



## 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))

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### Announcement In Relation To The Unaudited Quarterly And Full Year Financial Statements For The Period And Year Ended 30 June 2010

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#### TABLE OF CONTENTS

Item no.	Description	Page no.
	<b>Introduction</b>	2
-	Key financial information	2 – 3
-	Summary of results	3 – 4
-	Distribution details	4
-	Background of Saizen REIT	4
	<b>Information Required for Announcements</b>	
1(a)	Statement of total return	5 – 7
1(b)(i)	Balance sheet	8 – 9
1(b)(ii)	Aggregate amount of the Group's borrowings and debt securities	9
1(c)	Cash flow statement	10 – 11
1(d)(i)	Statement of changes in Unitholders' funds	12
1(d)(ii)	Details of changes in the Units and warrants	13
2 & 3	Audit statement	13
4 & 5	Changes in accounting policies	13
6	Earnings per Unit for the financial period (Group)	13 – 14
7	Net Asset Value per Unit based on issued Units at the end of 30 June 2010 and 30 June 2009	14
8	Review of performance	15 – 17
9	Outlook and prospects	17
10	Distributions	18
11	Segmental Results	18
12	Factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments	18
13	A breakdown of sales	19
14	A breakdown of total annual distribution	19
15	Interested person transactions	19

## INTRODUCTION

**Resumption of distributions.** Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 0.26 Singapore cents (“**cents**”) per Unit for the financial year ended 30 June 2010 (“**FY2010**”). This distribution relates to distributable cash accumulated over two months (May 2010 and June 2010), after the repayment of the loan of Yugen Kaisha (“**YK**”) Keizan in April 2010.

**YK Shintoku refinancing issue.** The JPY 7.1 billion (S\$112.0 million<sup>1</sup>) commercial mortgage-backed securities (“**CMBS**”) loan of YK Shintoku went into maturity default in November 2009. The Board of Japan Residential Assets Manager Limited, the manager of Saizen REIT, is pleased that there has been a further development in this respect. Discussions with a financial institution on the terms and timing of a loan, which will potentially enable the loan of YK Shintoku to be refinanced, have commenced. Currently, the main impact of the maturity default is the increase in interest rate on the outstanding loan amount from 3.07% per annum to a default interest rate of 7.07% per annum.

**Property operations remained stable** in the fourth quarter ended 30 June 2010 (“**4Q FY2010**”) and in FY2010. The overall occupancy rate as at 30 June 2010 was 91.3%, while overall rental reversion of new contracts entered into in FY2010 was marginally lower by about 5.3% from previous contracted rates. The average turnover rate was 20% in FY2010, as compared to 22% in FY2009.

**Financial position strengthened with loan repayments, new banking relationships and loan refinancing.** The capital structure of Saizen REIT had changed substantially in FY2010. Three CMBS loans, amounting to an aggregate of JPY 7.0 billion (S\$110.4 million), were fully repaid in FY2010 with operational cash flow and proceeds of a rights issue conducted in May 2009. New banking relationships were established with Mizuho Bank Ltd and Tokyo Star Bank Ltd in FY2010, representing new financing amounting to an aggregate of JPY 3.0 billion (S\$47.3 million). Further, the JPY 5.9 billion (S\$93.1 million) loan of Godo Kaisha (“**GK**”) Choan, which was due to mature in July 2011, was successfully refinanced with a maturity date of 15 June 2013.

**Divestment of five properties.** Five properties from the property portfolio of YK Shintoku were sold in the first half of FY2010 as part a deleverging plan implemented to reduce the absolute amount of the loan of YK Shintoku and the leverage of the corresponding property portfolio, so as to facilitate refinancing efforts. One of the five properties was sold at a premium of about 7% over its valuation, while the other four properties were sold at discounts of between 5% to 9% to valuation.

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

### Key financial information

	FY2010	FY2009
<b>Net asset value per Unit as at 30 June 2010 / 2009 (JPY)</b>	<b>25.06<sup>2</sup></b>	<b>26.05<sup>3</sup></b>
<b>(S\$)</b>	<b>0.40<sup>2</sup></b>	<b>0.40<sup>3</sup></b>
<b>Distribution per Unit (cents)</b>	<b>0.26<sup>4</sup></b>	<b>NA<sup>5</sup></b>
<b>Annualised net property income yield<sup>6</sup></b>	<b>6.7%</b>	<b>6.6%</b>
<b>Interest cover ratio<sup>7</sup></b>	<b>3.4 times</b>	<b>4.1 times</b>
<b>Impairment of account receivable as % of gross revenue</b>	<b>0.038%</b>	<b>0.051%</b>
<b>Gearing – net borrowings<sup>8</sup>/value of investment properties</b>	<b>34.7%</b>	<b>36.9%</b>
<b>Gearing – total borrowings / total assets</b>	<b>36.9%</b>	<b>43.5%</b>
<b>Net cash as at 30 June</b>	<b>JPY 2.3 billion</b>	<b>JPY 6.0 billion</b>
<b>Borrowings due within next 12 months from date hereof</b>	<b>JPY 7.8 billion</b>	<b>JPY 14.9 billion</b>
<b>Value of investment properties as at 30 June</b>	<b>JPY 40.4 billion</b>	<b>JPY 42.7 billion</b>
<b>Net depreciation in the value of investment properties</b>	<b>JPY 1.7 billion</b>	<b>JPY 6.4 billion</b>
<b>Occupancy rate (by revenue) as at 30 June</b>	<b>91.3%</b>	<b>91.6%</b>

