

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 Quarterly And Full Year Financial Statements For The Period And Year Ended 30 June 2012

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INTRODUCTION

Declaration of distribution. Saizen Real Estate Investment Trust (“**Saizen REIT**”) has declared a distribution of 0.63 Singapore cents (“**cents**”) per Unit for the six-month financial period ended 30 June 2012 (“**2H FY2012**”).

Notwithstanding an increase in the number of Units of about 19% over the past financial year due to warrant exercises, the distribution per Unit (“**DPU**”) for 2H FY2012 represents increases of 3.3% and 26.0% over Saizen REIT’s previous distributions for the six-month financial period ended 31 December 2011 (“**1H FY2012**”) and the six-month financial period ended 30 June 2011 (“**2H FY2011**”) respectively.

Distributable income from operations as at 30 June 2012 amounted to JPY 575.4 million (S\$9.2 million¹) as compared to JPY 497.7 million (S\$8.0 million) as at 31 December 2011 and JPY 402.0 million (S\$6.4 million) as at 30 June 2011.

The distributable income includes an amount from capital cash resources which will be used to offset loan principal repayment. For 2H FY2012, the use of capital cash resources to offset loan principal repayment contributed to 0.32 cents out of the DPU of 0.63 cents. Going forward, the ability to offset such loan principal repayment will depend on the availability of such cash resources. Such cash resources may include warrant proceeds on hand and cash raised on new loans in future.

Acquisition of properties. Saizen REIT acquired 4 properties in the financial year ended 30 June 2012 (“**FY2012**”), including its first two properties in Tokyo. The purchase prices of these 4 properties amounted to an aggregate of JPY 3.1 billion (S\$49.5 million).

Saizen REIT acquired 2 more properties in August 2012 at an aggregate cost of JPY 1.0 billion (S\$16.0 million).

These 6 properties are expected to generate an aggregate annual revenue of approximately JPY 342 million (S\$5.5 million) and an aggregate annual net operating income of approximately JPY 255 million (S\$4.1 million) on a normalised basis.

Property operations remained stable in FY2012. While year-on-year revenue decreased marginally for the fourth quarter ended 30 June 2012 (“**4Q FY2012**”), net property income and net income from operations increased by 20.8% and 56.0% respectively. While the increase in net property income can be attributed mainly to the non-recurrence of earthquake-related repair and renovation works, better management of expenses led to further improvement in the net income from operations.

Revenue and net property income decreased year-on-year for FY2012, due mainly to the sale of 31 properties during the previous financial year ended 30 June 2011 (“**FY2011**”). Net income from operations however increased by 3.1% in FY2012, due mainly to lower interest expenses.

The average occupancy rate was 91.4% in FY2012 as compared to 90.9% in FY2011, while overall rental reversion of new contracts entered into in FY2012 was marginally lower by about 2.1% (FY2011: lower by about 4.1%) from previous contracted rates. The average turnover rate was 18% in FY2012, as compared to 21% in FY2011.

Financial position strengthened with new loans and proceeds from warrant exercises. Saizen REIT was successful in securing 7 new loans from new and existing lenders, amounting to an aggregate of JPY 10.4 billion (S\$166.1 million), in FY2012. Saizen REIT currently has a loan portfolio comprising 9 loans, with the nearest loan maturity due in March 2015. Saizen REIT also has unencumbered properties of approximately JPY 2.8 billion (S\$44.7 million).

Saizen REIT warrants expired on 1 June 2012, with 475,211,740 out of a total of 497,185,362 warrants having been exercised. Undeployed warrant proceeds amount to approximately S\$22.4 million.

On 5 April 2012, Moody’s Investors Service upgraded Saizen REIT’s corporate family rating to Ba3 from B1, with a stable outlook.

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

Key financial information

	FY2012	FY2011
Net asset value per Unit as at 30 June 2012 / 2011 (JPY) (S\$)	19.08 ² 0.30 ²	20.97 ³ 0.32 ³
Distribution per Unit (cents)	1.24 ⁴	1.02 ⁵
Interest cover ratio ⁶	6.0 times	4.6 times
Impairment of account receivable as % of gross revenue	(0.090%)	(0.017%)
Gearing – net borrowings ⁷ /value of investment properties	23.9%	21.1%
Gearing – total borrowings / total assets	31.4%	24.5%
Net cash as at 30 June	JPY 4.48 billion	JPY 1.97 billion
Borrowings due within next 12 months from date hereof	JPY 0.58 billion	JPY 0.36 billion
Value of investment properties as at 30 June	JPY 36.44 billion	JPY 33.00 billion
Net appreciation/(depreciation) in the value of investment properties	JPY 0.06 billion	(JPY 1.57 billion)
Average occupancy rate (by revenue)	91.4%	90.9%

Notes:

1. Based on S\$ / JPY exchange rate of 62.6 as at 30 June 2012, which is applied throughout this announcement unless stated otherwise.
2. Based on 1,424,383,795 Units in issue as at 30 June 2012 and S\$ / JPY exchange rate of 62.6 as at 30 June 2012.
3. Based on 1,182,249,611 Units in issue as at 30 June 2011 and S\$ / JPY exchange rate of 65.5 as at 30 June 2011.
4. Distribution per Unit in FY2012 comprised DPU of 0.61 cents and 0.63 cents declared for 1H FY2012 and 2H FY2012 respectively.
5. Distribution per Unit in FY2011 comprised DPU of 0.52 cents and 0.50 cents declared for 1H FY2011 and 2H FY2011 respectively.
6. Net property income of 4Q divide by sum of interest expenses and realised loss on interest rate swap of 4Q.
7. Net borrowings being total borrowings less net cash (cash at bank plus deposit with cash management agent less current rental deposits, other current liabilities and current tax liabilities).

Summary of results

Net asset value increased from JPY 24.8 billion as at 30 June 2011 to JPY 27.2 billion as at 30 June 2012, attributable mainly to proceeds from the exercise of warrants in FY2012. Following the issue of new Units pursuant to the exercise of warrants, the number of issued Units increased from 1,182,249,611 as at 30 June 2011 to 1,424,383,795 as at 30 June 2012. This had dilutive effects on the net asset value per Unit, which decreased from S\$0.32 per Unit as at 30 June 2011 to S\$0.30 per Unit as at 30 June 2012, as the exercise price of the warrants was lower than the prevailing net asset value per Unit of the Group.

The following is a summary of Saizen REIT's operating performance for 4Q FY2012 and the fourth quarter ended 30 June 2011 ("4Q FY2011"), and for FY2012 and FY2011.

