

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 2013

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INTRODUCTION

Gross revenue and net property income increased by 6.2% and 5.3% respectively in the first quarter ended 30 September 2013 (“**1Q FY2014**”) as compared to the first quarter ended 30 September 2012 (“**1Q FY2013**”), due mainly to the acquisitions of 5 properties between November 2012 and June 2013. Exchange differences and an increase in other trust expenses weighed on net income from operations, which increased slightly by 0.3%.

On a quarter-on-quarter basis, gross revenue decreased by 0.3%, due mainly to a seasonal decrease in average occupancy rates in the fourth quarter ended 30 June 2013 (“**4Q FY2013**”). Net property income increased by 3.3% on the back of lower repair and renovation expenses as well as leasing and marketing expenses. A decrease in asset management fee in 1Q FY2014, due mainly to adjustments recognised in the preceding quarter in connection with fair value gains in investment properties, further contributed to the quarter-on-quarter increase in net income from operations of 8.3%.

The average occupancy rate of Saizen Real Estate Investment Trust’s (“**Saizen REIT**”) properties was 91.2% in 1Q FY2014, as compared to 91.7% in 1Q FY2013 and 92.1% in 4Q FY2013. The decrease in the average occupancy rate in 1Q FY2014 as compared to the preceding quarter was mainly due to seasonality factors as tenants typically move out around the start of the mid-year leasing season in August/September.

Overall rental reversion of new contracts entered into in 1Q FY2014 was marginally lower by about 0.3% (1Q FY2013 and 4Q FY2013: lower by about 1.3% and 0.4% respectively) from previous contracted rates. Rental reversion was negative 1.9% in July 2013, due mainly to decreases in the rent of several residential units which were previously contracted more than 7 years ago. Rental reversion improved to positive 0.04% and 0.7% in August 2013 and September 2013 respectively.

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

Summary of results

Net asset value decreased slightly from JPY 27.5 billion as at 30 June 2013 to JPY 27.1 billion as at 30 September 2013, attributable mainly to the payment of income distributions for the six-month financial period ended 30 June 2013 to Unitholders in September 2013, and partially offset by the total return of the Group for the three-month financial period of 1Q FY2014.

Net asset value per Unit decreased from S\$0.25 at 30 June 2013 to S\$0.24 as at 30 September 2013. For illustration purposes, after taking into account the Unit Consolidation (which will become effective on 8 November 2013), the adjusted net asset value per Unit as at 30 September 2013 would be S\$1.22.

The following is a summary of Saizen REIT’s operating performance for 1Q FY2014, 1Q FY2013 and 4Q FY2013.

	1Q FY2014²	1Q FY2013³	4Q FY2013⁴
Gross revenue			
(S\$’000)	12,685⁵	14,760⁶	12,548⁷
(JPY’000)	989,401	931,382	992,523
Net property income			
(S\$’000)	8,990⁵	10,552⁶	8,580⁷
(JPY’000)	701,214	665,832	678,684
Net income from operations			
(S\$’000)	5,802⁵	7,150⁶	5,284⁷
(JPY’000)	452,582	451,184	417,947

Notes:

1. *Based on an exchange rate of JPY78.3/S\$ as at 30 September 2013, which is applied throughout this announcement unless stated otherwise.*
2. *There were 139 properties at the start and at the end of 1Q FY2014.*
3. *There were 134 properties at the start of 1Q FY2013 and 135 properties at the end of 1Q FY2013.*
4. *There were 137 properties at the start of 4Q FY2013 and 139 properties at the end of 4Q FY2013.*
5. *Based on an average exchange rate of JPY78.0/S\$ between 1 July 2013 and 30 September 2013.*
6. *Based on an average exchange rate of JPY63.1/S\$ between 1 July 2012 and 30 September 2012.*
7. *Based on an average exchange rate of JPY79.1/S\$ between 1 April 2013 and 30 June 2013.*

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 30 September 2013 comprised 139 properties located in 14 cities in Japan, and was valued at approximately JPY 41.2 billion (S\$526.2 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 Gytotsu.