**Notes:**

1. Based on S\$ / JPY exchange rate of 63.4 as at 30 June 2010, which is applied throughout this announcement unless stated otherwise.
2. Based on 953,203,055 Units in issue as at 30 June 2010 and S\$ / JPY exchange rate of 63.4 as at 30 June 2010.
3. Based on 949,194,055 Units in issue as at 30 June 2009 and S\$ / JPY exchange rate of 65.7 as at 30 June 2009.
4. This distribution relates to distributable cash accumulated over two months in May 2010 and June 2010.
5. NA denotes not applicable.
6. Net property income of 4Q (annualised) divide by value of investment properties as at 30 June.
7. Net property income of 4Q divide by sum of interest expenses and realised loss on interest rate swap of 4Q.
8. Net borrowings being total borrowings less Net Cash (cash at bank plus deposit with cash management agent less current rental deposits, other current liabilities and current tax liabilities).

**Summary of results**

The following is a summary of Saizen REIT's operating performance for FY2010 and the fourth quarter ended 30 June 2009 ("4Q FY2009"), and for FY2010 and 30 June 2009 ("FY2009").

	4Q FY2010 <sup>1</sup>	4Q FY2009 <sup>2</sup>	FY2010 <sup>3</sup>	FY2009 <sup>4</sup>	Increase/ (Decrease) %
<b>Gross revenue</b> (JPY'000) (S\$'000)	1,030,060 15,536 <sup>5</sup>	1,067,298 16,122 <sup>6</sup>	4,132,792 63,483 <sup>7</sup>	4,268,751 63,241 <sup>8</sup>	(3.2)
<b>Net property income</b> (JPY'000) (S\$'000)	676,623 10,205 <sup>5</sup>	708,602 10,704 <sup>6</sup>	2,782,609 42,744 <sup>7</sup>	2,913,684 43,166 <sup>8</sup>	(4.5)
<b>Net income from operations</b> (JPY'000) (S\$'000)	331,382 4,998 <sup>5</sup>	164,861 2,490 <sup>6</sup>	1,410,138 21,661 <sup>7</sup>	992,442 14,703 <sup>8</sup>	42.1
<b>Total loss after income tax</b> (JPY'000) (S\$'000)	(1,042,336) (15,722) <sup>5</sup>	(183,160) (2,767) <sup>6</sup>	(875,487) (13,448) <sup>7</sup>	(4,806,386) (71,206) <sup>8</sup>	(81.8)
<b>Distributable income</b> (JPY'000) (S\$'000)	NA <sup>11</sup>	NA <sup>11</sup>	176,058 2,704 <sup>7</sup>	1,434,628 21,254 <sup>8</sup>	(87.7)
<b>Distribution</b> (JPY'000) (S\$'000)	NA <sup>11</sup>	NA <sup>11</sup>	161,912 <sup>9</sup> 2,480 <sup>10</sup>	NA <sup>11</sup>	NM <sup>12</sup>
<b>Distribution per Unit</b> (cents)	NA <sup>11</sup>	NA <sup>11</sup>	0.26	NA <sup>11</sup>	NM <sup>12</sup>

**Notes:**

1. There were 161 properties at the start and end of 4Q FY2010.
2. There were 166 properties at the start and end of 4Q FY2009.
3. There were 166 and 161 properties respectively at the start and end of FY2010.
4. There were 166 properties at the start and end of FY2009.
5. Based on S\$ / JPY average exchange rate of 66.3 between 1 April 2010 and 30 June 2010.
6. Based on S\$ / JPY average exchange rate of 66.2 between 1 April 2009 and 30 June 2009.
7. Based on S\$ / JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010.
8. Based on S\$ / JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009.
9. Estimated based on 953,657,355 Units in issue as at the date of this announcement.
10. Based on actual S\$/JPY exchange rate of 65.3 invested in money market fund in respect of this distribution.
11. NA denotes not applicable.
12. NM denotes not meaningful.

**Distribution details**

<b>Distribution type</b>	<b>Tax-exempt income</b>
<b>Distribution rate</b>	<b>0.26 cents per Unit</b>
<b>Books closure date</b>	<b>13 September 2010, 5.00 p.m.</b>
<b>Date payable</b>	<b>29 September 2010</b>

**Background of Saizen REIT**

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

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

At the time of the Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 30 June 2010, Saizen REIT’s portfolio comprised 161 properties, with a total appraised value of JPY 40.38 billion (S\$636.9 million) located in 13 regional cities in Japan.

Saizen REIT invests in the properties in Japan via partnership agreements (“**TK agreements**”) with local property holding companies known as *tokumei kumiai* operators (“**TK operators**”). As at the date hereof, Saizen REIT has entered into TK agreements with nine TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, 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**”).

Saizen REIT conducted a 10-for-11 rights issue in May 2009 (the “**Rights Issue**”). 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants. The Rights Issue was concluded in June 2009. Each warrant carries the right to subscribe for one new Unit at an exercise price of S\$0.09. The warrants may be exercised at any time up to 5.00 p.m. on 2 June 2012.