	4Q FY2012 ¹	4Q FY2011 ²	FY2012 ³	FY2011 ⁴	Increase / (Decrease) %
Gross revenue (S\$'000) (JPY'000)	14,295 ⁵ 907,749	13,808 ⁶ 908,570	55,754 ⁷ 3,484,618	60,250 ⁸ 3,868,026	(9.9)
Net property income (S\$'000) (JPY'000)	9,707 ⁵ 616,397	7,753 ⁶ 510,124	37,423 ⁷ 2,338,951	39,504 ⁸ 2,536,184	(7.8)
Net income from operations (S\$'000) (JPY'000)	6,252 ⁵ 397,027	3,867 ⁶ 254,476	21,209 ⁷ 1,325,560	20,030 ⁸ 1,285,943	3.1
Total return/(loss) after income tax (S\$'000) (JPY'000)	8,830 ⁵ 560,727	(25,888) ⁶ (1,703,411)	20,175 ⁷ 1,260,929	(13,790) ⁸ (885,320)	NM ⁹

	2H FY2012	1H FY2012	FY2012	FY2011
Distributable income (S\$'000) (JPY'000)	8,829 ¹¹ 557,114	7,848 ¹⁰ 485,788	16,686 ⁷ 1,042,902	12,459 ⁸ 799,859
Distribution (S\$'000) (JPY'000)	8,974 ¹² 561,748	7,749 479,383	16,723 1,041,131	12,239 784,848
Distribution per Unit¹³ (cents)	0.63	0.61	1.24	1.02

Notes:

1. There were 132 properties at the start of 4Q FY2012 and 134 properties at the end of 4Q FY2012.
2. There were 143 properties at the start of 4Q FY2011 and 130 properties at the end of 4Q FY2011.
3. There were 130 properties at the start of FY2012 and 134 properties at the end of FY2012.
4. There were 161 properties at the start of FY2011 and 130 properties at the end of FY2011.
5. Based on S\$ / JPY average exchange rate of 63.5 between 1 April 2012 and 30 June 2012.
6. Based on S\$ / JPY average exchange rate of 65.8 between 1 April 2011 and 30 June 2011.
7. Based on S\$ / JPY average exchange rate of 62.5 between 1 July 2011 and 30 June 2012.
8. Based on S\$ / JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011.
9. NM denotes not meaningful.
10. Based on S\$ / JPY average exchange rate of 61.9 between 1 July 2011 and 31 December 2011.
11. Based on S\$ / JPY average exchange rate of 63.1 between 1 January 2012 and 30 June 2012.
12. Based on 1,424,383,795 Units in issue.
13. The portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment) amounted to 0.32 cents, 0.27 cents and 0.59 cents in 2H FY2012, 1H FY2012 and FY2012 respectively. Please refer to note 3 of the Statement of distributable income from operations on page 8 for further information.

Distribution details

Distribution type	Tax-exempt income
Distribution rate	0.63 cents per Unit
Books closure date	31 August 2012, 5.00 p.m.
Date payable	18 September 2012

Background of Saizen REIT

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

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

At the time of the Listing, Saizen REIT’s portfolio comprised 147 properties located in 12 regional cities in Japan. As at 30 June 2012, Saizen REIT’s portfolio comprised 134 properties, with a total appraised value of JPY 36.4 billion (S\$581.5 million) located in 14 cities in Japan.

Saizen REIT invests in the properties in Japan via partnership agreements (“**TK agreements**”) with local property holding companies known as *tokumei kumiai* operators (“**TK operators**”). As at the date hereof, Saizen REIT has entered into TK agreements with 12 TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou, GK Gyosei and GK Tosei.

The manager of Saizen REIT is Japan Residential Assets Manager Limited (the “**Manager**”) and the asset manager of the TK operators is KK Tenyu Asset Management (the “**Asset Manager**”) (together, the “**Management Team**”).

Saizen REIT conducted a 10-for-11 rights issue in May 2009 (the “**Rights Issue**”). 497,185,362 rights Units were issued at an issue price of S\$0.09 each, together with 497,185,362 detachable warrants. The Rights Issue was concluded in June 2009. Each warrant carried the right to subscribe for one new Unit at an exercise price of S\$0.09. The warrants had expired on 1 June 2012.

INFORMATION REQUIRED FOR ANNOUNCEMENTS**1(a) Statement of total return (for the Group) (4Q FY2012 vs 4Q FY2011)**

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
Gross revenue	907,749	908,570	(0.1)
Property operating expenses	(291,352)	(398,446)	(26.9)
Net property income	616,397	510,124	20.8
Manager's management fees	(43,734)	(44,745)	(2.3)
Asset management fees	(7,060)	(16,584)	(57.4)
Trustee's fee	(2,525)	(2,083)	21.2
Finance costs ¹	(107,294)	(121,882)	(12.0)
Interest income	65	66	(1.5)
Other trust expenses	(23,658)	(25,934)	(8.8)
Other administrative expenses	(35,164)	(44,486)	(21.0)
Net income from operations	397,027	254,476	56.0
Loss on divestment of properties	-	(288,760)	(100.0)
Net fair value gain/(loss) on financial derivatives - fair value through profit or loss ²	81,858	(89,634)	NM ⁴
Net fair value gain/(loss) on investment properties	117,982	(1,558,302)	NM ⁴
Total return/(loss) for the period before income tax³	596,867	(1,682,220)	NM ⁴
Income tax	(36,140)	(21,191)	70.5
Total return/(loss) for the period after income tax	560,727	(1,703,411)	NM ⁴
Attributable to:			
Unitholders	478,041	(1,648,672)	NM ⁴
Non-controlling interests	82,686	(54,739)	NM ⁴
	560,727	(1,703,411)	NM ⁴

Notes:

1. Finance costs comprised the following:

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(88,476)	(101,776)	(13.1)
(ii) amortisation of loan commission	(14,197)	(27,886)	(49.1)
(iii) guarantor fee to asset manager	(6,555)	(1,873)	>100.0
(iv) exchange difference	1,934	9,653	(80.0)

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

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(14,074)	(9,071)	55.2
(ii) unrealised fair value (loss)/gain on interest rate swap	(88,566)	6,372	NM ⁴
(iii) fair value gain/(loss) on warrants	184,498	(86,935)	NM ⁴

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

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)	Increase / (Decrease) %
(i) write back/(impairment) on trade receivables	2,583	(1,906)	NM ⁴

