

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 2013

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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 2013 (“**2H FY2013**”). The distribution per Unit (“**DPU**”) for financial year ended 30 June 2013 (“**FY2013**”) will amount to an aggregate of 1.29 cents as compared to an aggregate of 1.24 cents for the previous financial year ended 30 June 2012 (“**FY2012**”).

Saizen REIT’s previous distribution for the six-month financial period ended 31 December 2012 (“**1H FY2013**”) was 0.66 cents. Notwithstanding an increase in rental income in 2H FY2013, the decrease in DPU of 4.5% for 2H FY2013 as compared to 1H FY2013 was mainly due to one-off refinancing (swap breakage) costs. While such costs had an immediate impact on the DPU for 2H FY2013, the benefits of the refinancing efforts, such as lower interest rates and rates of loan principal amortisation, will accrue over the term of the new loans.

The 2H FY2013 distribution is hedged at an average rate of JPY75.12/S\$. The subsequent distribution for the six-month financial period ending 31 December 2013, which is expected to be paid in March 2014, has been hedged at an average rate of JPY81.15/S\$.

The distributable income includes an amount from capital cash resources which will be used to offset loan principal repayment. For 2H FY2013, the use of capital cash resources to offset loan principal repayment contributed to 0.26 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.

Property operations remained stable in FY2013. Revenue and net property income increased by 9.7% and 13.6% in FY2013 as compared to FY2012, due mainly to the acquisitions of 7 properties. Net income from operations increased by 13.3% on the back of a higher net property income and foreign exchange gains on S\$-denominated bank balances, which was partially offset by one-off costs which arose from the refinancing of 4 previous loans with 2 new loans in February 2013 and March 2013.

Year-on-year revenue and income increased for the fourth quarter ended 30 June 2013 (“**4Q FY2013**”), due mainly to property acquisitions in FY2013.

The average occupancy rate was 91.9% in FY2013 as compared to 91.4% in FY2012, while overall rental reversion of new contracts entered into in FY2013 was marginally lower by about 0.5% (FY2012: lower by about 2.1%) from previous contracted rates. The average turnover rate was 19% in FY2013, as compared to 18% in FY2012.

The negative 0.4% overall rental reversion in 4Q FY2013 would have been positive 0.1% if the decrease in rental on 2 commercial units (previously contracted in 2000 and 2009) was excluded.

Saizen REIT acquired 7 properties in FY2013. The purchase prices of these 7 properties amounted to an aggregate of JPY 4.0 billion (S\$51.1 million¹).

These 7 properties are expected to generate an aggregate annual revenue of approximately JPY 324 million (S\$4.1 million) and an aggregate annual net operating income of approximately JPY 247 million (S\$3.2 million) on a normalised basis.

Saizen REIT also divested 2 properties, Rise Kojo Horibata and Mansion Lilac, in FY2013 at premiums of 17.3% and 28.7% over their respective valuations.

Financial position strengthened with refinancing of loans. The 2 new loans, obtained from The Tokyo Star Bank Ltd and The Bank of Fukuoka, Ltd in February 2013 and March 2013 respectively, had lower interest rates and rates of loan principal amortisation. With higher loan-to-value ratios, these loans also enabled Saizen REIT to raise approximately JPY 3.8 billion (S\$48.5 million) in new loan proceeds. These refinancing efforts also extended Saizen REIT’s loan maturity commitments to February 2018 (previously March 2015) and beyond.

The weakening of the JPY against the S\$ in FY2013 has weighed on Saizen REIT's net asset value and income in S\$-terms. Saizen REIT has entered into forward contracts to hedge the distribution payment for 2H FY2013 and the six-month financial period ended 31 December 2013. On the other hand, the foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged.

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

Key financial information

	FY2013	FY2012
Net asset value per Unit as at 30 June	19.38²	19.08³
(JPY)	0.25²	0.30³
(S\$)		
Distribution per Unit (cents)	1.29⁴	1.24⁵
Interest cover ratio⁶	6.0 times	6.0 times
Net impairment of trade receivables⁷ as % of gross revenue	0.046%	0.056%
Gearing – net borrowings⁸/value of investment properties	31.6%	23.9%
Gearing – total borrowings / total assets	38.0%	31.4%
Net cash as at 30 June	JPY 4.98 billion	JPY 4.48 billion
Borrowings due within next 12 months from date hereof	JPY 1.52 billion	JPY 0.58 billion
Value of investment properties as at 30 June	JPY 41.18 billion	JPY 36.44 billion
Net appreciation in the value of investment properties	JPY 0.40 billion	JPY 0.06 billion
Average occupancy rate (by revenue)	91.9%	91.4%

Notes:

1. Based on an exchange rate of JPY78.3/S\$ as at 30 June 2013, which is applied throughout this announcement unless stated otherwise.
2. Based on 1,418,058,795 Units in issue as at 30 June 2013 and an exchange rate of JPY78.3/S\$ as at 30 June 2013.
3. Based on 1,424,383,795 Units in issue as at 30 June 2012 and an exchange rate of JPY62.6/S\$ as at 30 June 2012.
4. Distribution per Unit in FY2013 comprised DPU of 0.66 cents and 0.63 cents declared for 1H FY2013 and 2H FY2013 respectively.
5. Distribution per Unit in FY2012 comprised DPU of 0.61 cents and 0.63 cents declared for 1H FY2012 and six-month financial period ended 30 June 2012 respectively.
6. Net property income of 4Q divide by the sum of interest expenses and realised loss on interest rate swap of 4Q.
7. Net impairment of trade receivables comprised the sum of impairment/write back of trade receivables and trade receivables written-off.
8. 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 attributable to Unitholders increased from JPY 27.2 billion as at 30 June 2012 to JPY 27.5 billion as at 30 June 2013, attributable mainly to the total return of the Group in 2H FY2013 (augmented by an increase in property valuations), and partially offset by the payment of distributions for 1H FY2013.

Net asset value per Unit decreased from S\$0.30 as at 30 June 2012 to S\$0.25 as at 30 June 2013, due mainly to the depreciation of the JPY against the S\$ by approximately 20%.

The following is a summary of Saizen REIT's operating performance for 4Q FY2013 and the fourth quarter ended 30 June 2012 ("4Q FY2012"), and for FY2013 and FY2012.

