

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 First Quarter Ended 30 September 2011

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INTRODUCTION

Financial position strengthened with new loans. Saizen REIT was successful in building on its existing banking relationship with the Tokyo Star Bank Ltd by securing a new loan of JPY 4.0 billion (S\$67.6 million) in September 2011. A new loan of JPY 76.0 million (S\$1.3 million) was also obtained by GK Gyosei in August 2011.

Income increased quarter-on quarter for the first quarter ended 30 September 2011 (“**1Q FY2012**”) despite a slight decline in gross revenue. Net property income and net income from operations increased by 10.0% and 35.3% respectively in 1Q FY2012 as compared to the previous quarter ended 30 June 2011 (“**4Q FY2011**”). This was due mainly to lower property operating expenses, other trust expenses and interest expenses.

Revenue and income decreased year-on-year for 1Q FY2012, due mainly to the sale of 31 properties during the financial year ended 30 June 2011 (“**FY2011**”).

Property operations remained stable in 1Q FY2012. The average occupancy rate was 90.8% in 1Q FY2012, as compared to 90.9% in the first quarter ended 30 September 2010 (“**1Q FY2011**”) and 90.8% in 4Q FY2011.

Overall rental reversion of new contracts entered into in 1Q FY2012 was marginally lower by about 2.4% (1Q FY2011 and 4Q FY2011: lower by about 4.0% and 4.3% respectively) from previous contracted rates.

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

Summary of results

Net asset value increased from JPY 24.8 billion as at 30 June 2011 to JPY 25.2 billion as at 30 September 2011, attributable mainly to the total return of the Group and the exercise of warrants in 1Q FY2012. Net asset value per Unit increased from S\$0.32 per Unit as at 30 June 2011 to S\$0.35 per Unit as at 30 September 2011, as the appreciation of the JPY against the S\$ had more than offset the dilutive effects that warrant exercises had on the net asset value per Unit.

The following is a summary of Saizen REIT’s operating performance for 1Q FY2012, 1Q FY2011 and 4Q FY2011.

	1Q FY2012 ²	1Q FY2011 ³	4Q FY2011 ⁴
Gross revenue			
(S\$’000)	13,346 ⁵	16,274 ⁶	13,808 ⁷
(JPY’000)	848,794	1,030,129	908,570
Net property income			
(S\$’000)	8,821 ⁵	11,389 ⁶	7,753 ⁷
(JPY’000)	561,042	720,928	510,124
Net income from operations			
(S\$’000)	5,413 ⁵	6,012 ⁶	3,867 ⁷
(JPY’000)	344,252	380,537	254,476

Notes:

1. Based on S\$ / JPY exchange rate of 59.2 as at 30 September 2011, which is applied throughout this announcement unless stated otherwise.
2. There were 130 properties at the start and end of 1Q FY2012.
3. There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.
4. There were 143 properties at the start of 4Q FY2011 and 130 properties at the end of 4Q FY2011.
5. Based on S\$ / JPY average exchange rate of 63.6 between 1 July 2011 and 30 September 2011.
6. Based on S\$ / JPY average exchange rate of 63.3 between 1 July 2010 and 30 September 2010.
7. Based on S\$ / JPY average exchange rate of 65.8 between 1 April 2011 and 30 June 2011.

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 September 2011, Saizen REIT’s portfolio comprised 130 properties, with a total appraised value of JPY 33.0 billion (S\$557.4 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 eleven TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou and GK Gyosei.

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) (1Q FY2012 vs 1Q FY2011)**

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
Gross revenue	848,794	1,030,129	(17.6)
Property operating expenses	(287,752)	(309,201)	(6.9)
Net property income	561,042	720,928	(22.2)
Manager's management fees	(41,583)	(50,878)	(18.3)
Asset management fees	(6,263)	(6,534)	(4.1)
Trustee's fee	(2,605)	(2,597)	0.3
Finance costs ¹	(111,828)	(225,799)	(50.5)
Interest income	317	620	(48.9)
Other trust expenses	(15,192)	(16,213)	(6.3)
Other administrative expenses	(39,636)	(38,990)	1.7
Net income from operations	344,252	380,537	(9.5)
Loss on divestment of properties	(13,617)	(57,132)	(76.2)
Net fair value gain on financial derivatives - fair value through profit or loss ²	115,305	105,504	9.3
Total return for the period before income tax³	445,940	428,909	4.0
Income tax	(49,259)	(46,159)	6.7
Total return for the period after income tax	396,681	382,750	3.6
Attributable to:			
Unitholders	390,275	378,389	3.1
Non-controlling interests	6,406	4,361	46.9
	396,681	382,750	3.6