4. NM denotes not meaningful.

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

	FY2012 (JPY'000)	FY2011 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,484,618	3,868,026	(9.9)
Property operating expenses	(1,145,667)	(1,331,842)	(14.0)
Net property income	2,338,951	2,536,184	(7.8)
Manager's management fees	(169,252)	(191,994)	(11.8)
Asset management fees	(24,013)	(33,131)	(27.5)
Trustee's fee	(9,089)	(9,405)	(3.4)
Finance costs ¹	(571,364)	(749,966)	(23.8)
Interest income	963	1,035	(7.0)
Other trust expenses	(83,542)	(92,494)	(9.7)
Other administrative expenses	(157,094)	(174,286)	(9.9)
Net income from operations	1,325,560	1,285,943	3.1
Loss on transfer/divestment of properties	(13,617)	(581,063)	(97.7)
Net fair value gain on financial derivatives			
- fair value through profit or loss ²	17,316	119,150	(85.5)
Net fair value gain/(loss) on investment properties	58,949	(1,569,103)	NM ⁴
Total return/(loss) for the year before income tax³	1,388,208	(745,073)	NM ⁴
Income tax	(127,279)	(140,247)	(9.2)
Total return/(loss) for the year after income tax	1,260,929	(885,320)	NM ⁴
Attributable to:			
Unitholders	1,166,661	(841,543)	NM ⁴
Non-controlling interests	94,268	(43,777)	NM ⁴
	1,260,929	(885,320)	NM ⁴

Notes:

1. Finance costs comprised the following:

	FY2012 (JPY'000)	FY2011 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(382,553)	(660,892)	(42.1)
(ii) amortisation of loan commission	(99,921)	(112,916)	(11.5)
(iii) cost of refinancing	(54,680)	-	NM ⁴
(iv) guarantor fee to asset manager	(17,411)	(7,757)	>100.0
(v) exchange difference	(16,799)	31,599	NM ⁴

The cost of refinancing/repayment in FY2012 represented total breakage costs associated with the termination of the interest rate swap arrangements on the previous loan of GK Choan which was obtained from Societe Generale in 2010 (the "SG Loan").

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

	FY2012 (JPY'000)	FY2011 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(39,366)	(34,995)	12.5
(ii) unrealised fair value (loss)/gain on interest rate swap	(258,562)	20,732	NM ⁴
(iii) fair value gain on warrants	315,244	133,413	>100.0

The unrealised fair value loss on interest rate swap in FY2012 was mainly due to new interest rate swap arrangements entered into by GK Choan, GK Tosei and YK JOF in connection with their respective loans.

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

	FY2012 (JPY'000)	FY2011 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	3,143	673	>100.0

4. NM denotes not meaningful.

Statement of distributable income from operations

		2H FY2012	1H FY2012	FY2012	FY2011
Total return/(loss) for the period/year after income tax before distribution attributable to Unitholders	(JPY'000)	372,463	794,198	1,166,661	(841,543)
Adjustments ¹	(JPY'000)	231,933	(173,338)	58,595	2,074,770
Adjusted return for the period/year	(JPY'000)	604,396	620,860	1,225,256	1,233,227
Cash deployed for loan principal repayment ²	(JPY'000)	(307,442)	(210,493)	(517,935)	(416,319)
Loan principal repayment offset by capital cash resources ³	(JPY'000)	288,504	210,493	498,997	-
Cash deployed for one-off borrowing costs ⁴	(JPY'000)	(143,833)	(135,072)	(278,905)	(17,049)
One-off borrowing costs offset by capital cash resources ⁵	(JPY'000)	115,489	-	115,489	-
Distributable income generated during the period/year	(JPY'000)	557,114	485,788	1,042,902	799,859
Income available for distribution to Unitholders at the beginning of the period/year	(JPY'000)	497,718	401,973	401,973	176,058
Previous distribution paid during the period/year ⁶	(JPY'000)	(479,383)	(390,043)	(869,426)	(573,944)
Distributable income from operations at the end of the period/year	(JPY'000)	575,449	497,718	575,449	401,973
Distribution to Unitholders	(JPY'000)	561,748	479,383	1,041,131	784,848
Distribution per Unit	(cents)	0.63	0.61	1.24	1.02

Notes:

- Adjustments comprised mainly non-cash items, namely fair value gain/loss on warrants, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loss on divestment of properties, net fair value gain/loss on investment properties and unrealised exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan amortisation payments. While loan amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.
- Loan amortisation in FY2012 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, when possible, undeployed capital cash resources to offset loan amortisation, thereby effectively making available cash from operations for distributions. On the other hand, the full amount deployed for loan principal repayment in FY2011 was from cash generated from operations.

		2H FY2012	1H FY2012	FY2012
Portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment)	(cents)	0.32	0.27	0.59

- The amount deployed for one-off borrowing costs in FY2012 comprised mainly one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of 6 new loans secured in FY2012.
- One-off borrowing costs paid in 2H FY2012 will be partially offset using capital cash resources.
- Distribution paid in 2H FY2012 related to the distribution declared for the six-month financial period ended 31 December 2011. Distribution paid in 1H FY2012 related to the distribution declared for the six-month financial period ended 30 June 2011.

Distribution paid in FY2012 related to the distribution declared for the six-month financial periods ended 31 December 2011 and 30 June 2011. Distribution paid in FY2011 related to the distribution declared for the six-month financial period ended 31 December 2010 and the financial year ended 30 June 2010.

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 Jun 2012 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Current assets		
Cash and cash equivalents	5,461,377	3,032,810
Deposits with cash management agents ¹	592	423,927
Trade and other receivables	30,339	28,036
Other current assets	36,867	33,844
	<u>5,529,175</u>	<u>3,518,617</u>
Non-current assets		
Investment properties ²	36,443,100	32,995,420
	<u>36,443,100</u>	<u>32,995,420</u>
Total assets	<u>41,972,275</u>	<u>36,514,037</u>
Current liabilities		
Rental deposits	469,421	463,390
Rental received in advance	226,020	208,857
Borrowings	578,302	357,187
Other current liabilities ³	317,884	603,594
Current tax liabilities	192,319	419,604
Derivative financial instruments ⁴	-	1,038,614
	<u>1,783,946</u>	<u>3,091,246</u>
Non-current liabilities		
Rental deposits	31,666	25,589
Borrowings	12,601,691	8,579,696
Derivative financial instruments ⁵	322,646	64,085
	<u>12,956,003</u>	<u>8,669,370</u>
Total liabilities	<u>14,739,949</u>	<u>11,760,616</u>
Total net assets	<u>27,232,326</u>	<u>24,753,421</u>
Represented by:		
Unitholders	27,173,473	24,788,797
Non-controlling Interests	58,853	(35,376)
	<u>27,232,326</u>	<u>24,753,421</u>
Number of Units in issue ('000)⁶	<u>1,424,384</u>	<u>1,182,250</u>
Net asset value per Unit attributable to Unitholders (JPY)	<u>19.08</u>	<u>20.97</u>

