

Saizen Real Estate Investment Trust

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

Announcement In Relation To The Unaudited Financial Statements For The Third Quarter Ended 31 March 2009

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In relation to the initial public offering of Saizen REIT ("IPO"), the financial adviser and issue manager is Morgan Stanley Asia (Singapore) Pte.. The joint bookrunners and underwriters are Morgan Stanley Asia (Singapore) Pte., Morgan Stanley & Co. International plc and Credit Suisse (Singapore) Limited.

INTRODUCTION

Summary of results

The financial year-end of Saizen Real Estate Investment Trust (“**Saizen REIT**” or the “**REIT**”) is 30 June. The following is a summary of Saizen REIT’s operating performance for the third quarters ended 31 March 2009 (“**3Q FY2009**”) and 31 March 2008 (“**3Q FY2008**”), and year-to-date for the financial year ending 30 June 2009 (“**FY2009**”) and ended 30 June 2008 (“**FY2008**”).

	3Q FY2009 ¹	2Q FY2009 ¹	3Q FY2008 ²
Gross revenue			
(JPY’000)	1,079,686 ³	1,059,598	1,054,523
(S\$’000)	17,442 ⁴	16,352 ⁵	14,098 ⁶
Net property income			
(JPY’000)	715,545 ³	751,537	711,508
(S\$’000)	11,560 ⁴	11,598 ⁵	9,512 ⁶

	As at 31 Mar 2009
Net asset value per Unit⁷ (JPY)	54.39
(S\$) ⁸	0.85 ⁸

Notes:

1. There were 166 properties at the start and end of both 3Q FY2009 and 2Q FY2009.
2. There were 164 properties respectively at the start and end of 3Q FY2008.
3. The gross revenue and net property income include a one-off refund of loan-related costs for GK Choan of JPY 20.0 million (S\$0.31 million) following the refinancing of its loans in August 2008.
4. Based on S\$/ JPY average exchange rate of 61.9 between 1 January 2009 and 31 March 2009.
5. Based on S\$/ JPY average exchange rate of 64.8 between 1 October 2008 and 31 December 2008.
6. Based on S\$/ JPY average exchange rate of 74.8 between 1 January 2008 and 31 March 2008.
7. Saizen REIT recognised a net fair value loss on investment properties of JPY 5.40 billion (S\$84.3 million) during the quarter in accordance with the desktop valuation conducted as at 31 January 2009 (“**Desktop Valuation**”).
8. Based on S\$/ JPY exchange rate of 64.0 as at 31 March 2009, which is applied throughout this announcement unless stated otherwise.

Background of Saizen REIT

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

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

At the time of Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 31 March 2009, Saizen REIT’s portfolio comprised 166 properties, with a total appraised value (based on Desktop Valuation) of JPY43.77 billion (approximately S\$683.9 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 Yugen Kaisha (“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 (“**Manager**”) and the Asset Manager is KK Tenyu Asset Management (“**Asset Manager**”) (together, the “**Management Team**”).

Significant accounting policies

Saizen REIT consolidates the financial statements of the TK operators for reporting purpose.

Upon the initial formation of Saizen REIT, as part of the acquisition of its interest in the properties, Saizen REIT has entered into agreements with vendors of the properties, being Central-Top Properties Ltd, a wholly-owned subsidiary of Japan Opportunities Fund (“**JOF**”), Japan High Yield Property Fund (“**JHYP**”) and Japan High Yield Property Fund II (“**JHYP II**”) (together, the “**Vendors**”) to acquire from them all rights and obligation (the “**TK interest**”) under the TK agreements, which were entered into among the Vendors and the respective TK operators (the “**Acquisition**”).

For the purpose of preparation of the financial statements, the Acquisition has been accounted for as a reverse acquisition. The three TK operators of JHYP, as a combining entity, have been identified as the acquirer for accounting purposes (the “**Accounting Acquirer**”), and are treated as having acquired the TK operators of JOF and JHYP II as well as Saizen REIT (the “**Accounting Acquirees**”).