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 FY2014 vs 1Q FY2013)**

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	989,401	931,382	6.2
Property operating expenses	(288,187)	(265,550)	8.5
Net property income	701,214	665,832	5.3
Manager's management fees	(51,895)	(46,577)	11.4
Asset management fees	(9,024)	(8,861)	1.8
Trustee's fee	(1,515)	(2,066)	(26.7)
Finance costs ¹	(125,719)	(100,747)	24.8
Interest income	1,002	494	>100.0
Other expenses ²	(716)	-	NM ³
Other trust expenses	(27,595)	(20,654)	33.6
Other administrative expenses	(33,170)	(36,237)	(8.5)
Net income from operations	452,582	451,184	0.3
Gain on divestment of properties	-	6,866	(100.0)
Net fair value loss on financial derivatives - fair value through profit or loss ⁴	(80,749)	(26,671)	>100.0
Net fair value loss on investment properties	-	(56,227)	(100.0)
Total return for the period before income tax⁵	371,833	375,152	(0.9)
Income tax ⁶	(47,728)	(45,129)	5.8
Total return for the period after income tax	324,105	330,023	(1.8)
Attributable to:			
Unitholders	319,331	325,783	(2.0)
Non-controlling interests	4,774	4,240	12.6
	324,105	330,023	(1.8)

Notes:

1. Finance costs comprised the following:

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(93,273)	(90,870)	2.6
(ii) amortisation of loan commission	(11,148)	(14,678)	(24.0)
(iii) guarantor fee to asset manager	(8,058)	(7,043)	14.4
(iv) cost of refinancing/repayment	-	(571)	(100.0)
(v) foreign exchange difference from financing	(13,240)	12,415	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. Other expenses comprised mainly unrealised foreign exchange losses 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:

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,550)	(16,272)	26.3
(ii) unrealised fair value loss on interest rate swap	(61,974)	(10,399)	>100.0
(iii) fair value gain on forward contract	1,775	-	NM ³

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

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) (impairment)/write back of impairment on trade receivables	(583)	452	NM ³
(ii) trade receivables written-off	(303)	(1,302)	(76.7)

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 201.4 million and JPY 186.9 million in 1Q FY2014 and 1Q FY2013 respectively.

Statement of total return (for the Group) (1Q FY2014 vs 4Q FY2013)

	1Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
Gross revenue	989,401	992,523	(0.3)
Property operating expenses	(288,187)	(313,839)	(8.2)
Net property income	701,214	678,684	3.3
Manager's management fees	(51,895)	(49,269)	5.3
Asset management fees	(9,024)	(27,647)	(67.4)
Trustee's fee	(1,515)	(2,883)	(47.5)
Finance costs ¹	(125,719)	(331,106)	(62.0)
Interest income	1,002	568	76.4
Other (expenses)/income ²	(716)	213,575	NM ³
Other trust expenses	(27,595)	(23,704)	16.4
Other administrative expenses	(33,170)	(40,271)	(17.6)
Net income from operations	452,582	417,947	8.3
Net fair value (loss)/gain on financial derivatives - fair value through profit or loss ⁴	(80,749)	128,868	NM ³
Net fair value gain on investment properties	-	584,668	(100.0)
Total return for the period before income tax⁵	371,833	1,131,483	(67.1)
Income tax ⁶	(47,728)	(141,880)	(66.4)
Total return for the period after income tax	324,105	989,603	(67.2)
Attributable to:			
Unitholders	319,331	981,399	(67.5)
Non-controlling interests	4,774	8,204	(41.8)
	324,105	989,603	(67.2)

Notes:

1. Finance costs comprised the following:

	1Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(93,273)	(93,509)	(0.3)
(ii) amortisation of loan commission	(11,148)	(13,515)	(17.5)
(iii) guarantor fee to asset manager	(8,058)	(8,095)	(0.5)
(iv) foreign exchange difference from financing	(13,240)	(215,987)	(93.9)

2. Other (expenses)/income comprised mainly unrealised foreign exchange losses/gains 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)/gain on financial derivatives comprised the following:

	1Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,550)	(20,147)	2.0
(ii) unrealised fair value (loss)/gain on interest rate swap	(61,974)	146,475	NM ³
(iii) fair value gain on forward contract	1,775	2,540	(30.1)

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

	1Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
(i) impairment on trade receivables	(583)	(781)	(25.4)
(ii) trade receivables written-off	(303)	(209)	45.0

6. Income tax comprised the imputed 20.42% 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 201.4 million and JPY 199.0 million in 1Q FY2014 and 4Q FY2013 respectively.