Notes:

1. Finance costs comprise the following:

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(76,207)	(207,266)	(63.2)
(ii) amortisation of loan commission	(17,934)	(27,738)	(35.3)
(iii) guarantor fee to asset manager	(1,851)	(2,010)	(7.9)
(iv) exchange difference	(15,836)	11,215	NM ¹

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

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,784)	(8,571)	2.5
(ii) unrealised fair value gain/(loss) on interest rate swap	5,478	(6,967)	NM ¹
(iii) fair value gain on warrants	118,611	121,042	(2.0)

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

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) (impairment)/write back of account receivable	(3,076)	983	NM ¹

Statement of total return (for the Group) (1Q FY2012 vs 4Q FY2011)

	1Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
Gross revenue	848,794	908,570	(6.6)
Property operating expenses	(287,752)	(398,446)	(27.8)
Net property income	561,042	510,124	10.0
Manager's management fees	(41,583)	(44,745)	(7.1)
Asset management fees	(6,263)	(16,584)	(62.2)
Trustee's fee	(2,605)	(2,083)	25.1
Finance costs ¹	(111,828)	(121,882)	(8.2)
Interest income	317	66	>100.0
Other trust expenses	(15,192)	(25,934)	(41.4)
Other administrative expenses	(39,636)	(44,486)	(10.9)
Net income from operations	344,252	254,476	35.3
Loss on divestment of properties	(13,617)	(288,760)	(95.3)
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ²	115,305	(89,634)	NM ³
Net fair value loss on investment properties	-	(1,558,302)	(100.0)
Total return/(loss) for the period before income tax⁴	445,940	(1,682,220)	NM ³
Income tax	(49,259)	(21,191)	>100.0
Total return/(loss) for the period after income tax	396,681	(1,703,411)	NM ³
Attributable to:			
Unitholders	390,275	(1,648,672)	NM ³
Non-controlling interests	6,406	4,361	NM ³
	396,681	(1,703,411)	NM ³

Notes:

1. Finance costs comprise the following:

	1Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(76,207)	(101,776)	(25.1)
(ii) amortisation of loan commission	(17,934)	(27,886)	(35.7)
(iii) guarantor fee to asset manager	(1,851)	(1,873)	(1.2)
(iv) exchange difference	(15,836)	9,653	NM ¹

2. Fair value gain/(loss) on financial derivatives comprises the following:

	1Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(8,784)	(9,071)	(3.2)
(ii) unrealised fair value gain on interest rate swap	5,478	6,372	(14.0)
(iii) fair value gain/(loss) on warrants	118,611	(86,935)	NM ¹

3. NM denotes not meaningful.

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

	1Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) impairment of account receivable	(3,076)	(1,906)	61.4

Statement of distributable income from operations

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	390,275	378,389
Adjustments ¹	(60,230)	(41,992)
Adjusted return for the period	330,045	336,397
Cash deployed for loan principal repayment ²	(102,349)	(113,397)
Cash deployed for one-off borrowing costs ³	(73,784)	(14,976)
Distributable income generated during the period	153,912	208,024
Income available for distribution to Unitholders at the beginning of the period	401,973	176,058
Previous distribution paid during the period ⁴	(390,043)	(179,139)
Distributable income from operations at the end of the period	165,842	204,943
Distribution to Unitholders	NA ⁵	NA ⁵

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain on warrants, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loss on divestment of properties and unrealised exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan amortisation payments. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.

The amount deployed for loan principal repayment in 1Q FY2011 was higher than that deployed in 1Q FY2012, due mainly to principal repayments on the loans of YK Shintoku and GK Chosei in 1Q FY2011. These two loans were fully repaid in FY2011.
- The amount deployed for one-off borrowing costs in 1Q FY2012 comprised one off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the new loans of YK Shingen, YK Keizan and GK Gyosei, while the amount deployed in 1Q FY2011 comprised one-off costs incurred in respect of the refinancing of the loan of GK Choan.
- Distribution paid in 1Q FY2012 related to the distribution declared for the second half of FY2011, while distribution paid in 1Q FY2011 related to the distribution declared for the financial year ended 30 June 2010.
- 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.