Under this accounting policy adopted, the financial statements have been prepared as a reverse acquisition and:

- (a) represent a continuation of the financial statements of the Accounting Acquirer. Hence, the assets and liabilities of the Accounting Acquirer are recognised and measured in the financial statements at their pre-combination carrying amounts; and
- (b) reflect the fair values of the assets, liabilities and contingent liabilities of the Accounting Acquirees. Therefore, the cost of the business combination or the Acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Accounting Acquirees that satisfy the recognition criteria at their fair values as at 9 November 2007 (being the completion date of the Acquisition which is also the date of the Listing).

With the adoption of the above accounting policy, the implications on the Statement of Total Return and the definition of the “**Group**” include, inter alia, the following:

- (a) in respect of 1 July 2007 up to 31 March 2008 (“**YTD Mar 2008**”), it comprises (i) those of the three TK operators of JHYP from 1 July 2007 to 8 November 2007 with income and expense items at the TK operators’ level only; and (ii) thereafter from 9 November 2007 (being the completion date of the Acquisition which is also the date of Listing) to 31 March 2008, those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition) with income and expense items at both the TK operators’ level and Saizen REIT level; and
- (b) in respect of 3Q FY2008, 3Q FY2009 and 1 July 2008 up to 31 March 2009 (“**YTD Mar 2009**”), it comprises those of all the TK operators under Saizen REIT (i.e. those TK operators previously under the Vendors prior to the Acquisition and two new TK operators (as the case may be)) with income and expense items at both the TK operators’ level and Saizen REIT level throughout the period.

The financial statements in this announcement are prepared assuming completion date of the Acquisition is the date of Listing. They are therefore on a different basis from the financial statements prepared for inclusion in the prospectus of Saizen REIT dated 29 October 2007 ("Prospectus"), which are on a proforma basis.

INFORMATION REQUIRED FOR ANNOUNCEMENTS

1(a) Statement of total return (for the Group) (3Q FY2009 vs 3Q FY2008)

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,079,686	1,054,523	2.4
Property operating expenses	<u>(364,141)</u>	<u>(343,015)</u>	6.2
Net property income	715,545	711,508	0.6
Interest income	3,473	11,929	(70.9)
Other administrative expenses	(34,943)	(38,979)	(10.4)
Manager's management fees	(56,136)	(66,548)	(15.6)
Asset management fees	(7,743)	(7,964)	(2.8)
Trustee's fee	(2,221)	(4,628)	(52.0)
Other trust expenses ²	(46,544)	(5,102)	>100.0
Finance costs ³	(225,496)	(403,954)	(44.2)
Issue expenses	-	(12,762)	NM ¹
Net income from operations	<u>345,935</u>	<u>183,500</u>	88.5
Fair value gain on financial derivatives ⁴	222	-	NM ¹
Net fair value loss on investment properties	<u>(5,398,278)</u>	<u>-</u>	NM ¹
Total (loss)/ return for the period before income tax⁵	<u>(5,052,121)</u>	<u>183,500</u>	NM ¹
Income tax	99,347	(77,824)	NM ¹
Total (loss)/ return for the period	<u><u>(4,952,774)</u></u>	<u><u>105,676</u></u>	NM ¹
Attributable to:			
Unitholders	(4,804,305)	100,590	NM ¹
Minority Interests	<u>(148,469)</u>	<u>5,086</u>	NM ¹
	<u><u>(4,952,774)</u></u>	<u><u>105,676</u></u>	NM ¹

Notes:

1. NM denotes not meaningful
2. Valuation fee of approximately JPY30 million for the period from 1 July 2008 to 31 March 2009 is being accrued in 3Q FY2009. No valuation fee was accrued in 3Q FY2008.
3. Finance costs comprise the following:

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(179,906)	(193,521)	(7.0)
(ii) amortisation of loan commission	(42,632)	(35,996)	18.4
(iii) exchange difference	(2,958)	(174,437)	(98.3)

4. Fair value gain on financial derivatives comprise the following:

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) Realised loss (payment) on interest rate swap	(2,846)	-	NM ¹
(ii) Unrealised fair value gain on interest rate swap	3,089	-	NM ¹
(iii) Unrealised fair value loss on interest rate cap	(21)	-	NM ¹

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

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)	Increase / (Decrease) %
(i) Impairment on account receivables	(510)	(1,320)	(61.4)