Statement of distributable income from operations

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)
Total return for the period after income tax before distribution attributable to Unitholders	319,331	325,783
Adjustments ¹	79,636	33,847
Adjusted return for the period	398,967	359,630
Cash deployed for loan principal repayment ²	(159,052)	(159,180)
Cash deployed for one-off borrowing costs	-	(525)
Distributable income generated during the period	239,915	199,925
Income available for distribution to Unitholders at the beginning of the period	692,174	575,449
Previous distribution paid during the period ³	(687,669)	(569,651)
Distributable income from operations at the end of the period	244,420	205,723
Distribution to Unitholders	NA ⁴	NA ⁴

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain on forward contract, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, gain on divestment of properties and unrealised 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.

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.

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.

- Distribution paid in 1Q FY2014 related to the distribution declared for the six-month financial period ended 30 June 2013, while distribution paid in 1Q FY2013 related to the distribution declared for the six-month financial period ended 30 June 2012.
- 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 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	5,407,214	5,994,633
Deposits with cash management agents	542	540
Trade and other receivables	26,140	27,829
Other current assets	57,507	62,853
Derivative financial instruments ¹	-	31,583
	<u>5,491,403</u>	<u>6,117,438</u>
Non-current assets		
Investment properties	41,186,136	41,177,500
	<u>41,186,136</u>	<u>41,177,500</u>
Total assets	<u>46,677,539</u>	<u>47,294,938</u>
Current liabilities		
Rental deposits	465,352	474,308
Rental received in advance	295,282	306,486
Borrowings	1,523,494	1,519,388
Other current liabilities	236,396	365,124
Current tax liabilities	161,365	177,529
Derivative financial instruments ²	28,780	28,679
	<u>2,710,669</u>	<u>2,871,514</u>
Non-current liabilities		
Rental deposits	30,995	33,828
Borrowings	16,310,690	16,462,821
Derivative financial instruments ³	307,745	245,771
Other non-current liabilities	15,882	15,882
Deferred tax liabilities	104,861	104,861
	<u>16,770,173</u>	<u>16,863,163</u>
Total liabilities	<u>19,480,842</u>	<u>19,734,677</u>
Total net assets	<u>27,196,697</u>	<u>27,560,261</u>
Represented by:		
Unitholders	27,114,198	27,482,536
Non-controlling Interests	82,499	77,725
	<u>27,196,697</u>	<u>27,560,261</u>
Number of Units in issue (pre-consolidation) ('000)	1,418,059	1,418,059
Number of Units in issue (post-consolidation) ⁴ ('000)	<u>283,612</u>	<u>283,612</u>
Net asset value per Unit attributable to Unitholders (pre-consolidation) (JPY)	19.12	19.38
Net asset value per Unit attributable to Unitholders (post-consolidation) ⁴ (JPY)	<u>95.60</u>	<u>96.90</u>

Notes:

1. The derivative financial instruments (current assets) 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) 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. Post-consolidation number of Units in issue and net asset value per Unit have been adjusted for the Unit Consolidation which will become effective on 8 November 2013. Please refer to Saizen REIT's circular dated 30 September 2013 for further information on the Unit Consolidation.

	Saizen REIT	
	As at 30 Sep 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Current assets		
Cash and cash equivalents	1,308,940	1,054,856
Distribution receivables	581,915	861,502
Other receivables	24	439
Other assets	2,367	1,376
Derivative financial instrument	-	31,583
	<u>1,893,246</u>	<u>1,949,756</u>
Non-current assets		
Investment in subsidiaries	26,244,166	26,824,866
	<u>26,244,166</u>	<u>26,824,866</u>
Total assets	<u>28,137,412</u>	<u>28,774,622</u>
Current liabilities		
Borrowings	939,265 ¹	939,386
Other current liabilities	53,221	124,953
Current tax liabilities	115,059	173,578
Derivative financial instrument	28,780	28,679
	<u>1,136,325</u>	<u>1,266,596</u>
Total liabilities	<u>1,136,325</u>	<u>1,266,596</u>
Total net assets	<u>27,001,087</u>	<u>27,508,026</u>
Represented by:		
Unitholders	<u>27,001,087</u>	<u>27,508,026</u>
Number of Units in issue (pre-consolidation) ('000)	1,418,059	1,418,059
Number of Units in issue (post-consolidation) ² ('000)	<u>283,612</u>	<u>283,612</u>
Net asset value per Unit attributable to Unitholders (pre-consolidation) (JPY)	19.04	19.40
Net asset value per Unit attributable to Unitholders (post-consolidation) ² (JPY)	<u>95.20</u>	<u>96.99</u>

