

Announcement In Relation To The Unaudited Financial Statements For The Second Quarter Ended 31 December 2013

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INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 3.25 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 31 December 2013 (“**YTD Dec 2013**”). This represents (i) an increase of 3.2% over the distribution per Unit (“**DPU**”) for the six-month financial period ended 30 June 2013 (“**2H FY2013**”); and (ii) a decrease of 1.5% over the DPU for the six-month financial period ended 31 December 2012 (“**YTD Dec 2012**”). This is despite the negative impact on DPU caused by the weakening of JPY against S\$.

Distributable income includes an amount from capital cash resources which will be used to offset loan principal repayment. For YTD Dec 2013, the use of capital cash resources to offset loan principal repayment contributed to 1.19 cents out of the DPU of 3.25 cents. Going forward, the ability to offset such loan principal repayment is subject to the availability of cash resources which will depend on cash raised on new loans or disposal proceeds within the coming year.

Gross revenue and net property income increased by 5.2% and 3.3% respectively in the second quarter ended 31 December 2013 (“**2Q FY2014**”) as compared to the second quarter ended 31 December 2012 (“**2Q FY2013**”), due mainly to the acquisitions of 5 properties between November 2012 and June 2013 and partially offset by the divestment of a property in March 2013. Meanwhile, gross revenue and net property income had maintained at similar levels on a quarter-to-quarter basis.

Net income from operations decreased in 2Q FY2014 as compared to 2Q FY2013 due mainly to lower net foreign exchange gain. Compared with the preceding first quarter ended 30 September 2013 (“**1Q FY2014**”), net income from operations had remained at similar levels.

The average occupancy rate of Saizen Real Estate Investment Trust’s (“**Saizen REIT**”) properties was 90.6% in 2Q FY2014, as compared to 91.7% in 2Q FY2013 and 91.2% 1Q FY2014. The decline in occupancy rate was partly attributable to seasonal factors and occupancy demand is expected to increase with the onset of the major leasing season in the months of February to April.

Overall rental reversion of new contracts entered into in 2Q FY2014 was marginally lower by about 0.5% (2Q FY2013 and 1Q FY2014: both lower by about 0.3%) from previous contracted rates. Downward reversions were mainly recorded for expired contracts entered into prior to 2008. Meanwhile, upward reversions continued to be generally observed for expired contracts entered into from 2010 onwards.

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

Summary of results

Net asset value increased slightly from JPY 27.5 billion as at 30 June 2013 to JPY 27.6 billion as at 31 December 2013, attributable mainly to the total return of the Group in YTD Dec 2013, and partially offset by the payment of distributions for 2H FY2013. After taking into account the Unit Consolidation (which completed on 8 November 2013), the adjusted net asset value per Unit decreased from S\$1.24 as at 30 June 2013 to S\$1.17 as at 31 December 2013, due mainly to the depreciation of the JPY against the S\$ from JPY78.3/S\$ to JPY83.0/S\$.

The following is a summary of Saizen REIT’s operating performance for 2Q FY2014, 1Q FY2014, 2Q FY2013, YTD Dec 2013, YTD Dec 2012 and 2H FY2013.

	2Q FY2014 ²	1Q FY2014 ³	2Q FY2013 ⁴
Gross revenue			
(S\$’000)	12,303 ⁵	12,685 ⁶	14,162 ⁷
(JPY’000)	989,182	989,401	940,375
Net property income			
(S\$’000)	8,576 ⁵	8,990 ⁶	10,048 ⁷
(JPY’000)	689,486	701,214	667,182
Net income from operations			
(S\$’000)	5,588 ⁵	5,802 ⁶	7,360 ⁷
(JPY’000)	449,287	452,582	488,684

	YTD Dec 2013 ⁸	2H FY2013 ⁹	YTD Dec 2012 ¹⁰
Distributable income generated during the period (S\$'000) (JPY'000)	9,448¹¹ 748,271	8,803¹² 676,081	11,037¹³ 714,097
Distribution (S\$'000) (JPY'000)	9,217¹⁴ 747,990	8,934¹⁵ 687,669	9,364¹⁵ 703,802
Distribution per Unit (cents)	3.25	3.15¹⁵	3.30¹⁵

Notes:

1. Based on S\$/JPY exchange rate of 83.0 as at 31 December 2013, which is applied throughout this announcement unless stated otherwise.
2. There were 139 properties at the start and at the end of 2Q FY2014.
3. There were 139 properties at the start and at the end of 1Q FY2014.
4. There were 135 properties at the start of 2Q FY2013 and 136 properties at the end of 2Q FY2013.
5. Based on S\$/JPY average exchange rate of 80.4 between 1 October 2013 and 31 December 2013.
6. Based on S\$/JPY average exchange rate of 78.0 between 1 July 2013 and 30 September 2013.
7. Based on S\$/JPY average exchange rate of 66.4 between 1 October 2012 and 31 December 2012.
8. There were 139 properties at the start and at the end of YTD Dec 2013.
9. There were 136 properties at the start of 2HFY2013 and 139 properties at the end of 2HFY2013.
10. There were 134 properties at the start of YTD Dec 2012 and 136 properties at the end of YTD Dec 2012.
11. Based on S\$/JPY average exchange rate of 79.2 between 1 July 2013 and 31 December 2013.
12. Based on S\$/JPY average exchange rate of 76.8 between 1 January 2013 and 30 June 2013.
13. Based on S\$/JPY average exchange rate of 64.7 between 1 July 2012 and 31 December 2012.
14. Estimated based on 283,611,720 Units in issue.
15. The number of Units and Distribution per Unit have been adjusted for the effect of Unit Consolidation which completed on 8 November 2013.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	3.25 cents per Unit
Books closure date	20 February 2014, 5.00 p.m.
Date payable	21 March 2014

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.

Saizen REIT’s portfolio as at 31 December 2013 comprised 139 properties located in 14 cities in Japan, and was valued at approximately JPY 41.2 billion (S\$496.9 million).

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 13 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, GK Tosei and GK Gyotatsu.

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) (2Q FY2014 vs 2Q FY2013)**

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	989,182	940,375	5.2
Property operating expenses	(299,696)	(273,193)	9.7
Net property income	689,486	667,182	3.3
Manager's management fees	(51,895)	(47,235)	9.9
Asset management fees	(8,254)	(8,750)	(5.7)
Trustee's fee	(2,591)	(2,335)	11.0
Finance costs ¹	(169,973)	(149,365)	13.8
Interest income	376	448	(16.1)
Other income ²	66,662	92,775	(28.1)
Other trust expenses	(32,398)	(17,049)	90.0
Other administrative expenses	(42,126)	(46,987)	(10.3)
Net income from operations	449,287	488,684	(8.1)
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ⁴	58,122	(4,028)	NM ³
Net fair value loss on investment properties	-	(37,805)	(100.0)
Total return for the period before income tax ⁵	507,409	446,851	13.6
Income tax ⁶	(46,836)	(48,448)	(3.3)
Total return for the period after income tax	460,573	398,403	15.6
Attributable to:			
Unitholders	453,499	392,895	15.4
Non-controlling interests	7,074	5,508	28.4
	460,573	398,403	15.6

Notes:

1. Finance costs comprised the following:

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(92,426)	(90,351)	2.3
(ii) amortisation of loan commission	(13,072)	(14,697)	(11.1)
(iii) guarantor fee to asset manager	(7,983)	(6,950)	14.9
(iv) foreign exchange difference from financing	(56,492)	(37,367)	51.2

2. Other income comprised mainly unrealised foreign exchange gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.

3. NM denotes not meaningful.

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

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,394)	(16,193)	25.9
(ii) unrealised fair value gain on interest rate swap	6,926	12,165	(43.1)
(iii) fair value gain on forward contract and zero cost collar	71,590	-	NM ³

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

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	1,932	2,350	(17.8)
(ii) trade receivables written-off	(536)	(1,629)	(67.1)

6. Income tax comprised the imputed 20.42% (from 1 January 2013; previously 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 202.1 million and JPY 189.3 million in 2Q FY2014 and 2Q FY2013 respectively.

Statement of total return (for the Group) (YTD Dec 2013 vs YTD Dec 2012)

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)	Increase / (Decrease) %
Gross revenue	1,978,583	1,871,757	5.7
Property operating expenses	(587,883)	(538,743)	9.1
Net property income	1,390,700	1,333,014	4.3
Manager's management fees	(103,790)	(93,812)	10.6
Asset management fees	(17,278)	(17,611)	(1.9)
Trustee's fee	(4,106)	(4,402)	(6.7)
Finance costs ¹	(295,692)	(262,527)	12.6
Interest income	1,378	942	46.3
Other income ²	65,946	105,190	(37.3)
Other trust expenses	(59,993)	(37,703)	59.1
Other administrative expenses	(75,296)	(83,225)	(9.5)
Net income from operations	901,869	939,866	(4.0)
Gain on divestment of properties	-	6,866	(100.0)
Net fair value loss on financial derivatives - fair value through profit or loss ⁴	(22,627)	(30,699)	(26.3)
Net fair value loss on investment properties	-	(94,031)	(100.0)
Total return for the period before income tax ⁵	879,242	822,002	7.0
Income tax ⁶	(94,563)	(93,577)	1.1
Total return for the period after income tax	784,679	728,425	7.7
Attributable to:			
Unitholders	772,831	718,677	7.5
Non-controlling interests	11,848	9,748	21.5
	784,679	728,425	7.7

Notes:

1. Finance costs comprised the following:

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(185,699)	(181,221)	2.5
(ii) amortisation of loan commission	(24,220)	(29,375)	(17.5)
(iii) guarantor fee to asset manager	(16,041)	(13,993)	14.6
(iv) cost of refinancing/repayment	-	(571)	(100.0)
(v) foreign exchange difference from financing	(69,732)	(37,367)	86.6

The cost of refinancing/repayment in YTD Dec 2012 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 in August 2012.

