



Annual Report 2014

looking beyond the

HORIZON





NET PROPERTY INCOME

¥2.73B
(S\$33.96M)



GROSS REVENUE

¥3.95B
(S\$49.25M)

NET ASSET VALUE PER UNIT

¥99.26
(S\$1.22)



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CORPORATE PROFILE

A unique investment opportunity to gain access to the residential property market in Japan.

Listed on the Singapore Exchange Securities Trading Limited on 9 November 2007, Saizen Real Estate Investment Trust ("**Saizen REIT**") is the first REIT listed in Singapore to offer exclusive access to Japanese residential real estate. Its investment objective 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.

As at 19 September 2014, being the latest practicable date for printing of this report ("**LPD**"), Saizen REIT's portfolio consisted of 137 residential properties located over 14 cities in Japan. The properties are generally located in close proximity to business districts and transportation hubs and/or

in residential neighbourhoods, targeting mass market tenants such as small families, working couples without children, working singles and students. This is consistent with the expected continuing strong demand for rental housing across Japan, as the home ownership rate in Japan is relatively low at around 61.1%⁽¹⁾. With 5,565 residential and commercial units, Saizen REIT's portfolio is well diversified, ensuring stable cashflow with low default rate.

Saizen REIT has a corporate family rating of Ba3 from Moody's Investors Service, Inc.

As at the LPD, Saizen REIT had 283,611,720 issued units.



Note:

1. Based on the 2008 Housing and Land Survey from the Ministry of Internal Affairs and Communications, Japan.

CORPORATE STRUCTURE

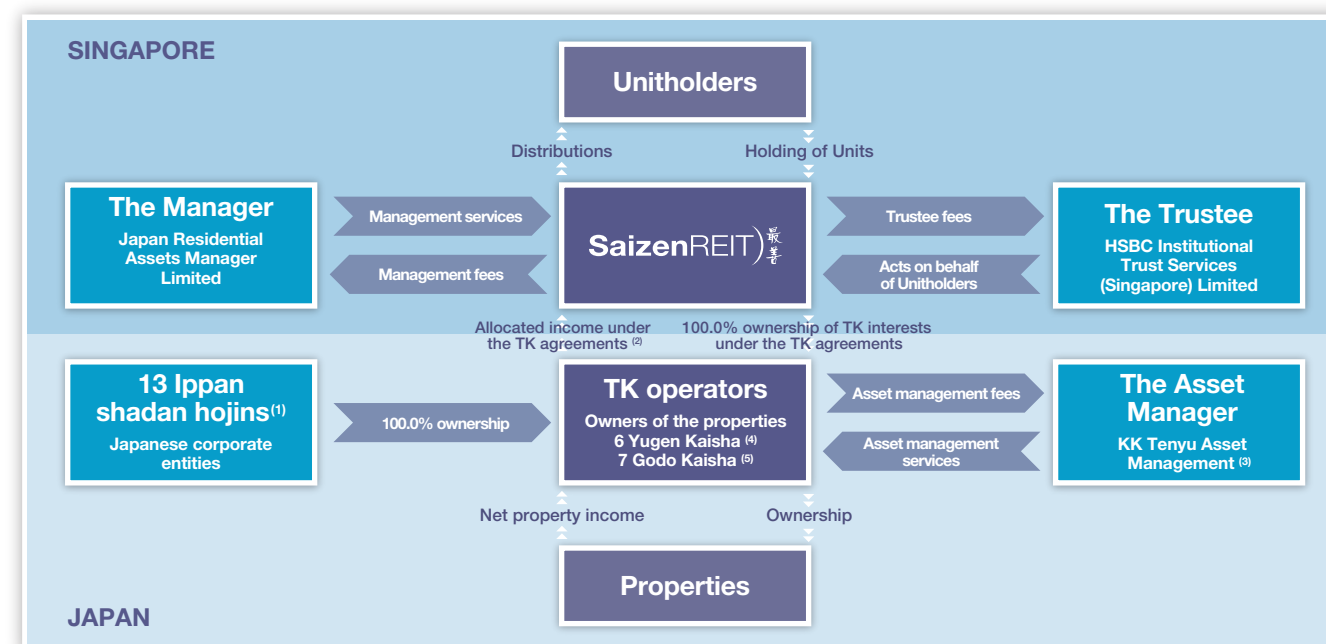
Saizen REIT invests in properties by entering into Japanese tokumei kumiai arrangements ("**TK arrangements**") as a tokumei kumiai investor ("**TK investor**") with Japanese limited liability companies known as tokumei kumiai operators ("**TK operators**"). Such TK arrangements are a common method of investing and holding real estate in Japan. The relationship between the TK operators and the TK investors is governed by tokumei kumiai agreements ("**TK agreements**"), whereby the TK investor provide funds to the TK operators in return for income derived from the investments in real estate held by the TK operators. The TK investor can enter into TK arrangements with TK operators either through the acquisition from existing TK investors of all rights and obligations ("**TK interests**") under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

