

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 2012

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INTRODUCTION

Gross revenue, net property income and net income from operations increased by 9.7%, 18.7% and 31.1% respectively in the first quarter ended 30 September 2012 (“**1Q FY2013**”) as compared to the first quarter ended 30 September 2011 (“**1Q FY2012**”), due mainly to the acquisitions of 6 properties between December 2011 and August 2012 and the non-recurrence of earthquake-related repair and renovation works.

On a quarter-on-quarter basis, gross revenue increased by 2.6% following the acquisitions of 2 properties in August 2012. Lower repair and renovation expenses as well as leasing and marketing expenses after the leasing season in April 2012 contributed to further improvement in the net property income and net income from operations, which increased by 8.0% and 13.6% respectively.

The average occupancy rate of Saizen Real Estate Investment Trust's (“**Saizen REIT**”) properties was 91.7% in 1Q FY2013, as compared to 90.8% in 1Q FY2012 and 91.9% in the preceding fourth quarter ended 30 June 2012 (“**4Q FY2012**”).

Overall rental reversion of new contracts entered into in 1Q FY2013 was marginally lower by about 1.3% (1Q FY2012 and 4Q FY2012: lower by about 2.4% and 1.6% respectively) from previous contracted rates.

Saizen REIT acquired 2 properties, namely Cosmo Reveur Sangenjaya and Rise Yotsugibashi, in 1Q FY2013 at an aggregate cost of approximately JPY 1.0 billion (S\$15.7 million¹).

These 2 properties are expected to generate an aggregate annual revenue of approximately JPY 78 million (S\$1.2 million) and an aggregate annual net operating income of approximately JPY 59 million (S\$0.9 million) on a normalised basis.

Saizen REIT also divested Rise Kojo Horibata in August 2012 for JPY 86 million (S\$1.4 million), which represented a premium of approximately 17.3% over valuation.

Saizen REIT commenced Unit buy-back activities in September 2012. To-date, Saizen REIT has bought back and cancelled 3,510,000 Units at prices of between S\$0.164 and S\$0.168 per Unit.

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

Summary of results

Net asset value decreased slightly from JPY 27.2 billion as at 30 June 2012 to JPY 27.0 billion as at 30 September 2012, attributable mainly to the payment of income distributions for the six-month financial period ended 30 June 2012 to Unitholders in September 2012, and partially offset by the total return of the Group for the three-month financial period of 1Q FY2013. Net asset value per Unit remained stable at S\$0.30 per Unit as at 30 September 2012.

The following is a summary of Saizen REIT's operating performance for 1Q FY2013, 1Q FY2012 and 4Q FY2012.

	1Q FY2013 ²	1Q FY2012 ³	4Q FY2012 ⁴
Gross revenue			
(S\$'000)	14,760 ⁵	13,346 ⁶	14,295 ⁷
(JPY'000)	931,382	848,794	907,749
Net property income			
(S\$'000)	10,552 ⁵	8,821 ⁶	9,707 ⁷
(JPY'000)	665,832	561,042	616,397
Net income from operations			
(S\$'000)	7,150 ⁵	5,413 ⁶	6,252 ⁷
(JPY'000)	451,184	344,252	397,027

Notes:

1. Based on S\$ / JPY exchange rate of 63.5 as at 30 September 2012, which is applied throughout this announcement unless stated otherwise.
2. There were 134 properties at the start of 1Q FY2013 and 135 properties at the end of 1Q FY2013.
3. There were 130 properties at the start and end of 1Q FY2012.
4. There were 132 properties at the start of 4Q FY2012 and 134 properties at the end of 4Q FY2012.
5. Based on S\$ / JPY average exchange rate of 63.1 between 1 July 2012 and 30 September 2012.
6. Based on S\$ / JPY average exchange rate of 63.6 between 1 July 2011 and 30 September 2011.
7. Based on S\$ / JPY average exchange rate of 63.5 between 1 April 2012 and 30 June 2012.

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 exclusive access to 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 2012, Saizen REIT’s portfolio comprised 135 properties, with a total appraised value of JPY 37.4 billion (S\$589.0 million) located in 14 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 12 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou, GK Gyosei and GK Tosei.