	4Q FY2013 ¹	4Q FY2012 ²	FY2013 ³	FY2012 ⁴	Increase / (Decrease) %
Gross revenue					
(S\$'000)	12,548 ⁵	14,295 ⁶	54,083 ⁷	55,754 ⁸	
(JPY'000)	992,523	907,749	3,823,646	3,484,618	9.7
Net property income					
(S\$'000)	8,580 ⁵	9,707 ⁶	37,578 ⁷	37,423 ⁸	
(JPY'000)	678,684	616,397	2,656,772	2,338,951	13.6
Net income from operations					
(S\$'000)	5,284 ⁵	6,252 ⁶	21,247 ⁷	21,209 ⁸	
(JPY'000)	417,947	397,027	1,502,178	1,325,560	13.3
Total return after income tax					
(S\$'000)	12,511 ⁵	8,830 ⁶	23,660 ⁷	20,175 ⁸	
(JPY'000)	989,603	560,727	1,672,779	1,260,929	32.7

	2H FY2013	1H FY2013	FY2013	FY2012
Distributable income				
(S\$'000)	8,803 ⁹	11,037 ¹⁰	19,663 ⁷	16,686 ⁸
(JPY'000)	676,081	714,097	1,390,178	1,042,902
Distribution				
(S\$'000)	8,934 ¹¹	9,364	18,298	16,723
(JPY'000)	671,105 ¹²	703,802	1,374,907	1,049,034
Distribution per Unit¹³				
(cents)	0.63	0.66	1.29	1.24

Notes:

1. There were 137 properties at the start of 4Q FY2013 and 139 properties at the end of 4Q FY2013.
2. There were 132 properties at the start of 4Q FY2012 and 134 properties at the end of 4Q FY2012.
3. There were 134 properties at the start of FY2013 and 139 properties at the end of FY2013.
4. There were 130 properties at the start of FY2012 and 134 properties at the end of FY2012.
5. Based on an average exchange rate of JPY79.1/S\$ between 1 April 2013 and 30 June 2013.
6. Based on an average exchange rate of JPY63.5/S\$ between 1 April 2012 and 30 June 2012.
7. Based on an average exchange rate of JPY70.7/S\$ between 1 July 2012 and 30 June 2013.
8. Based on an average exchange rate of JPY62.5/S\$ between 1 July 2011 and 30 June 2012.
9. Based on an average exchange rate of JPY76.8/S\$ between 1 January 2013 and 30 June 2013.
10. Based on an average exchange rate of JPY64.7/S\$ between 1 July 2012 and 31 December 2012.
11. Based on 1,418,058,795 Units in issue.
12. Based on the average exchange rate of JPY75.12/S\$ hedged using forward contracts.
13. The portion of DPU funded by capital cash resources (deployed towards the offsetting of loan principal repayment) amounted to 0.26 cents, 0.30 cents, 0.56 cents and 0.59 cents in 2H FY2013, 1H FY2013, FY2013 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	2 September 2013, 5.00 p.m.
Date payable	24 September 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 June 2013 comprised 139 properties located in 14 cities in Japan, and was valued at approximately JPY 41.2 billion (\$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 Gytatsu.

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) (4Q FY2013 vs 4Q FY2012)**

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
Gross revenue	992,523	907,749	9.3
Property operating expenses	(313,839)	(291,352)	7.7
Net property income	678,684	616,397	10.1
Manager's management fees	(49,269)	(43,734)	12.7
Asset management fees	(27,647)	(7,060)	>100.0
Trustee's fee	(2,883)	(2,525)	14.2
Finance costs ¹	(331,106)	(107,294)	>100.0
Interest income	568	65	>100.0
Other income ²	213,575	-	NM ³
Other trust expenses	(23,704)	(23,658)	0.2
Other administrative expenses	(40,271)	(35,164)	14.5
Net income from operations	417,947	397,027	5.3
Net fair value gain on financial derivatives			
- fair value through profit or loss ⁴	128,868	81,858	57.4
Net fair value gain on investment properties	584,668	117,982	>100.0
Total return for the period before income tax⁵	1,131,483	596,867	89.6
Income tax ⁶	(141,880)	(36,140)	>100.0
Total return for the period after income tax	989,603	560,727	76.5
Attributable to:			
Unitholders	981,399	478,041	>100.0
Non-controlling interests	8,204	82,686	(90.1)
	989,603	560,727	76.5

Notes:

1. Finance costs comprised the following:

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(93,509)	(88,476)	5.7
(ii) amortisation of loan commission	(13,515)	(14,197)	(4.8)
(iii) guarantor fee to asset manager	(8,095)	(6,555)	23.5
(iv) foreign exchange difference from financing	(215,987)	1,934	NM ³

2. Other income comprised mainly unrealised foreign exchange 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 gain on financial derivatives comprised the following:

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(20,147)	(14,074)	43.2
(ii) unrealised fair value gain/(loss) on interest rate swap	146,475	(88,566)	NM ³
(iii) fair value gain on warrants	-	184,498	(100.0)
(iv) fair value gain on forward contract	2,540	-	NM ³

The unrealised fair value gain/(loss) on interest rate swap in 4Q FY2013 and 4Q FY2012 related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value gain/(loss) on interest rate swap is non-cash in nature.

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

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)	Increase / (Decrease) %
(i) (impairment)/write back of impairment on trade receivables	(781)	2,583	NM ³
(ii) trade receivables written-off	(209)	(2,675)	(92.2)

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 199.0 million and JPY 183.8 million in 4Q FY2013 and 4Q FY2012 respectively.

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

	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase / (Decrease) %
Gross revenue	3,823,646	3,484,618	9.7
Property operating expenses	(1,166,874)	(1,145,667)	1.9
Net property income	2,656,772	2,338,951	13.6
Manager's management fees	(189,957)	(169,252)	12.2
Asset management fees	(49,797)	(24,013)	>100.0
Trustee's fee	(10,710)	(9,089)	17.8
Finance costs ¹	(856,089)	(571,364)	49.8
Interest income	2,318	963	>100.0
Other income ²	213,575	-	NM ³
Other trust expenses	(84,602)	(83,542)	1.3
Other administrative expenses	(179,332)	(157,094)	14.2
Net income from operations	1,502,178	1,325,560	13.3
Gain/(loss) on divestment of properties	15,807	(13,617)	NM ³
Net fair value gain on financial derivatives			
- fair value through profit or loss ⁴	16,109	17,316	(7.0)
Net fair value gain on investment properties	403,296	58,949	>100.0
Total return for the year before income tax⁵	1,937,390	1,388,208	39.6
Income tax ⁶	(264,611)	(127,279)	>100.0
Total return for the year after income tax	1,672,779	1,260,929	32.7
Attributable to:			
Unitholders	1,653,867	1,166,661	41.8
Non-controlling interests	18,912	94,268	(79.9)
	1,672,779	1,260,929	32.7