The following diagram illustrates the relationship between Saizen REIT, Japan Residential Assets Manager Limited (the "**Manager**"), HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Saizen REIT (the "**Trustee**"), the TK operators, the ippan shadan hojins⁽¹⁾, KK Tenyu Asset Management, the asset manager of Saizen REIT (the "**Asset**

Manager") and the holders of units of Saizen REIT ("**Units**", and the holders of Units, the "**Unitholders**").

The title deed to each property is registered under the name of the applicable TK operator, as the legal owner of the property. It should be noted that the title deed of each property is registered under the name of the applicable TK operator and not directly under the name of the Trustee due to the nature of the TK arrangements. As such, the Trustee is not the legal owner of the properties held by the TK operators of Saizen REIT and has no direct control over the properties or how they are managed. Should a TK operator become insolvent, the Trustee's right to distribution under the TK agreement would be treated as a bankruptcy claim, and would rank junior to all debt obligations owed by the TK operator.

Given that only the TK operators have rights against and obligations to third parties as the legal owner of the properties, third parties will have no recourse against Saizen REIT, as the TK investor under the TK arrangements, and the liability of Saizen REIT is thus limited to the amount of the investment which Saizen REIT has made under the respective TK agreements.



Notes:

1. Ippan shadan hojins are bankruptcy remote entities established solely to act as the holding company of the TK operators, and have no potential income, loss or net worth.
2. Under the terms of the existing TK agreements, Saizen REIT is entitled to 97.0% of the profits generated and is required to bear 97.0% of the losses incurred by the TK operators.
3. Certain daily operations of managing the properties are delegated to third party property managers appointed by the Asset Manager.
4. A Yugen Kaisha ("**YK**") is a Japanese company established under Japanese law before May 2006. Its corporate structure is similar to that of a private limited company, with directors managing the company on behalf of the shareholders who own the company.
5. A Godo Kaisha ("**GK**") is a Japanese company established under Japanese law from May 2006. Its corporate structure is similar to that of a limited liability company, with the members of the GK both owning and managing the GK.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Introduction

After the acquisitions made during the financial years ended 30 June 2012 and 30 June 2013, we have since focused on our financial leverage and structure. To this end, we have obtained two new loans, extended another loan and performed a thorough strategic review of our operations in order to enhance our Unitholder value and further strengthen our position going forward.

This year we have prioritised our objectives and practices to prepare for what we expect to be a period of strong growth in the Japanese property market ahead. We are now well positioned to benefit from the burgeoning interest in Japan's economy and property market from both domestic and overseas investors.

The Japanese Economy

Japan is undergoing an exciting transformation. Much has been written about the three-pronged approach of "Abenomics" (referring to the broad economic reforms implemented by Japan's Prime Minister, Shinzo Abe). What is clear is that the initial two prongs have been released by PM Abe; a large economic stimulus package combined with the execution of substantial monetary easing policies. The third prong, that of the promised far-reaching structural reforms to the economy, is currently underway.

Whilst the consequences of these dramatic assaults on Japan's previously stagnating economy are yet to be fully realised, positive indicators are beginning to surface within the property market.

The Property Market and Growing Media Attention

Led by Tokyo where it has been estimated that JREITs accounted for approximately half of the total transaction volume this year, there are signs the market for Japan's properties is heating up. In March 2014, data on assessed land values emerged showing that commercial and land values in Tokyo, Osaka and Nagoya had risen for the first time in six years, while Tokyo property prices are expected to increase due to the hosting of the Tokyo 2020 Olympics.

Moreover, in the past year, overseas media and investors are increasingly taking notice of the Japanese economy and the Japanese real estate market. In August 2014, *The Economist* magazine published a table labelling Japan as home to the most undervalued property relative to both rent and disposable income out of the 23 countries they monitor, and a recent report on residential properties in Tokyo released by *Savills* noted increased average rental rates for mid-market properties and forecasted greater future demand for residential buildings as a consequence of the Tokyo 2020 Olympics.

