
<b>TOTAL</b>	<u>24,833,298</u>	<u>29,432,574</u>

**Saizen REIT**

	<b>YTD Dec 2009</b> <b>(JPY'000)</b>	<b>YTD Dec 2008</b> <b>(JPY '000)</b>
<b>OPERATION</b>		
<b>Balance as at beginning of the period</b>	(12,090,811)	(955,360)
Total (loss)/return for the period	(565,645)	22,065
<b>Balance as at end of period</b>	<u>(12,656,456)</u>	<u>(933,295)</u>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at beginning of the period</b>	36,602,634	34,432,540
Creation of new units arising from		
- Acquisition fee and Manager's management fee	-	47,473
- Exercise of warrants	35,820	-
Distribution to Unitholders	-	(1,637,520)
<b>Balance as at end of period</b>	<u>36,638,454</u>	<u>32,842,493</u>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<u>23,981,998</u>	<u>31,909,198</u>

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

	<b>2Q FY2010 (Units)</b>	<b>2Q FY2009 (Units)</b>
Issued Units as at beginning of period	952,770,055	451,986,693
Issue of new Units from exercise of warrants	12,000	-
Issued Units as at end of period	<u>952,782,055</u>	<u>451,986,693</u>

	<b>2Q FY2010 (Warrants)</b>	<b>2Q FY2009 (Warrants)</b>
Number of warrants outstanding as at beginning of period	493,587,362	-
Exercise of warrants	(12,000)	-
Number of warrants outstanding as at end of period	<u>493,575,362</u>	<u>-</u>

Saizen REIT issued 497,185,362 warrants in June 2009. Each warrant entitles the warrant holder to subscribe for one new Unit in Saizen REIT at an exercise price of S\$0.09.

Pursuant to the exercise of an aggregate of 17,000 warrants in January 2010 and February 2010, the number of Units in issue and warrants outstanding as at the date of this announcement are 952,799,055 and 493,558,362 respectively.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed by our auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2009.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

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

Earnings per Unit ("EPU") of the Group for the current financial period reported on, and the corresponding period of the immediately preceding financial year:-

(a) Basic EPU

Basic EPU amounts are calculated by dividing the loss/profit attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period.

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the loss/profit attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the period plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units.

		2Q FY2010	2Q FY2009	YTD Dec 2009	YTD Dec 2008
Total (loss)/ return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)		(94,326)	214,687	69,534	324,711
Basic EPU	(JPY)	(0.10)	0.47	0.07	0.72
	(S\$ cents)	(0.16) <sup>1</sup>	0.73 <sup>2</sup>	0.11 <sup>3</sup>	1.01 <sup>4</sup>
Diluted EPU	(JPY)	(0.10)	-	0.06	-
	(S\$ cents)	(0.16) <sup>1</sup>	-	0.09 <sup>3</sup>	-
Weighted average number of Units		952,774,272	451,986,693	951,116,300	451,959,379
Weighted average number of Units plus dilutive effect		1,139,625,755	451,986,693	1,141,375,755	451,959,379

**Notes:**

1. Based on S\$/JPY average exchange rate of 64.4 between 1 October 2009 and 31 December 2009.
2. Based on S\$/JPY average exchange rate of 64.8 between 1 October 2008 and 31 December 2008.
3. Based on S\$/JPY average exchange rate of 64.8 between 1 July 2009 and 31 December 2009.
4. Based on S\$/JPY average exchange rate of 71.0 between 1 July 2008 and 31 December 2008.

## 7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 December 2009 and 30 June 2009

The Group

		As at 31 Dec 2009	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	26.06	26.05
	(S\$)	0.40 <sup>1</sup>	0.40 <sup>2</sup>

Saizen REIT

		As at 31 Dec 2009	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	25.17	25.82
	(S\$)	0.38 <sup>1</sup>	0.39 <sup>2</sup>

**Notes:**

1. Based on S\$/JPY exchange rate of 65.6 as at 31 December 2009.
2. Based on S\$/JPY exchange rate of 65.7 as at 30 June 2009.