**INFORMATION REQUIRED FOR ANNOUNCEMENTS****1(a) Statement of total return (for the Group) (4Q FY2010 vs 4Q FY2009)**

	<b>4Q FY2010 (JPY'000)</b>	<b>4Q FY2009 (JPY'000)</b>	<b>Increase / (Decrease) %</b>
<b>Gross revenue</b>	1,030,060	1,067,298	(3.5)
<b>Property operating expenses</b>	(353,437)	(358,696)	(1.5)
<b>Net property income</b>	676,623	708,602	(4.5)
Interest income	142	408	(65.2)
Other administrative expenses	(37,972)	(46,548)	(18.4)
Manager's management fees	(52,081)	(54,457)	(4.4)
Asset management fees	(6,825)	(2,980)	>100.0
Trustee's fee	(2,296)	(2,788)	(17.6)
Other trust expenses	(26,968)	(24,934)	8.2
Finance costs <sup>2</sup>	(219,241)	(167,716)	30.7
Issue expenses	-	(244,726)	NM <sup>1</sup>
<b>Net income from operations</b>	331,382	164,861	>100.0
Net fair value gain on financial derivatives - fair value through profit or loss <sup>3</sup>	230,958	698,883	(67.0)
Net fair value loss on investment properties	(1,698,345)	(1,046,812)	62.2
<b>Total loss for the period before income tax<sup>4</sup></b>	(1,136,005)	(183,068)	>100.0
Income tax	93,669	(92)	NM <sup>1</sup>
<b>Total loss for the period after income tax</b>	(1,042,336)	(183,160)	>100.0
<b>Attributable to:</b>			
Unitholders	(1,048,706)	(183,160)	>100.0
Minority Interests	6,370	-	NM <sup>1</sup>
	(1,042,336)	(183,160)	>100.0

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	<b>4Q FY2010 (JPY'000)</b>	<b>4Q FY2009 (JPY'000)</b>	<b>Increase / (Decrease) %</b>
(i) interest expenses	(188,921)	(165,340)	14.3
(ii) amortisation of loan commission	(23,670)	(40,126)	(41.0)
(iii) guarantor fee to asset manager	(2,042)	-	NM <sup>1</sup>
(iv) exchange difference	(4,608)	37,750	NM <sup>1</sup>

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

	<b>4Q FY2010 (JPY'000)</b>	<b>4Q FY2009 (JPY'000)</b>	<b>Increase / (Decrease) %</b>
(i) realised loss (payment) on interest rate swap	(12,808)	(7,201)	77.9
(ii) unrealised fair value loss on interest rate swap	(18,532)	(9,653)	92.0
(iii) unrealised fair value loss on interest rate cap	-	(25)	NM <sup>1</sup>
(iv) fair value gain on nil-paid rights	-	387,712	NM <sup>1</sup>
(v) fair value gain on warrants	262,298	328,050	(20.0)

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

	<b>4Q FY2010 (JPY'000)</b>	<b>4Q FY2009 (JPY'000)</b>	<b>Increase / (Decrease) %</b>
(i) impairment on account receivable	(1,793)	(158)	>100.0

## 1(a) Statement of total return (for the Group) (FY2010 vs FY2009)

	FY2010 (JPY'000)	FY2009 (JPY'000)	Increase / (Decrease) %
<b>Gross revenue</b>	4,132,792	4,268,751	(3.2)
<b>Property operating expenses</b>	(1,350,183)	(1,355,067)	(0.4)
<b>Net property income</b>	2,782,609	2,913,684	(4.5)
Interest income	1,962	12,730	(84.6)
Other administrative expenses	(141,302)	(156,376)	(9.6)
Manager's management fees	(210,646)	(234,747)	(10.3)
Asset management fees	(26,691)	(22,454)	18.9
Trustee's fee	(10,180)	(9,136)	11.4
Other trust expenses	(114,016)	(94,766)	20.3
Finance costs <sup>2</sup>	(867,488)	(1,171,767)	(26.0)
Issue expenses	(4,110)	(244,726)	(98.3)
<b>Net income from operations</b>	1,410,138	992,442	42.1
Loss on divestment of properties	(57,699)	-	NM <sup>1</sup>
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss <sup>3</sup>	(466,184)	625,270	NM <sup>1</sup>
Net fair value loss on investment properties	(1,698,345)	(6,445,091)	(73.6)
<b>Total loss for the year before income tax<sup>4</sup></b>	(812,090)	(4,827,379)	(83.2)
Income tax	(63,397)	20,993	NM <sup>1</sup>
<b>Total loss for the year after income tax</b>	(875,487)	(4,806,386)	(81.8)
<b>Attributable to:</b>			
Unitholders	(883,878)	(4,775,751)	(81.5)
Minority Interests	8,391	(30,635)	NM <sup>1</sup>
	(875,487)	(4,806,386)	(81.8)

**Notes:**

1. NM denotes not meaningful.

2. Finance costs comprise the following:

	FY2010 (JPY'000)	FY2009 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(739,895)	(747,683)	(1.0)
(ii) amortisation of loan commission	(117,098)	(213,586)	(45.2)
(iii) guarantor fee to asset manager	(4,490)	-	NM <sup>1</sup>
(iv) cost of refinancing	(1,257)	(191,172)	(99.3)
(v) exchange difference	(4,748)	(19,326)	(75.4)

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

	FY2010 (JPY'000)	FY2009 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(45,031)	(16,971)	>100.0
(ii) unrealised fair value loss on interest rate swap	(11,818)	(72,999)	(83.8)
(iii) unrealised fair value loss on interest rate cap	(36)	(522)	(93.1)
(iv) fair value gain on nil-paid rights	-	387,712	NM <sup>1</sup>
(v) fair value (loss)/gain on warrants	(409,299)	328,050	NM <sup>1</sup>

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

	FY 2010 (JPY'000)	FY2009 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivable	(1,553)	(2,190)	(29.1)