Notes:

1. The cash management agents are professional service providers appointed by lenders to administer cash movements of the TK operators.
2. The increase in investment properties of JPY 3.4 billion from JPY 33.0 billion as at 30 June 2011 to JPY 36.4 billion as at 30 June 2012 was due to (i) the acquisition of 4 properties in FY2012 and (ii) the increase in the value of the other 130 properties of approximately JPY 0.3 billion.
3. The decrease in other current liabilities from JPY 0.6 billion as at 30 June 2011 to JPY 0.3 billion as at 30 June 2012 was mainly due to the decrease in consumption tax payable on properties which had been divested in the fourth quarter of the financial year ended 30 June 2011. Such consumption tax has since been paid.
4. The derivative financial instruments (current liabilities) as at 30 June 2011 comprised warrants that were outstanding. There were no derivative financial instruments (current liabilities) as at 30 June 2012 as all outstanding warrants had expired on 1 June 2012.
5. The derivative financial instruments (non-current liabilities) as at 30 June 2012 comprised interest rate swaps used to hedge against fluctuations in interest rates in respect of the loans obtained by GK Choan, GK Tosei and YK JOF from Mizuho Bank, Ltd. The derivative financial instruments (non-current liabilities) as at 30 June 2011 comprised interest rate swaps used in respect of the previous loan obtained by GK Choan from Societe Generale.
6. The number of Units in issue increased from 1,182,249,611 Units as at 30 June 2011 to 1,424,383,795 Units as at 30 June 2012 due to the issue of 242,134,184 new Units pursuant to the exercise of warrants.

Saizen REIT		
	As at 30 Jun 2012 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Current assets		
Cash and cash equivalents	2,238,251	173,356
Distribution receivables	926,299	2,008,505
Other receivables	811	855
Other assets	1,701	1,023
	<u>3,167,062</u>	<u>2,183,739</u>
Non-current assets		
Investment in subsidiaries	24,169,209	23,810,325
	<u>24,169,209</u>	<u>23,810,325</u>
Total assets	<u>27,336,271</u>	<u>25,994,064</u>
Current liabilities		
Other current liabilities	75,781	75,289
Current tax liabilities	185,260	403,733
Derivative financial instruments ¹	-	1,038,614
	<u>261,041</u>	<u>1,517,636</u>
Total liabilities	<u>261,041</u>	<u>1,517,636</u>
Total net assets	<u>27,075,230</u>	<u>24,476,428</u>
Represented by:		
Unitholders	<u>27,075,230</u>	<u>24,476,428</u>
Number of Units in issue ('000)	<u>1,424,384</u>	<u>1,182,250</u>
Net asset value per Unit attributable to Unitholders (JPY)	<u>19.01</u>	<u>20.70</u>

Note:

1. The derivative financial instruments (current liabilities) as at 30 June 2011 comprised warrants that were outstanding. There were no derivative financial instruments (current liabilities) as at 30 June 2012 as all outstanding warrants had expired on 1 June 2012.

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

	As at 30 Jun 2012 (JPY'000)	As at 30 Jun 2011 (JPY'000)
Secured borrowings- Bank loans		
Amount repayable in one year or less	578,302	357,187
Amount repayable after one year	12,601,691	8,579,696
	<u>13,179,993</u>	<u>8,936,883</u>

As at 30 June 2012, the above borrowings are secured over the investment properties of Saizen REIT with aggregate value amounting to JPY 34.6 billion.

The increase in borrowings from JPY 8.9 billion as at 30 June 2011 to JPY 13.2 billion as at 30 June 2012 was mainly due to 7 new loans amounting to an aggregate of JPY 10.4 billion which were obtained in FY2012. This was partially offset by the repayment of the SG Loan, which had amounted to approximately JPY 5.6 billion.

1(c) Cash flow statement (for the Group) (4Q FY2012 vs 4Q FY2011)

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)
Operating activities		
Total return/(loss) for the period after income tax	560,727	(1,703,411)
Adjustments for:		
Income tax	36,140	21,191
Interest income	(65)	(66)
Interest expenses	102,673	129,662
Net fair value (gain)/loss on financial derivatives	(81,858)	89,634
Loss on divestment of properties	-	288,760 ¹
Net fair value (gain)/loss on investment properties	(117,982)	1,558,302
Operating profit before working capital changes	499,635	384,072
Changes in working capital		
Deposit with cash management agents ²	102,837	714,269
Trade and other receivables	(7,981)	1,234
Other current assets	7,538	6,154
Other current liabilities	23,183	243,208 ³
Rental received in advance	11,218	(17,453)
Rental deposits	(3,067)	(60,220)
Cash generated from operations	633,363	1,271,264
Income tax paid	(70)	-
Withholding tax paid	(3,132)	(33,323)
Cash flows provided by operating activities	630,161	1,237,941
Investing activities		
Contribution from non-controlling interest	-	10
Capital expenditure/addition of investment properties	(1,782,998) ⁴	(33,705)
Proceeds from sale of investment properties	-	2,556,180 ¹
Cash flows(used in)/provided by investing activities	(1,782,998)	2,522,485
Financing activities		
Bank borrowings obtained ⁵	700,000	500,000
Repayment of bank borrowings	(152,139)	(5,300,574) ⁶
Distribution to Unitholders	-	-
Interest received	65	66
Interest paid	(116,492)	(114,567)
Payment of interest rate swap	(14,074)	(9,071)
Proceeds from exercise of warrants	863,446	43,891
Bank deposits pledged for bank borrowings	(45,000)	615
Cash flows provided by/(used in) financing activities	1,235,806	(4,879,640)
Net increase/(decrease) in cash and cash equivalents	82,969	(1,119,214)
Cash and cash equivalent at beginning of the period	4,983,408	3,952,024
Cash and cash equivalent at end of the period ⁷	5,066,377	2,832,810

Notes:

1. This related to the sale of 13 properties in 4Q FY2011.
2. The change in deposit with cash management agent in 4Q FY2012 was mainly due to the full repayment of the SG Loan in March 2012. The change in deposit with cash management agent in 4Q FY2011 was mainly due to repayment of the previous loans of YK Shintoku and GK Chosei.
3. The change in other current liabilities in 4Q FY2011 was mainly due to consumption tax payable on the sale of properties in 4Q FY2011.
4. This related mainly to the acquisition of 2 properties in 4Q FY2012.
5. Proceeds from bank borrowings in 4Q FY2012 comprised the loan obtained by GK Tosei in June 2012, while the proceeds from bank borrowings in 4Q FY2011 comprised the loan obtained by GK Gyokou in April 2011.