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**”).

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (1Q FY2013 vs 1Q FY2012)**

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)	Increase / (Decrease) %
Gross revenue	931,382	848,794	9.7
Property operating expenses	(265,550)	(287,752)	(7.7)
Net property income	665,832	561,042	18.7
Manager's management fees	(46,577)	(41,583)	12.0
Asset management fees	(8,861)	(6,263)	41.5
Trustee's fee	(2,066)	(2,605)	(20.7)
Finance costs ¹	(100,747)	(111,828)	(9.9)
Interest income	494	317	55.8
Other trust expenses	(20,654)	(15,192)	36.0
Other administrative expenses	(36,237)	(39,636)	(8.6)
Net income from operations	451,184	344,252	31.1
Gain/(loss) on divestment of properties	6,866	(13,617)	NM ²
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ³	(26,671)	115,305	NM ²
Net fair value loss on investment properties	(56,227)	-	NM ²
Total return for the period before income tax⁴	375,152	445,940	(15.9)
Income tax ⁵	(45,129)	(49,259)	(8.4)
Total return for the period after income tax	330,023	396,681	(16.8)
Attributable to:			
Unitholders	325,783	390,275	(16.5)
Non-controlling interests	4,240	6,406	(33.8)
	330,023	396,681	(16.8)

Notes:

1. Finance costs comprised the following:

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(90,870)	(76,207)	19.2
(ii) amortisation of loan commission	(14,678)	(17,934)	(18.2)
(iii) guarantor fee to asset manager	(7,043)	(1,851)	>100.0
(iv) cost of refinancing/repayment	(571)	-	NM ²
(v) exchange difference	12,415	(15,836)	NM ²

The cost of refinancing/repayment in 1Q FY2013 comprised breakage costs associated with the partial repayment of the fixed-rate 5-year loan of YK Shinzan following the sale of Rise Kojo Horibata.

2. NM denotes not meaningful.

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

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(16,272)	(8,784)	85.2
(ii) unrealised fair value (loss)/gain on interest rate swap	(10,399)	5,478	NM ²
(iii) fair value gain on warrants	-	118,611	(100.0)

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

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) write back of/(allowance for) impairment on trade receivables	452	(3,076)	NM ²

5. Income tax comprised the imputed 20% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 186.9 million and JPY 170.4 million in 1Q FY2013 and 1Q FY2012 respectively.

Statement of total return (for the Group) (1Q FY2013 vs 4Q FY2012)

	1Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
Gross revenue	931,382	907,749	2.6
Property operating expenses	(265,550)	(291,352)	(8.9)
Net property income	665,832	616,397	8.0
Manager's management fees	(46,577)	(43,734)	6.5
Asset management fees	(8,861)	(7,060)	25.5
Trustee's fee	(2,066)	(2,525)	(18.2)
Finance costs ¹	(100,747)	(107,294)	(6.1)
Interest income	494	65	>100.0
Other trust expenses	(20,654)	(23,658)	(12.7)
Other administrative expenses	(36,237)	(35,164)	3.1
Net income from operations	451,184	397,027	13.6
Gain on divestment of properties	6,866	-	NM ²
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ³	(26,671)	81,858	NM ²
Net fair value (loss)/gain on investment properties	(56,227)	117,982	NM ²
Total return for the period before income tax⁴	375,152	596,867	(37.1)
Income tax ⁵	(45,129)	(36,140)	24.9
Total return for the period after income tax	330,023	560,727	(41.1)
Attributable to:			
Unitholders	325,783	478,041	(31.9)
Non-controlling interests	4,240	82,686	(94.9)
	330,023	560,727	(41.1)

Notes:

1. Finance costs comprised the following:

	1Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(90,870)	(88,476)	2.7
(ii) amortisation of loan commission	(14,678)	(14,197)	3.4
(iii) guarantor fee to asset manager	(7,043)	(6,555)	7.4
(iv) cost of refinancing/repayment	(571)	-	NM ²
(v) exchange difference	12,415	1,934	>100.0

The cost of refinancing/repayment in 1Q FY2013 comprised breakage costs associated with the partial repayment of the fixed-rate 5-year loan of YK Shinzan following the sale of Rise Kojo Horibata.