Notes:

1. Finance costs comprised the following:

	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase / (Decrease) %
(i) interest expenses	(367,937)	(382,553)	(3.8)
(ii) amortisation of loan commission	(56,829)	(60,483)	(6.0)
(iii) loan commission written-off	(147,995)	(39,438)	>100.0
(iv) guarantor fee to asset manager	(29,307)	(17,411)	68.3
(v) cost of refinancing/repayment	(135,913)	(54,680)	>100.0
(vi) foreign exchange difference from financing	(118,108)	(16,799)	>100.0

Loan commission written-off and cost of refinancing/repayment in FY2013 and FY2012 related primarily to the refinancing of loans. Loan commission written-off is non-cash in nature, while the cost of refinancing/repayment comprised swap breakage costs. Please refer to section 8 for more information.

2. Other income comprised mainly unrealised foreign exchange 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 gain on financial derivatives comprised the following:

	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase / (Decrease) %
(i) realised loss (payment) on interest rate swap	(69,012)	(39,366)	75.3
(ii) unrealised fair value gain/(loss) on interest rate swap	76,876	(258,562)	NM ³
(iii) fair value gain on warrants	-	315,244	(100.0)
(iv) fair value gain on forward contract	8,245	-	NM ³

The unrealised fair value gain/(loss) on interest rate swap in FY2013 and FY2012 related to interest rate swap arrangements entered into for the purpose of fixing the interest rates of loans. Unrealised fair value loss on interest rate swap is non-cash in nature.

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

	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase / (Decrease) %
(i) write back of impairment on trade receivables	1,549	3,143	(50.7)
(ii) trade receivables written-off	(3,314)	(5,078)	(34.7)

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 768.0 million and JPY 701.9 million in FY2013 and FY2012 respectively.

Statement of distributable income from operations

		2H FY2013	1H FY2013	FY2013	FY2012
Total return for the period/year after income tax before distribution attributable to Unitholders	(JPY'000)	935,190	718,677	1,653,867	1,166,661
Adjustments ¹	(JPY'000)	(326,780)	508	(326,272)	58,595
Adjusted return for the period/year	(JPY'000)	608,410	719,185	1,327,595	1,225,256
Cash deployed for loan principal repayment ²	(JPY'000)	(276,452)	(317,924)	(594,376)	(517,935)
Loan principal repayment offset by capital cash resources ³	(JPY'000)	276,452	317,924	594,376	498,997
Cash deployed for one-off borrowing costs ⁴	(JPY'000)	(196,841)	(5,088)	(201,929)	(278,905)
One-off borrowing costs offset by capital cash resources ⁵	(JPY'000)	196,841	-	196,841	115,489
One-off swap breakage costs offset by capital cash resources ⁶	(JPY'000)	67,671	-	67,671	-
Distributable income generated during the period/year	(JPY'000)	676,081	714,097	1,390,178	1,042,902
Income available for distribution to Unitholders at the beginning of the period/year	(JPY'000)	719,895	575,449	575,449	401,973
Previous distribution paid during the period/year ⁷	(JPY'000)	(703,802)	(569,651)	(1,273,453)	(869,426)
Distributable income from operations at the end of the period/year	(JPY'000)	692,174	719,895	692,174	575,449
Distribution to Unitholders	(JPY'000)	671,105	703,802	1,374,907	1,049,034
Distribution per Unit	(cents)	0.63	0.66	1.29	1.24

Notes:

- Adjustments comprised mainly non-cash items, namely fair value loss on warrants, fair value gain on forward contract, unrealised fair value gain/loss on interest rate swap, amortisation of loan commission, loan commission written-off, gain/loss on divestment of properties, net fair value gain on investment properties, deferred tax expenses, provisions for asset management fees (relating to fair value gains in investment properties) and unrealised foreign exchange differences.
- The amount deployed for loan principal repayment comprised mainly loan principal amortisation payments. While loan principal amortisation reduces cash available for distribution, it results in savings on interest expenses going forward.
- Loan principal amortisation in FY2012 and FY2013 had been and will be partially paid with capital cash resources, such as proceeds from new borrowing 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 principal amortisation, thereby effectively making available cash from operations for distributions.

		2H FY2013	1H FY2013	FY2013	FY2012
Portion of DPU funded by capital cash resources used to offset loan principal repayment	(cents)	0.26	0.30	0.56	0.59

- The amount deployed for one-off borrowing costs in FY2012 and FY2013 comprised one-off costs (eg. upfront loan commissions and legal and professional fees) incurred in respect of the new loans obtained.
- One-off borrowing costs paid in FY2012 and FY2013 had been and will be partially offset using capital cash resources.
- One-off swap breakage costs paid in FY2013 will be partially offset using capital cash resources.
- Distribution paid in 2H FY2013 related to the distribution declared for the six-month financial period ended 31 December 2012. Distribution paid in 1H FY2013 related to the distribution declared for the six-month financial period ended 30 June 2012. Distribution paid in FY2012 related to the distribution declared for the six-month financial period ended 31 December 2011 and 30 June 2011.

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 2013 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Current assets		
Cash and cash equivalents	5,994,633	5,461,377
Deposits with cash management agents	540	592
Trade and other receivables	27,829	30,339
Other current assets	62,853	36,867
Derivative financial instruments ¹	31,583	-
	<u>6,117,438</u>	<u>5,529,175</u>
Non-current assets		
Investment properties ²	41,177,500	36,443,100
	<u>41,177,500</u>	<u>36,443,100</u>
Total assets	<u>47,294,938</u>	<u>41,972,275</u>
Current liabilities		
Rental deposits	474,308	469,421
Rental received in advance	306,486	226,020
Borrowings	1,519,388 ³	578,302
Other current liabilities	365,124	317,884
Current tax liabilities	177,529	192,319
Derivative financial instruments ¹	28,679	-
	<u>2,871,514</u>	<u>1,783,946</u>
Non-current liabilities		
Rental deposits	33,828	31,666
Borrowings	16,462,821	12,601,691
Derivative financial instruments ⁴	245,771	322,646
Other non-current liabilities ⁵	15,882	-
Deferred tax liabilities ⁵	104,861	-
	<u>16,863,163</u>	<u>12,956,003</u>
Total liabilities	<u>19,734,677</u>	<u>14,739,949</u>
Total net assets	<u>27,560,261</u>	<u>27,232,326</u>
Represented by:		
Unitholders	27,482,536	27,173,473
Non-controlling Interests	77,725	58,853
	<u>27,560,261</u>	<u>27,232,326</u>
Number of Units in issue ('000)	<u>1,418,059</u>	<u>1,424,384</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>19.38</u>	<u>19.08</u>