**Distribution Statement**

		<b>FY2010</b>	<b>FY2009</b>
Total loss for the year after income tax	(JPY'000)	(875,487)	(4,806,386)
Distribution adjustments	(JPY'000)	2,242,434	6,404,378
Income available for distribution to Unitholders	(JPY'000)	1,366,947	1,597,992
Income available for distribution to Unitholders at the beginning of the year	(JPY'000)	1,434,628	59,644
Cash deployed for loan repayment and loan borrowing costs	(JPY'000)	(2,625,517)	(223,008)
Income available for distribution to Unitholders at the end of the year	(JPY'000)	176,058	1,434,628
Distribution to Unitholders	(JPY'000)	161,912 <sup>1</sup>	NA <sup>2</sup>
<b>Distribution per Unit</b>	<b>(cents)</b>	0.26	NA <sup>2</sup>

**Notes:**

1. Estimated based on 953,657,355 Units in issue as at the date of this announcement.
2. NA denotes not applicable.

Income available for distribution to Unitholders is affected by factors including, *inter alia*, the repayment and the amortisation of loans. Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders.

In respect of this distribution for FY2010, the income available for distribution to Unitholders was affected by (i) cash from operations used for loan repayments by YK Kokkei, YK Shingen, YK Keizan and YK JOF, (ii) cash from operations used for partial loan repayments made by YK Shintoku, GK Chosei and GK Choan, (iii) cash from operations used for amortisation payments on the loan principals of YK Shinzan, YK JOF and GK Choan, and (iv) increase in interest expenses incurred following the maturity default of the loan of YK Shintoku. Amortisation payments on existing loans amount to an aggregate of about JPY 390 million per annum. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.

The distribution for FY2010 relates to distributable cash accumulated over 2 months (May 2010 and June 2010), after the repayment of the loan of YK Keizan in April 2010.

## 1(b)(i) Balance sheet

	The Group	
	As at 30 Jun 2010 (JPY'000)	As at 30 Jun 2009 (JPY'000)
<b>Current assets</b>		
Cash and cash equivalents	2,368,910	5,070,301
Deposits with cash management agents <sup>1</sup>	1,247,262	2,300,322
Trade and other receivables	37,721	46,391
Other current assets	45,222	37,000
	<u>3,699,115</u>	<u>7,454,014</u>
<b>Non-current assets</b>		
Derivative financial instruments <sup>2</sup>	-	36
Investment properties <sup>3</sup>	40,381,700	42,734,100
	<u>40,381,700</u>	<u>42,734,136</u>
<b>Total assets</b>	<u>44,080,815</u>	<u>50,188,150</u>
<b>Current liabilities</b>		
Rental deposits	602,947	683,341
Rental received in advance	256,888	264,419
Borrowings	7,827,162	14,890,781
Other current liabilities	394,464	358,714
Current tax liabilities	356,545	289,062
Derivative financial instruments <sup>4</sup>	2,189,316	1,797,050
	<u>11,627,322</u>	<u>18,283,367</u>
<b>Non-current liabilities</b>		
Rental deposits	23,594	29,475
Borrowings	8,453,768	6,932,075
Derivative financial instruments <sup>5</sup>	84,817	72,999
Deferred tax liabilities	-	143,720
	<u>8,562,179</u>	<u>7,178,269</u>
<b>Total liabilities</b>	<u>20,189,501</u>	<u>25,461,636</u>
<b>Total net assets</b>	<u>23,891,314</u>	<u>24,726,514</u>
<b>Represented by:</b>		
Unitholders	23,882,923	24,726,514
Minority Interests	8,391	-
	<u>23,891,314</u>	<u>24,726,514</u>
<b>Number of Units in issue ('000)</b>	<u>953,203</u>	<u>949,194</u>
<b>Net asset value per unit attributable to Unitholders (JPY)</b>	<u>25.06</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 decrease in investment properties by JPY 2.3 billion from JPY 42.7 billion as at 30 June 2009 to JPY 40.4 billion as at 30 June 2010 was due to (i) the decrease in the value of the 161 properties held by Saizen REIT's TK operators at the end of FY2010 by JPY 1.7 billion, and (ii) the divestment of five properties in FY2010.
4. The derivative financial instruments (current liabilities) comprised warrants that are outstanding.
5. 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.



	<b>Saizen REIT</b>	
	<b>As at 30 Jun 2010 (JPY'000)</b>	<b>As at 30 Jun 2009 (JPY'000)</b>
<b>Current assets</b>		
Cash and cash equivalents	290,216	492,040
Distribution receivables	1,555,225	1,235,323
Other receivables	821	5,390
Other assets	1,746	1,679
	<u>1,848,008</u>	<u>1,734,432</u>
<b>Non-current assets</b>		
Investment in subsidiaries	24,355,372	24,911,233
	<u>24,355,372</u>	<u>24,911,233</u>
<b>Total assets</b>	<u>26,203,380</u>	<u>26,645,665</u>
<b>Current liabilities</b>		
Other current liabilities	85,598	88,220
Current tax liabilities	302,223	248,572
Derivative financial instruments <sup>1</sup>	2,189,316	1,797,050
	<u>2,577,137</u>	<u>2,133,842</u>
<b>Total liabilities</b>	<u>2,577,137</u>	<u>2,133,842</u>
<b>Total net assets</b>	<u>23,626,243</u>	<u>24,511,823</u>
<b>Represented by:</b>		
Unitholders	<u>23,626,243</u>	<u>24,511,823</u>
<b>Number of Units in issue ('000)</b>	<u>953,203</u>	<u>949,194</u>
<b>Net asset value per unit attributable to Unitholders (JPY)</b>	<u>24.79</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**