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

	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,204,701	2,525,116	26.9
Property operating expenses	(996,371)	(770,652)	29.3
Net property income	2,208,330	1,754,464	25.9
Interest income	12,322	20,565	(40.1)
Other administrative expenses	(109,828)	(95,309)	15.2
Manager's management fees	(180,289)	(103,813)	73.7
Asset management fees	(19,474)	(18,929)	2.9
Trustee's fee	(6,349)	(7,327)	(13.4)
Other trust expenses ²	(73,080)	(12,983)	>100.0
Finance costs ³	(1,004,051)	(1,151,785)	(12.8)
Issue expenses	-	(1,006,362)	NM ¹
Net income from operations	827,581	(621,479)	NM ¹
Fair value loss on financial derivatives ⁴	(73,613)	-	NM ¹
Net fair value (loss)/ gains on investment properties	(5,398,278)	1,329,735	NM ¹
Total (loss)/return for the period before income tax⁵	(4,644,310)	708,256	NM ¹
Negative goodwill	-	350,047	NM ¹
Income tax	21,084	(403,700)	NM ¹
Total return for the period after income tax before distribution	(4,623,226)	654,603	NM ¹
Less: Distribution	-	(223,929) ⁶	NM ¹
Total (loss)/ return for the period	(4,625,226)	430,674	NM ¹
Attributable to:			
Unitholders	(4,479,594)	358,257	NM ¹
Minority Interests	(143,632)	72,417	NM ¹
	(4,623,226)	430,674	NM ¹

Notes:

- NM denotes not meaningful
- Valuation fee of approximately JPY37.7 million is being accrued/ has been paid in YTD Mar 2009. No valuation fee was accrued in YTD Mar 2008.
- Finance costs comprise the following:

	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(582,343)	(536,333)	8.6
(ii) amortisation of loan commission	(173,460)	(127,362)	36.2
(iii) cost of refinancing	(191,172)	-	NM ¹
(iv) exchange difference	(57,076)	(488,090)	(88.3)

- Fair value loss on financial derivatives comprise the following:

	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)	Increase / (Decrease) %
(i) Realised loss (payment) on interest rate swap	(9,769)	-	NM ¹
(ii) Unrealised fair value loss on interest rate swap	(63,347)	-	NM ¹
(iii) Unrealised fair value loss on interest rate cap	(497)	-	NM ¹

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

	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)	Increase / (Decrease) %
(i) impairment on account receivables	(2,032)	(1,742)	16.6

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

1(b)(i) Balance sheet (Group)

	As at 31 Mar 2009 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Current assets		
Cash and cash equivalents	2,774,026	5,609,118
Deposits with cash management agents ¹	2,456,521	2,639,772
Trade and other receivables	36,311	100,544
Other current assets	39,770	46,914
	<u>5,306,628</u>	<u>8,396,348</u>
Non-current assets		
Derivative financial instruments	62	559
Investment properties	43,768,000	49,062,300
	<u>43,768,062</u>	<u>49,062,859</u>
Total assets	<u>49,074,690</u>	<u>57,459,207</u>
Current liabilities		
Rental deposits	719,391	741,997
Rental received in advance	260,021	264,504
Borrowings	16,205,614	5,314,479
Other current liabilities	355,642	455,415
Current tax liabilities	251,801	169,244
	<u>17,792,469</u>	<u>6,945,639</u>
Non-current liabilities		
Rental deposits	27,241	22,289
Borrowings	6,527,362	19,472,617
Derivative financial instruments	63,346	-
Deferred tax liabilities	193,335	325,589
	<u>6,811,284</u>	<u>19,820,495</u>
Total liabilities	<u>24,603,753</u>	<u>26,766,134</u>
Total net assets	<u>24,470,937</u>	<u>30,693,073</u>
Represented by:		
Unitholders	24,583,934	30,662,438
Minority Interests	(112,997)	30,635
	<u>24,470,937</u>	<u>30,693,073</u>
Number of Units in issue ('000)	<u>451,987</u>	<u>451,149</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>54.39</u>	<u>67.97</u>

Note:

1. The cash management agents are professional service providers appointed by the lenders to the TK operators to administer the cash movements of the TK operators.