Notes:

1. The derivative financial instruments (current assets and current liabilities) comprised forward contracts entered into for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution payments which are expected to take place in September 2013 and March 2014.
2. The increase in investment properties of JPY 4.8 billion from JPY 36.4 billion as at 30 June 2012 to JPY 41.2 billion as at 30 June 2013 was mainly due to (i) the acquisitions of 7 properties and (ii) the increase in the value of the other 132 properties of approximately JPY 0.8 billion, and partially offset by the sale of 2 properties.
3. This included advances of JPY 939.4 million drawn down from credit facilities which are backed by cash deposits.
4. The derivative financial instruments (non-current liabilities) as at 30 June 2013 comprised interest rate swaps used to hedge against fluctuations in the interest rates of 3 loans.
5. Other non-current liabilities (comprising provision for asset management fees) and deferred tax liabilities were recognised in connection with the fair value gain on investment properties.

	Saizen REIT	
	As at 30 Jun 2013 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Current assets		
Cash and cash equivalents	1,054,856	2,238,251
Distribution receivables	861,502	926,299
Other receivables	439	811
Other assets	1,376	1,701
Derivative financial instrument	31,583	-
	<u>1,949,756</u>	<u>3,167,062</u>
Non-current assets		
Investment in subsidiaries	26,824,866	24,169,209
	<u>26,824,866</u>	<u>24,169,209</u>
Total assets	<u>28,774,622</u>	<u>27,336,271</u>
Current liabilities		
Borrowings	939,386 ¹	-
Other current liabilities	124,953	75,781
Current tax liabilities	173,578	185,260
Derivative financial instrument	28,679	-
	<u>1,266,596</u>	<u>261,041</u>
Total liabilities	<u>1,266,596</u>	<u>261,041</u>
Total net assets	<u>27,508,026</u>	<u>27,075,230</u>
Represented by:		
Unitholders	<u>27,508,026</u>	<u>27,075,230</u>
Number of Units in issue ('000)	<u>1,418,059</u>	<u>1,424,384</u>
Net asset value per unit attributable to Unitholders (JPY)	<u>19.40</u>	<u>19.01</u>

Note:

1. This comprised advances drawn down from credit facilities which are backed by cash deposits.

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

	As at 30 Jun 2013 (JPY'000)	As at 30 Jun 2012 (JPY'000)
Secured borrowings – Bank loans		
Amount repayable in one year or less	1,519,388	578,302
Amount repayable after one year	16,462,821	12,601,691
	<u>17,982,209</u>	<u>13,179,993</u>

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

The increase in borrowings from JPY 13.2 billion as at 30 June 2012 to JPY 18.0 billion as at 30 June 2013 was mainly due to:

- (a) additional borrowings of JPY 3.9 billion from the refinancing of loans in FY2013;
- (b) loans of JPY140 million and JPY 200 million obtained by GK Gyokou and GK Chogen respectively in December 2012; and
- (c) advances of S\$12 million drawn down from 2 credit facilities by Saizen REIT.

1(c) Cash flow statement (for the Group) (4Q FY2013 vs 4Q FY2012)

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)
Operating activities		
Total return for the period after income tax	989,603	560,727
Adjustments for:		
Income tax	141,880	36,140
Interest income	(568)	(65)
Interest expenses	107,024	102,673
Net fair value gain on financial derivatives	(123,527)	(81,858)
Net fair value gain on investment properties	(584,668)	(117,982)
Unrealised foreign exchange loss	201,430	-
Operating profit before working capital changes	731,174	499,635
Changes in working capital		
Deposit with cash management agents	(15)	102,837 ¹
Trade and other receivables	(1,587)	(7,981)
Other current assets	19,008	7,538
Other current liabilities	19,265	23,183
Other non-current liabilities	15,882	-
Rental received in advance	70,094	11,218
Rental deposits	(8,568)	(3,067)
Cash generated from operations	845,253	633,363
Income tax	(153)	(70)
Withholding tax paid	(5,000)	(3,132)
Cash flows provided by operating activities	840,100	630,161
Investing activities		
Capital expenditure/addition of investment properties ²	(1,346,818)	(1,782,998)
Cash flows used in investing activities	(1,346,818)	(1,782,998)
Financing activities		
Bank borrowings obtained	-	700,000 ³
Repayment of bank borrowings	(158,411)	(152,139)
Interest received	569	65
Interest paid	(100,836)	(116,492)
Payment for Unit buy-back	(9,548)	-
Payment of interest rate swap	(20,147)	(14,074)
Proceeds from exercise of warrants	-	863,446
Bank deposits pledged for bank borrowings	(96,671)	(45,000)
Cash flows (used in)/provided by financing activities	(385,044)	1,235,806
Net (decrease)/increase in cash and cash equivalents	(891,762)	82,969
Cash and cash equivalents at beginning of the period	5,856,768	4,983,408
Effects of currency translation on cash and cash equivalents	(104,759)	-
Cash and cash equivalents at end of the period ⁴	4,860,247	5,066,377

Notes:

1. The change in deposit with cash management agents was mainly due to the repayment of GK Choan's previous loan from Societe Generale. GK Choan is not required to maintain such deposits under its current loan.
2. This related mainly to the acquisitions of 2 properties in each of 4Q FY2013 and 4QFY2012.
3. Proceeds from bank borrowings in 4Q FY2012 comprised the loan obtained by GK Tosei in June 2012
4. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	4Q FY2013 (JPY'000)	4Q FY2012 (JPY'000)
Cash and bank balances (per balance sheet)	5,994,633	5,461,377
Less: Bank deposits pledged	(1,134,386)	(395,000)
	4,860,247	5,066,377

Bank deposits pledged related to minimum bank balances which have to be maintained by Saizen REIT, GK Choan and GK Tosei in 4Q FY2013 and by YK JOF, GK Tosei and GK Choan in 4Q FY2012 under the terms of their respective loans or credit facilities.