6. Repayment of bank borrowings in 4Q FY2011 comprised mainly the repayment of JPY 4.8 billion on the previous loan of YK Shintoku and the repayment of JPY 0.4 billion on the previous loan of GK Chosei.
7. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	4Q FY2012 (JPY'000)	4Q FY2011 (JPY'000)
Cash and bank balances (per balance sheet)	5,461,377	3,032,810
Less: Bank deposits pledged	(395,000)	(200,000)
	<u>5,066,377</u>	<u>2,832,810</u>

Bank deposits pledged related to minimum bank balances which had to be maintained by YK JOF, GK Tosei and GK Choan in 4Q FY2012 and by YK JOF in 4Q FY2011 under the terms of their respective loans.

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

	FY2012 (JPY'000)	FY2011 (JPY'000)
Operating activities		
Total return/(loss) for the year after income tax	1,260,929	(885,320)
Adjustments for:		
Income tax	127,279	140,247
Interest income	(963)	(1,035)
Interest expenses	537,154	773,808
Loss on divestment of properties	13,617	581,063
Net fair value gain on financial derivatives	(17,316)	(119,150)
Net fair value (gain)/loss on investment properties	(58,949)	1,569,103
Operating profit before working capital changes	<u>1,861,751</u>	<u>2,058,716</u>
Changes in working capital		
Deposit with cash management agents	423,335	823,335
Trade and other receivables	(2,303)	9,676
Other current assets	(4,817)	11,563
Other current liabilities	(296,312)	290,452
Rental received in advance	17,163	(48,031)
Rental deposits	<u>12,108</u>	<u>(137,562)</u>
Cash generated from operations	<u>2,010,925</u>	<u>3,008,149</u>
Income tax paid	(2,850)	(2,599)
Withholding tax paid	<u>(351,714)</u>	<u>(74,589)</u>
Cash flows provided by operating activities	<u>1,656,361</u>	<u>2,930,961</u>
Investing activities		
Contribution from non-controlling interest	(39)	10
Capital expenditure/addition of investment properties	(3,388,731)	(75,062)
Proceeds from sale of investment properties	-	5,311,177
Expenditure on transfer of properties between subsidiary	<u>(13,617)</u>	<u>-</u>
Cash flows (used in)/provided by investing activities	<u>(3,402,387)</u>	<u>5,236,125</u>
Financing activities		
Bank borrowings obtained	10,416,000	500,000
Repayment of bank borrowings	(5,993,906)	(7,939,913)
Distribution to Unitholders	(869,426)	(573,944)
Interest received	963	1,042
Interest paid	(703,743)	(759,447)
Payment of interest rate swap	(39,366)	(34,995)
Proceeds from exercise of warrants	1,364,071	1,304,071
Bank deposits pledged for bank borrowings	<u>(195,000)</u>	<u>2,517</u>
Cash flows provided by/(used in) financing activities	<u>3,979,593</u>	<u>(7,500,669)</u>
Net increase in cash and cash equivalents	2,233,567	666,417
Cash and cash equivalent at beginning of the year	<u>2,832,810</u>	<u>2,166,393</u>
Cash and cash equivalent at end of the year ¹	<u>5,066,377</u>	<u>2,832,810</u>

Note:

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

	FY2012 (JPY'000)	FY2011 (JPY'000)
Cash and bank balances (per balance sheet)	5,461,377	3,032,810
Less: Bank deposits pledged	(395,000)	(200,000)
	<u>5,066,377</u>	<u>2,832,810</u>

Bank deposits pledged related to minimum bank balances which had to be maintained by YK JOF, GK Tosei and GK Choan in FY2012 and by YK JOF in FY2011 under the terms of their respective loans.

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

	FY2012 (JPY'000)	FY2011 (JPY'000)
OPERATION		
Balance as at beginning of the year	(12,920,558)	(11,505,071)
Total return/(loss) for the year	1,166,661	(841,543)
Distribution to Unitholders	(869,426)	(573,944)
Balance as at end of year	<u>(12,623,323)</u>	<u>(12,920,558)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	37,709,355	35,387,994
Issue of new Units from exercise of warrants	2,087,441	2,321,361
Balance as at end of year	<u>39,796,796</u>	<u>37,709,355</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,173,473</u>	<u>24,788,797</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the year	(35,376)	8,391
Effect on investment in new TK operator	(39)	10
Total return/(loss) for the year	94,268	(43,777)
Balance as at end of year	<u>58,853</u>	<u>(35,376)</u>
TOTAL	<u>27,232,326</u>	<u>24,753,421</u>

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	FY2012 (JPY'000)	FY2011 (JPY'000)
OPERATION		
Balance as at beginning of the year	(14,487,854)	(13,016,678)
Total return/(loss) for the year	1,380,787	(897,232)
Distribution to Unitholders	(869,426)	(573,944)
Balance as at end of year	<u>(13,976,493)</u>	<u>(14,487,854)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	38,964,282	36,642,921
Issue of new Units from exercise of warrants	2,087,441	2,321,361
Balance as at end of year	<u>41,051,723</u>	<u>38,964,282</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,075,230</u>	<u>24,476,428</u>

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

	4Q FY2012 (Units)	4Q FY2011 (Units)
Issued Units as at beginning of period	1,270,493,808	1,174,855,611
Issue of new Units from exercise of warrants	153,889,987	7,394,000
Issued Units as at end of period	<u>1,424,383,795</u>	<u>1,182,249,611</u>
	4Q FY2012 (Warrants)	4Q FY2011 (Warrants)
Number of warrants outstanding as at beginning of period	175,863,609	271,501,806
Exercise of warrants	(153,889,987)	(7,394,000)
Expiry of unexercised warrants	(21,973,622)	-
Number of warrants outstanding as at end of period	<u>-</u>	<u>264,107,806</u>

Saizen REIT issued 497,185,362 warrants in June 2009 with an expiry date of 1 June 2012. A total of 475,211,740 warrants were exercised prior to expiry.

Utilisation of warrant proceeds

Each warrant had entitled the warrant holder to subscribe for one new Unit in Saizen REIT at an exercise price of S\$0.09.