1(b)(i) Balance sheet

	The Group	
	As at 30 Sep 2011 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Current assets		
Cash and cash equivalents	6,572,524	3,032,810
Deposits with cash management agents ¹	364,257	423,927
Trade and other receivables	28,999	28,036
Other current assets	60,830	33,844
	<u>7,026,610</u>	<u>3,518,617</u>
Non-current assets		
Investment properties	33,017,490	32,995,420
	<u>33,017,490</u>	<u>32,995,420</u>
Total assets	<u>40,044,100</u>	<u>36,514,037</u>
Current liabilities		
Rental deposits	454,063	463,390
Rental received in advance	208,370	208,857
Borrowings	830,832	357,187
Other current liabilities ²	272,852	603,594
Current tax liabilities	219,512	419,604
Derivative financial instruments ³	744,532	1,038,614
	<u>2,730,161</u>	<u>3,091,246</u>
Non-current liabilities		
Rental deposits	24,986	25,589
Borrowings	12,023,852	8,579,696
Derivative financial instruments ⁴	58,606	64,085
	<u>12,107,444</u>	<u>8,669,370</u>
Total liabilities	<u>14,837,605</u>	<u>11,760,616</u>
Total net assets	<u>25,206,495</u>	<u>24,753,421</u>
Represented by:		
Unitholders	25,235,528	24,788,797
Non-controlling Interests	(29,033)	(35,376)
	<u>25,206,495</u>	<u>24,753,421</u>
Number of Units in issue ('000)⁵	<u>1,229,375</u>	<u>1,182,250</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>20.53</u>	<u>20.97</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to administer cash movements of the TK operators.
2. The decrease in other current liabilities from JPY 0.6 billion as at 30 June 2011 to JPY 0.3 billion as at 30 September 2011 was mainly due to the decrease in consumption tax payable on properties which had been divested in 4Q FY2011 (payment was made in 1Q FY2012).
3. The derivative financial instruments (current liabilities) comprised warrants that were outstanding. The decrease in the derivative financial instruments (current liabilities) was mainly due to (i) the decrease in the number of warrants that are outstanding as at 30 September 2011, (ii) the appreciation of the JPY against the S\$, and (iii) the decrease in the market-traded price of the warrants.
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.
5. The number of Units in issue increased from 1,182,249,611 Units as at 30 June 2011 to 1,229,375,481 Units as at 30 September 2011 due to the issue of 47,125,870 new Units pursuant to the exercise of warrants.

Saizen REIT		
	As at 30 Sep 2011 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Current assets		
Cash and cash equivalents	200,034	173,356
Distribution receivables	1,021,930	2,008,505
Other receivables	599	855
Other assets	1,465	1,023
	<u>1,224,028</u>	<u>2,183,739</u>
Non-current assets		
Investment in subsidiaries	24,464,014	23,810,325
	<u>24,464,014</u>	<u>23,810,325</u>
Total assets	<u>25,688,042</u>	<u>25,994,064</u>
Current liabilities		
Other current liabilities	39,148	75,289
Current tax liabilities	204,386	403,733
Derivative financial instruments ¹	744,532	1,038,614
	<u>988,066</u>	<u>1,517,636</u>
Total liabilities	<u>988,066</u>	<u>1,517,636</u>
Total net assets	<u>24,699,976</u>	<u>24,476,428</u>
Represented by:		
Unitholders	<u>24,699,976</u>	<u>24,476,428</u>
Number of Units in issue ('000)	<u>1,229,375</u>	<u>1,182,250</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>20.09</u>	<u>20.70</u>

Note:

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

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

	As at 30 Sep 2011 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Secured borrowings- Bank loans		
Amount repayable in one year or less	830,832	357,187
Amount repayable after one year	12,023,852	8,579,696
	<u>12,854,684</u>	<u>8,936,883</u>

As at 30 September 2011, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 28.4 billion.

The increase in borrowings from JPY 8.9 billion as at 30 June 2011 to JPY 12.9 billion as at 30 September 2011 was mainly due to the loan of JPY 76.0 million obtained by GK Gyosei in August 2011 and the loan of JPY 4.0 billion obtained by YK Shingen and YK Keizan in September 2011.