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

	FY2013 (JPY'000)	FY2012 (JPY'000)
Operating activities		
Total return for the year after income tax before distribution	1,672,779	1,260,929
Adjustments for:		
Income tax	264,611	127,279
Interest income	(2,318)	(963)
Interest expenses ¹	708,674	537,154
Net fair value gain on financial derivatives	(10,768)	(17,316)
(Gain)/loss on divestment of properties	(15,807)	13,617
Net fair value gain on investment properties	(403,296)	(58,949)
Unrealised foreign exchange loss	110,919	-
Operating profit before working capital changes	2,324,794	1,861,751
Changes in working capital		
Deposit with cash management agents	52	423,335
Trade and other receivables	2,558	(2,303)
Other current assets	(24,432)	(4,817)
Other current liabilities	(3,936)	(296,312)
Other non-current liabilities	15,882	-
Rental received in advance	80,467	17,163
Rental deposits	7,049	12,108
Cash generated from operations	2,402,434	2,010,925
Income tax paid	(1,254)	(2,850)
Withholding tax paid	(173,285)	(351,714)
Cash flows provided by operating activities	2,227,895	1,656,361
Investing activities		
Net cash effect on acquisition of subsidiary	(40)	(39)
Capital expenditure of investment properties	(4,393,649)	(3,388,731)
Proceeds from sale of investment properties	129,807	-
Expenditure on transfer of properties between subsidiary	-	(13,617)
Cash flows used in investing activities	(4,263,882)	(3,402,387)
Financing activities		
Bank borrowings obtained ²	13,448,463	10,416,000
Repayment of bank borrowings ³	(8,760,066)	(5,993,906)
Distribution to Unitholders	(1,273,453)	(869,426)
Interest received	2,271	963
Interest paid	(707,612)	(703,743)
Payment for Unit buy-back	(71,351)	-
Payment of interest rate swap	(69,012)	(39,366)
Proceeds from exercise of warrants	-	1,364,071
Bank deposits pledged for bank borrowings	(739,383)	(195,000)
Cash flows provided by financing activities	1,829,857	3,979,593
Net (decrease)/increase in cash and cash equivalents	(206,130)	2,233,567
Cash and cash equivalents at beginning of the year	5,066,377	2,832,810
Cash and cash equivalents at end of the year ⁴	4,860,247	5,066,377

Notes:

1. The increase in interest expenses in FY2013 was mainly due to loan commission written-off and the cost of refinancing/repayment relating to the refinancing of loans in February 2013 and March 2013.
2. Proceeds from bank borrowings in FY2013 comprised (i) 4 term loans of JPY 12.6 billion in aggregate, and (ii) advances of S\$12 million (JPY 828.5 million) drawn down from credit facilities. Proceeds from bank borrowings in FY2012 related to 7 term loans.
3. Repayment of bank borrowings in FY2013 comprised mainly the repayment of 4 term loans. Repayment of bank borrowings in FY2012 comprised mainly the repayment of the previous loan of GK Choan.
4. For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprised the following:

	FY 2013 (JPY'000)	FY 2012 (JPY'000)
Cash and bank balances (per balance sheet)	5,994,633	5,461,377
Less: Bank deposits pledged	(1,134,386)	(395,000)
	<u>4,860,247</u>	<u>5,066,377</u>

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

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

<u>The Group</u>	FY2013 (JPY'000)	FY2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(12,623,323)	(12,920,558)
Total return for the year	1,653,867	1,166,661
Distribution to Unitholders	(1,273,453)	(869,426)
Balance as at end of year	<u>(12,242,909)</u>	<u>(12,623,323)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	39,796,796	37,709,355
Issue of new units from exercise of warrants	-	2,087,441
Cancellation of Units pursuant to Unit buy-back	(71,175)	-
Costs relating to Unit buy-back	(176)	-
Balance as at end of year	<u>39,725,445</u>	<u>39,796,796</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,482,536</u>	<u>27,173,473</u>
NON-CONTROLLING INTERESTS		
Balance as at beginning of the year	58,853	(35,376)
Effect on investment in new TK operator	(40)	(39)
Total return for the year	18,912	94,268
Balance as at end of year	<u>77,725</u>	<u>58,853</u>
TOTAL	<u>27,560,261</u>	<u>27,232,326</u>
<u>Saizen REIT</u>	FY2013 (JPY'000)	FY2012 (JPY'000)
OPERATIONS		
Balance as at beginning of the year	(13,976,493)	(14,487,854)
Total return for the year	1,777,600	1,380,787
Distribution to Unitholders	(1,273,453)	(869,426)
Balance as at end of year	<u>(13,472,346)</u>	<u>(13,976,493)</u>
UNITHOLDERS CONTRIBUTION		
Balance as at beginning of the year	41,051,723	38,964,282
Issue of new units from exercise of warrants	-	2,087,441
Cancellation of Units pursuant to Unit buy-back	(71,175)	-
Costs relating to Unit buy-back	(176)	-
Balance as at end of year	<u>40,980,372</u>	<u>41,051,723</u>
TOTAL ATTRIBUTABLE TO UNITHOLDERS	<u>27,508,026</u>	<u>27,075,230</u>

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

	4Q FY2013 (Units)	4Q FY2012 (Units)
Issued Units as at beginning of period	1,418,763,795	1,270,493,808
Issue of new Units from exercise of warrants	-	153,889,987
Cancellation of Units pursuant to Unit buy-back	(705,000)	-
Issued Units as at end of period	1,418,058,795	1,424,383,795

Unitholders approved the renewal of Saizen REIT's Unit buy-back mandate on 17 October 2012. Saizen REIT bought back and cancelled 705,000 Units in 4Q FY2013.

	4Q FY2013 (Warrants)	4Q FY2012 (Warrants)
Number of warrants outstanding as at beginning of period	-	175,863,609
Exercise of warrants	-	(153,889,987)
Expiry of unexercised warrants	-	(21,973,622)
Number of warrants outstanding as at end of period	-	-

Saizen REIT issued 497,185,362 warrants in June 2009. Outstanding warrants had expired on 1 June 2012 and hence, there were no such warrants in 4Q FY2013.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million, of which approximately S\$1.1 million has been used for Units buy-backs, S\$0.3 million has been used for working capital purposes (daily operating expenses) and approximately S\$20.1 million had 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 of 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.

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 FY2013 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 2012.

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

Not applicable.