	<b>As at 30 June 2010 (JPY'000)</b>	<b>As at 30 Jun 2009 (JPY'000)</b>
<b>Secured borrowings</b>		
Amount repayable in one year or less		
- Bank loans	716,171	16,819
- Commercial mortgage-backed securities loans	7,110,991	14,873,962
	<u>7,827,162</u>	<u>14,890,781</u>
Amount repayable after one year		
- Bank loans	8,453,768	6,932,075
	<u>16,280,930</u>	<u>21,822,856</u>

As at 30 June 2010, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 28.3 billion. The decrease in borrowings from JPY 21.8 billion as at 30 June 2009 to JPY 16.3 billion as at 30 June 2010 was mainly due to (i) the full repayment of the loans of YK Keizan, YK Kokkei and YK Shingen which amounted to an aggregate of JPY 6.9 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 0.8 billion using proceeds from the divestment of properties, and (iv) the partial repayment of the loan of GK Choan which amounted to JPY 0.1 billion. The reduction in borrowings was partially offset by new loans of JPY 1.0 billion and JPY 2.0 billion drawn down by YK JOF and YK Shinzan respectively.

## 1(c) Cash flow statement (for the Group) (4Q FY2010 vs 4Q FY2009)

	4Q FY2010 (JPY'000)	4Q FY2009 (JPY'000)
<b>Operating activities</b>		
Total loss for the period after income tax before distribution	(1,042,336)	(183,160)
Adjustments for:		
Income tax	(93,669)	92
Interest income	(142)	(408)
Interest expenses	212,591	205,466
Net fair value gain on financial derivatives	(230,958)	(698,883)
Net fair value loss on investment properties	1,698,345	1,046,812
Issue expenses	-	244,726
Operating profit before working capital changes	543,831	614,645
<b>Changes in working capital</b>		
Deposit with cash management agents	300,213	156,199
Trade and other receivables	(1,418)	(10,085)
Other current assets	(3,076)	2,771
Other current liabilities	(34,560)	4,317
Rental received in advance	(604)	4,398
Rental deposits	(29,860)	(33,816)
Cash generated from operations	774,526	738,429
Income tax paid	-	54
Withholding tax paid	(80,080)	(12,500)
<b>Cash flows provided by operating activities</b>	<b>694,446</b>	<b>725,983</b>
<b>Investing activities</b>		
Purchase of/ additions to investment properties	(2,362)	(12,912)
<b>Cash flows used in investing activities</b>	<b>(2,362)</b>	<b>(12,912)</b>
<b>Financing activities</b>		
Issue expenses	-	(235,863)
Bank borrowings obtained	-	400,000
Repayment of bank borrowings	(787,885) <sup>1</sup>	(1,340,573)
Interest received	134	413
Interest paid	(271,676)	(176,258)
Payment of interest rate swap interest	(12,809)	(7,201)
Proceeds from rights issue	-	2,942,555
Proceeds from exercise of warrants	1,599	131
<b>Cash flows (used in)/provided by financing activities</b>	<b>(1,070,637)</b>	<b>1,583,204</b>
Net (decrease)/increase in cash and cash equivalents	(378,553)	2,296,275
Cash and cash equivalent at beginning of the period	2,747,463	2,774,026
<b>Cash and cash equivalent at end of the period</b>	<b>2,368,910</b>	<b>5,070,301</b>

**Note:**

1. Repayment of bank borrowings comprised mainly the repayment of JPY 0.6 billion on the remaining loan of YK Keizan in April 2010 and the partial repayment of JPY 0.1 billion on the loan of GK Choan.

**1(c) Cash flow statement (for the Group) (FY 2010 vs FY 2009)**

	<b>FY2010 (JPY'000)</b>	<b>FY2009 (JPY'000)</b>
<b>Operating activities</b>		
Total loss for the year after income tax before distribution	(875,487)	(4,806,386)
Adjustments for:		
Income tax	63,397	(20,993)
Interest income	(1,962)	(12,730)
Interest expenses	858,250	1,152,441
Loss on divestment of properties	57,699	-
Net fair value loss/(gain) on financial derivatives	466,184	(625,270)
Net fair value loss on investment properties	1,698,345	6,445,091
Operating profit before working capital changes	2,266,426	2,132,153
<b>Changes in working capital</b>		
Deposit with cash management agents	1,053,061 <sup>1</sup>	339,450
Trade and other receivables	8,678	45,716
Other current assets	(5,714)	9,914
Other current liabilities	6,144	(22,410)
Rental received in advance	(7,531)	(85)
Rental deposits	(86,275)	(51,470)
Cash generated from operations	3,234,789	2,453,268
Income tax paid	(711)	(597)
Withholding tax paid	(138,922)	(40,462)
<b>Cash flows provided by operating activities</b>	<b>3,095,156</b>	<b>2,412,209</b>
<b>Investing activities</b>		
Purchase of / additions to investment properties	(28,946)	(116,891)
Proceeds from sale of investment properties	625,300 <sup>2</sup>	-
<b>Cash flows provided by/(used in) investing activities</b>	<b>596,354</b>	<b>(116,891)</b>
<b>Financing activities</b>		
Bank borrowings obtained	3,000,000 <sup>3</sup>	6,300,000
Repayment of bank borrowings	(8,485,312) <sup>4</sup>	(9,272,059)
Distribution to Unitholders	-	(1,637,520)
Interest received	1,954	21,167
Interest paid	(887,767)	(1,171,438)
Payment of interest rate swap interest	(45,032)	(16,971)
Proceeds from rights issue	-	2,942,555
Proceeds from exercise of warrants	23,256	131
<b>Cash flows used in financing activities</b>	<b>(6,392,901)</b>	<b>(2,834,135)</b>
Net decrease in cash and cash equivalents	(2,701,391)	(538,817)
Cash and cash equivalent at beginning of the year	5,070,301	5,609,118
<b>Cash and cash equivalent at end of the year</b>	<b>2,368,910</b>	<b>5,070,301</b>