1(c) Cash flow statement (for the Group) (1Q FY2012 vs 1Q FY2011)

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)
Operating activities		
Total return for the period after income tax	396,681	382,750
Adjustments for:		
Income tax	49,259	46,159
Interest income	(317)	(620)
Interest expenses	94,141	235,004
Net fair value gain on financial derivatives	(115,305)	(105,504)
Loss on divestment of properties	13,617	57,132
Operating profit before working capital changes	438,076	614,921
Changes in working capital		
Deposit with cash management agents	59,670	14,615
Trade and other receivables	(963)	2,361
Other current assets	(29,051)	(10,991)
Other current liabilities	(331,510) ¹	(107,170)
Rental received in advance	(487)	(10,688)
Rental deposits	(9,930)	(22,719)
Cash generated from operations	125,805	480,329
Income tax paid	(2,780)	(713)
Withholding tax paid ²	(246,571)	(38,483)
Cash flows (used in)/provided by operating activities	(123,546)	441,133
Investing activities		
Net cash effect on acquisition of subsidiary	(63)	-
Capital expenditure/addition of investment properties	(22,070)	(1,728)
Proceeds from sale of investment properties	-	506,968 ³
Expenditure on transfer of properties between subsidiaries	(13,617) ⁴	-
Cash flows(used in)/provided by investing activities	(35,750)	505,240
Financing activities		
Bank borrowings obtained	4,076,000 ⁵	-
Repayment of bank borrowings ⁶	(102,349)	(566,681)
Distribution to Unitholders	(390,043)	(179,139)
Interest received	317	628
Interest paid ⁷	(147,158)	(301,274)
Payment of interest rate swap	(8,784)	(8,571)
Proceeds from exercise of warrants	271,027	887,913
Bank deposits pledged for bank borrowings	-	(274)
Cash flows provided by/(used in) financing activities	3,699,010	(167,398)
Net increase in cash and cash equivalents	3,539,714	778,975
Cash and cash equivalent at beginning of the period	2,832,810	2,166,393
Cash and cash equivalent at end of the period⁸	6,372,524	2,945,368

Notes:

1. The change in other current liabilities in 1Q FY2012 was mainly due to the payment of consumption tax payable on properties which had been divested in the previous quarter.
2. The increase in withholding tax paid in 1Q FY2012 as compared to 1Q FY2011 was mainly due to TK distributions made to Saizen REIT in 1Q FY2012 to facilitate (i) the settlement of intercompany balances between several TK operators of Saizen REIT and (ii) an additional TK investment by Saizen REIT in a TK operator.
3. Proceeds from the sale of investment properties in 1Q FY2011 related to the sale of 5 properties in September 2010.
4. Payments were made in 1Q FY2012 for consumption tax expenses incurred in connection with the transfer of 2 properties from YK Shingen to GK Gyosei. These 2 properties were pledged as security for loans obtained by GK Gyosei in August 2011 and October 2011.

5. Proceeds from bank borrowings in 1Q FY2012 comprised the loan of JPY 76 million obtained by GK Gyosei in August 2011 and the loan of JPY 4.0 billion obtained by YK Shingen and YK Keizan in September 2011.
6. Repayment of bank borrowings in 1Q FY2012 comprised mainly loan amortisation payments in respect of Saizen REIT's borrowings, while repayment of bank borrowings in 1Q FY2011 comprised mainly the partial repayment of the loan of YK Shintoku.
7. The decrease in interest paid in 1Q FY2012 as compared to 1Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku, which was fully repaid in May 2011.
8. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)
Cash and bank balances (per balance sheet)	6,572,524	3,148,159
Less: Bank deposits pledged	<u>(200,000)</u>	<u>(202,791)</u>
	<u><u>6,372,524</u></u>	<u><u>2,945,368</u></u>

Bank deposits pledged relate to minimum bank balances which have to be maintained by YK JOF in 1Q FY2012 and both in YK JOF and YK Shintoku in 1Q FY2011 under the terms of their respective loans.