2. Other income comprised mainly unrealised foreign exchange gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.

3. NM denotes not meaningful.

4. Fair value loss on financial derivatives comprised the following:

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(40,944)	(32,465)	26.1
(ii) unrealised fair value (loss)/gain on interest rate swap	(55,048)	1,766	NM ³
(iii) fair value gain on forward contract and zero-cost collar	73,365	-	NM ³

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

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	1,349	2,802	(51.9)
(ii) trade receivables written-off	(840)	(2,931)	(71.3)

6. 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 403.5 million and JPY 376.2 million in YTD Dec 2013 and YTD Dec 2012 respectively.

Statement of distributable income from operations

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	772,831	718,677
Adjustments ¹	20,501	508
Adjusted return for the period	793,332	719,185
Cash deployed for loan principal repayment ²	(316,947)	(317,924)
Loan principal repayment offset by capital cash resources ³	275,000	317,924
Cash deployed for one-off borrowing costs ⁴	(3,114)	(5,088)
Distributable income generated during the period	748,271	714,097
Income available for distribution to Unitholders at the beginning of the period	692,174	575,449
Previous distribution paid during the period ⁵	(687,669)	(569,651)
Distributable income from operations at the end of the period	752,776	719,895
Distribution to Unitholders	747,990 ⁶	703,802
Distribution per Unit (cents)	3.25	3.30⁷

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain on forward contract and zero cost collar, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, gain on divestment of properties, net fair value loss on investment properties and unrealised foreign exchange differences.
- 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.
- Loan amortisation in YTD Dec 2013 will be partially paid with capital cash resources, such as proceeds from new borrowings and/or warrant proceeds, rather than cash generated from operations. This is in line with Saizen REIT's intention to utilise, where possible, undeployed capital cash resources to offset loan amortisation, thereby effectively making available cash from operations for distributions.

	YTD Dec 2013	YTD Dec 2012
Portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment)	(cents) 1.19	1.50 ⁷

- The amount deployed for one-off borrowing costs in YTD Dec 2013 comprised legal and professional fees incurred in respect of the loans of YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen and GK Chosei, while the amount deployed in YTD Dec 2012 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the loans of GK Tosei, GK Chogen and GK Gyokou.
- Distribution previously paid in YTD Dec 2013 was related to the distribution declared for the six-month financial period ended 30 June 2013, while distribution previously paid in YTD Dec 2012 was related to the distribution declared for the six-month financial period ended 30 June 2012.
- Estimated based on 283,611,720 Units in issue and a hedged S\$/JPY exchange rate of 81.15.
- The Distribution per Unit has been adjusted for the effect of Unit Consolidation which completed on 8 November 2013.

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 31 Dec 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	5,637,252	5,994,633
Deposits with cash management agents	525	540
Trade and other receivables	18,638	27,829
Other current assets	43,654	62,853
Derivative financial instruments ¹	50,909	31,583
	<u>5,750,978</u>	<u>6,117,438</u>
Non-current assets		
Investment properties	41,244,841	41,177,500
	<u>41,244,841</u>	<u>41,177,500</u>
Total assets	<u>46,995,819</u>	<u>47,294,938</u>
Current liabilities		
Rental deposits	455,978	474,308
Rental received in advance	284,482	306,486
Borrowings	1,579,533	1,519,388
Other current liabilities	246,395	365,124
Current tax liabilities	150,018	177,529
Derivative financial instruments ²	8,098	28,679
	<u>2,724,504</u>	<u>2,871,514</u>
Non-current liabilities		
Rental deposits	29,277	33,828
Borrowings	16,163,205	16,462,821
Derivative financial instruments ³	300,819	245,771
Other non-current liabilities	15,882	15,882
Deferred tax liabilities	104,861	104,861
	<u>16,614,044</u>	<u>16,863,163</u>
Total liabilities	<u>19,338,548</u>	<u>19,734,677</u>
Total net assets	<u>27,657,271</u>	<u>27,560,261</u>
Represented by:		
Unitholders	27,567,698	27,482,536
Non-controlling Interests	89,573	77,725
	<u>27,657,271</u>	<u>27,560,261</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612⁴</u>
Net asset value per Unit attributable to Unitholders (JPY)	<u>97.20</u>	<u>96.90⁴</u>

Notes:

1. The derivative financial instruments (current assets) as at 31 December 2013 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in March 2014 and the maximum strike of zero cost collar entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in September 2014.