**Notes:**

1. Cash management agents are professional service providers appointed by lenders to the TK operators to administer cash movements of the TK operators. The change in deposit with cash management agents was mainly due to the repayment of the loans of YK Kokkei, YK Shingen and YK Keizan.
2. Five properties of YK Shintoku were sold between August 2009 and October 2009.
3. Bank borrowings of JPY 1.0 billion and JPY 2.0 billion were obtained by YK JOF and YK Shinzan respectively.
4. Repayment of bank borrowings comprised mainly full loan repayments made by YK Kokkei, YK Shingen, YK Keizan and YK JOF, as well as partial loan repayments made by YK Shintoku, GK Chosei and GK Choan.

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

**The Group**

	<b>FY2010 (JPY'000)</b>	<b>FY2009 (JPY'000)</b>
<b>OPERATION</b>		
<b>Balance as at 1 July</b>	(10,621,193)	(2,515,175)
Total loss for the year	(883,878)	(4,775,751)
Deemed distribution from rights issue	-	(3,330,267)
<b>Balance as at 30 June</b>	<b>(11,505,071)</b>	<b>(10,621,193)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at 1 July</b>	35,347,707	33,177,613
Issue of new Units to Manager	-	47,472 <sup>1</sup>
Distribution to Unitholders	-	(1,637,520)
Issue of new units arising from exercise of rights	-	3,759,932
Issue of new units arising from exercise of warrants	40,287	210
<b>Balance as at 30 June</b>	<b>35,387,994</b>	<b>35,347,707</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>23,882,923</b>	<b>24,726,514</b>
<b>MINORITY INTERESTS</b>		
<b>Balance as at 1 July</b>	-	30,635
Total return/(loss) for the year	8,391	(30,635)
<b>Balance at 30 June</b>	<b>8,391</b>	<b>-</b>
<b>TOTAL</b>	<b>23,891,314</b>	<b>24,726,514</b>

**Saizen REIT**

	<b>FY2010 (JPY'000)</b>	<b>FY2009 (JPY'000)</b>
<b>OPERATION</b>		
<b>Balance as at 1 July</b>	(12,090,811)	(955,360)
Total loss for the year	(925,867)	(7,805,184)
Deemed distribution from rights issue	-	(3,330,267)
<b>Balance as at 30 June</b>	<b>(13,016,678)</b>	<b>(12,090,811)</b>
<b>UNITHOLDERS CONTRIBUTION</b>		
<b>Balance as at 1 July</b>	36,602,634	34,432,540
Issue of new Units arising from exercise of rights	-	3,759,932
Issue of new Units arising from exercise of warrants	40,287	210
Issue of new Units to Manager	-	47,472 <sup>1</sup>
Distribution to Unitholders	-	(1,637,520)
<b>Balance as at 30 June</b>	<b>36,642,921</b>	<b>36,602,634</b>
<b>TOTAL ATTRIBUTABLE TO UNITHOLDERS</b>	<b>23,626,243</b>	<b>24,511,823</b>

**Note:**

1. In FY2009, Saizen REIT issued 261,402 new Units as payment of acquisition fee and 576,224 new Units as payment of management fee to the Manager. No new Units were issued in FY2010.

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

	<b>4Q FY2010 (Units)</b>	<b>4Q FY2009 (Units)</b>
Issued Units as at beginning of period	952,932,055	451,986,693
Issue of new Units from exercise of rights	-	497,185,362
Issue of new Units from exercise of warrants	271,000	22,000
Issued Units as at end of period	<u>953,203,055</u>	<u>949,194,055</u>

  

	<b>4Q FY2010 (Warrants)</b>	<b>4Q FY2009 (Warrants)</b>
Number of warrants outstanding as at beginning of period	493,425,326	-
Issue of warrants	-	497,185,362
Exercise of warrants	(271,000)	(22,000)
Number of warrants outstanding as at end of period	<u>493,154,362</u>	<u>497,163,362</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.

After 30 June 2010 and following the exercise of an aggregate of 454,300 warrants in July 2010 and August 2010, the number of Units in issue and warrants outstanding as at the date of this announcement are 953,657,355 and 492,700,062 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 attributable to the Unitholders of the Group by the weighted average number of units in issue during the financial period.

(b) Diluted EPU

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

		4Q FY2010	4Q FY2009	FY2010	FY2009
Total loss for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)		(1,048,706)	(183,160)	(883,878)	(4,775,751)
Basic EPU	(JPY)	(1.10)	(0.26)	(0.93)	(7.49)
	(cents)	(1.66) <sup>1</sup>	(0.39) <sup>2</sup>	(1.43) <sup>3</sup>	(11.10) <sup>4</sup>
Diluted EPU	(JPY)	NM <sup>5</sup>	NM <sup>5</sup>	NM <sup>5</sup>	NM <sup>5</sup>
	(cents)	NM <sup>5</sup>	NM <sup>5</sup>	NM <sup>5</sup>	NM <sup>5</sup>
Weighted average number of Units		953,044,077	715,427,486	952,710,118	637,420,581
Weighted average number of Units plus dilutive effect		1,176,435,049	762,441,922	1,158,626,039	649,141,989

**Notes:**

1. Based on S\$/JPY average exchange rate of 66.3 between 1 April 2010 and 30 June 2010.
2. Based on S\$/JPY average exchange rate of 66.2 between 1 April 2009 and 30 June 2009.
3. Based on S\$/JPY average exchange rate of 65.1 between 1 July 2009 and 30 June 2010.
4. Based on S\$/JPY average exchange rate of 67.5 between 1 July 2008 and 30 June 2009.
5. NM denotes not meaningful.