2. NM denotes not meaningful.

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

	1Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(16,272)	(14,074)	15.6
(ii) unrealised fair value loss on interest rate swap	(10,399)	(88,566)	(88.3)
(iii) fair value gain on warrants	-	184,498	(100.0)

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

	1Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	452	2,583	(82.5)

5. Income tax comprised the imputed 20% withholding tax payable upon the appropriation of profit to Saizen REIT from Saizen REIT's TK operators. Property depreciation expenses, recognised by these TK operators under the accounting regulations in Japan (ie. Japanese GAAP), are tax deductible for the purpose of computing the withholding tax payable. Property depreciation expenses amounted to JPY 186.9 million and JPY 183.8 million in 1Q FY2013 and 4Q FY2012 respectively.

Statement of distributable income from operations

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	325,783	390,275
Adjustments ¹	33,847	(60,230)
Adjusted return for the period	359,630	330,045
Cash deployed for loan principal repayment ²	(159,180)	(102,349)
Cash deployed for one-off borrowing costs ³	(525)	(73,784)
Distributable income generated during the period	199,925	153,912
Income available for distribution to Unitholders at the beginning of the period	575,449	401,973
Previous distribution paid during the period ⁴	(569,651)	(390,043)
Distributable income from operations at the end of the period	205,723	165,842
Distribution to Unitholders	NA ⁵	NA ⁵

Notes:

1. 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, gain/loss on divestment of properties and unrealised exchange differences.
2. The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. While loan principal amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.

It is Saizen REIT's intention to utilise, when possible, undeployed capital cash resources (such as proceeds from new borrowings and/or warrant proceeds) to offset loan principal amortisation, thereby effectively making available cash generated from operations for distributions. The decision on such a possible use of undeployed capital cash resources will only be made when future distributions are announced.

3. The amount deployed for one-off borrowing costs in 1Q FY2013 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the loan of GK Tosei, while the amount deployed in 1Q FY2012 comprised one-off costs incurred in respect of the loans of YK Shingen, YK Keizan and GK Gyosei.

Such one-off borrowing costs may be offset, when possible, using undeployed capital cash resources. The decision on such a possible use of undeployed capital cash resources will only be made when future distributions are announced.

4. Distribution paid in 1Q FY2013 related to the distribution declared for the six-month financial period ended 30 June 2012, while distribution paid in 1Q FY2012 related to the distribution declared for the six-month financial period ended 30 June 2011.
5. NA denotes not applicable.

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 2012 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Current assets		
Cash and cash equivalents	3,982,567	5,461,377
Deposits with cash management agents ¹	626	592
Trade and other receivables	25,486	30,339
Other current assets	56,418	36,867
	<u>4,065,097</u>	<u>5,529,175</u>
Non-current assets		
Investment properties ²	37,412,397	36,443,100
	<u>37,412,397</u>	<u>36,443,100</u>
Total assets	<u>41,477,494</u>	<u>41,972,275</u>
Current liabilities		
Rental deposits	470,836	469,421
Rental received in advance	221,998	226,020
Borrowings	578,413	578,302
Other current liabilities	281,312	317,884
Current tax liabilities	164,671	192,319
	<u>1,717,230</u>	<u>1,783,946</u>
Non-current liabilities		
Rental deposits	30,756	31,666
Borrowings	12,410,833	12,601,691
Derivative financial instruments ³	333,045	322,646
	<u>12,774,634</u>	<u>12,956,003</u>
Total liabilities	<u>14,491,864</u>	<u>14,739,949</u>
Total net assets	<u>26,985,630</u>	<u>27,232,326</u>
Represented by:		
Unitholders	26,922,537	27,173,473
Non-controlling Interests	63,093	58,853
	<u>26,985,630</u>	<u>27,232,326</u>
Number of Units in issue ('000)	<u>1,423,704</u>	<u>1,424,384</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>18.91</u>	<u>19.08</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to administer cash movements of the TK operators.
2. The increase in investment properties of JPY 1.0 billion from JPY 36.4 billion as at 30 June 2012 to JPY 37.4 billion as at 30 September 2012 was mainly due to the acquisitions of 2 properties, and partially offset by the sale of 1 property, in August 2012.
3. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in interest rates in respect of the loans obtained by GK Choan, GK Tosei and YK JOF from Mizuho Bank, Ltd.