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

The Group

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)
OPERATION		
Balance as at beginning of the period	(12,920,558)	(11,505,071)
Total return for the period	390,275	378,389
Distribution to Unitholders	<u>(390,043)</u>	<u>(179,139)</u>
Balance as at end of period	<u>(12,920,326)</u>	<u>(11,305,821)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	37,709,355	35,387,994
Issue of new units from exercise of warrants	<u>446,499</u>	<u>1,570,240</u>
Balance as at end of period	<u>38,155,854</u>	<u>36,958,234</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u><u>25,235,528</u></u>	<u><u>25,652,413</u></u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	(35,376)	8,391
Effect on investment in new TK operator	(63)	-
Total return for the period	<u>6,406</u>	<u>4,361</u>
Balance as at end of period	<u>(29,033)</u>	<u>12,752</u>
TOTAL	<u><u>25,206,495</u></u>	<u><u>25,665,165</u></u>

Saizen REIT

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)
OPERATION		
Balance as at beginning of the period	(14,487,854)	(13,016,678)
Total return/(loss) for the period	167,092	(6,555)
Distribution to Unitholders	<u>(390,043)</u>	<u>(179,139)</u>
Balance as at end of period	<u>(14,710,805)</u>	<u>(13,202,372)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	38,964,282	36,642,921
Issue of new units from exercise of warrants	<u>446,499</u>	<u>1,570,240</u>
Balance as at end of period	<u>39,410,781</u>	<u>38,213,161</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u><u>24,699,976</u></u>	<u><u>25,010,789</u></u>

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

	1Q FY2012 (Units)	1Q FY2011 (Units)
Issued Units as at beginning of period	1,182,249,611	953,203,055
Issue of new Units from exercise of warrants	47,125,870	157,799,657
Issued Units as at end of period	<u>1,229,375,481</u>	<u>1,111,002,712</u>
	1Q FY2012 (Warrants)	1Q FY2011 (Warrants)
Number of warrants outstanding as at beginning of period	264,107,806	493,154,362
Exercise of warrants	(47,125,870)	(157,799,657)
Number of warrants outstanding as at end of period	<u>216,981,936</u>	<u>335,354,705</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 September 2011 and following the exercise of an aggregate of 2,099,000 warrants in October 2011 and November 2011, the number of Units in issue and warrants outstanding as at the date of this announcement are 1,231,474,481 and 214,882,936 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 2011.

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 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 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.

		<u>1Q FY2012</u>	<u>1Q FY2011</u>
Total return for the period attributable to Unitholders for basic and diluted EPU	(JPY'000)	390,275	378,389
Basic EPU	(JPY) (cents)	0.32 0.50 ¹	0.38 0.60 ²
Diluted EPU	(JPY) (cents)	0.30 0.47 ¹	0.32 0.51 ²
Weighted average number of Units		1,202,530,572	997,555,657
Weighted average number of Units plus dilutive effect		1,302,094,018	1,192,900,763

Notes:

1. Based on S\$ / JPY average exchange rate of 63.6 between 1 July 2011 and 30 September 2011.
2. Based on S\$ / JPY average exchange rate of 63.3 between 1 July 2010 and 30 September 2010.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 September 2011 and 30 June 2011

The Group

		As at 30 Sep 2011	As at 30 Jun 2011
NAV per Unit based on issued Units at the end of financial period	(JPY)	20.53	20.97
	(S\$)	0.35 ¹	0.32 ²

Saizen REIT

		As at 30 Sep 2011	As at 30 Jun 2011
NAV per Unit based on issued Units at the end of financial period	(JPY)	20.09	20.70
	(S\$)	0.34 ¹	0.32 ²

Notes:

1. Based on S\$ / JPY exchange rate of 59.2 as at 30 September 2011.
2. Based on S\$ / JPY exchange rate of 65.5 as at 30 June 2011.

8. Review of performance

Income statement: 1Q FY2012 vs 1Q FY2011

	1Q FY2012 ¹ (JPY'000)	1Q FY2011 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	848,794	1,030,129	(17.6)
Property operating expenses ³	(287,752)	(309,201)	(6.9)
Net property income	561,042	720,928	(22.2)
Asset management fees	(6,263)	(6,534)	(4.1)
Interest expenses ⁴	(84,991)	(215,837)	(60.6)
Guarantor fee to asset manager	(1,851)	(2,010)	(7.9)
Other administrative expenses	(33,846)	(33,201)	1.9
Net income from property operations	434,091	463,346	(6.3)
Interest income	317	620	(48.8)
Other operating expenses ⁵	(98,940)	(92,000)	7.5
Adjustment ⁶	8,784	8,571	2.5
Net income from operations	344,252	380,537	(9.5)

Notes:

- There were 130 properties at the start and end of 1Q FY2012.
- There were 161 properties at the start of 1Q FY2011 and 156 properties at the end of 1Q FY2011.
- Property operating expenses comprised the following:

	1Q FY2012 (JPY'000)	1Q FY2011 (JPY'000)	Increase / (Decrease) %
Property tax	62,843	77,151	(18.5)
Property manager's fees	33,288	40,265	(17.3)
Operation and maintenance expenses	41,207	51,796	(20.4)
Repairs and renovations	67,605	53,002	27.6
Leasing and marketing expenses	26,484	24,395	8.6
Utilities charges	36,095	40,972	(11.9)
Insurance expenses	9,467	10,984	(13.8)
Impairment/(write back) of account receivables	3,076	(983)	NM ⁷
Bad debt written-off	259	1,734	(85.1)
Consumption tax arising from operation	7,428	9,885	(24.9)
- Interest expenses include the realised loss (payment) on interest rate swap.
- Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses, guarantor fee to asset manager and realised loss (payment) on interest rate swap), REIT-level other administrative expenses.
- The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.
- NM denotes not meaningful.

Property-level operations

Gross revenue decreased by 17.6%, due mainly to the divestment of 31 properties in FY2011 as well as a slight decrease in rental rates of new contracts entered into after 1Q FY2011. Net property income and net income from property operations decreased by 22.2% and 6.3% respectively.

Average occupancy rates in 1Q FY2012 was 90.8% as compared to 90.9% in 1Q FY2011, while overall rental reversion of new contracts entered into in 1Q FY2012 was marginally lower by about 2.4% (1Q FY2011: lower by about 4.0%) from previous contracted rates.

Property operating expenses decreased by 6.9%, from JPY 309.2 million in 1Q FY2011 to JPY 287.8 million in 1Q FY2012. While most property operating expenses decreased following the divestment of properties in FY2011, repair and renovation expenses increased by 27.6% in 1Q FY2012 as compared to 1Q FY2011, due mainly to rectification work, amounting to about JPY 22.4 million, performed on properties affected by the earthquake in March 2011.

The increase in leasing and marketing expenses of 8.6% in 1Q FY2012 was mainly due to an increase in leasing commissions incurred as a result of higher tenant turnover in 1Q FY2012 in cities such as Sapporo and more marketing campaigns being conducted.

The increase in net impairment of account receivables and bad debt written off from JPY 0.8 million in 1Q FY2011 to JPY 3.3 million in 1Q FY2012 was mainly due to an administrative delay in the payment of rents due from the government of the Miyagi prefecture which had rented accommodation for people in Sendai city who were affected by the March 2011 earthquake. The government of the Miyagi prefecture had commenced payment in October 2011 on a portion of its outstanding rent.

The decrease in interest expenses of 60.6% in 1Q FY2012 as compared to 1Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku, which was fully repaid in May 2011.

Guarantor fees of JPY 1.9 million were paid to the Asset Manager in respect of the loans of YK JOF and YK Shinzan. The decrease in guarantor fees of 7.9% in 1Q FY2012 was mainly due to the reduction in the outstanding balances of the loans of YK JOF and YK Shinzan following loan amortisation.

Group-level operations

Net income from operations decreased from JPY 380.5 million in 1Q FY2011 to JPY 344.3 million in 1Q FY2012.

Other operating expenses increased by 7.5% in 1Q FY2012 as compared to 1Q FY2011 due mainly to a foreign exchange loss recognised in 1Q FY2012. Saizen REIT maintains S\$-denominated bank balances. The foreign exchange loss of JPY 15.8 million in 1Q FY2012 comprised mainly unrealised losses arising from the translation of these S\$-denominated bank balances to JPY for the preparation of the Group's financial statements. Comparatively, a foreign exchange gain of JPY 11.2 million had been recognised in 1Q FY2011.

The increase in other operating expenses was partially offset by:

- (a) a decrease in expenses incurred in respect of the amortisation of loan commission of 35.3%, due mainly to the completion of the amortisation of commission on a loan which had been obtained by GK Choan in 2008; and
- (b) a decrease in the Manager's management fee of 18.3%, due mainly to the divestment of properties in FY2011 as well as the decrease in fair value of Saizen REIT's investment property portfolio following the annual valuation as at 30 June 2011.

Other Group-level non-operating items

While no property was divested in 1Q FY2012, the loss incurred on the divestment of properties of JPY 13.6 million in 1Q FY2012 arose from consumption tax expenses incurred in connection with the transfer of 2 properties from YK Shingen to GK Gyosei. These 2 properties were pledged as security for loans obtained by GK Gyosei in August 2011 and October 2011.