## 7. Net asset value ("NAV") per Unit based on issued Units at the end of 30 June 2010 and 30 June 2009

The Group

		As at 30 Jun 2010	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	25.06	26.05
	(S\$)	0.40 <sup>1</sup>	0.40 <sup>2</sup>

Saizen REIT

		As at 30 Jun 2010	As at 30 Jun 2009
NAV per Unit based on issued Units at the end of financial period	(JPY)	24.79	25.82
	(S\$)	0.39 <sup>1</sup>	0.39 <sup>2</sup>

**Notes:**

1. Based on S\$/JPY exchange rate of 63.4 as at 30 June 2010.
2. Based on S\$/JPY exchange rate of 65.7 as at 30 June 2009.

## 8. Review of performance

### Income statement: FY2010 vs FY2009

#### *Group level*

Property operations of Saizen REIT had remained stable in FY2010. Five properties from the property portfolio of YK Shintoku were sold in the first half of FY2010, resulting in a loss on divestment of properties of JPY 57.7 million. Overall occupancy rates as at 30 June 2010 was 91.3%, while overall rental reversion of new contracts entered into in FY2010 was marginally lower by about 5.3% from previous contracted rates. Gross revenue in FY2009 also included a one-off refund of loan-related costs for GK Choan of JPY 20.0 million. The above-mentioned divestment of five properties, the decrease in rental rates of new contracts and one-off refund of loan-related costs contributed to the slight decrease in gross revenue by 3.2% in FY2010 as compared to FY2009.

The increase in other trust expenses by 20.3% in FY2010 as compared to FY2009 was mainly due to accruals for valuation fees (no valuation fees were accrued in the first half of FY2009). Issue expenses of JPY 4.1 million in FY2010 comprised expenses incurred in respect of the Rights Issue.

The fair value loss on financial derivatives of JPY 466.2 million incurred in FY2010 comprised mainly fair value losses on warrants of JPY 409.3 million, which arose due to the increase in market-traded price of the warrants.

Net fair value loss on investment properties was JPY 1.7 billion in FY2010. The fair value of Saizen REIT's properties decreased because the independent valuers had generally adopted slightly higher capitalisation rates, in view that while the property and credit markets have stabilised, property buyers and lenders still tend to adopt a cautious approach. The slight decrease in rental rates of new contracts entered into in FY2010 for Saizen REIT's properties also contributed to the decrease in valuations. Comparatively, the net fair value loss in investment properties was JPY 6.4 billion in FY2009.

#### *Property level*

The income statements for FY2010 and 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 were excluded.

	<b>FY2010<sup>1</sup></b> <b>(JPY'000)</b>	<b>FY2009<sup>2</sup></b> <b>(JPY'000)</b>	<b>Increase /</b> <b>(Decrease) %</b>
Gross revenue – Group level	4,132,792	4,268,751	(3.2)
Gross revenue – REIT level	-	(261)	(100.0)
Gross revenue – Property level	4,132,792	4,268,490	(3.2)
Property operating expenses <sup>3</sup>	(1,350,183)	(1,355,067)	(0.4)
<b>Net property income</b>	<b>2,782,609</b>	<b>2,913,423</b>	<b>(4.5)</b>
Other administrative expenses	(117,308)	(125,301)	(6.4)
Asset management fees	(26,691)	(22,454)	18.9
Interest expenses <sup>4</sup>	(784,926)	(764,616)	2.7
Guarantor fee to asset manager	(4,490)	-	NM <sup>5</sup>
<b>Net income from property operations</b>	<b>1,849,194</b>	<b>2,001,052</b>	<b>(7.6)</b>

**Notes:**

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

	<b>FY2010</b> <b>(JPY'000)</b>	<b>FY2009</b> <b>(JPY'000)</b>	<b>Increase /</b> <b>(Decrease) %</b>
Property tax	309,374	317,000	(2.4)
Property manager's fees	162,345	166,611	(2.6)
Operation and maintenance expenses	209,403	212,992	(1.7)
Repairs and renovations	237,147	197,030	20.4
Leasing and marketing expenses	150,629	174,845	(13.8)
Utilities charges	177,471	183,449	(3.3)
Insurance expenses	52,747	55,480	(4.9)
Impairment on account receivables	1,553	2,190	(29.1)
Bad debt written-off	6,395	798	>100.0
Consumption tax arising from operation	43,119	44,672	(3.5)

4. Interest expenses include the realised loss (payment) on interest rate swap. In FY2009, interest expenses excluded a REIT-level expense of JPY 0.04 million.
5. NM denotes not meaningful.

Property level gross revenue decreased by 3.2% 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 in FY2010. Property operating expenses remained stable.

The increase in repair and renovation expenses by 20.4% was mainly due to major upgrades conducted on properties (such as common area, drainage system and electrical systems improvements and upgrades) as well as more renovations being carried out for the leasing season in FY2010. This was partially offset by the decrease in leasing and marketing expenses by 13.8%, due mainly to a lower average turnover rate of 20% in FY2010 as compared to 22% in FY2009. In FY2009, more intensive leasing initiatives were also implemented in response to the then deteriorating economic conditions and heightened leasing competition experienced at that time.