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

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

(a) Basic EPU

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

(b) Diluted EPU

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

		4Q FY2013	4Q FY2012	FY2013	FY2012
Total return for the period/year attributable to Unitholders for basic and diluted EPU (JPY'000)		981,399	478,041	1,653,867	1,166,661
Basic EPU	(JPY)	0.69	0.36	1.16	0.93
	(cents)	0.87 ¹	0.57 ²	1.64 ³	1.49 ⁴
Diluted EPU	(JPY)	0.69	0.35	1.16	0.88
	(cents)	0.87 ¹	0.55 ²	1.64 ³	1.41 ⁴
Weighted average number of Units		1,418,663,081	1,336,256,924	1,420,608,247	1,256,458,641
Weighted average number of Units plus dilutive effect		1,418,663,081	1,373,909,371	1,420,608,247	1,328,261,070

Notes:

1. Based on an average exchange rate of JPY79.1/\$ between 1 April 2013 and 30 June 2013.
2. Based on an average exchange rate of JPY63.5/\$ between 1 April 2012 and 30 June 2012.
3. Based on an average exchange rate of JPY70.7/\$ between 1 July 2012 and 30 June 2013.
4. Based on an average exchange rate of JPY62.5/\$ between 1 July 2011 and 30 June 2012.

7. Net asset value (“NAV”) per Unit based on issued Units at the end of 30 June 2013 and 30 June 2012

The Group

		As at 30 June 2013	As at 30 Jun 2012
NAV per Unit based on issued Units at the end of financial period	(JPY)	19.38	19.08
	(S\$)	0.25 ¹	0.30 ²

Saizen REIT

		As at 30 June 2013	As at 30 Jun 2012
NAV per Unit based on issued Units at the end of financial period	(JPY)	19.40	19.01
	(S\$)	0.25 ¹	0.30 ²

Notes:

1. Based on an exchange rate of JPY78.3/\$ as at 30 June 2013.
2. Based on an exchange rate of JPY62.6/\$ as at 30 June 2012.

8. Review of performance

Income statement: FY2013 vs FY2012

	FY2013 ¹ (JPY'000)	FY2012 ² (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,823,646	3,484,618	9.7
Property operating expenses ³	(1,166,874)	(1,145,667)	1.9
Net property income	2,656,772	2,338,951	13.6
Asset management fees	(49,797)	(24,013)	>100.0
Interest expenses ⁴	(436,949)	(421,919)	3.6
Guarantor fee to asset manager	(29,307)	(17,411)	68.3
Other administrative expenses	(136,789)	(132,382)	3.3
Net income from property operations	2,003,930	1,743,226	15.0
Interest income	2,318	963	>100.0
Other income	213,575	-	NM ⁵
Other operating expenses ⁶	(786,657)	(457,995)	71.8
Adjustment ⁷	69,012	39,366	75.3
Net income from operations	1,502,178	1,325,560	13.3

Notes:

1. There were 134 properties at the start of FY2013 and 139 properties at the end of FY2013.
2. There were 130 properties at the start of FY2012 and 134 properties at the end of FY2012.
3. Property operating expenses comprised the following:

	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase / (Decrease) %
Property tax	264,001	248,653	6.2
Property manager's fees	150,596	138,023	9.1
Operation and maintenance expenses	182,481	172,130	6.0
Repairs and renovations	199,279	233,045	(14.5)
Leasing and marketing expenses	121,074	119,063	1.7
Utilities charges	163,466	156,916	4.2
Insurance expenses	46,662	40,179	16.1
Write back of impairment on trade receivables	(1,549)	(3,143)	(50.7)
Trade receivables written-off	3,314	5,078	(34.7)
Consumption tax arising from operations	37,550	35,723	5.1

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 increased by 9.7% and 13.6% respectively in FY2013, due mainly to the acquisitions of 7 properties. Property operating expenses increased by a lesser extent of 1.9%. Net income from property operations increased by 15.0% in FY2013 on the back of a higher net property income.

Average occupancy rates in FY2013 was 91.9% as compared to 91.4% in FY2012, while overall rental reversion of new contracts entered into in FY2013 was marginally lower by about 0.5% (FY2012: lower by about 2.1%) from previous contracted rates.

Repair and renovation expenses decreased by 14.5% in FY2013. Such expenses were higher in FY2012 due mainly to (i) upgrading works and renovations which were carried out on 2 properties, and (ii) one-off earthquake-related repair and renovation works of JPY 22.4 million.

Asset management fees (which are computed as 3% of the property business profits prepared under Japanese GAAP) increased from JPY 24.0 million in FY2012 to JPY 49.8 million in FY2013, due mainly to:

- (a) provisions for asset management fees of JPY 15.9 million in connection with the fair value gain in investment properties (as any gains on the disposal of properties could increase property business profits); and
- (b) one-off refinancing costs which affected FY2012's property business profits.

The increase in guarantor fees of 68.3% was mainly due to an increase in borrowings following the refinancing of loans in FY2013.

Group-level operations

Net income from operations increased 13.3% from JPY 1,325.6 million in FY2012 to JPY 1,502.2 million in FY2013.

Other income of JPY 213.6 million in FY2013 comprised mainly unrealised exchange gains on the translation of S\$-denominated bank balances to JPY for the preparation of the Group financial statements following the appreciation of the S\$ against the JPY.

Other operating expenses increased by JPY 328.7 million, or 71.8%, in FY2013 as compared to FY2012, due mainly to:

- (a) one-off refinancing-related costs, comprising primarily loan commission written-off (being non-cash in nature) of JPY 148.0 million and swap breakage costs of JPY 135.9 million, which were incurred in FY2013. Comparatively, swap breakage costs of JPY 54.7 million (relating to the repayment of GK Choan's previous loan) was incurred in FY2012;
- (b) a foreign exchange loss of JPY 118.1 million recognised in FY2013, due mainly to unrealised losses recognised on the translation of S\$-denominated advances (drawn on credit facilities) to JPY for the preparation of the Group financial statements in FY2013 following the appreciation of the S\$ against the JPY. Comparatively, a foreign exchange loss of JPY 16.8 million had been recognised in FY2012, due mainly to a realised foreign exchange loss recognised on distributions paid during the year; and
- (c) an increase in the Manager's management fee of 12.2% and Trustee's fee of 17.8%, due mainly to increase in Saizen REIT's total assets pursuant to the acquisitions of properties.

Other Group-level non-operating items

2 properties were divested in FY2013, resulting in gains on disposal of JPY 15.8 million. 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 for financing purposes.

Unrealised fair value gains on interest rate swap of JPY 76.9 million in FY2013 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.