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$0.3 million has been used for working capital purposes and approximately S\$20.1 million have been deployed in FY2011 towards the repayment of the previous loan of YK Shintoku. S\$22.4 million in warrant proceeds remain unutilised.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

While these figures have neither been audited nor reviewed by our auditors, the audit is on-going and the audited financial statements will be presented in Saizen REIT's FY2012 annual report.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

For the current reporting period, the Group has applied the same accounting policies and methods of computation as those applied in its audited financial statements for the financial year ended 30 June 2011.

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

Not applicable.

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

Earnings per Unit ("EPU") of the Group for the current financial period reported on, and the corresponding period of the immediately preceding financial year:-

(a) Basic EPU

Basic EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of Units in issue during the financial period.

(b) Diluted EPU

Diluted EPU amounts are calculated by dividing the profit attributable to the Unitholders of the Group by the weighted average number of Units outstanding during the period plus the weighted average number of Units that would be issued on the exercise of all warrants into potential Units.

		4Q FY2012	4Q FY2011	FY2012	FY2011
Total return/(loss) for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)		478,041	(1,648,672)	1,166,661	(841,543)
Basic EPU	(JPY)	0.36	(1.40)	0.93	(0.76)
	(cents)	0.57 ¹	(2.13) ²	1.49 ³	(1.18) ⁴
Diluted EPU	(JPY)	0.35	NM ⁵	0.88	NM ⁵
	(cents)	0.55 ¹	NM ⁵	1.41 ³	NM ⁵
Weighted average number of Units		1,336,256,924	1,178,389,941	1,256,458,641	1,110,446,774
Weighted average number of Units plus dilutive effect		1,373,909,371	1,281,937,510	1,328,261,070	1,253,735,138

Notes:

1. Based on S\$ / JPY average exchange rate of 63.5 between 1 April 2012 and 30 June 2012.
2. Based on S\$ / JPY average exchange rate of 65.8 between 1 April 2011 and 30 June 2011.
3. Based on S\$ / JPY average exchange rate of 62.5 between 1 July 2011 and 30 June 2012.
4. Based on S\$ / JPY average exchange rate of 64.2 between 1 July 2010 and 30 June 2011.
5. NM denotes not meaningful.

7. Net asset value ("NAV") per Unit based on issued Units at the end of 30 June 2012 and 30 June 2011

The Group

		As at 30 Jun 2012	As at 30 Jun 2011
NAV per Unit based on issued Units at the end of financial period	(JPY)	19.08	20.97
	(S\$)	0.30 ¹	0.32 ²

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		As at 30 Jun 2012	As at 30 Jun 2011
NAV per Unit based on issued Units at the end of financial period	(JPY)	19.01	20.70
	(S\$)	0.30 ¹	0.32 ²

Notes:

1. Based on S\$ / JPY exchange rate of 62.6 as at 30 June 2012.
2. Based on S\$ / JPY exchange rate of 65.5 as at 30 June 2011.

8. Review of performance

Income statement: FY2012 vs FY2011

	FY2012 ¹	FY2011 ²	Increase/ (Decrease) %
	(JPY'000)	(JPY'000)	
Gross revenue	3,484,618	3,868,026	(9.9)
Property operating expenses ³	(1,145,667)	(1,331,842)	(14.0)
Net property income	2,338,951	2,536,184	(7.8)
Asset management fees	(24,013)	(33,131)	(27.5)
Interest expenses ⁴	(421,919)	(695,887)	(39.4)
Guarantor fee to asset manager	(17,411)	(7,757)	>100.0
Other administrative expenses	(132,382)	(147,557)	(10.3)
Net income from property operations	1,743,226	1,651,852	5.5
Interest income	963	1,035	(7.0)
Other operating expenses ⁵	(457,995)	(401,939)	13.9
Adjustment ⁶	39,366	34,995	12.5
Net income from operations	1,325,560	1,285,943	3.1

Notes:

1. There were 130 properties at the start of FY2012 and 134 properties at the end of FY2012.

2. There were 161 properties at the start of FY2011 and 130 properties at the end of FY2011.

3. Property operating expenses comprised the following:

	FY2012	FY2011	Increase / (Decrease) %
	(JPY'000)	(JPY'000)	
Property tax	248,653	288,859	(13.9)
Property manager's fees	138,023	151,298	(8.8)
Operation and maintenance expenses	172,130	190,779	(9.8)
Repairs and renovations	233,045	325,273	(28.4)
Leasing and marketing expenses	119,063	123,323	(3.5)
Utilities charges	156,916	164,170	(4.4)
Insurance expenses	40,179	41,446	(3.1)
Write back of impairment on trade receivables	(3,143)	(673)	>100.0
Bad debt written-off	5,078	5,386	(5.7)
Consumption tax arising from operation	35,723	41,981	(14.9)

4. Interest expenses include the realised loss (payment) on interest rate swap.

5. Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.

6. The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.

Property-level operations

Gross revenue and net property income decreased by 9.9% and 7.8% respectively, due mainly to the sale of 31 properties in FY2011 as well as a slight decrease in rental rates of new contracts entered into in FY2012. This was partially offset by rental revenue from 4 properties which were acquired between December 2011 and June 2012. Net income from property operations increased by 5.5% in FY2012, due mainly to lower interest expenses.

Average occupancy rates in FY2012 was 91.4% as compared to 90.9% in FY2011, while overall rental reversion of new contracts entered into in FY2012 was marginally lower by about 2.1% (FY2011: lower by about 4.1%) from previous contracted rates. The average turnover rate was 18% in FY2012, as compared to 21% in FY2011.

Property operating expenses decreased by 14.0%, from JPY 1,331.8 million in FY2011 to JPY 1,145.7 million in FY2012, due mainly to the decrease in the number of properties in FY2012 as well as lower repair and renovation expenses. The majority of repair work on properties which had been affected by the earthquake in March 2011 had been performed in FY2011.

Leasing and marketing expenses decreased by 3.5% in FY2012 as compared to FY2011. Notwithstanding the decrease in number of properties, more intensive leasing activities, especially in the cities of Sendai, Morioka and Sapporo, were carried out in FY2012. Such leasing and marketing efforts had contributed to the improvement in the overall average occupancy rates to 91.4% in FY2012, with properties in Sendai, Morioka and Fukuoka reporting average occupancy rates of between 93% and 97%.

Insurance expenses decreased by 3.1% in FY2012, with the lower aggregate insurance premiums from the decrease in the number of properties being partially offset by the purchase of earthquake-related insurance in FY2012.