	Saizen REIT	
	As at 30 Sep 2012 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Current assets		
Cash and cash equivalents	1,076,807	2,238,251
Distribution receivables	793,597	926,299
Other receivables	927	811
Other assets	4,085	1,701
	<u>1,875,416</u>	<u>3,167,062</u>
Non-current assets		
Investment in subsidiaries	25,029,968	24,169,209
	<u>25,029,968</u>	<u>24,169,209</u>
Total assets	<u>26,905,384</u>	<u>27,336,271</u>
Current liabilities		
Other current liabilities	46,324	75,781
Current tax liabilities	158,719	185,260
	<u>205,043</u>	<u>261,041</u>
Total liabilities	<u>205,043</u>	<u>261,041</u>
Total net assets	<u>26,700,341</u>	<u>27,075,230</u>
Represented by:		
Unitholders	<u>26,700,341</u>	<u>27,075,230</u>
Number of Units in issue ('000)	<u>1,423,704</u>	<u>1,424,384</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>18.75</u>	<u>19.01</u>

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

	As at 30 Sep 2012 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Secured borrowings- Bank loans		
Amount repayable in one year or less	578,413	578,302
Amount repayable after one year	12,410,833	12,601,691
	<u>12,989,246</u>	<u>13,179,993</u>

Borrowings as at 30 September 2012 were secured over the investment properties valued at JPY 34.6 billion in aggregate.

The decrease in borrowings from JPY 13.2 billion as at 30 June 2012 to JPY 13.0 billion as at 30 September 2012 was mainly due to the payment of loan principal amortisation in 1Q FY2013.

1(c) Cash flow statement (for the Group) (1Q FY2013 vs 1Q FY2012)

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)
Operating activities		
Total return for the period after income tax	330,023	396,681
Adjustments for:		
Income tax	45,129	49,259
Interest income	(494)	(317)
Interest expenses	106,119	94,141
Net fair value loss/(gain) on financial derivatives	26,671	(115,305)
(Gain)/Loss on divestment of properties	(6,866)	13,617
Net fair value loss on investment properties	56,227	-
Operating profit before working capital changes	<u>556,809</u>	<u>438,076</u>
Changes in working capital		
Deposit with cash management agents	(34)	59,670
Trade and other receivables	4,885	(963)
Other current assets	(19,544)	(29,051)
Other current liabilities	(36,001)	(331,510) ¹
Rental received in advance	(4,022)	(487)
Rental deposits	505	(9,930)
Cash generated from operations	<u>502,598</u>	<u>125,805</u>
Income tax paid	(1,166)	(2,780)
Withholding tax paid	(71,610)	(246,571) ²
Cash flows provided by/(used in) operating activities	<u>429,822</u>	<u>(123,546)</u>
Investing activities		
Net cash effect on acquisition of subsidiary	-	(63)
Capital expenditure/addition of investment properties	(1,098,824) ³	(22,070)
Sale of investment property	80,166 ⁴	-
Expenditure on transfer of properties between subsidiaries	-	(13,617) ⁵
Cash flows used in investing activities	<u>(1,018,658)</u>	<u>(35,750)</u>
Financing activities		
Bank borrowings obtained	-	4,076,000 ⁶
Repayment of bank borrowings ⁷	(204,899)	(102,349)
Distribution to Unitholders	(569,651)	(390,043)
Interest received	462	317
Interest paid	(92,546)	(147,158) ⁸
Payment for Unit buy-back ⁹	(7,068)	-
Payment of interest rate swap	(16,272)	(8,784)
Proceeds from exercise of warrants	-	271,027
Cash flows (used in)/provided by financing activities	<u>(889,974)</u>	<u>3,699,010</u>
Net (decrease)/increase in cash and cash equivalents	(1,478,810)	3,539,714
Cash and cash equivalent at beginning of the period	<u>5,066,377</u>	<u>2,832,810</u>
Cash and cash equivalent at end of the period ¹⁰	<u>3,587,567</u>	<u>6,372,524</u>

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 withholding tax paid in 1Q FY2012 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. This was related mainly to the acquisitions of 2 properties in August 2012.
4. This was related to the sale of 1 property in August 2012.