The derivative financial instruments (current assets) as at 30 June 2013 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which was paid in September 2013.

2. The derivative financial instruments (current liabilities) as at 31 December 2013 comprised the minimum strike of zero cost collar entered into for the purpose of hedging the range of JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in September 2014.

The derivative financial instruments (current liabilities) as at 30 June 2013 comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payment which is expected to take place in March 2014.

3. The derivative financial instruments (non-current liabilities) comprised interest rate swaps used to hedge against fluctuations in interest rates of 3 loans.
4. The number of Units in issue and net asset value per Unit have been adjusted for the effects of Unit Consolidation which completed on 8 November 2013.

	Saizen REIT	
	As at 31 Dec 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	1,835,958	1,054,856
Distribution receivables	752,101	861,502
Other receivables	733	439
Other assets	3,913	1,376
Derivative financial instrument	50,909	31,583
	<u>2,643,614</u>	<u>1,949,756</u>
Non-current assets		
Investment in subsidiaries	25,811,322	26,824,866
	<u>25,811,322</u>	<u>26,824,866</u>
Total assets	<u>28,454,936</u>	<u>28,774,622</u>
Current liabilities		
Borrowings	995,758 ¹	939,386
Other current liabilities	59,447	124,953
Current tax liabilities	150,013	173,578
Derivative financial instrument	8,098	28,679
	<u>1,213,316</u>	<u>1,266,596</u>
Total liabilities	<u>1,213,316</u>	<u>1,266,596</u>
Total net assets	<u>27,241,620</u>	<u>27,508,026</u>
Represented by:		
Unitholders	<u>27,241,620</u>	<u>27,508,026</u>
Number of Units in issue ('000)	<u>283,612</u>	<u>283,612²</u>
Net asset value per Unit attributable to Unitholders(JPY)	<u>96.05</u>	<u>96.99²</u>

Notes:

1. This comprised advances drawn down from credit facilities which are backed by cash deposits.
2. The number of Units in issue and net asset value per Unit have been adjusted for the effects of Unit Consolidation which completed on 8 November 2013.

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

	As at 31 Dec 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	1,579,533	1,519,388
Amount repayable after one year	16,163,205	16,462,821
	<u>17,742,738</u>	<u>17,982,209</u>

Borrowings as at 31 December 2013 were secured over the investment properties valued at JPY 39.2 billion in aggregate and bank deposits of JPY0.9 billion.

1(c) Cash flow statement (for the Group) (2Q FY2014 vs 2Q FY2013)

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)
Operating activities		
Total return for the period after income tax	460,573	398,403
Adjustments for:		
Income tax	46,836	48,448
Interest income	(376)	(448)
Interest expenses	105,498	105,048
Net fair value (gain)/loss on financial derivatives	(58,122)	4,028
Net fair value loss on investment properties	-	37,805
Unrealised foreign exchange loss	56,492	37,367
Operating profit before working capital changes	610,901	630,651
Changes in working capital		
Deposit with cash management agents	17	18
Trade and other receivables	7,496	4,940
Other current assets	13,391	(14,175)
Other current liabilities	8,979	(48,489)
Rental received in advance	(10,800)	11,780
Rental deposits	(11,092)	(710)
Cash generated from operations	618,892	584,015
Withholding tax paid	(58,183)	-
Cash flows provided by operating activities	560,709	584,015
Investing activities		
Capital expenditure/addition of investment properties	(58,705)	(331,235) ¹
Cash flows used in investing activities	(58,705)	(331,235)
Financing activities		
Bank borrowings obtained ²	-	864,295
Repayment of bank borrowings	(157,896)	(158,745)
Interest received	383	433
Interest paid	(94,058)	(95,436)
Payment for Unit buy-back ³	-	(54,734)
Payment of interest rate swap	(20,395)	(16,193)
Bank deposits pledged for bank borrowings	(56,492)	(842,711) ⁴
Cash flows used in financing activities	(328,458)	(303,091)
Net increase/(decrease) in cash and cash equivalents	173,546	(50,311)
Cash and cash equivalent at beginning of the period	4,272,948	3,587,567
Cash and cash equivalent at end of the period ⁵	4,446,494	3,537,256

Notes:

- Rise Shinoe was acquired in 2Q FY2013.*
- Proceeds from bank borrowings in 2Q FY2013 comprised (i) loans of JPY 140 million and JPY 200 million obtained by GK Gyokou and GK Chogen respectively, and (ii) advances of S\$8 million (JPY 524 million) drawn down from a credit facility by Saizen REIT.*
- Saizen REIT bought back 4,940,000 Units in 2Q FY2013.*
- Bank deposits of S\$8 million and S\$4 million were pledged as security for credit facilities extended to Saizen REIT by Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited respectively.*

5. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)
Cash and bank balances (per balance sheet)	5,637,252	4,774,967
Less: Bank deposits pledged	<u>(1,190,758)</u>	<u>(1,237,711)</u>
	<u>4,446,494</u>	<u>3,537,256</u>

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan and GK Tosei in 2Q FY2014 and by Saizen REIT, GK Choan, GK Tosei and YK JOF in 2Q FY2013 under the terms of their respective loans or credit facilities.

1 (c) Cash flow statement (for the Group) (YTD Dec 2013 vs YTD Dec 2012)

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)
Operating activities		
Total return for the period after income tax before distribution	784,679	728,425
Adjustments for:		
Income tax	94,563	93,577
Interest income	(1,378)	(942)
Interest expenses	209,919	211,167
Net fair value loss on financial derivatives	22,627	30,699
Gain on divestment of properties	-	(6,866)
Net fair value loss on investment properties	-	94,031
Unrealised foreign exchange loss	56,371	37,367
Operating profit before working capital changes	<u>1,166,781</u>	<u>1,187,458</u>
Changes in working capital		
Deposit with cash management agents	15	(16)
Trade and other receivables	9,160	9,825
Other current assets	19,078	(33,719)
Other current liabilities	(120,340)	(84,489)
Rental received in advance	(22,004)	7,758
Rental deposits	(22,881)	(205)
Cash generated from operations	<u>1,029,809</u>	<u>1,086,612</u>
Income tax paid	(1,140)	(1,166)
Withholding tax paid	<u>(120,934)</u>	<u>(71,610)</u>
Cash flows provided by operating activities	<u>907,735</u>	<u>1,013,836</u>
Investing activities		
Capital expenditure/addition of investment properties	(67,341)	(1,430,059) ¹
Proceeds from sale of investment properties	-	80,166
Cash flows used in investing activities	<u>(67,341)</u>	<u>(1,349,893)</u>
Financing activities		
Bank borrowings obtained	-	864,295
Repayment of bank borrowings	(316,948)	(363,644)
Distribution to Unitholders	(687,669)	(569,651)
Interest received	1,409	895
Interest paid	(187,081)	(187,981)
Payment for Unit buy-back	-	(61,802)
Net settlement of interest rate swap and forward contracts	(7,487)	(32,465)
Bank deposits pledged for bank borrowings	(56,371)	(842,711)
Cash flows used in financing activities	<u>(1,254,147)</u>	<u>(1,193,064)</u>
Net decrease in cash and cash equivalents	(413,753)	(1,529,121)
Cash and cash equivalent at beginning of the period	<u>4,860,247</u>	<u>5,066,377</u>
Cash and cash equivalent at end of the period ²	<u>4,446,494</u>	<u>3,537,256</u>

Notes:

1. This was related mainly to the acquisitions of 3 properties between August 2012 and November 2012.

2. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)
Cash and bank balances (per balance sheet)	5,637,252	4,774,967
Less: Bank deposits pledged	<u>(1,190,758)</u>	<u>(1,237,711)</u>
	<u>4,446,494</u>	<u>3,537,256</u>

Bank deposits pledged related to minimum bank balances which had to be maintained by Saizen REIT, GK Choan and GK Tosei in YTD Dec 2013 and by Saizen REIT, GK Choan, GK Tosei and YK JOF in YTD Dec 2012 under the terms of their respective loans and credit facilities.

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

<u>The Group</u>	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(12,242,909)	(12,623,323)
Total return for the period	772,831	718,677
Distribution to Unitholders	<u>(687,669)</u>	<u>(569,651)</u>
Balance as at end of period	<u>(12,157,747)</u>	<u>(12,474,297)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,725,445	39,796,796
Cancellation of Units pursuant to Unit buy-back	-	(61,650)
Costs relating to Unit buy-back	<u>-</u>	<u>(152)</u>
Balance as at end of period	<u>39,725,445</u>	<u>39,734,994</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,567,698</u>	<u>27,260,697</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	77,725	58,853
Total return for the period	<u>11,848</u>	<u>9,748</u>
Balance as at end of period	<u>89,573</u>	<u>68,601</u>
TOTAL	<u>27,657,271</u>	<u>27,329,298</u>
<u>Saizen REIT</u>	YTD Dec 2013 (JPY'000)	YTD Dec 2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(13,472,346)	(13,976,493)
Total return for the period	421,263	432,071
Distribution to Unitholders	<u>(687,669)</u>	<u>(569,651)</u>
Balance as at end of period	<u>(13,738,752)</u>	<u>(14,114,073)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	40,980,372	41,051,723
Cancellation of Units pursuant to Unit buy-back	-	(61,650)
Costs relating to Unit buy-back	<u>-</u>	<u>(152)</u>
Balance as at end of period	<u>40,980,372</u>	<u>40,989,921</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,241,620</u>	<u>26,875,848</u>