Notes:

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

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

	As at 30 Sep 2013 (JPY'000)	As at 30 Jun 2013 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	1,523,494	1,519,388
Amount repayable after one year	16,310,690	16,462,821
	<u>17,834,184</u>	<u>17,982,209</u>

Borrowings as at 30 September 2013 were secured over the investment properties valued at JPY 39.2 billion in aggregate and bank deposits of JPY 0.9 billion.

The decrease in borrowings from JPY 18.0 billion as at 30 June 2013 to JPY 17.8 billion as at 30 September 2013 was mainly due to the payment of loan principal amortisation in 1Q FY2014.

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

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)
Operating activities		
Total return for the period after income tax	324,105	330,023
Adjustments for:		
Income tax	47,728	45,129
Interest income	(1,002)	(494)
Interest expenses	104,421	106,119
Net fair value loss on financial derivatives	80,749	26,671
Gain on divestment of properties	-	(6,866)
Net fair value loss on investment properties	-	56,227
Unrealised foreign exchange gain	(121)	-
Operating profit before working capital changes	555,880	556,809
Changes in working capital		
Deposit with cash management agents	(2)	(34)
Trade and other receivables	1,665	4,885
Other current assets	5,687	(19,544)
Other current liabilities	(129,319)	(36,001)
Rental received in advance	(11,205)	(4,022)
Rental deposits	(11,789)	505
Cash generated from operations	410,917	502,598
Income tax paid	(1,140)	(1,166)
Withholding tax paid	(62,751)	(71,610)
Cash flows provided by/(used in) operating activities	347,026	429,822
Investing activities		
Capital expenditure/addition of investment properties	(8,636)	(1,098,824) ¹
Sale of investment property	-	80,166 ²
Cash flows used in investing activities	(8,636)	(1,018,658)
Financing activities		
Repayment of bank borrowings ³	(159,052)	(204,899)
Distribution to Unitholders	(687,669)	(569,651)
Interest received	1,026	462
Interest paid	(93,022)	(92,546)
Payment for Unit buy-back	-	(7,068) ⁴
Net settlement of interest rate swap and forward contracts	12,908	(16,272)
Bank deposits pledged for bank borrowings	121	-
Cash flows used in financing activities	(925,688)	(889,974)
Net decrease in cash and cash equivalents	(587,298)	(1,478,810)
Cash and cash equivalent at beginning of the period	4,860,247	5,066,377
Cash and cash equivalent at end of the period⁵	4,272,949	3,587,567

Notes:

1. This was related mainly to the acquisitions of 2 properties in August 2012.
2. This was related to the sale of 1 property in August 2012.
3. Repayment of bank borrowings in 1Q FY2014 comprised mainly loan principal amortisation payments. 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.
4. This was related to the buy-back of Units in September 2012.

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

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)
Cash and bank balances (per balance sheet)	5,407,214	3,982,567
Less: Bank deposits pledged	<u>(1,134,265)</u>	<u>(395,000)</u>
	<u>4,272,949</u>	<u>3,587,567</u>

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan and GK Tosei in 1Q FY2014 and by YK JOF, GK Choan and GK Tosei in 1Q FY2013 under the terms of their respective loans.

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

The Group

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(12,242,909)	(12,623,323)
Total return for the period	319,331	325,783
Distribution to Unitholders	(687,669)	(569,651)
Balance as at end of period	<u>(12,611,247)</u>	<u>(12,867,191)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	39,725,445	39,796,796
Cancellation of Units pursuant to Unit buy-back	-	(7,051)
Costs relating to Unit buy-back	-	(17)
Balance as at end of period	<u>39,725,445</u>	<u>39,789,728</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,114,198</u>	<u>26,922,537</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	77,725	58,853
Total return for the period	4,774	4,240
Balance as at end of period	<u>82,499</u>	<u>63,093</u>
TOTAL	<u>27,196,697</u>	<u>26,985,630</u>