1(b)(i) Balance sheet (Saizen REIT)

	As at 31 Mar 2009 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Current assets		
Cash and cash equivalents	120,142	1,877,045
Trade and other receivables	1,041,030	710,029
Other current assets	3,558	1,991
	<u>1,164,730</u>	<u>2,589,065</u>
Non-current assets		
Investment in subsidiaries	31,123,510	31,156,661
	<u>31,123,510</u>	<u>31,156,661</u>
Total assets	<u>32,288,240</u>	<u>33,745,726</u>
Current liabilities		
Other current liabilities	64,248	139,731
Current tax liabilities	212,022	128,815
	<u>276,270</u>	<u>268,546</u>
Total liabilities	<u>276,270</u>	<u>268,546</u>
Total net assets	<u>32,011,970</u>	<u>33,477,180</u>
Represented by:		
Unitholders	<u>32,011,970</u>	<u>33,477,180</u>
Number of Units in issue ('000)	<u>451,987</u>	<u>451,149</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>70.82</u>	<u>74.20</u>

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

	As at 31 Mar 2009 (JPY'000)	As at 30 Jun 2008 (JPY'000)
Secured borrowings		
Amount repayable in one year or less		
- Bank loans	19,284	19,130
- Commercial mortgage-backed securities loans	16,186,330	5,295,349
	<u>16,205,614</u>	<u>5,314,479</u>
Amount repayable after one year		
- Bank loans	6,527,362	4,690,054
- Commercial mortgage-backed securities loans	-	14,782,563
	<u>6,527,362</u>	<u>19,472,617</u>
	<u>22,732,976</u>	<u>24,787,096</u>

As at 31 March 2009, the above borrowings are secured against investment properties of Saizen REIT with aggregate value amounting to JPY38.87 billion.

1(c) Cash flow statement (for the Group) (3Q FY2009 vs 3Q FY2008)

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)
Operating activities		
Total (loss)/ return for the period after income tax before distribution	(4,952,774)	105,676
Adjustments for:		
Income tax	(99,347)	77,824
Interest income	(3,473)	(11,929)
Interest expenses	222,538	229,517
Fair value gain on financial derivatives	(222)	-
Net fair value loss on investment properties	5,398,278	-
Operating profit before working capital changes	565,000	401,088
Changes in working capital		
Deposit with cash management agents	4,149,314	(68,909)
Trade and other receivables	(4,713)	(11,129)
Other current assets	10,571	(2,387)
Other current liabilities	73,179	(162,326)
Rental received in advance	(3,921)	10,263
Rental deposits	4,061	16,927
Cash generated from operations	4,793,491	183,527
Income tax paid	-	(250)
Cash flows provided by operating activities	4,793,491	183,277
Investing activities		
Purchase of/ additions to investment properties	(16,124)	(89,289)
Cash flows used in investing activities	(16,124)	(89,289)
Financing activities		
Issue expenses	(8,863)	-
Repayment of bank borrowings	(3,941,405)	(18,923)
Refund of IPO expenses	-	1,285
Interest received	3,468	13,775
Interest paid	(210,915)	(194,906)
Cash flows used in financing activities	(4,157,715)	(198,769)
Net increase/(decrease) in cash and cash equivalents	619,652	(104,781)
Cash and cash equivalent at beginning of the period	2,154,374	5,718,906
Cash and cash equivalent at end of the period	2,774,026	5,614,125