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

	2Q FY2014 (Units)	2Q FY2013 (Units)
Issued Units as at beginning of period	1,418,058,795	1,423,703,795
Cancellation of Units pursuant to Unit buy-back	-	(4,940,000)
Adjustment arising from Unit consolidation ¹	(1,134,447,075)	(1,135,011,036)
Issued Units as at end of period	<u>283,611,720</u>	<u>283,752,759</u>

Note:

1. *The number of Units has been adjusted for the effects of Unit Consolidation which completed on 8 November 2013. Please refer to Saizen REIT's circular dated 30 September 2013 for further information on the Unit Consolidation.*

Unitholders approved the renewal of Saizen REIT's Unit buy-back mandate on 30 October 2013.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$1.1 million has been used for Units buy-backs, S\$0.3 million has been used for working capital purposes (daily operating expenses), approximately S\$20.1 million had been deployed towards the repayment of the previous loan of YK Shintoku and approximately S\$3.4 million will be deployed for offsetting loan principal repayment under this distribution for YTD Dec 2013. Warrant proceeds have been deployed towards uses as approved by Unitholders.

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 2013.

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
The diluted EPU is the same as the basic EPU as no dilutive instruments were in issue during the financing period.

	2Q FY2014	2Q FY2013	YTD Dec 2013	YTD Dec 2012
Total return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)	453,499	392,895	772,831	718,677
EPU – basic and diluted (JPY)	1.60	1.38	2.72	2.53
(cents)	1.99 ¹	2.08 ²	3.43 ³	3.91 ⁴
Weighted average number of Units ⁵	283,611,720	284,116,650	283,611,720	284,494,487

Notes:

1. Based on S\$/JPY average exchange rate of 80.4 between 1 October 2013 and 31 December 2013.
2. Based on S\$/JPY average exchange rate of 66.4 between 1 October 2012 and 31 December 2012.
3. Based on S\$/JPY average exchange rate of 79.2 between 1 July 2013 and 31 December 2013.
4. Based on S\$/JPY average exchange rate of 64.7 between 1 July 2012 and 31 December 2012.
5. The weighted average number of Units have been adjusted for the effects of Unit Consolidation which completed on 8 November 2013.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 31 December 2013 and 30 June 2013

The Group

		As at 31 Dec 2013	As at 30 Jun 2013
NAV per Unit based on issued Units at the end of financial period	(JPY)	97.20	96.90 ³
	(S\$)	1.17 ¹	1.24 ²

Saizen REIT

		As at 31 Dec 2013	As at 30 Jun 2013
NAV per Unit based on issued Units at the end of financial period	(JPY)	96.05	96.99 ³
	(S\$)	1.16 ¹	1.24 ²

Notes:

1. Based on S\$/JPY exchange rate of 83.0 as at 31 December 2013.
2. Based on S\$/JPY exchange rate of 78.3 as at 30 June 2013.
3. NAV per Unit has been adjusted for the effects of Unit Consolidation which completed on 8 November 2013.

8. Review of performance

Income statement: 2Q FY2014 vs 2Q FY2013

	2Q FY2014 ¹ (JPY'000)	2Q FY2013 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	989,182	940,375	5.2
Property operating expenses ³	(299,696)	(273,193)	9.7
Net property income	689,486	667,182	3.3
Asset management fees	(8,254)	(8,750)	(5.7)
Interest expenses ⁴	(112,820)	(106,544)	5.9
Guarantor fee to asset manager	(7,983)	(6,950)	14.9
Other administrative expenses	(25,953)	(26,855)	(3.4)
Net income from property operations	534,476	518,083	3.2
Interest income	376	448	(16.1)
Net foreign exchange gain ⁵	10,170	55,408	(81.6)
Other operating expenses ⁶	(116,129)	(101,448)	14.5
Adjustment ⁷	20,394	16,193	25.9
Net income from operations	449,287	488,684	(8.1)

Notes:

- There were 139 properties at the start and at the end of 2Q FY2014.
- There were 135 properties at the start of 2Q FY2013 and 136 properties at the end of 2Q FY2013.
- Property operating expenses comprised the following:

	2Q FY2014 (JPY'000)	2Q FY2013 (JPY'000)	Increase / (Decrease) %
Property tax	70,684	64,277	10.0
Property manager's fees	39,206	37,865	3.5
Operation and maintenance expenses	45,318	42,736	6.0
Repairs and renovations	58,826	44,690	31.6
Leasing and marketing expenses	24,170	26,299	(8.1)
Utilities charges	41,592	38,656	7.6
Insurance expenses	11,029	10,684	3.2
Write back of impairment on trade receivables	(1,932)	(2,350)	(17.8)
Bad debt written-off	537	1,629	(67.0)
Consumption tax arising from operations	10,266	8,707	17.9
- Interest expenses included the realised loss (payment) on interest rate swap.
- Net foreign exchange gain comprised mainly unrealised foreign exchange gain on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.
- Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding foreign exchange differences from financing, interest expenses and guarantor fee to asset manager) 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 and net property income in 2Q FY2014 increased by 5.2% and 3.3% respectively, due mainly to the acquisitions of 5 properties between November 2012 and June 2013 and partially offset by the divestment of a property in March 2013.

Average occupancy rate in 2Q FY2014 was 90.6% as compared to 91.7% in 2Q FY2013, while overall rental reversion of new contracts entered into in 2Q FY2014 was marginally lower by about 0.5% (2Q FY2013: lower by about 0.3%) from previous contracted rates. The decline in occupancy rate was partly attributable to seasonal factors and occupancy demand

is expected to improve with the onset of the major leasing season in the months of February to April. In terms of rental reversions, downward reversions were mainly recorded for expired contracts entered into prior to 2008. Meanwhile, upward reversions continued to be generally observed for expired contracts entered into from 2010 onwards.

Property operating expenses increased by 9.7% in 2Q FY2014 compared with 2Q FY2013 in line with the increase in number of properties. There were higher repairs and renovation expenses in line with the strategy of enhancing the competitiveness of Saizen REIT's properties in anticipation of the current leasing season and an improving leasing market. These higher expenses also included approximately JPY4.4 million in water leakage repair works which were covered by insurance. The related income from insurance claims is reflected in the Group's gross revenue.

Net income from property operations increased by 3.2% in 2Q FY2014, in line with the rate of increase in net property income as other property operations-related expenses had remained stable.

Group-level operations

Despite higher net income from property operations, net income from operations decreased by 8.1% from JPY 488.7 million in 2Q FY2013 to JPY 449.3 million in 2Q FY2014 due mainly to lower net foreign exchange gain. Previously in 2Q FY2013, net foreign exchange gain of JPY55.4 million was recorded as the Group's S\$-denominated cash deposits appreciated in value in JPY-terms.

Other Group-level non-operating items

A fair value gain on forward contract and zero cost collar of JPY71.6 million was recognised in 2Q FY2014 as S\$ appreciated in value in JPY-terms.

Income statement: 2Q FY2014 vs 1Q FY2014

	2Q FY2014 ¹ (JPY'000)	1Q FY2014 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	989,182	989,401	0.0
Property operating expenses ³	(299,696)	(288,187)	4.0
Net property income	689,486	701,214	(1.7)
Asset management fees	(8,254)	(9,024)	(8.5)
Interest expenses ⁴	(112,820)	(113,823)	(0.9)
Guarantor fee to asset manager	(7,983)	(8,058)	(0.9)
Other administrative expenses	(25,953)	(26,725)	(2.9)
Net income from property operations	534,476	543,584	(1.7)
Interest income	376	1,002	(62.5)
Net foreign exchange gain/(loss) ⁵	10,170	(13,956)	NM ⁸
Other operating expenses ⁶	(116,129)	(98,598)	17.8
Adjustment ⁷	20,394	20,550	(0.8)
Net income from operations	449,287	452,582	(0.7)

Notes:

1. There were 139 properties at the start and at the end of 2Q FY2014.
2. There were 139 properties at the start and at the end of 1Q FY2014.

3. *Property operating expenses comprised the following:*

	2Q FY2014 (JPY'000)	1Q FY2014 (JPY'000)	Increase / (Decrease) %
Property tax	70,684	70,684	0.0
Property manager's fees	39,206	39,463	(0.7)
Operation and maintenance expenses	45,318	46,634	(2.8)
Repairs and renovations	58,826	48,392	21.6
Leasing and marketing expenses	24,170	21,091	14.6
Utilities charges	41,592	40,450	2.8
Insurance expenses	11,029	11,050	(0.2)
(Write back)/Impairment of impairment on trade receivables	(1,932)	583	NM ⁸
Bad debt written-off	537	303	77.2
Consumption tax arising from operations	10,266	9,537	7.6

4. *Interest expenses included the realised loss (payment) on interest rate swap.*5. *Net foreign exchange gain/(loss) comprised mainly unrealised foreign exchange gain/(loss) on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements and foreign exchange differences from financing.*6. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding foreign exchange differences from financing, interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*7. *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.*8. *NM denotes not meaningful.*Property-level operations

On a quarter-to-quarter basis, the number of properties in Saizen REIT's portfolio has remained the same and gross revenue, net property income and net income from property operations remained stable in 2Q FY2014 compared with 1Q FY2014. Property operating expenses increased by 4.0%, due mainly to higher repairs and renovations expenses. As described above, approximately JPY4.4 million in water leakage repair works were covered by insurance.