Saizen REIT

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)
OPERATIONS		
Balance as at beginning of the period	(13,472,346)	(13,976,493)
Total return for the period	180,730	201,830
Distribution to Unitholders	(687,669)	(569,651)
Balance as at end of period	<u>(13,979,285)</u>	<u>(14,344,314)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the period	40,980,372	41,051,723
Cancellation of Units pursuant to Unit buy-back	-	(7,051)
Costs relating to Unit buy-back	-	(17)
Balance as at end of period	<u>40,980,372</u>	<u>41,044,655</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,001,087</u>	<u>26,700,341</u>

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

	1Q FY2014 (Units)	1Q FY2013 (Units)
Issued Units as at beginning of period	1,418,058,795	1,424,383,795
Cancellation of Units pursuant to Unit buy-back	-	(680,000)
Issued Units as at end of period	<u>1,418,058,795</u>	<u>1,423,703,795</u>

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 Unit buy-backs, S\$0.3 million has been used for working capital purposes and approximately S\$20.1 million has been deployed towards the repayment of the previous loan of YK Shintoku. Warrant proceeds have been deployed towards uses as approved by Unitholders.

Approximately S\$21.3 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 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 financial period.

	<u>1Q FY2014</u>	<u>1Q FY2013</u>
Total return for the period attributable to Unitholders for basic and diluted EPU (JPY'000)	319,331	325,783
EPU – basic and diluted (pre-consolidation) (JPY)	0.23	0.23
(cents)	0.29 ¹	0.36 ²
EPU – basic and diluted (post-consolidation) ³ (JPY)	1.13	1.14
(cents)	1.45 ¹	1.81 ²
Weighted average number of Units (pre-consolidation)	1,418,058,795	1,424,361,620
Weighted average number of Units (post-consolidation) ³	283,611,759	284,872,324

Notes:

1. Based on an average exchange rate of JPY78.0/S\$ between 1 July 2013 and 30 September 2013.
2. Based on an average exchange rate of JPY63.1/S\$ between 1 July 2012 and 30 September 2012.
3. Post-consolidation EPU and weighted average number of Units have been adjusted for the Unit Consolidation which will become effective on 8 November 2013. Please refer to Saizen REIT's circular dated 30 September 2013 for further information on the Unit Consolidation.

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

The Group

	As at 30 Sep 2013	As at 30 Jun 2013
NAV per Unit based on issued Units at the end of financial period (pre-consolidation) (JPY)	19.12	19.38
(S\$)	0.24 ¹	0.25 ²
NAV per Unit based on issued Units at the end of financial period (post-consolidation) ³ (JPY)	95.60	96.90
(S\$)	1.22 ¹	1.24 ²

Saizen REIT

	As at 30 Sep 2013	As at 30 Jun 2013
NAV per Unit based on issued Units at the end of financial period (pre-consolidation) (JPY)	19.04	19.40
(S\$)	0.24 ¹	0.25 ²
NAV per Unit based on issued Units at the end of financial period (post-consolidation) ³ (JPY)	95.20	96.99
(S\$)	1.22 ¹	1.24 ²

Notes:

1. Based on an exchange rate of JPY78.3/S\$ as at 30 September 2013.
2. Based on an exchange rate of JPY78.3/S\$ as at 30 June 2013.
3. Post-consolidation NAV per Unit has been adjusted for the Unit Consolidation which will become effective on 8 November 2013.

8. Review of performance

Income statement: 1Q FY2014 vs 1Q FY2013

	1Q FY2014 ¹ (JPY'000)	1Q FY2013 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	989,401	931,382	6.2
Property operating expenses ³	(288,187)	(265,550)	8.5
Net property income	701,214	665,832	5.3
Asset management fees	(9,024)	(8,861)	1.8
Interest expenses ⁴	(113,823)	(107,142)	6.2
Guarantor fee to asset manager	(8,058)	(7,043)	14.4
Other administrative expenses	(26,725)	(27,400)	(2.5)
Net income from property operations	543,584	515,386	5.5
Interest income	1,002	494	>100.0
Other expenses	(716)	-	NM ⁵
Other operating expenses ⁶	(111,838)	(80,968)	38.1
Adjustment ⁷	20,550	16,272	26.3
Net income from operations	452,582	451,184	0.3

Notes:

1. There were 139 properties at the start and at the end of 1Q FY2014.
2. There were 134 properties at the start of 1Q FY2013 and 135 properties at the end of 1Q FY2013.
3. Property operating expenses comprised the following:

	1Q FY2014 (JPY'000)	1Q FY2013 (JPY'000)	Increase / (Decrease) %
Property tax	70,684	63,453	11.4
Property manager's fees	39,463	36,372	8.5
Operation and maintenance expenses	46,634	43,989	6.0
Repairs and renovations	48,392	42,113	14.9
Leasing and marketing expenses	21,091	22,042	(4.3)
Utilities charges	40,450	37,750	7.2
Insurance expenses	11,050	10,681	3.5
Impairment/(write back) of impairment on trade receivables	583	(452)	NM ⁶
Trade receivable written-off	303	1,302	(76.7)
Consumption tax arising from operations	9,537	8,300	14.9

4. Interest expenses included the realised loss (payment) on interest rate swap.
5. NM denotes not meaningful.
6. 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.
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.

Property-level operations

Gross revenue and net property income in 1Q FY2014 increased by 6.2% and 5.3% respectively, due mainly to the acquisitions of 5 properties between November 2012 and June 2013. Net income from property operations increased by 5.5%.

Average occupancy rates in 1Q FY2014 was 91.2% as compared to 91.7% in 1Q FY2013, while overall rental reversion of new contracts entered into in 1Q FY2014 was marginally lower by about 0.3% (1Q FY2013: lower by about 1.3%) from previous contracted rates.

Rental reversion was negative 1.9% in July 2013, due mainly to decreases in the rent of several residential units which were previously contracted more than 7 years ago. Rental reversion improved to positive 0.04% and 0.7% in August 2013 and September 2013 respectively.

Property operating expenses increased by 8.5% in 1Q FY2014 in line with the increase in number of properties, and augmented by an increase in repair and renovation expenses. Upgrading works were carried out in 1Q FY2014 on a number of properties, such as Chalet Suwamachi, Three Tower, Aster Yamahama, TOA Mansion and Towa Kita 7 Jo, in order to enhance the competitiveness of these properties and to seize opportunities in an improving leasing market. Such upgrading works include waterproofing, painting and wall repairs.

The increase in guarantor fees of 14.4% in 1Q FY2014 was mainly due to an increase in borrowings following the refinancing of loans in the preceding financial year ended 30 June 2013 ("FY2013").

The decrease in other administrative expenses of 2.5% was mainly due to a decrease in legal and professional fees.

Group-level operations

Net income from operations increased marginally by 0.3% from JPY 451.2 million in 1Q FY2013 to JPY 452.6 million in 1Q FY2014.

Other expenses of JPY 0.7 million in 1Q FY2014 comprised mainly unrealised exchange losses on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.

Other operating expenses increased by 38.1% in 1Q FY2014 as compared to 1Q FY2013, due mainly to:

- (a) foreign exchange losses on financing of JPY 13.4 million recognised in 1Q FY2014. Comparatively, net foreign exchange gains of JPY 12.4 million were recognised in 1Q FY2013;
- (b) an increase in the Manager's management fee of 11.4% due mainly to increase in Saizen REIT's total assets pursuant to the acquisitions of properties and the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2013; and
- (c) an increase in other trust expenses of 33.6% due to higher valuation fee expenses. Valuation fees of JPY 14.1 million which were recognised in 1Q FY2014 comprised accruals of JPY 10.3 million and additional accruals of JPY 3.8 million for under-accruals in the previous financial year. Comparatively, 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.

The decrease in Trustee's fee of 26.7% in 1Q FY2014 was mainly due to a write-back of over-accruals in the previous financial year. Trustee's fee of JPY 1.5 million which were recognised in 1Q FY2014 comprised accruals of JPY 3.4 million which were partially offset by a write-back of JPY 1.9 million for over-accruals in the previous financial year. Comparatively, Trustee's fee of JPY 2.1 million which were recognised in 1Q FY2013 comprised accruals of JPY 3.1 million which were partially offset by a write-back of JPY 1.0 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. Comparatively, no property was divested in 1Q FY2014.

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. Comparatively, no property was acquired in 1Q FY2014.

The unrealised fair value loss on interest rate swap of JPY 62.0 million in 1Q FY2014 arose in connection with the interest rate swap arrangements entered into by Saizen REIT's TK operators to fix the interest rates on 3 loans. Unrealised fair value loss on interest rate swap is non-cash in nature.