While the absolute amount remains nominal, there was an increase in the aggregate amount of impairment on account receivables and bad debts written-off. The Asset Manager is in the process of making claims from guarantor companies in respect of several tenants' outstanding rental payments. In the meantime, provisions have been made for such amounts.

**Income statement: 4Q FY2010 vs. 3Q FY2010****Property level**

The income statements for 4Q FY2010 and 3Q 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.

	<b>4Q FY2010<sup>1</sup></b> <b>(JPY'000)</b>	<b>3Q FY2010<sup>2</sup></b> <b>(JPY'000)</b>	<b>Increase/</b> <b>(Decrease) %</b>
Gross revenue	1,030,060	1,025,064	0.5
Property operating expenses <sup>3</sup>	(353,437)	(370,122)	(4.5)
<b>Net property income</b>	<b>676,623</b>	<b>654,942</b>	3.3
Other administrative expenses	(30,152)	(27,012)	11.6
Asset management fees	(6,825)	(7,082)	(3.6)
Interest expenses <sup>4</sup>	(201,729)	(188,983)	6.7
Guarantor fee to asset manager	(2,042)	(1,198)	70.5
<b>Net income from property operations</b>	<b>435,875</b>	<b>430,667</b>	1.2



**Notes:**

1. There were 161 properties at the start and end of 4Q FY2010.
2. There were 161 properties at the start and end of 3Q FY2010.
3. Property operating expenses comprised the following:

	4Q FY2010 (JPY'000)	3Q FY2010 (JPY'000)	Increase / (Decrease) %
Property tax	77,450	77,474	(0.0)
Property manager's fees	40,310	40,164	0.4
Operation and maintenance expenses	50,801	56,381	(9.9)
Repairs and renovations	75,090	62,162	20.8
Leasing and marketing expenses	39,478	54,317	(27.3)
Utilities charges	43,978	51,170	(14.1)
Insurance expenses	12,271	13,054	(6.0)
Impairment on account receivables	1,793	2,087	(14.1)
Bad debt written-off	976	499	95.6
Consumption tax arising from operation	11,290	12,814	(11.9)

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

Property operations remained stable in 4Q FY2010, with net property income showing a slight increase of 3.3% from the previous quarter. Repairs and renovations expenses increased by 20.8%, due mainly to property upgrades such as drainage system improvements. Leasing and marketing expenses declined by 27.3% as leasing activities have slowed down following the conclusion of the leasing season in April 2010.

The increase in interest expenses of 6.7% in 4Q FY2010 as compared to 3Q FY2010 was mainly due to interest expenses on the loan of YK Shinzan which was obtained in March 2010. Guarantor fee to asset manager increased by approximately JPY 0.8 million in 4Q FY2010, due mainly to guarantor fees paid in respect of the loan of YK Shinzan.

## 9. Outlook and prospects

Property operations are expected to remain stable and distributions to Unitholders are expected to continue.

In respect of the loan of YK Shintoku, discussions with a financial institution on the terms and timing of a loan, which will potentially enable the loan of YK Shintoku to be refinanced, have commenced. Since the maturity default of the loan of YK Shintoku, the Asset Manager has been working closely with loan servicer and there is currently no indication of foreclosure actions. Meanwhile, the Asset Manager and the loan servicer are looking into the progressive and partial divestment of the properties of YK Shintoku to reduce the loan amount.

Saizen REIT currently has an aggregate of approximately JPY 12.0 billion (\$189.3 million) of properties which are unencumbered. The Management Team continues to explore the possibility of using Saizen REIT's unencumbered properties as collateral for new loans.

The Management Team also intends to explore opportunities for Saizen REIT to trade and rebalance its property portfolio with a view to enhancing its quality and growth potential. This may involve the divestment of existing properties and new acquisitions, especially in the Tokyo region.

Saizen REIT only has one loan which will mature in the financial year ending 30 June 2011. This is the JPY 0.4 billion (\$6.3 million) loan of GK Chosei, which will be repaid using internal cash resources if it cannot be refinanced prior to maturity.

**10. Distributions****10(a)** Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the financial year ended 30 June 2010
Distribution type	Tax-exempt income
Distribution rate	0.26 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution</p> <p>Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate (currently at 18%). There is no distribution in respect of such income for FY2010.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for FY2010.</p>

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

None.

**10(c)** Date payable

29 September 2010

**10(d)** Books closure date

13 September 2010

**11. Segmental Results**

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

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

Not applicable.

**13. A breakdown of sales as follows:-**

	Group		Increase/ (Decrease) %
	FY2010 (JPY'000)	FY2009 (JPY'000)	
(a) Gross revenue reported for first half year	2,077,668	2,125,015	(2.2)
(b) Total return before deducting minority interests reported for first half year	70,964	329,548	(78.5)
(c) Gross revenue reported for second half year	2,055,124	2,143,736	(4.1)
(d) Total loss before deducting minority interests reported for second half year	(946,451)	(5,135,934)	(81.6)

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

	Group		Increase/ (Decrease) %
	FY2010 (JPY'000)	FY2009 (JPY'000)	
Distribution to Unitholders to be paid	161,912 <sup>1</sup>	-	NM <sup>2</sup>

**Notes:**

1. Estimated based on 953,657,355 Units in issue as at the date of this announcement.
2. NM denotes not meaningful.

**15. Interested person transactions**

Guarantor fees amounting to an aggregate of JPY 4.49 million (S\$0.07 million) were paid to the Asset Manager in FY2010 in respect of the loans of YK JOF and YK Shinzan.

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

26 August 2010