The decrease in asset management fees of 27.5% was mainly due to absence of one-off fees incurred in FY2011 relating to the management of the YK Shintoku portfolio when YK Shintoku's previous commercial mortgage-backed securities loan was in maturity default from November 2009 to May 2011.

The decrease in interest expenses of 39.4% in FY2012 as compared to FY2011 was mainly due to the full repayment of the previous commercial mortgage-backed securities loan of YK Shintoku in May 2011 as well as the partial repayment and refinancing of the loan of GK Choan at a lower interest rate in FY2012. This was partially offset by interest expenses on new loans obtained in FY2012.

Guarantor fees of JPY 17.4 million in FY2012 were paid to the Asset Manager in respect of the loans of YK JOF, YK Shinzan, YK Shingen, YK Keizan, YK Shintoku, GK Chosei, GK Choan and GK Tosei. Comparatively, the guarantor fees incurred in FY2011 were related to the loans of YK JOF and YK Shinzan.

Group-level operations

Net income from operations increased 3.1% from JPY 1,285.9 million in FY2011 to JPY 1,325.6 million in FY2012.

Other operating expenses increased by JPY 56.1 million, or 13.9%, in FY2012 as compared to FY2011, due mainly to:

- (a) refinancing/repayment costs of JPY 54.7 million which represented breakage costs for the reduction in the notional amount of interest rate swap following the repayment of the SG Loan in FY2012; and
- (b) a foreign exchange loss of JPY 16.8 million recognised in FY2012, due mainly to a realised foreign exchange loss recognised on distributions paid during the year. Comparatively, a foreign exchange gain of JPY 31.6 million had been recognised in FY2011, due mainly to unrealised gains recognised on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements in FY2011.

The increase in other operating expenses was partially offset by (i) decreases in the Manager's management fee and other trust expenses which were in line with the decrease in number of properties in FY2012, and (ii) the decrease in amortisation of loan commission of 11.5% which was mainly due to the completion of amortisation of commission of a loan previously obtained by GK Choan in 2008.

Other Group-level non-operating items

A fair value gain on warrants of JPY 315.2 million in FY2012 was mainly due to the decrease in the number of warrants over the course of FY2012 and the expiry of all outstanding warrants on 1 June 2012.

Unrealised fair value losses on interest rate swap of JPY 258.6 million in FY2012 arose due to the interest rate swap arrangements entered into by YK JOF, GK Choan and GK Tosei in FY2012 to fix the interest rates on their respective loans.

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

The net fair value gain on investment properties was JPY 58.9 million in FY2012. Excluding the 4 properties acquired in FY2012, the fair value of Saizen REIT's other 130 properties increased slightly by approximately 0.8%. This is in line with the stabilisation as observed in the overall property market. The local economies of certain cities, in particular Sendai and Fukuoka, have in fact shown relatively stronger signs of improvement. This increase was partially offset by acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, which related to the acquisitions of 4 properties.

Income statement: 4Q FY2012 vs 3Q FY2012

	4Q FY2012¹	3Q FY2012²	Increase/ (Decrease) %
	(JPY'000)	(JPY'000)	
Gross revenue	907,749	878,445	3.3
Property operating expenses ³	(291,352)	(305,191)	(4.5)
Net property income	616,397	573,254	7.5
Asset management fees	(7,060)	(5,824)	21.2
Interest expenses ⁴	(102,550)	(109,564)	(6.4)
Guarantor fee to asset manager	(6,555)	(5,135)	27.7
Other administrative expenses	(28,950)	(42,313)	(31.6)
Net income from property operations	471,282	410,418	14.8
Interest income	65	570	(88.6)
Other operating expenses ⁵	(88,394)	(157,528)	(43.9)
Adjustment ⁶	14,074	7,568	86.0
Net income from operations	397,027	261,028	52.1

Notes:

1. There were 132 properties at the start of 4Q FY2012 and 134 properties at the end of 4Q FY2012.
2. There were 131 properties at the start of 3Q FY2012 and 132 properties at the end of 3Q FY2012.
3. Property operating expenses comprised the following:

	4Q FY2012	3Q FY2012	Increase / (Decrease) %
	(JPY'000)	(JPY'000)	
Property tax	60,340	61,986	(2.7)
Property manager's fees	35,838	34,556	3.7
Operation and maintenance expenses	42,274	48,284	(12.4)
Repairs and renovations	62,104	59,972	3.6
Leasing and marketing expenses	31,452	36,636	(14.2)
Utilities charges	39,023	43,470	(10.2)
Insurance expenses	10,637	8,813	20.7
Write back of impairment on trade receivables	(2,583)	(202)	>100.0
Trade receivables written-off	2,675	1,020	>100.0
Consumption tax arising from operation	9,592	10,656	(10.0)

4. Interest expenses include the realised loss (payment) on interest rate swap.

5. *Other operating expenses comprised Manager's management fees, Trustee's fee, other trust expenses, finance costs (excluding interest expenses and guarantor fee to asset manager) and REIT-level other administrative expenses.*
6. *The adjustment relates to the realised loss (payment) on interest rate swap which is included as an interest expense in this section 8. The realised loss (payment) on interest rate swap is recognised under "Fair value gain/(loss) on financial derivatives – fair value through profit and loss" in the Statement of Total Return of the Group in section 1(a) of this announcement.*

Property-level operations

Gross revenue increased by 3.3% quarter-on-quarter in 4Q FY2012, due mainly to the rental revenue contributed by 2 properties acquired in March 2012 and May 2012. Net property income and net income from property operations increased by 7.5% and 14.8% respectively.

Property operating expenses decreased by 4.5% from JPY 305.2 million in 3Q FY2012 to JPY 291.4 million in 4Q FY2012. Operation and maintenance expenses and utilities expenses decreased by 12.4% and 10.2% respectively in 4Q FY2012 following the end of winter. Leasing and marketing expenses decreased by 14.2% as leasing activities had slowed down after the leasing season ended in April 2012.

The decrease in interest expenses of 6.4% in 4Q FY2012 as compared to 3Q FY2012 was mainly due to the partial repayment and refinancing of the loan of GK Choan at a lower interest rate in March 2012.

The increase in guarantor fees in 4Q FY2012 was mainly due to a loan obtained by GK Choan in March 2012 and a loan obtained by GK Tosei in June 2012.

Other administrative expenses decreased by 31.6% in 4Q FY2012, due mainly to legal and professional fees which were incurred in connection with the refinancing of GK Choan's loan and the incorporation of the TK operator GK Tosei in 3Q FY2012.