A fair value gain on forward contract of JPY 1.8 million was recognised in 1Q FY2014. Forward contracts are entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distributions. Forward contracts are recognised as derivative financial instruments on the Group's balance sheet, and any change in their fair value is recognised as a fair value gain or loss in the statement of total return of the Group. Fair value gains or losses on forward contract are non-cash in nature. Comparatively, there was no outstanding forward contract in 1Q FY2013.

Income statement: 1Q FY2014 vs 4Q FY2013

	1Q FY2014 ¹ (JPY'000)	4Q FY2013 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	989,401	992,523	(0.3)
Property operating expenses ³	(288,187)	(313,839)	(8.2)
Net property income	701,214	678,684	3.3
Asset management fees	(9,024)	(27,647)	(67.4)
Interest expenses ⁴	(113,823)	(113,656)	0.1
Guarantor fee to asset manager	(8,058)	(8,095)	(0.5)
Other administrative expenses	(26,725)	(32,881)	(18.7)
Net income from property operations	543,584	496,405	9.5
Interest income	1,002	568	76.4
Other (expenses)/income	(716)	213,575	NM ⁵
Other operating expenses ⁶	(111,838)	(312,748)	(64.2)
Adjustment ⁷	20,550	20,147	2.0
Net income from operations	452,582	417,947	8.3

Notes:

- There were 139 properties at the start and at the end of 1Q FY2014.
- There were 137 properties at the start of 4Q FY2013 and 139 properties at the end of 4Q FY2013.
- Property operating expenses comprised the following:

	1Q FY2014 (JPY'000)	4Q FY2013 (JPY'000)	Increase / (Decrease) %
Property tax	70,684	72,150	(2.0)
Property manager's fees	39,463	38,500	2.5
Operation and maintenance expenses	46,634	46,628	0.0
Repairs and renovations	48,392	60,842	(20.5)
Leasing and marketing expenses	21,091	33,685	(37.4)
Utilities charges	40,450	39,835	1.5
Insurance expenses	11,050	10,928	1.1
Impairment on trade receivables	583	781	(25.4)
Trade receivables written-off	303	209	45.0
Consumption tax arising from operations	9,537	10,281	(7.2)
- Interest expenses included the realised loss (payment) on interest rate swap.
- NM denotes not meaningful.
- 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.

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.*

Property-level operations

Gross revenue decreased quarter-on-quarter by 0.3% in 1Q FY2014, due mainly to a seasonal decrease in average occupancy rates (as explained below). Net property income and net income from property operations increased by 3.3% and 9.5% respectively in 1Q FY2014 as compared to 4Q FY2013.

Average occupancy rates in 1Q FY2014 was 91.2% as compared to 92.1% in 4Q FY2013, while overall rental reversion of new contracts entered into in 1Q FY2014 was marginally lower by about 0.3% (4Q FY2013: lower by about 0.4%) from previous contracted rates. The decrease in the average occupancy rate in 1Q FY2014 as compared to the preceding quarter was mainly due to seasonality factors as tenants typically move out around the start of the mid-year leasing season in August/September.

Property operating expenses decreased by 8.2% in 1Q FY2014, due mainly to decreases in repair and renovation expenses as well as leasing and marketing expenses after the end of the main leasing season in April 2013.

Asset management fees decreased by 67.4% in 1Q FY2014 as compared to 4Q FY2013, due mainly to adjustments of JPY 15.9 million which were recognised in 4Q FY2013 in connection with fair value gains in investment properties.

The decrease in other administrative expenses of 18.7% was mainly due to a decrease in legal and professional fees.

Group-level operations

Net income from operations increased by 8.3% from JPY 417.9 million in 4Q FY2013 to JPY 452.6 million in 1Q FY2014.

Other expenses of JPY 0.7 million in 1Q FY2014 comprised mainly unrealised exchange losses on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements. Comparatively, other income of JPY 213.6 million in 4Q FY2013 comprised unrealised exchange gains of JPY 30.7 million incurred in 4Q FY2013 and a one-off adjustment of JPY 183.3 million (for the preceding 3 quarters of FY2013) on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements.