5. 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.
6. 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.
7. Repayment of bank borrowings in 1Q FY2013 comprised mainly the partial repayment of loan of YK Shinzan of JPY 45.7 million following the sale of Rise Kojo Horibata, and loan principal amortisation payments in respect of 11 loans. Repayment of bank borrowings in 1Q FY2012 comprised mainly loan principal amortisation payments in respect of 7 loans.
8. In addition to interest expenses, the interest paid in 1Q FY2012 also included loan commissions paid in respect on the loan of YK Shingen and YK Keizan obtained in September 2011 and the loan of GK Gyosei obtained in August 2011.
9. This was related to the buy-back of Units in September 2012.
10. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)
Cash and bank balances (per balance sheet)	3,982,567	6,572,524
Less: Bank deposits pledged	(395,000)	(200,000)
	3,587,567	6,372,524

Bank deposits pledged related to minimum bank balances which have to be maintained by YK JOF, GK Choan and GK Tosei in 1Q FY2013 and both in YK JOF and GK Choan in 1Q FY2012 under the terms of their respective loans.

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

The Group

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(12,623,323)	(12,920,558)
Total return for the period	325,783	390,275
Distribution to Unitholders	(569,651)	(390,043)
Balance as at end of period	(12,867,191)	(12,920,326)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,796,796	37,709,355
Issue of new units from exercise of warrants	-	446,499
Cancellation of Units pursuant to Unit buy-back	(7,051)	-
Costs relating to Unit buy-back	(17)	-
Balance as at end of period	39,789,728	38,155,854
TOTAL ATTRIBUTABLE TO UNITHOLDERS	26,922,537	25,235,528
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	58,853	(35,376)
Effect on investment in new TK operator	-	(63)
Total return for the period	4,240	6,406
Balance as at end of period	63,093	(29,033)
TOTAL	26,985,630	25,206,495

Saizen REIT

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(13,976,493)	(14,487,854)
Total return for the period	201,830	167,092
Distribution to Unitholders	(569,651)	(390,043)
Balance as at end of period	(14,344,314)	(14,710,805)
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	41,051,723	38,964,282
Issue of new units from exercise of warrants	-	446,499
Cancellation of Units pursuant to Unit buy-back	(7,051)	-
Costs relating to Unit buy-back	(17)	-
Balance as at end of period	41,044,655	39,410,781
TOTAL ATTRIBUTABLE TO UNITHOLDERS	26,700,341	24,699,976

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

	1Q FY2013 (Units)	1Q FY2012 (Units)
Issued Units as at beginning of period	1,424,383,795	1,182,249,611
Issue of new Units from exercise of warrants	-	47,125,870
Cancellation of Units pursuant to Unit buy-back	(680,000)	-
Issued Units as at end of period	1,423,703,795	1,229,375,481

Pursuant to the Unit buy-back mandate which was approved by Unitholders on 24 August 2012, Saizen REIT bought back and cancelled 680,000 Units in 1Q FY2013.

After 30 September 2012 and following the buy-back and cancellation of 2,830,000 Units in October 2012, the number of Units in issue as at the date of this announcement is 1,420,873,795.

	1Q FY2013 (Warrants)	1Q FY2012 (Warrants)
Number of warrants outstanding as at beginning of period	-	264,107,806
Exercise of warrants	-	(47,125,870)
Number of warrants outstanding as at end of period	-	216,981,936

Saizen REIT issued 497,185,362 warrants in June 2009. Outstanding warrants had expired on 1 June 2012 and hence, there were no such warrants as at the beginning of 1Q FY2013.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$0.6 million has been used for Units buy-backs, S\$0.3 million has been used for working capital purposes and approximately S\$20.1 million had been deployed in FY2011 towards the repayment of the previous loan of YK Shintoku. S\$21.8 million in warrant proceeds remain unutilised, and can potentially be used for property acquisitions, Unit buy-backs, and/or the offsetting of loan principal amortisation.

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 2012.