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

	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)
Operating activities		
Total (loss)/ return for the period after income tax before distribution	(4,623,226)	654,603
Adjustments for:		
Negative goodwill	-	(350,047)
Income tax	(21,084)	403,700
Interest income	(12,322)	(20,565)
Interest expenses	946,975	651,695
Fair value loss on financial derivatives	73,613	-
Net fair value loss/(gains) on investment properties	5,398,278	(1,329,735)
Operating profit before working capital changes	1,762,234	9,651
Changes in working capital		
Deposit with cash management agents	183,251	(100,324)
Trade and other receivables	55,801	(38,220)
Other current assets	7,144	83,677
Other current liabilities	(26,728)	103,658
Rental received in advance	(4,483)	47,702
Rental deposits	(17,654)	96,599
Cash generated from operations	1,959,565	202,743
Income tax paid	(28,613)	(250)
Cash flows provided by operating activities	1,930,952	202,493
Investing activities		
Purchase of/ additions to investment properties	(103,979)	(7,051,525)
Net cash effect on acquisition of subsidiaries	-	203,063
Cash flows used in investing activities	(103,979)	(6,848,462)
Financing activities		
Issue of new Units at initial public offering	-	15,400,394
Issue expenses	(8,863)	(665,495)
Bank borrowings obtained	5,900,000	510,000
Repayment of bank borrowings	(7,931,486)	(3,025,511)
Return of capital to previous TK investors	-	(18,335)
Distribution to previous TK investors	-	(223,929)
Distribution to Unitholders	(1,637,520)	-
Interest received	20,753	16,949
Interest paid	(1,004,949)	(488,744)
Cash flows (used in)/ provided by financing activities	(4,662,065)	11,505,329
Net (decrease)/increase in cash and cash equivalents	(2,835,092)	4,859,360
Cash and cash equivalent at beginning of the period	5,609,118	754,765
Cash and cash equivalent at end of the period	2,774,026	5,614,125

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

<u>The Group</u>	YTD Mar 2009 (JPY'000)	YTD Mar 2008 (JPY'000)
OPERATION		
Balance as at beginning of the period	(2,515,175)	1,354,946
Total (loss)/return for the period	(4,479,594)	582,186
Distribution to previous TK investor	-	(223,929)
Balance as at end of period	<u>(6,994,769)</u>	<u>1,713,203</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	33,177,613	11,293,957
Issue of new Units at initial public offering	-	15,400,394
Creation of new units arising from - Acquisition fee and Manager's management fee ¹	47,473	69,679
Distribution to Unitholders	(1,637,520)	-
Return of capital to previous TK investors	-	(18,335)
Issue expenses	(8,863)	(665,495)
Cost of acquisition	-	7,294,113
Balance as at end of period	<u>31,578,703</u>	<u>33,374,313</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>24,583,934</u>	<u>35,087,516</u>
MINORITY INTERESTS		
Balance as at beginning of the period	30,635	40,828
Effect on acquisition	-	106,880
Total (loss)/ return for the period	(143,632)	72,417
Balance as at end of period	<u>(112,997)</u>	<u>220,125</u>
TOTAL	<u>24,470,937</u>	<u>35,307,641</u>
<u>The REIT</u>		
	YTD Mar 2009 (JPY '000)	From 27 Sep 2007 ² to 31 Mar 2008 (JPY '000)
OPERATION		
Balance as at beginning of the period/ 27 September 2007	(955,360)	-
Total return/(loss) for the period	133,700	(1,393,123)
Balance as at end of period	<u>(821,660)</u>	<u>(1,393,123)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period/27 September 2007	34,432,540	-
Issue of new Units	-	35,294,733
Issue expenses	(8,863)	(665,495)
Creation of new units arising from - Acquisition fee and Manager's management fee ¹	47,473	-
Distribution to Unitholders	(1,637,520)	-
Balance as at end of period	<u>32,833,630</u>	<u>34,629,238</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>32,011,970</u>	<u>33,236,115</u>

Notes:

1. 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.
2. Saizen REIT was set up on 27 September 2007 and has been operating since 9 November 2007 (date of Listing).

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

	<u>3Q FY2009</u> <u>(Units)</u>	<u>3Q FY2008</u> <u>(Units)</u>
Issue of new Units as at beginning of period	451,986,693	-
Issue of new Units at initial public offering	-	196,740,000
Issue of new Units to Vendors for the Acquisition	-	253,260,000
Issue of new Units to Manager	-	944,094
Issued Units as at end of period	<u>451,986,693</u>	<u>450,944,094</u>

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 disclosed in the Prospectus.

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

There are no significant changes in the accounting policies and methods of computation.

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

	<u>3Q FY2009</u>	<u>3Q FY2008</u>
Total (loss)/ return for the period after income tax and minority interests, before distribution (JPY'000)	(4,804,305)	100,590
Basic (loss)/ earnings per Unit (JPY)	(10.63)	0.22
(S\$ cents)	(17.17 ¹)	0.29 ²

Notes:

1. Based on S\$/ JPY average exchange rate of 61.9 between 1 January 2009 and 31 March 2009.

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

The basic earnings per Unit is calculated based on total return for the period after income tax and minority interests before distribution, divided by the weighted average Units during the period of 451,986,693 Units (2008: 450,414,986 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instrument in issue during the financial period.