The fair value gain on financial derivatives of JPY 115.3 million incurred in 1Q FY2012 was mainly due to the fair value gain on warrants of JPY 118.6 million. The fair value gain on warrants arose mainly due to (i) the decrease in the number of warrants that are outstanding as at 30 September 2011 following warrant exercises in 1Q FY2012, (ii) the appreciation of the JPY against the S\$, and (iii) the decrease in the market-traded price of the warrants.

Income statement: 1Q FY2012 vs 4Q FY2011

	1Q FY2012 ¹ (JPY'000)	4Q FY2011 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	848,794	908,570	(6.6)
Property operating expenses ³	(287,752)	(398,446)	(27.8)
Net property income	561,042	510,124	10.0
Asset management fees	(6,263)	(16,584)	(62.2)
Interest expenses ⁴	(84,991)	(110,847)	(23.3)
Guarantor fee to asset manager	(1,851)	(1,873)	(1.2)
Other administrative expenses	(33,846)	(39,355)	(14.0)
Net income from property operations	434,091	341,465	27.1
Interest income	317	66	>100.0
Other operating expenses ⁵	(98,940)	(96,126)	2.9
Adjustment ⁶	8,784	9,071	(3.2)
Net income from operations	344,252	254,476	35.3

Notes:

- There were 130 properties at the start and end of 1Q FY2012.
- There were 143 properties at the start of 4Q FY2011 and 130 properties at the end of 4Q FY2011.
- Property operating expenses comprised the following:

	1Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
Property tax	62,843	66,789	(5.9)
Property manager's fees	33,288	34,901	(4.6)
Operation and maintenance expenses	41,207	41,762	(1.3)
Repairs and renovations	67,605	158,528	(57.4)
Leasing and marketing expenses	26,484	35,396	(25.2)
Utilities charges	36,095	38,054	(5.1)
Insurance expenses	9,467	8,963	5.6
Impairment of account receivables	3,076	1,906	61.4
Bad debt written-off	259	497	(47.9)
Consumption tax arising from operation	7,428	11,650	(36.2)
- Interest expenses include the realised loss (payment) on interest rate swap.
- Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses, guarantor fee to asset manager and realised loss (payment) on interest rate swap) and REIT-level other administrative expenses.
- The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue decreased by 6.6%, due mainly to the divestment of 13 properties in 4Q FY2011 as well as a slight decrease in rental rates of new contracts entered into after 4Q FY2011. Net property income increased by 10.0%, due mainly to lower property operating expenses. Lower interest expenses further enhanced net income from property operations, which increased 27.1% quarter-on-quarter.

Property operating expenses decreased by 27.8% from JPY 398.4 million in 4Q FY2011 to JPY 287.8 million in 1Q FY2012. Repair and renovation expenses decreased by 57.4% in 1Q FY2012 as compared to 4Q FY2011, due mainly to a decrease in expenses incurred on rectification work performed on properties affected by the earthquake in March 2011 as well as a decrease in expenses relating to upgrading works. Leasing and marketing expenses decreased by 25.2% in 1Q FY2012 following the conclusion of the leasing season in April 2011.

The increase in net impairment of account receivables and bad debt written from JPY 2.4 million in 4Q FY2011 to JPY 3.3 million in 1Q FY2012 was mainly due to an administrative delay in the payment of rents due from the government of the Miyagi prefecture which had rented accommodation for people in Sendai city who were affected by the March 2011 earthquake. The government of the Miyagi prefecture had commenced payment in October 2011 on a portion of its outstanding rent.

Asset management fees decreased by 62.2% in 1Q FY2012. The asset management fees incurred in 4Q FY2011 had included fees relating to the management of the YK Shintoku portfolio during the period from the maturity default of YK Shintoku's loan in November 2009 to the full repayment of the loan in May 2011 which the Asset Manager had temporarily refrained from charging until the loan default issue was resolved.

The decrease in interest expenses of 23.3% in 1Q FY2012 as compared to 4Q FY2011 was mainly due to the decrease in interest expenses attributable to the loan of YK Shintoku, which was fully repaid in May 2011.

Group-level operations

Net income from operations increased from JPY 254.5 million in 4Q FY2011 to JPY 344.3 million in 1Q FY2012. Other operating expenses increased slightly by 2.9 % in 1Q FY2012 as compared to 4Q FY2011.