## 8. Review of performance

### Income statement: 2Q FY2010 vs. 2Q FY2009

#### Group level

Property operations of Saizen REIT had remained stable in 2Q FY2010. Gross revenue decreased by 3.1% in 2Q FY2010 as compared to 2Q FY2009, due mainly to the divestment of five properties (four properties in 1Q FY2010 and one property in October 2009) as well as a slight decrease in rental rates of new contracts entered into after 2Q FY2009.

The increase in other trust expenses by JPY 6.1 million in 2Q FY2010 was mainly due to accruals for valuation fees. No valuation fees were accrued in 2Q FY2009. The loss on divestment of properties of JPY 10.1 million comprised net loss incurred on the divestment of one property in 2Q FY2010. The fair value loss on financial derivatives of JPY 401.7 million comprised mainly fair value losses on warrants of JPY 389.0 million, which arose due to the increase in market-traded price of the warrants.

Notwithstanding the the repayment of the loans of YK Kokkei and YK Shingen which resulted in interest savings, interest expenses increased mainly due to the increase in interest rate on the loan of YK Shintoku from 3.07% to 7.07% after its maturity default.

#### Property level

	2Q FY2010 <sup>1</sup> (JPY'000)	2Q FY2009 <sup>2</sup> (JPY'000)	Increase / (Decrease) %
Gross revenue	1,026,319	1,059,598	(3.1)
Property operating expenses <sup>3</sup>	(310,935)	(308,061)	0.9
<b>Net property income</b>	<b>715,384</b>	<b>751,537</b>	<b>(4.8)</b>
Other administrative expenses	(31,951)	(28,954)	10.4
Asset management fees	(6,448)	(6,594)	(2.2)
Interest expenses <sup>4</sup>	(213,348)	(210,557)	1.3
Guarantor fee to asset manager	(1,250)	-	NM <sup>5</sup>
<b>Net income from property operations</b>	<b>462,387</b>	<b>505,432</b>	<b>(8.5)</b>

#### **Notes:**

1. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2Q FY2010.
2. There were 166 properties respectively at the start and end of 2Q FY2009.
3. Property operating expenses comprised the following:

	2Q FY2010 (JPY'000)	2Q FY2009 (JPY'000)	Increase / (Decrease) %
Property tax	76,546	79,781	(4.1)
Property manager's fees	40,657	41,972	(3.1)
Operation and maintenance expenses	51,017	51,513	(1.0)
Repairs and renovations	48,889	40,752	20.0
Leasing and marketing expenses	27,959	26,032	7.4
Utilities charges	41,694	43,184	(3.5)
Insurance expenses	13,451	13,873	(3.0)
(Written back)/Impairment on account receivables	(3,529)	1,384	NM <sup>5</sup>
Bad debt written-off	4,711	8	>100.0
Consumption tax arising from operation	9,540	9,562	(0.2)

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

The income statements for 2Q FY2010 and 2Q FY2009 comprised all the TK operators under Saizen REIT in existence at the relevant period, as well as income and expense items at the level of Saizen REIT. For the performance review of property operations, income and expense items at Saizen REIT level and the one-off cost of refinancing were excluded.

Gross revenue decreased by 3.1% in 2Q FY2010 as compared to 2Q FY2009, due mainly to the divestment of five properties in the first half of FY2010 as well as a slight decrease in rental rates of new contracts entered into after 2Q FY2009. The increase in repair and renovation expenses by 20.0% was mainly due to major upgrades conducted on properties. Other administrative expenses in 2Q FY2010 increased by 10.4% when compared to 2Q FY2009, due mainly to legal and professional fees incurred in connection with financing-related issues. Guarantor fees of JPY 1.25 million were paid to the Asset Manager in respect of the loan of YK JOF.

### **Income statement: 2Q FY2010 vs. 1Q FY2010**

#### Property level

	2Q FY2010 <sup>1</sup> (JPY'000)	1Q FY2010 <sup>2</sup> (JPY'000)	Increase / (Decrease) %
Gross revenue	1,026,319	1,051,349	(2.4)
Property operating expenses <sup>3</sup>	(310,935)	(315,689)	(1.5)
<b>Net property income</b>	<b>715,384</b>	<b>735,660</b>	(2.8)
Other administrative expenses	(31,951)	(28,192)	13.3
Asset management fees	(6,448)	(6,336)	1.8
Interest expenses <sup>4</sup>	(213,348)	(180,866)	18.0
Guarantor fee to asset manager	(1,250)	-	NM <sup>5</sup>
<b>Net income from property operations</b>	<b>462,387</b>	<b>520,266</b>	(11.1)