There was no fair value gain/loss on warrants in FY2013 as all outstanding warrants had expired in FY2012 (prior to the commencement of FY2013). Comparatively, the fair value gain on warrants of JPY 315.2 million recognised 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.

A fair value gain on forward contract of JPY 8.2 million was recognised in FY2013. 4 forward contracts were entered into in FY2013 for the purpose of hedging the JPY-S\$ exchange rate of Saizen REIT's distribution. A forward contract is recognised as a derivative financial instrument on the Group's balance sheet, and any changes in its 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.

The net fair value gain on investment properties was JPY 403.3 million in FY2013. Excluding the 7 properties acquired in FY2013, the fair value of Saizen REIT's other 132 properties increased by approximately 2.2%. This is in line with the improvement as observed in the overall property market, augmented by a compression of average capitalisation rates in many cities. The increase in property valuation had been more pronounced in cities such as Fukuoka, Hiroshima and Sendai. On the other hand, valuations had been weighed down by an overall marginal 0.5% decrease in rental reversion of new contracts entered into in FY2013 as well as increases in renovation expenses for older properties. The increase in property valuations was partially offset by acquisition-related expenses, such as consumption taxes and acquisition fees paid to the Manager, which related to the acquisitions of 7 properties.

Income statement: 4Q FY2013 vs 3Q FY2013

	4Q FY2013 ¹	3Q FY2013 ²	Increase/ (Decrease) %
	(JPY'000)	(JPY'000)	
Gross revenue	992,523	959,366	3.5
Property operating expenses ³	(313,839)	(314,292)	(0.1)
Net property income	678,684	645,074	5.2
Asset management fees	(27,647)	(4,539)	>100.0
Interest expenses ⁴	(113,656)	(109,606)	3.7
Guarantor fee to asset manager	(8,095)	(7,218)	12.2
Other administrative expenses	(32,881)	(49,653)	(33.8)
Net income from property operations	496,405	474,058	4.7
Interest income	568	807	(29.6)
Other income	213,575	-	NM ⁵
Other operating expenses ⁶	(312,748)	(346,901)	(9.8)
Adjustment ⁷	20,147	16,399	22.9
Net income from operations	417,947	144,363	>100.0

Notes:

1. There were 137 properties at the start of 4Q FY2013 and 139 properties at the end of 4Q FY2013.
2. There were 136 properties at the start of the preceding third quarter ended 31 March 2013 ("3Q FY2013") and 137 properties at the end of 3Q FY2013.

3. Property operating expenses comprised the following:

	4Q FY2013	3Q FY2013	Increase /
	(JPY'000)	(JPY'000)	(Decrease) %
Property tax	72,150	64,122	12.5
Property manager's fees	38,500	37,859	1.7
Operation and maintenance expenses	46,628	49,127	(5.1)
Repairs and renovations	60,842	51,635	17.8
Leasing and marketing expenses	33,685	39,048	(13.7)
Utilities charges	39,835	47,224	(15.6)
Insurance expenses	10,928	14,369	(23.9)
Write back of impairment on trade receivables	781	472	65.5
Trade receivables written-off	209	174	20.1
Consumption tax arising from operations	10,281	10,262	0.2

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 increased by 3.5% and 5.2% respectively in 4Q FY2013, due mainly to the acquisitions of 4 properties since February 2013. Property operating expenses decreased marginally by 0.1%. Net income from property operations increased by 4.7% in 4Q FY2013.

Average occupancy rates in 4Q FY2013 was 92.1% as compared to 92.2% in 3Q FY2013, while overall rental reversion of new contracts entered into in 4Q FY2013 was marginally lower by about 0.4% (3Q FY2013: lower by about 0.3%) from previous contracted rates. The negative rental reversion in 4Q FY2013 was mainly attributable to new contracts on 2 commercial units as the previous rents on these units had been entered into years ago in 2000 and 2009. Excluding these 2 commercial units, the overall reversion in 4Q FY2013 would have been positive 0.1%.

Asset management fees (which are computed as 3% of the property business profits prepared under Japanese GAAP) increased from JPY 4.5 million in 3Q FY2013 to JPY 27.6 million in 4Q FY2013, due mainly to:

- (a) provisions of asset management fees of JPY 15.9 million in connection with the fair value gain in investment properties (as any gains on the disposal of properties could increase property business profits); and
- (b) adjustments for under-accruals in 3Q FY2013.

The increase in guarantor fees of 12.2% in 4Q FY2013 was mainly due to an increase in borrowings following the refinancing of loans in 3Q FY2013.

The decrease in other administrative expenses of 33.8% was mainly due to legal and professional fees which were incurred in 3Q FY2013 in connection with the refinancing of loans.

Group-level operations

Net income from operations increased from JPY 144.4 million in 3Q FY2013 to JPY 417.9 million in 4Q FY2013.

Other income of JPY 213.6 million in 4Q FY2013 comprised mainly to 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 following the appreciation of the S\$ against the JPY.

The decrease in other operating expenses from JPY 346.9 million in 3Q FY2013 to JPY 312.7 million in 4Q FY2013 was mainly due to the non-recurrence of one-off refinancing-related costs, comprising primarily loan commission written-off (being non-cash in nature) of JPY 148.0 million and swap breakage costs of JPY 135.3 million, which were incurred in 3Q FY2013. This was partially offset by the recognition of foreign exchange loss of JPY 216.0 million in 4Q FY2013, due mainly to the one-off reclassification of unrealised foreign exchange gains from on the translation of S\$-denominated bank balances to "Other income". Comparatively, a net foreign exchange gain of JPY 30.1 million was recognised in 3Q FY2013.

Other Group-level non-operating items

Unrealised fair value gains on interest rate swap of JPY 146.5 million in 4Q FY2013 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.

A fair value gain on forward contract of JPY 2.5 million was recognised in 4Q FY2013. 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.

A net fair value gain on investment properties of JPY 584.7 million was recognised in 4Q FY2013. Excluding the 7 properties acquired in FY2013, the fair value of Saizen REIT's other 132 properties increased by approximately 2.2%. 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 FY2013.

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/year reported on were in line with its commentary under the section "Outlook and prospects" in the previous quarter's results announcement.

10. **Outlook and prospects**

In July 2013, Japanese Prime Minister Shinzo Abe's coalition won a majority in an election to parliament's upper house, thereby giving him the mandate to continue with his aggressive economic program and reform policies.