Our Advantage

However there is still some reluctance amongst overseas investors to invest in Japanese property, a large part of which appears to be attributable to lack of knowledge about the market and inability to access reliable information and expertise. We are able to leverage upon our substantial experience and knowledge of the Japanese residential property market to enjoy the stable mid-market residential rates available.



Our Operations

Our portfolio remained relatively stable, acquiring no new buildings and disposing of a small property located in Fukuoka and another in Sendai. Instead, we shifted our focus towards Saizen REIT's financing needs to facilitate future acquisitions. We are pleased to have obtained loans from Hiroshimashi Credit Cooperative and The Kitakyushu Bank, Ltd for 30 years and 22 years respectively. Furthermore, we extended the maturity date of our largest loan from 2018 to 2023. Pursuant to these changes to our debt profile, not only have we diversified our sources of financing by establishing a new business relationship with The Kitakyushu Bank, Ltd, but we have also ensured there are no pressing refinancing requirements for the coming years as the earliest maturity date of any of our loans is now 2020.

Our Strategic Review

In order to guide the future strategic direction of Saizen REIT and conduct a full review of our existing practices and programmes, we appointed an independent adviser to review and report on our operations and provide us with recommendations. Pursuant to this review, the Board has decided that we will, as a matter of priority, focus on Saizen REIT's capital structure and in particular on cash management and levels of leverage going forward.

Thanks

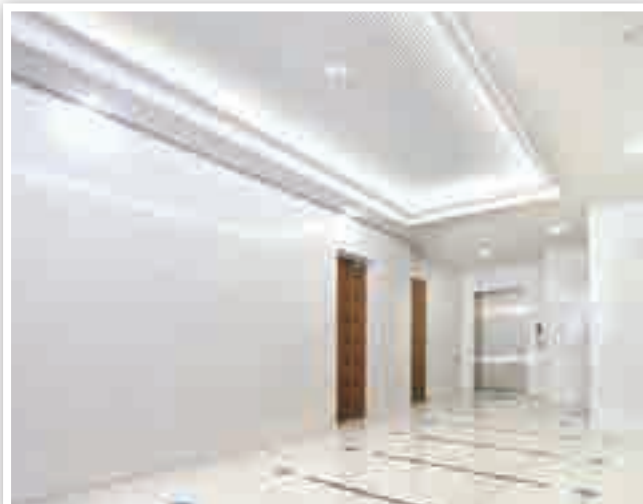
During the year, we have forged many new business relationships whilst at the same time strengthening our existing partnerships, both in the banking and real estate sector. On behalf of the Board of Directors of Japan Residential Assets Manager Limited (JRAM), I would like to extend our warm thanks to our colleagues at JRAM and KK Tenyu Asset Management for another successful and busy year. I would also like to thank our partners in Japan for their hard work and assistance, and we look forward to another year of continued cooperation and mutual development.

Arnold Ip Tin Chee
Chairman



CEO'S STATEMENT

CEO'S STATEMENT



Foreword

We are pleased to present to you the report of Saizen REIT for FY2014.

In JPY terms, Saizen REIT's revenue and net property income increased by 3.4% and 2.6% respectively in FY2014 as compared to FY2013. These increases are due mainly to full-year revenue and income contributions from the properties acquired during the course of FY2013. Meanwhile, net income from operations increased at a higher rate by 15.8% over the same period due mainly to non-recurrence of one-off refinancing costs incurred in FY2013. Property operations had remained stable during FY2014 and the overall residential property market continued to show improvement, as reflected in the increase in valuations of Saizen REIT's properties over the past year.

During FY2014 and in the past few months, Saizen REIT had also improved on its debt profile where Saizen REIT's nearest loan maturity commitment is extended to March 2020. Two loans were drawn down in July and August 2014 respectively at favourable terms such as in terms of loan-to-value ratios and interest rates.

While Saizen REIT's net property income and net asset value in JPY terms increased in FY2014, the weak JPY relative to S\$ had weighed on them. As a result of the depreciation, net asset value decreased instead from S\$1.24 as at 30 June 2013 to S\$1.22 as at 30 June 2014. In terms of distribution,

Saizen REIT has declared an aggregate full-year distribution of 6.35 Singapore cents per Unit for FY2014 compared with 6.45 Singapore cents for FY2013.

Saizen REIT's corporate family rating by Moody's remains Ba3 with a stable outlook.