A foreign exchange loss of JPY 15.8 million was recognised in 1Q FY2012 as compared to a foreign exchange gain of JPY 9.7 million which was recognised in 4Q FY2011. Saizen REIT maintains S\$-denominated bank balances. The foreign exchange loss of JPY 15.8 million in 1Q FY2012 comprised mainly unrealised losses arising from the translation of these S\$-denominated bank balances to JPY for the preparation of the Group's financial statements.

Other trust expenses decreased by 41.4% in 1Q FY2012, due mainly to lower valuation fee expenses. Valuation fees of JPY 11.5 million which were recognised in 4Q FY2011 comprised accruals of about JPY 3.8 million per month. Valuation fees of JPY 3.2 million which were recognised in 1Q FY2012 comprised accruals of JPY 9.8 million (accruals declined in line with the decrease in number of properties) which were partially offset by a write-back of JPY 6.6 million for over-accruals in the previous financial year.

Other Group-level non-operating items

While no property was divested in 1Q FY2012, the loss incurred on the divestment of properties of JPY 13.6 million in 1Q FY2012 arose from consumption tax expenses incurred in connection with the transfer of 2 properties from YK Shingen to GK Gyosei. These 2 properties were pledged as security for loans obtained by GK Gyosei in August 2011 and October 2011.

The fair value gain on financial derivatives of JPY 115.3 million incurred in 1Q FY2012 was mainly due to the fair value gain on warrants of JPY 118.6 million. The fair value gain on warrants arose mainly due to (i) the decrease in the number of warrants that are outstanding as at 30 September 2011 following warrant exercises in 1Q FY2012, (ii) the appreciation of the JPY against the S\$, and (iii) the decrease in the market-traded price of the warrants.

9. Outlook and prospects

Capital structure

Since the beginning of the current financial year, the TK operators of Saizen REIT have obtained new loans amounting to an aggregate of JPY 4.2 billion (S\$71.2 million), comprising 2 loans of JPY 76.0 million (S\$1.3 million) and JPY 140.0 million (S\$2.4 million) from the Hiroshimashi Credit Cooperative in August 2011 and October 2011 respectively, as well as a loan of JPY 4.0 billion (S\$67.6 million) from the Tokyo Star Bank Ltd in September 2011.

A portion of the above-mentioned loan proceeds will be deployed towards property acquisitions in the near future. The Management Team is currently in negotiations for the potential acquisition of properties in, among others, the cities of Tokyo and Kumamoto.

Saizen REIT currently has an unencumbered property portfolio which is valued at approximately JPY 4.6 billion (S\$77.7 million). The Management Team is actively exploring the possibility of raising funds via the encumbrance of these properties with existing and new lenders.

Property operations and distributions

Property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy. The next distribution payment is expected to take place in March 2012 in respect of distributable cash accumulated in the six months financial period ending 31 December 2011.

Properties affected by the earthquake in March 2011

Based on current estimates, repair expenses on properties affected by the March 2011 earthquake are expected to amount to no more than JPY 120 million (S\$2.0 million), of which about JPY 100 million (S\$1.7 million) had been incurred up to 30 September 2011. Out of 28 affected properties, 9 properties are still undergoing repair-work.

10. Distributions

10(a) Current financial period

Any distributions declared for the current financial period?

No.

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

Any distributions declared for the corresponding period of the immediately preceding financial year?

No.

10(c) Date payable

Not applicable.

10(d) Books closure date

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 1Q FY2012.

12. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 1.9 million (S\$0.03 million) were paid to the Asset Manager in 1Q FY2012 in respect of the loans of YK JOF and YK Shinzan.

13. General mandate for interested person transactions

Saizen REIT has not obtained a general mandate from Unitholders for interested person transactions.

14. Update on utilisation of warrant proceeds

Since the issue of warrants by Saizen REIT in June 2009, a total of 282,302,426 warrants have been exercised as at the date of this announcement.

Such warrant exercises have raised proceeds of approximately S\$25.4 million, of which approximately S\$0.3 million has been used for working capital purposes and approximately S\$20.1 million have been deployed towards loan repayment. The balance of S\$5.0 million in warrant proceeds remain unutilised.

15. Confirmation by Directors pursuant to Clause 705(5) of the Listing Manual of the 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 30 September 2011 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

Linus Koh
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

9 November 2011