Consequently, with other property operations-related expenses remaining stable, each of net property income and net income from property operations recorded marginal decline of 1.7%.

Group-level operations

Other operating expenses increased from JPY98.6 million in 1Q FY2014 to JPY116.1 million in 2Q FY2014 due mainly to (i) increase in accruals in JPY-terms for audit fees which are chargeable in US\$ and S\$; and (ii) payment of certain legal and professional fees which were charged at the end of the year. These were offset by a net foreign exchange gain of JPY10.2 million in 2Q FY2014 compared to a net foreign exchange loss of JPY14.0 million.

9. Variance between previous forecast or prospect statement and actual results

Saizen REIT has not disclosed any forecast to the market, and its results for the current financial period reported on were in line with its commentary under the section "Outlook and prospects" in the previous quarter's results announcement.

10. Outlook and prospects

In early December 2013, the Japanese government approved a JPY 18.6 trillion economic stimulus package. It also decided to implement a JPY 1 trillion corporate tax cut with the aim of boosting corporate capital investment and encouraging companies to raise wages as a means to boost consumption. Bank of Japan governor Haruhiko Kuroda stated in December 2013 that "the Bank is strongly and clearly committed to achieving the price stability target of 2 percent CPI inflation rate at the earliest possible time, with a time horizon of about two

years.” These initiatives are expected to be positive for the Japanese real estate market in general.

With the onset of the major leasing season in the months of February to April, occupancy demand is expected to increase. Saizen REIT will be focusing its efforts on improving operating performance while efforts on enhancing the competitiveness of Saizen REIT’s properties through renovation works will continue. The Management expects property operations to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy.

Hedging of foreign exchange exposure

Saizen REIT has entered into a hedge for the distribution payment for the six-month financial period ending 30 June 2014 (the “**2H FY2014 Distribution**”), which is expected to be paid in September 2014. This hedge restricts the range of the JPY/S\$ rate to be applied to that distribution to a cap of JPY82.00/S\$ and a floor of JPY76.18/S\$. If the S\$ appreciates against the JPY to a rate that is at or above JPY82.00/S\$, the 2HFY2014 Distribution will be converted at JPY82.00/S\$. If the S\$ depreciates against the JPY to a rate that is at or below JPY76.18/S\$, the 2H FY2014 Distribution will be converted at JPY76.18/S\$. If the exchange rate is between JPY76.18/S\$ and JPY82.00/S\$ when the 2H FY2014 Distribution is due, the distribution payment will be converted from JPY to S\$ via a spot trade at the prevailing exchange rate.

Management will look into further hedging for the distribution payment for the six-month financial period ending 31 December 2014 in due course.

Strategic review

Saizen REIT has appointed Deloitte & Touche Corporate Finance Pte Ltd as the independent adviser to assist the Board with a strategic review of options to enhance Unitholder value. This strategic review is ongoing and announcements will be made as to the outcome of the strategic review and the actions that will be implemented, at the appropriate times.

11. Distributions

11(a) Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 31 December 2013
Distribution type	Tax-exempt income
Distribution rate	3.25 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution</p> <p>Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in</p>

	<p>respect of such income for YTD Dec 2013.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for YTD Dec 2013.</p>
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11(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 31 December 2012
Distribution type	Tax-exempt income
Distribution rate	0.66 cents per Unit (equivalent to 3.30 cents per Unit as adjusted for the Unit Consolidation)
Tax rate	<p>(a) Tax-exempt income distribution Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT. Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for YTD Dec 2012.</p> <p>(c) Any subsequent distributions made by Saizen REIT out of income which has been taxed at the REIT level will be exempt from Singapore tax for all Unitholders. There is no distribution in respect of such income for YTD Dec 2012.</p>

11(c) Date payable

21 March 2014

11(d) Books closure date

20 February 2014, 5.00 p.m.

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

Not applicable.

13. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 8.0 million (S\$0.1 million) were paid to the Asset Manager in 2Q FY2014.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 6.5 million (S\$0.1 million) in 2Q FY2014.

Fees paid to the Asset Manager for rental of office premises amounted to approximately JPY291,000 (S\$3,500) in 2Q FY2014.

14. General mandate for interested person transactions

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

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 31 December 2013 to be false or misleading in any material respect.

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

BY ORDER OF THE BOARD

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

11 February 2014