The Property Portfolio

As at 30 June 2014, the portfolio of Saizen REIT consisted of 138 residential properties located in 14 Japanese cities. Basic details of the portfolio are summarised below:

Residential (units)		5,505
Commercial and retail (units)		95
Car parking spaces		1,796
Total lettable floor area (square metre)		207,430
Portfolio value ⁽¹⁾	(JPY million)	42,056.2
	(S\$ million)	517.3 ⁽²⁾
Value per square metre of lettable floor area	(S\$)	2,494
Value per square foot of lettable floor area	(S\$)	232
Portfolio annual rental revenue ⁽³⁾	(JPY million)	3,739.8
	(S\$ million)	46.6 ⁽⁴⁾
Portfolio gross income return ⁽⁵⁾		8.9%

Notes:

1. Based on independent valuations performed as at 30 June 2014
2. Computed based on an exchange rate of JPY81.3/S\$ as at 30 June 2014, which is used throughout this report unless stated otherwise.
3. The annual rental income represents the annualised rental income of each property in June 2014. Rental income comprises base rental income, common area management fees and car parking rental income only.
4. Computed based on an average exchange rate of JPY80.3/S\$ between 1 July 2013 and 30 June 2014.
5. Computed based on portfolio annual rental revenue divided by portfolio value

Real Estate Market Overview

The overall real estate market in Japan had continued to improve in the past year and this was reflected in the net fair value gain of JPY 838.4 million recorded by Saizen REIT's properties in FY2014. Compression of capitalisation rates for Saizen REIT's properties continued to be observed in many cities and increase in property valuation had been more pronounced in cities such as Fukuoka, Hiroshima, Sapporo and Tokyo. The simple average capitalisation rate for Saizen REIT's property portfolio decreased from 6.7% in FY2013 to 6.5% in FY2014.

With the trend of positive residential rental reversion starting to manifest in the 23-ward area of Tokyo and certain regional city centres, the Management Team remains optimistic that general rental deflation will gradually filter through to Saizen REIT's portfolio.

Operations Overview

Property operations in the past year have remained stable. A marginal decrease in occupancy rates, from 91.9% in FY2013 to 91.0% in FY2014 was observed, in part a reflection of our portfolio re-balancing efforts. Individual properties continued to exhibit a stable average tenant turnover rate of 19% in FY2014 (FY2013: 19%), showing that tenants in Saizen REIT's properties typically stay for periods of over five years.

It has also become increasingly evident that rental reversions for contracts previously entered into from 2009 onwards have improved, with more rent increases seen. Meanwhile,

downward rental reversions were mainly recorded for expired contracts previously entered into prior to 2009 as the rent of such contracts had not been changed to prevailing market rates during their multiple contract renewals over the years.

During FY2014 and up to the LPD, Saizen REIT had disposed of 2 properties in Saizen REIT's portfolio, at premiums of 19.0% and 12.8% over their valuations as part of its portfolio rebalancing.