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 FY2013</u>	<u>1Q FY2012</u>
Total return for the period attributable to Unitholders for basic and diluted EPU	(JPY'000)	325,783	390,275
Basic EPU	(JPY) (cents)	0.23 0.36 ¹	0.32 0.50 ²
Diluted EPU	(JPY) (cents)	0.23 0.36 ¹	0.30 0.47 ²
Weighted average number of Units		1,424,361,621	1,202,530,572
Weighted average number of Units plus dilutive effect		1,424,361,621	1,302,094,018

Notes:

1. Based on S\$/JPY average exchange rate of 63.1 between 1 July 2012 and 30 September 2012.

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

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 September 2012 and 30 June 2012

The Group

		As at 30 Sep 2012	As at 30 Jun 2012
NAV per Unit based on issued Units at the end of financial period	(JPY)	18.91	19.08
	(S\$)	0.30 ¹	0.30 ²

Saizen REIT

		As at 30 Sep 2012	As at 30 Jun 2012
NAV per Unit based on issued Units at the end of financial period	(JPY)	18.75	19.01
	(S\$)	0.30 ¹	0.30 ²

Notes:

1. Based on S\$ / JPY exchange rate of 63.5 as at 30 September 2012.
2. Based on S\$ / JPY exchange rate of 62.6 as at 30 June 2012.

8. Review of performance

Income statement: 1Q FY2013 vs 1Q FY2012

	1Q FY2013 ¹ (JPY'000)	1Q FY2012 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	931,382	848,794	9.7
Property operating expenses ³	(265,550)	(287,752)	(7.7)
Net property income	665,832	561,042	18.7
Asset management fees	(8,861)	(6,263)	41.5
Interest expenses ⁴	(107,142)	(84,991)	26.1
Guarantor fee to asset manager	(7,043)	(1,851)	>100.0
Other administrative expenses	(27,400)	(33,846)	(19.0)
Net income from property operations	515,386	434,091	18.7
Interest income	494	317	55.8
Other operating expenses ⁵	(80,968)	(98,940)	(18.2)
Adjustment ⁶	16,272	8,784	85.2
Net income from operations	451,184	344,252	31.1

Notes:

1. There were 134 properties at the start of 1Q FY2013 and 135 properties at the end of 1Q FY2013.
2. There were 130 properties at the start and end of 1Q FY2012.
3. Property operating expenses comprised the following:

	1Q FY2013 (JPY'000)	1Q FY2012 (JPY'000)	Increase / (Decrease) %
Property tax	63,453	62,843	1.0
Property manager's fees	36,372	33,288	9.3
Operation and maintenance expenses	43,989	41,207	6.8
Repairs and renovations	42,113	67,605	(37.7)
Leasing and marketing expenses	22,042	26,484	(16.8)
Utilities charges	37,750	36,095	4.6
Insurance expenses	10,681	9,467	12.8
(Write back of)/allowance for impairment on trade receivables	(452)	3,076	NM ⁷
Bad debt written-off	1,302	259	>100.0
Consumption tax arising from operations	8,300	7,428	11.7

4. *Interest expenses included the realised loss (payment) on interest rate swap.*
5. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*
6. *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.*
7. *NM denotes not meaningful.*

Property-level operations

Gross revenue and net property income in 1Q FY2013 increased by 9.7% and 18.7% respectively, due mainly to the acquisitions of 6 properties between December 2011 and August 2012. Net income from property operations increased by 18.7% in 1Q FY2013.

Average occupancy rates in 1Q FY2013 was 91.7% as compared to 90.8% in 1Q FY2012, while overall rental reversion of new contracts entered into in 1Q FY2013 was marginally lower by about 1.3% (1Q FY2012: lower by about 2.4%) from previous contracted rates.

Despite an increase in the number of properties, property operating expenses decreased by 7.7%, from JPY 287.8 million in 1Q FY2012 to JPY 265.6 million in 1Q FY2013, due mainly to the non-recurrence of earthquake-related repair and renovation works of JPY 22.4 million incurred in 1Q FY2012.

The increase in interest expenses of 26.1% in 1Q FY2013 as compared to 1Q FY2012 was mainly due to new loans obtained between August 2011 and June 2012.