Other operating expenses decreased by 64.2% in 1Q FY2014 as compared to 4Q FY2013, due mainly to foreign exchange differences. Foreign exchange losses from financing amounted to JPY 13.2 million and JPY 216.0 million in 1Q FY2014 and 4Q FY2013 respectively. The foreign exchange loss of JPY 216.0 million in 4Q FY2013 comprised a foreign exchange loss on financing of JPY 32.7 million and a one-off reclassification of unrealised foreign exchange differences of JPY 183.3 million on the translation of S\$-denominated bank balances to "Other income".

The decrease in other operating expenses was partially offset by:

- (a) an increase in the Manager's management fee of 5.3%, due mainly to increase in Saizen REIT's total assets pursuant to the acquisitions of properties in 4Q FY2013 and the increase in fair value of investment properties pursuant to the annual valuation as at 30 June 2013; and
- (b) an increase in other trust expenses of 16.4% due to higher valuation fee expenses. Valuation fees of JPY 14.1 million which were recognised in 1Q FY2014 comprised accruals of JPY 10.3 million and additional accruals of JPY 3.8 million for under-accruals in the previous financial year. Comparatively, valuation fees which were recognised in 4Q FY2013 comprised accruals of JPY 9.3 million.

The decrease in Trustee's fee of 47.5% in 1Q FY2014 was mainly due to a write-back of over-accruals in the previous financial year. Trustee's fee of JPY 1.5 million which were recognised in 1Q FY2014 comprised accruals of JPY 3.4 million which were partially offset by a write-back of JPY 1.9 million for over-accruals in the previous financial year. Comparatively, Trustee's fee of JPY 2.9 million which were recognised in 4Q FY2013 comprised accruals of JPY 3.5 million which were partially offset by a write-back of JPY 0.6 million for over-accruals in the previous financial quarters.

Other Group-level non-operating items

The unrealised fair value loss on interest rate swap of JPY 62.0 million in 1Q FY2014 arose in connection with the interest rate swap arrangements entered into by Saizen REIT's TK operators to fix the interest rates on 3 loans. Unrealised fair value loss on interest rate swap is non-cash in nature.

A fair value gain on forward contract of JPY 1.8 million was recognised in 1Q FY2014 as compared to a fair value gain on forward contract of JPY 2.5 million in 4Q FY2013.

A net fair value gain on investment properties of JPY 584.7 million was recognised in 4Q FY2013 pursuant to the annual valuation of Saizen REIT's properties, which was partially offset by the incurrence of acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, in 4Q FY2013. No fair value gain/loss on investment properties was recognised in 1Q FY2014.

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

The general economy in Japan continues to exhibit a recovery. Sentiment might be further boosted as Tokyo gears up as host of the 2020 Olympics. Prime Minister Abe has also announced his intention to soften the impact of an impending increase in consumption tax (from its current level of 5% to 8% in April 2014) with a JPY 5 trillion economic stimulus package.

Saizen REIT will look to take advantage of an improving leasing market by carrying out repair and renovation works to enhance the competitiveness of Saizen REIT's properties. Meanwhile, 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.

Hedging of foreign exchange exposure

Saizen REIT has hedged the distribution payment for the six-month financial period ending 31 December 2013, which is expected to be paid in March 2014, at an average rate of JPY81.15/S\$.

Saizen REIT has also entered into a hedge for the subsequent 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 2H FY2014 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.

Unit Consolidation

At an extraordinary general meeting held on 30 October 2013, Unitholders approved the consolidation of every five existing Units in Saizen REIT held by Unitholders into one Unit (the “**Unit Consolidation**”). The Unit Consolidation is expected to be completed on 8 November 2013.

Renewal of the Unit-buy-back mandate

Following the renewal of the Unit buy-back mandate on 30 October 2013, the Manager will conduct Unit buy-back activities when opportunities arise.

Management will be undertaking a strategic review of options to enhance unitholder value.

11. Distributions

11(a) Current financial period

Any distributions declared for the current financial period?

No.

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

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

No.

11(c) Date payable

Not applicable.

11(d) Books closure date

Not applicable.

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

The Board does not propose to declare any distribution for 1Q FY2014.

13. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 8.1 million (S\$0.1 million) were paid to the Asset Manager in 1Q FY2014.

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 FY2014.

Fees paid to the Asset Manager for rental of office premises amounted to approximately JPY 61,000 (S\$0.001 million) in 1Q 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 30 September 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

7 November 2013