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

	<u>YTD Mar 2009</u>	<u>YTD Mar 2008</u>
Total (loss)/return for the period after income tax and minority interests, before distribution(JPY'000)	(4,479,594)	582,186
Basic (loss)/ earnings per Unit (JPY)	(9.91)	1.86
(S\$ cents)	(14.57 ¹)	2.42 ²

Notes:

1. Based on S\$/JPY average exchange rate of 68.0 between 1 July 2008 and 31 March 2009.

2. Based on S\$/JPY average exchange rate of 76.8 between 1 July 2007 and 31 March 2008.

The basic earnings per Unit is calculated based on total return for the period after income tax and minority interests before distribution, divided by the weighted average Units during the period of 451,986,351 Units (2008: 312,391,271 Units). There is no difference between the basic and diluted earnings per Unit as there is no dilutive instrument in issue during the financial period.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 March 2009 and 30 June 2008

The Group

	As at 31 Mar 2009¹	As at 30 Jun 2008²
NAV per Unit based on issued Units at the end of financial period (JPY)	54.39	67.97
(S\$)	0.85 ³	0.87 ⁴

The REIT

	As at 31 Mar 2009	As at 30 Jun 2008
NAV per Unit based on issued Units at the end of financial period (JPY)	70.82	74.20
(S\$)	1.11 ³	0.95 ⁴

Notes:

1. Subsequent to 30 June 2008, Saizen REIT had further recognised a net fair value loss on investment properties of JPY 5.40 billion (S\$84.3 million) in accordance with the Desktop Valuation.

2. Subsequent to Listing, Saizen REIT had recognised a net fair value loss on investment properties of JPY 4.66 billion (S\$72.8 million) in accordance with valuations conducted by independent valuers.

3. Based on S\$/JPY exchange rate of 64.0 as at 31 March 2009.

4. Based on S\$/JPY exchange rate of 77.9 as at 30 June 2008.

8. Review of performance

Income statement: 3Q FY2009 vs. 3Q FY2008

Revenue grew by 2.4% in 3Q FY2009 when compared with 3Q FY2008. Excluding a one-off refund of loan-related costs for GK Choan of JPY 20.0 million, revenue would have been JPY 1.059 billion in 3Q FY2009; a marginal increase of 0.5% compared with 3Q FY2008. Given the above, net property income also grew marginally.

There is a significant increase in other trust expenses in 3Q FY2009 as fees for upcoming valuation exercises are being accrued. No accrual was made in 3Q FY2008. Interests expenses were lower in 3Q FY2009 following the repayment of a loan of YK Shinzan in January 2009. The Group recorded total loss of JPY 4.95 billion in 3Q FY2009 as it recognised net fair value loss on investment properties of JPY5.40 billion during the quarter in accordance with the Desktop Valuation. Excluding this loss, the net gain from operations would have been JPY345.9 million (S\$5.4 million). No changes in fair value was recognised in 3Q FY2008.

Property level

To make a comparison of income from property operations, income and expense items at Saizen REIT level as well as the one-off refund of loan related costs were excluded. When computing interest expenses, the amount of interest paid and realised loss on interest rate swaps are aggregated.

	3Q FY2009 ¹ (JPY'000)	3Q FY2008 ² (JPY'000)	Increase / (Decrease) %
Gross revenue	1,056,437	1,054,522	0.2
Property operating expenses ³	(364,141)	(343,015)	6.2
Net property income	692,296	711,507	(2.7)
Other administrative expenses	(24,022)	(30,697)	(21.7)
Asset management fees	(7,743)	(7,964)	(2.8)
Interest expenses	(182,714)	(193,421)	(5.5)
Net income from operations	477,817	479,425	(0.3)

Notes:

1. There were 166 properties at the start and end of 3Q FY2009.
2. There were 164 properties at the start and end of 3Q FY2008.
3. Property operating expenses include the following:

	3Q FY2009 (JPY'000)	3Q FY2008 (JPY'000)	Increase / (Decrease) %
Property tax	79,926	74,297	7.6
Property managers' fees	41,059	41,615	(1.3)
Operation and maintenance expenses	56,552	55,826	1.3
Repairs and renovations	47,447	45,665	3.9
Leasing and marketing expenses	61,683	50,726	21.6
Utilities charges	51,093	49,699	2.8
Insurance expenses	13,859	13,477	2.8
Impairment on account receivables	510	1,320	(61.4)
Bad debt written-off	128	132	(3.0)
Consumption tax arising from operation	11,884	10,258	15.9

Property operating expenses increased by 6.2% in 3Q FY2009 compared with 3Q FY2008 due mainly to increase in leasing and marketing expenses. The deteriorating economic condition has resulted in increase leasing competition in certain cities; as observed during the

past leasing season in February and March 2009. In response, the Management Team has implemented several leasing initiatives including setting up of model rooms, higher incentives to leasing agents and rent-free periods. While these initiatives gave rise to higher leasing and marketing expenses, they have been effective in improving occupancy rates where occupancy rate (by revenue) has improved from 90.4% as at 31 December 2008 to 91.8% as at 31 March 2009. Meanwhile, overdue rental reversions have remained stable despite the need for rental reductions in certain specific properties. During 3Q FY2009, it has been observed that notwithstanding the worsening economic conditions, tenant delinquencies have remained low.

Income statement: 3Q FY2009 vs. 2Q FY2009

Property level

Comparison of property operations in 3Q FY2009 and 2Q FY2009 is as follows:

	3Q FY2009¹	2Q FY2009¹	Increase /
	(JPY'000)	(JPY'000)	(Decrease)
			%
Gross revenue	1,056,437	1,059,598	(0.3)
Property operating expenses ²	(364,141)	(308,061)	18.2
Net property income	692,296	751,537	(7.9)
Other administrative expenses	(24,022)	(28,954)	(17.0)
Asset management fees	(7,743)	(6,594)	17.4
Interest expenses	(182,714)	(210,557)	(13.2)
Net income from operations	477,817	505,432	(5.5)

Notes:

1. There were 166 properties at the start and end of both 3Q FY2009 and 2Q FY2009.
2. Property operating expenses include the following:

	3Q FY2009	2Q FY2009	Increase /
	(JPY'000)	(JPY'000)	(Decrease)
			%
Property tax	79,926	79,781	0.2
Property managers' fees	41,059	41,972	(2.2)
Operation and maintenance expenses	56,552	51,513	9.8
Repairs and renovations	47,447	40,752	16.4
Leasing and marketing expenses	61,683	26,031	>100.0
Utilities charges	51,093	43,184	18.3
Insurance expenses	13,859	13,873	(0.1)
Impairment on account receivables	510	1,384	(63.2)
Bad debt written-off	128	8	>100.0
Consumption tax arising from operation	11,884	9,562	24.3

Gross revenue remained largely stable in 3Q FY2009 compared with 2Q FY2009. The average month-end occupancy rate in 3Q FY2009 was 90.9% compared with 2Q FY2009 of 90.3%. Meanwhile, property operating expenses increased substantially by 18.2% due mainly to higher leasing and marketing expenses, repairs and renovations as well as utilities charges.

Leasing and marketing expenses have increased as the Management Team has committed more resources towards leasing initiatives during the past leasing season. More units were being refurbished in anticipation of incoming tenants, hence repairs and renovations expenses also increased during the quarter. The Management Team expects the revenue impact from these leasing efforts to be reflected in the next quarter. There was also an increase in utilities charges in 3Q FY2009 due to the winter seasons.

9. Outlook and prospects

The near term outlook of the Japanese economy continues to be uncertain. It was reported that GDP shrank by 4.6% on a year-on-year basis in the quarter ended 31 December 2008 while unemployment rate in March 2009 increased to 4.8% from 4.4% in the previous month. The Bank of Japan Tankan Survey shows that business confidence across most sectors has continued to worsen.

Whilst the leasing environment in certain cities has been more competitive, the satisfactory outcome in terms of occupancy and rental reversions during the past leasing season in February and March 2009 shows that the negative factors can be mitigated by pro-active asset management and leasing initiatives. Overall, property operations are expected to be stable.

Saizen REIT has an aggregate of JPY14.9 billion (S\$233.1 million) of loans coming due by early 2010 as set out below and refinancing plans will continue to be the key focus of the Management Team.