Group-level operations

Net income from operations increased 52.1% from JPY 261.0 million in 3Q FY2012 to JPY 397.0 million in 4Q FY2012.

Other operating expenses decreased by 43.9% in 4Q FY2012 as compared to 3Q FY2012, due mainly to:

- (a) a decrease in financing/repayment costs of JPY 33.9 million. Swap breakage costs of JPY 33.9 million had been incurred in 3Q FY2012 in connection with the full repayment of the SG Loan. There were no such costs incurred in 4Q FY2012; and
- (b) a decrease in amortisation of loan commission of JPY 36.4 million in 4Q FY2012 as compared to 3Q FY2012. Amortisation of loan commission in 3Q FY2012 was higher due mainly to the full repayment of the SG Loan in March 2012. Commissions previously paid in June 2010 on the SG Loan were capitalised and subsequently amortised over the tenure of the loan. Pursuant to the repayment of the SG Loan, the remaining loan commission of approximately JPY 38.6 million was fully amortised in 3Q FY2012.

Other Group-level non-operating items

A fair value gain on financial derivatives of JPY 81.9 million was recognised in 4Q FY2012 as compared to a fair value loss on financial derivative of JPY 322.4 million recognised in 3Q FY2012.

Unrealised fair value losses on interest rate swap of JPY 88.6 million in 4Q FY2012 was mainly due to a new interest rate swap arrangement entered into by GK Tosei in June 2012. Such unrealised fair value losses of JPY 204.3 million recognised in 3Q FY2012 was mainly due to a new interest rate swap arrangement entered into by GK Choan in respect of its loan in March 2012.

A fair value gain warrants of JPY 184.5 million in 4Q FY2012 was mainly due to the decrease in the number of warrants over the course of 4Q FY2012, the decrease in the market-traded price of the warrants and the expiry of all outstanding warrants on 1 June 2012.

A net fair value gain on investment properties of JPY 118.0 million was recognised in 4Q FY2012. Excluding the 4 properties acquired in FY2012, the fair value of Saizen REIT's other 130 properties increased slightly by approximately 0.8%. This increase was partially offset by acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, which related to the acquisition of 2 properties in 4Q FY2012.

9. Outlook and prospects

Capital structure

Saizen REIT acquired 2 properties, namely Cosmo Reveur Sangenjaya and Rise Yotsugibashi, in August 2012 at an aggregate cost of JPY 1.0 billion (S\$16.0 million). Saizen REIT's property portfolio now comprises 136 properties with a total value of JPY 37,456.1 million (S\$598.3 million).

Saizen REIT's current unencumbered properties comprise the portfolio of YK Kokkei (including Cosmo Reveur Sangenjaya) and Rise Yotsugibashi, which are valued at an aggregate of approximately JPY 2,822.6 million (S\$45.1 million). The Management Team is actively exploring the possibility of raising funds with existing and new lenders via the use of Saizen REIT's unencumbered properties as collateral. Saizen REIT will continue to explore acquisition opportunities subject to availability of funds.

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

Pursuant to a circular dated 31 July 2012, an Extraordinary General Meeting will be held on 24 August 2012 to seek Unitholders' approval for a Unit buy-back mandate. Such a mandate will provide the Manager with a flexible and cost effective tool for capital management.

Saizen REIT currently has approximately S\$22.4 million of undeployed warrant proceeds. Such warrant proceeds could potentially be used for property acquisitions, Unit buy-backs, and/or the offsetting of loan amortisation.

Property operations and distributions

Property operations are expected to remain stable, generating steady cash flow to enable Saizen REIT to continue paying out semi-annual distributions in accordance with its distribution policy.

10(a) Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2012
Distribution type	Tax-exempt income
Distribution rate	0.63 cents per Unit
Tax rate	(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

	<p>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 respect of such income for FY2012.</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 FY2012.</p>
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10(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediate preceding financial year?	Yes
Distribution name	Distribution for the financial year ended 30 June 2011
Distribution type	Tax-exempt income
Distribution rate	0.50 cents per Unit
Tax rate	<p>(d) 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>(e) 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 respect of such income for FY2011.</p> <p>(f) 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 FY2011.</p>

10(c) Date payable

18 September 2012

10(d) Books closure date

31 August 2012, 5 p.m.

11. Segmental Results

Segment information has not been presented as all the Group's investment properties are used primarily for rental purposes and are located in Japan.

12. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

13. A breakdown of sales as follows:-

	Group		
	FY2012 (JPY'000)	FY2011 (JPY'000)	Increase/ (Decrease) %
(a) Gross revenue reported for first half year	1,698,424	2,000,788	(15.1)
(b) Total return before deducting non-controlling interest reported for first half year	807,275	154,243	>100.0
(c) Gross revenue reported for second half year	1,786,194	1,867,238	(4.3)
(d) Total return/(loss) before deducting non-controlling interest reported for second half year	453,654	(1,039,563)	NM ¹

Note:

1. NM denotes not meaningful.

14. A breakdown of the total annual distribution for the current period and its previous period:-**Distribution to Unitholders**

	Group	
	FY2012 (JPY'000)	FY2011 (JPY'000)
1 July 2010 to 31 December 2010 (paid) ¹		394,805
1 January 2011 to 30 June 2011 (paid) ²		390,043
1 July 2011 to 31 December 2011 (paid) ³	479,383	
1 January 2012 to 30 June 2012 (to be paid) ⁴	561,748	
	1,041,131	784,848

Notes:

1. Based on 1,173,218,611 Units in issue as at 21 February 2011, being the books closure day for distribution for six-month period ended 31 December 2010.
2. Based on 1,227,660,481 Units in issue as at 1 September 2011, being the books closure day for distribution for six-month period ended 30 June 2011.
3. Based on 1,270,258,408 Units in issue as at 20 February 2012, being the books closure day for distribution for six-month period ended 31 December 2011.
4. Based on 1,424,383,795 Units in issue as at the date of this announcement.

15. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 17.4 million (S\$0.3 million) were paid to the Asset Manager in FY2012 in respect of the loans of YK JOF, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Choan, GK Chosei and GK Tosei

Acquisition fees paid to the Manager for the purchase of 4 properties amounted to an aggregate of JPY 31.1 million (S\$0.5 million) in FY2012.

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 FY2012.

16. General mandate for interested person transactions

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

17. Disclosure of person occupying a managerial position pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying managerial position in the Manager or in its principal subsidiaries (if any), who is a relative of a director or co-chief executive officer or substantial shareholder of the Manager or substantial Unitholder of Saizen REIT.

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

22 August 2012