Prime Minister Abe's "third arrow" of promoting growth via structural reforms (the first two "arrows" being an expansionary monetary policy and a fiscal stimulus package) left many disappointed when it was unveiled in early June 2013. The temporary negative market reaction to this gave the asset prices an opportunity to undergo a correction, which may be necessary for a more sustainable, longer term reflation of the economy.

Although the "third arrow" failed to impress the markets, the effects of the first two "arrows" are apparent. Exports are expanding and domestic economic activities are picking up on many fronts. The employment rate is at its highest level since 2009, and consumer sentiment is also at its highest since 2006-2007. At the moment, it appears that the tail risk associated with the potential long-term decline of Japan has largely been reduced.

The Management Team remains cautiously optimistic of the overall state of the Japanese economy and residential property market. Now that the initial knee-jerk euphoria over Japan's revival has passed, the Management Team looks forward to seeing more rational, sure-footed and prolonged period of gradual improvement in the Japanese economy. However, any positive effects of Japan's economic policies on rental reflation, if they do materialise at all, will take a relatively longer time to filter through. Meanwhile, the leasing environment in cities such as Tokyo, Sendai and Fukuoka continues to be robust.

Hedging of foreign exchange exposure

Saizen REIT receives distributions from its TK operators, whose cash flows are denominated in JPY. As Saizen REIT pays out distributions in S\$, Unitholders are exposed to fluctuations in the cross currency rates of JPY and S\$ when they receive their distributions. While Saizen REIT may enter into hedging transactions to minimise the exposure to fluctuations in the JPYS\$ cross rates that Unitholders may face in respect of their impending distributions, a weak JPY will continue to weigh on S\$-denominated distributions.

Saizen REIT has hedged the distribution payment for the six-month financial period ended 30 June 2013 at an average rate of JPY75.12/S\$. The subsequent distribution for the six-month financial period ending 31 December 2013, which is expected to be paid in March 2014, has been hedged at an average rate of JPY81.15/S\$.

While Saizen REIT may enter into hedging transactions for its distributable income, the foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged. A weakening of the JPY against the S\$ will have a negative impact on the net asset value of Saizen REIT in S\$-terms.

Investment and capital structure

Currently, Saizen REIT has 3 unencumbered properties which are valued at an aggregate of approximately JPY 2.0 billion (S\$25.5 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.

While the property market may have shown signs of improved sentiment and increased investment activity since the beginning of the year, the Management Team will continue to monitor the property and credit markets closely, and be mindful of the need to be prudent in investment and financing decisions.

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.

Saizen REIT's distributable income from operations is affected by cash deployed for loan principal amortisation payments, which currently amount to approximately JPY 632.8 million annually. It is Saizen REIT's intention to utilise, when possible, undeployed capital cash resources to offset loan principal amortisation, thereby effectively making available cash from operations for distributions. Please refer to section 1(a) for more information.

As Saizen REIT's distributable income from operations is generated in JPY, its S\$-denominated distributions are also dependent on the JPY-S\$ cross rates.

Unit consolidation

The Manager has proposed a unit consolidation involving the consolidation of every five existing Units in Saizen REIT held by Unitholders into one Unit, subject to regulatory and Unitholder approvals. Please refer to Saizen REIT's announcement entitled "Proposed Unit Consolidation" on 22 August 2013 for further information.

11. Distributions

11(a) Current financial period

Any distributions declared for the current financial period?	Yes
Distribution name	Distribution for the six-month financial period ended 30 June 2013
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

	<p>agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in respect of such income for FY2013.</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 FY2013.</p>
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11(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 six-month financial period ended 30 June 2012
Distribution type	Tax-exempt income
Distribution rate	0.63 cents per Unit
Tax rate	<p>(a) Tax-exempt income distribution</p> <p>Tax-exempt income includes rental and other related income derived from Japanese real estate properties received in Singapore by Saizen REIT in the form of profit allocation (TK distributions) from Japan under a TK agreement. Such income received from Japan will be exempt from tax for Saizen REIT.</p> <p>Tax-exempt income distributed by Saizen REIT will not be subject to any further Singapore tax in the hands of all Unitholders.</p> <p>(b) Other income distribution</p> <p>Other income derived by Saizen REIT (including interest earned from fixed deposits) will be taxable in Singapore at the corporate tax rate. There is no distribution in 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>

11(c) Date payable

24 September 2013

11(d) Books closure date

2 September 2013, 5.00 p.m.

12. 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.

13. 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.

14. A breakdown of sales as follows:-

	Group		
	FY2013 (JPY'000)	FY2012 (JPY'000)	Increase/ (Decrease) %
(a) Gross revenue reported for first half year	1,871,757	1,698,424	10.2
(b) Total return before deducting non-controlling interest reported for first half year	728,425	807,275	(9.8)
(c) Gross revenue reported for second half year	1,951,889	1,786,194	9.3
(d) Total return before deducting non-controlling interest reported for second half year	944,354	453,654	>100.0

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

	Group	
	FY2013 (JPY'000)	FY2012 (JPY'000)
1 July 2011 to 31 December 2011 (paid) ¹		479,383
1 January 2012 to 30 June 2012 (paid) ²		569,651
1 July 2012 to 31 December 2012 (paid) ³	703,802	
1 January 2013 to 30 June 2013 (to be paid) ⁴	671,105	
	1,374,907	1,049,034

Notes:

1. Based on 1,270,258,408 Units in issue as at 20 February 2012, being the books closure date for the distribution for six-month period ended 31 December 2011.
2. Based on 1,424,383,795 Units in issue as at 31 August 2012, being the books closure date for the distribution for six-month period ended 30 June 2012.
3. Based on 1,418,763,795 Units in issue as at 20 February 2013, being the books closure date for the distribution for six-month period ended 31 December 2012.
4. Based on 1,418,058,795 Units in issue as at the date of this announcement.

16. Interested person transactions

Guarantor fees amounting to an aggregate of JPY 29.3 million (S\$0.4 million) were paid to the Asset Manager in FY2013.

Acquisition fees paid to the Manager for the purchase of 7 properties amounted to JPY 40.4 million (S\$0.5 million) in FY2013.

Divestment fees paid to the Manager for the sale of 2 properties amounted to JPY0.4 million (S\$0.005 million) in FY2013.

Property management and maintenance fees payable/paid to a related company of the Asset Manager amounted to an aggregate of JPY 26.3 million (S\$0.3 million) in FY2013.

Fees paid to the Asset Manager for the rental of office premises amounted to JPY 0.8 million (S\$0.01 million) in FY2013.

17. General mandate for interested person transactions

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

18. 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 2013