Guarantor fees of JPY 7.0 million in 1Q FY2013 were paid to the Asset Manager in respect of the loans of YK JOF, YK Shinzan, YK Shingen, YK Keizan, YK Shintoku, GK Chosei, GK Choan and GK Tosei. Comparatively, the guarantor fees incurred in 1Q FY2012 were related to the loans of YK JOF and YK Shinzan.

Group-level operations

Net income from operations increased by 31.1% from JPY 344.3 million in 1Q FY2012 to JPY 451.2 million in 1Q FY2013. Other operating expenses decreased by 18.2% in 1Q FY2013 as compared to 1Q FY2012, due mainly to the recognition of foreign exchange gains of JPY 12.4 million in 1Q FY2013. Such unrealised foreign exchange gains arose from the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements. Comparatively, a foreign exchange loss of JPY 15.8 million was recognised in 1Q FY2012.

The decrease in other operating expenses was partially offset by:

- (a) an increase in the Manager's management fee of 12.0%, due mainly to the acquisitions of 6 properties between December 2011 and August 2012 and the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2012; and
- (b) an increase in other trust expenses 36.0% due to higher valuation expenses. Valuation fees of JPY 7.1 million which were recognised in 1Q FY2013 comprised accruals of JPY 9.3 million which were partially offset by a write-back of JPY 2.2 million for over-accruals in the previous financial year. Comparatively, valuation fees of JPY 3.2 million which were recognised in 1Q FY2012 comprised accruals of JPY 9.8 million 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

The gain on divestment of properties of JPY 6.9 million in 1Q FY2013 was related to the sale of Rise Kojo Horibata in August 2012.

There was no fair value gain/loss on warrants in 1Q FY2013 as all outstanding warrants had expired on 1 June 2012.

The net fair value loss on investment properties of JPY 56.2 million in 1Q FY2013 was mainly due to acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, for 2 properties acquired in August 2012.

Income statement: 1Q FY2013 vs 4Q FY2012

	1Q FY2013 ¹ (JPY'000)	4Q FY2012 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	931,382	907,749	2.6
Property operating expenses ³	(265,550)	(291,352)	(8.9)
Net property income	665,832	616,397	8.0
Asset management fees	(8,861)	(7,060)	25.5
Interest expenses ⁴	(107,142)	(102,550)	4.5
Guarantor fee to asset manager	(7,043)	(6,555)	7.4
Other administrative expenses	(27,400)	(28,950)	(5.4)
Net income from property operations	515,386	471,282	9.4
Interest income	494	65	>100.0
Other operating expenses ⁵	(80,968)	(88,394)	(8.4)
Adjustment ⁶	16,272	14,074	15.6
Net income from operations	451,184	397,027	13.6

Notes:

1. There were 134 properties at the start of 1Q FY2013 and 135 properties at the end of 1Q FY2013.
2. There were 132 properties at the start of 4Q FY2012 and 134 properties at the end of 4Q FY2012.
3. Property operating expenses comprised the following:

	1Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
Property tax	63,453	60,340	5.2
Property manager's fees	36,372	35,838	1.5
Operation and maintenance expenses	43,989	42,274	4.1
Repairs and renovations	42,113	62,104	(32.2)
Leasing and marketing expenses	22,042	31,452	(29.9)
Utilities charges	37,750	39,023	(3.3)
Insurance expenses	10,681	10,637	0.4
Write back of impairment on trade receivables	(452)	(2,583)	(82.5)
Bad debt written-off	1,302	2,675	(51.3)
Consumption tax arising from operations	8,300	9,592	(13.5)

4. Interest expenses included the realised loss (payment) on interest rate swap.
5. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.
6. 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 increased by 2.6% in 1Q FY2013, due mainly to the acquisitions of 2 properties in August 2012. Net property income and net income from property operations increased by 8.0% and 9.4% respectively in 1Q FY2013.

Despite an increase in the number of properties, property operating expenses decreased by 8.9% from JPY 291.4 million in 4Q FY2012 to JPY 265.6 million in 1Q FY2013, due mainly to decreases in repair and renovation expenses as well as leasing and marketing expenses after the leasing season in April 2012.