TK operators	Maturity date	Loan amount	
		(JPY million)	(S\$ million)
YK Kokkei	November 2009	808.4	12.6
YK Shintoku	November 2009	7,953.0	124.3
YK Shingen	December 2009	4,620.0	72.2
YK Keizan	January 2010	1,536.3	24.0

The rights cum warrants issue has been approved by Unitholders on 20 April 2009 and is expected to be completed in early June 2009. It is expected that with the current cash balance, proceeds of the rights cum warrants issue, short term bridging facilities and operational cash flow conserved, the loans of YK Kokkei, YK Shingen and YK Keizan can be fully repaid. To refinance the loan of YK Shintoku, the Management Team is currently working on arranging a possible syndicated loan, and at the same time, is negotiating for possible extension of loan maturity.

The NAV of Saizen REIT as at 31 March 2009 was JPY24.47 billion (S\$382.3 million). Taking into account net proceeds from the rights cum warrants issue of S\$41.1 million, the adjusted NAV of Saizen REIT will increase to JPY27.10 billion (S\$423.4 million) ("**Rights Adjusted NAV**").

Following completion of the rights cum warrants issue and in the worst case scenario where the negotiations of the YK Shintoku loan are not successful, the assets and corresponding liabilities of YK Shintoku (adjusted for dues to Saizen REIT), amounting to approximately JPY 11.30 billion (S\$176.6 million) and JPY 8.29 billion (S\$129.5 million) respectively as at 31 March 2009, may have to be given up. The net results is that the Rights Adjusted NAV will be reduced by JPY 3.01 billion (S\$47.0 million) or 11.1%. Given the non-recourse nature of this loan, the Management Team believes that Saizen REIT's ability to operate as a going concern will not be impacted.

Profit forecast for the financial year ending 30 June 2009 ("**Profit Forecast**")

At the time of Listing, it has been stated in the prospectus of Saizen REIT dated 29 October 2007 ("**Prospectus**") that, subject to certain assumptions as disclosed in the Prospectus, it is projected to record total return after income tax before distribution of JPY1.57 billion (S\$24.5 million) for the financial year ending 30 June 2009.

Based on results for the three quarters ended 31 March 2009, Saizen REIT has achieved approximately 74% of the gross revenue and 71% of the net property income indicated in the Profit Forecast. Since the Listing, the occurrence of certain events has however affected the Profit Forecast adversely. The original refinancing exercise to lower borrowing costs which was aborted in December 2007 resulted in higher borrowing costs. Other administrative expenses and other trust expenses are expected to be higher due to legal and professional fees relating to ongoing loan restructuring and valuation exercises. In addition, the weakness of the Japanese real estate market results in net fair value losses being recognised on Saizen REIT's investment properties.

In the Prospectus, it has also been stated that Saizen REIT is projected to make distribution of Singapore cents 5.65 for the financial year ending 30 June 2009. Such distribution will likely not be made as further discussed in paragraph 11 below.

10. Distributions

Not applicable.

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

As previously announced, pending the repayment and refinancing of the loans which are falling due by end 2009 and early 2010, the Board believes it will be prudent for Saizen REIT to conserve cash at this juncture. The Board therefore does not propose to declare any distribution for 3Q FY2009.

12. Interested person transactions

No interested person transactions were entered into since the Listing.

13. Update on utilization of IPO proceeds

Saizen REIT raised gross proceeds of S\$196.7 million at the Listing. The amount of proceeds designated for payment of issue costs has been fully deployed. The amount of S\$151.9 million designated for repayment and refinancing of existing loans has also been fully deployed following partial/ full repayment of loans of four TK operators, being YK Shingen, YK Shinzan, YK JOF and GK Choan.

Since Listing, Saizen REIT has invested in 19 properties which amounted to approximately S\$93.2 million, and have fully utilised the S\$15.3 million set aside from the proceeds to partially fund these investments. Two properties have been funded by long-term loans from two Japanese financial institutions while the remaining 17 properties have been funded by the long-term loan facility from the European bank as announced on 27 August 2008.

As at the date hereof, all IPO proceeds have been fully deployed.

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 third quarter ended 31 March 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 the 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

14 May 2009