#### **Notes:**

1. There were 162 properties at the start of 2Q FY2010 and 161 properties at the end of 2QFY2010.
2. There were 166 properties at the start of 1Q FY2010 and 162 properties at the end of 1Q FY2010.
3. Property operating expenses comprised the following:

	2Q FY2010 (JPY'000)	1Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	76,546	77,903	(1.7)
Property manager's fees	40,657	41,214	(1.4)
Operation and maintenance expenses	51,017	51,204	(0.4)
Repairs and renovations	48,889	51,005	(4.1)
Leasing and marketing expenses	27,959	28,874	(3.2)
Utilities charges	41,694	40,630	2.6
Insurance expenses	13,451	13,972	(3.7)
(Written back)/Impairment on account receivables	(3,529)	1,202	NM <sup>5</sup>
Bad debt written-off	4,711	209	>100.0
Consumption tax arising from operation	9,540	9,476	0.7

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

The income statements for 2Q FY2010 and 1Q FY2010 comprised all the TK operators under Saizen REIT in existence at the relevant period, as well as income and expense items at the level of Saizen REIT. For the performance review of property operations, income and expense items at Saizen REIT level were excluded.

Gross revenue decreased by 2.4% in 2Q FY2010 as compared to 1Q FY2010, due mainly to the divestment of one property in August 2009, three properties in September 2009 and one property in October 2009. Property operating expenses remained stable in 2Q FY2010. Other administrative expenses in 2Q FY2010 increased by 13.3% when compared to 1Q FY2010, due mainly to legal and professional fees incurred in connection with financing-related issues.

**9. Outlook and prospects**

The loans of YK Kokkei and YK Shingen, amounting to JPY 5.4 billion (S\$82.3 million), were fully repaid in 2Q FY2010. Pursuant to an agreement between YK Keizan and its lender on 25 January 2010, JPY 950.0 million (S\$14.5 million) of its loan was partially repaid in January 2010, with the balance of JPY 586.3 million (S\$8.9 million) to be repaid in April 2010. Save for the balance of this loan, which is expected to be fully repaid with internal cash resources, Saizen REIT has no further loans maturing in FY2010.

Saizen REIT currently has an aggregate of approximately JPY 16.0 billion (S\$243.9 million) of properties which are unencumbered. By the end of April 2010, it is expected that the properties of YK Keizan, which are valued at JPY 2.75 billion (S\$41.9 million) will be unencumbered after the loan of YK Keizan is repaid.

The Management Team observed that the financing environment in Japan has stabilised. With portfolios of unencumbered properties, relatively low overall leverage and the listing status of Saizen REIT, the Management Team is hopeful of making progress in securing new financing.

In respect of the maturity default of the JPY 7.253 billion (S\$110.6 million) loan of YK Shintoku, the loan servicer is currently conducting a review of the properties in the YK Shintoku portfolio. The Asset Manager is working closely with the loan servicer on its review and proposed course of action.

Property operations are expected to remain stable in the remaining periods of FY2010. As previously announced, it is expected that Saizen REIT will start accumulating cash for distribution in the last quarter of FY2010, and will resume distribution for FY2010 which is ending on 30 June 2010.

**10. Distributions**

Not applicable.

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

The Board does not propose to declare any distribution for 2Q FY2010.

**12. Interested person transactions**

A divestment fee amounting to JPY 200,889 (S\$3,062) was paid to the Manager in respect of the sale of the property Urban KN 2 Kumamoto in 2Q FY2010.

Guarantor fees of JPY 1.25 million (S\$0.02 million) were paid to the Asset Manager in 2Q FY2010 in respect of the loan of YK JOF.

**13. Update on utilisation of Rights Issue proceeds**

The net proceeds of approximately S\$41.1 million from the Rights Issue have been fully deployed towards the repayment of the JPY 4.62 billion (S\$70.4 million) loan of YK Shingen on 25 December 2009.

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

The Board of Directors of the Manager has confirmed that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the quarter ended 31 December 2009 to be false or misleading in any material respect.

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

**BY ORDER OF THE BOARD**

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

11 February 2010