The increase in interest expenses and guarantor fees of 4.5% and 7.4% in 1Q FY2013 as compared to 4Q FY2012 was mainly due to a new loan obtained by GK Tosei in June 2012.

Group-level operations

Net income from operations increased by 13.6% from JPY 397.0 million in 4Q FY2012 to JPY 451.2 million in 1Q FY2013. Other operating expenses decreased by 8.4% in 1Q FY2013 as compared to 4Q FY2012, due mainly to the recognition of foreign exchange gains of JPY 12.4 million in 1Q FY2013. Such unrealised foreign exchange gains arose from the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements. Comparatively, a foreign exchange gain of JPY 1.9 million was recognised in 4Q FY2012.

The decrease in other operating expenses was partially offset by an increase in the Manager's management fee of 6.5%, due mainly to the acquisitions of 2 properties in August 2012 and the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2012.

Other Group-level non-operating items

The gain on divestment of properties of JPY 6.9 million in 1Q FY2013 related to the sale of Rise Kojo Horibata in August 2012.

There was no fair value gain/loss on warrants in 1Q FY2013 as all outstanding warrants had expired prior to the commencement of 1Q FY2013. Comparatively, the fair value gain on warrants of JPY 184.5 million recognised in 4Q FY2012 was mainly due to the decrease in the number of warrants over the course of 4Q FY2012, the decrease in the market-traded price of the warrants and the expiry of all outstanding warrants on 1 June 2012.

The unrealised fair value losses on interest rate swap of JPY 10.4 million in 1Q FY2013 was mainly attributable to a decrease in the Tokyo interbank offered rate. Comparatively, the unrealised fair value losses on interest rate swap of JPY 88.6 million in 4Q FY2012 was mainly due to a new interest rate swap arrangement entered into by GK Tosei in June 2012.

The net fair value loss on investment properties of JPY 56.2 million in 1Q FY2013 was mainly due to acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, for 2 properties acquired in August 2012.

9. Outlook and prospects

Despite the uncertainties of global economies, given the stability observed in the general Japanese residential property market and Saizen REIT's financing profile, as well as contributions from recent property acquisitions, the Management Team is cautiously optimistic of Saizen REIT's prospects in the current financial year ending 30 June 2013.

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.

Following the renewal of the Unit buy-back mandate on 17 October 2012, the Manager will continue with Unit buy-back activities when opportunities arise.

Saizen REIT established a S\$8 million cash-backed revolving credit facility with Oversea-Chinese Banking Corporation Limited in September 2012. This provides Saizen REIT with greater flexibility in the management of its capital resources.

Meanwhile, the Management Team is actively exploring the possibility of raising funds with existing and new lenders via the use of Saizen REIT's unencumbered properties, which are

valued at an aggregate of approximately JPY 2,822.6 million (S\$44.5 million), as collateral. Saizen REIT will continue to explore acquisition opportunities, subject to the availability of funds.

The Management Team may also look to realise some of Saizen REIT's assets if good prices can be obtained so as to rebalance Saizen REIT's property portfolio with a view to enhancing the overall quality and growth potential.

Notwithstanding the absence of any significant refinancing needs until March 2015, the Management Team will continue to explore avenues to strengthen the financing profile of Saizen REIT through the refinancing of existing borrowings with loans of longer tenures and lower principal amortisation, and the expansion of Saizen REIT's sources of financing.

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 FY2013.

12. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 7.0 million (S\$0.1 million) were paid to the Asset Manager in 1Q FY2013 in respect of the loans of YK JOF, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Choan, GK Chosei and GK Tosei.

Acquisition fees paid to the Manager for the purchase of 2 properties amounted to an aggregate of JPY 10.2 million (S\$0.2 million) in 1Q FY2013.

Divestment fees paid to the Manager for the sale of 1 property amounted to JPY 0.3 million (S\$0.005 million) in 1Q FY2013.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 6.6 million (S\$0.1 million) in 1Q FY2013.

Fees paid to the Asset Manager for rental of office premises amounted to JPY 0.08 million (S\$0.001 million) in 1Q FY2013.

13. General mandate for interested person transactions

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

14. 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 2012 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

8 November 2012