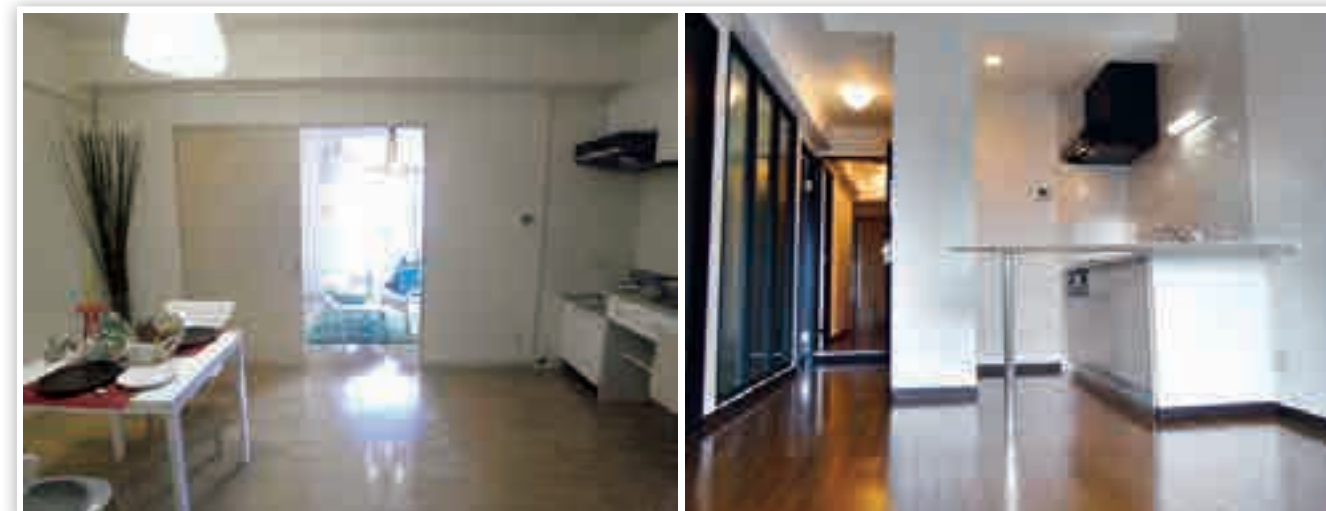
Financial Review

Property acquisitions contributed primarily to the growth in revenue and net property income of 3.4% and 2.6% respectively in FY2014 as compared to FY2013 due mainly to full-year revenue and income contributions from the properties acquired during the course of FY2013.

Net income from operations increased at a higher rate by 15.8% over the same period due mainly to non-recurrence of one-financing costs incurred in FY2013.

Financing

Saizen REIT did not conduct any refinancing exercise during FY2014. Its debt profile had however strengthened as Saizen REIT successfully extended the maturity of the loan with the Tokyo Star Bank Ltd ("Tokyo Star Bank") by a further 5 years. With such extension, Saizen REIT's nearest loan maturity commitment is in March 2020 for a loan which outstanding amount is JPY1.77 billion as at the date hereof.



CEO'S STATEMENT

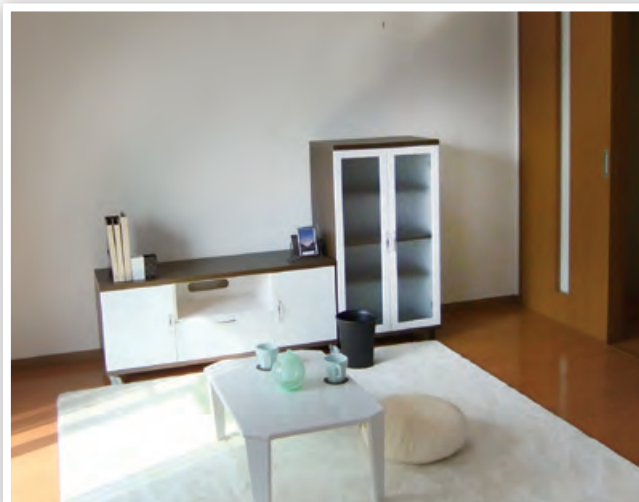
CEO'S STATEMENT

GK Choan, one of the TK operators of Saizen REIT managed to secure the release of 6 collateral properties, valued at approximately JPY2.5 billion, under its loan from Mizuho Bank Ltd. Four of such properties were pledged to the Tokyo Star Bank to facilitate the extension described above.

Subsequent to FY2014 in July and August 2014, Saizen REIT successfully secured a new banking relationship with The Kitakyushu Bank, Ltd and further obtained a loan from Hiroshimashi Credit Cooperative, an existing lender. Both these loans provide loan-to-value levels of more than 50% and they carry interest rates of 1.462% per annum and 2.25% per annum respectively.

This development signals the continued improvement in the financing market and Saizen REIT's credit standing in particular, and augurs well with the strategy of optimising Saizen REIT's leverage when favourable and safe loans are available.

The loan schedule of Saizen REIT as at LPD is summarised in the section "Financial Review" of this annual report.



Foreign exchange exposure

To minimise the exposure to fluctuations in the JPY-S\$ cross rates that Unitholders may face in respect of their impending distributions, FX forward contracts and zero-cost collar options were used to hedge Saizen REIT's distributions in FY2014. The distribution for the six-month financial period ending 31 December 2014, which is expected to be paid in March 2015, has been hedged at an average rate of JPY81.9/S\$.

Consistent with existing policy, the foreign exchange exposure on Saizen REIT's assets, liabilities and equity capital (which are principally denominated in JPY) will not be hedged.

Outlook for Financial Year Ending 30 June 2015

While indicators of Japan's macro-economic condition remain mixed, the Management Team remains cautiously positive on the overall state of the Japanese economy and residential property market. Financing conditions have continued to improve in the past year while signs of rental deflation have manifested over time.

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.



Unit buy-back

Unitholders' approval for the renewal of the Unit buy-back mandate will also be sought at Saizen REIT's annual general meeting on 21 October 2014. Such a mandate, which has been in effect since August 2012, will provide the Manager with a flexible and cost effective tool for capital management.

Distribution

The Board of Directors has declared a total distribution of 6.35 Singapore cents per Unit for the financial year ended 30 June 2014, representing a marginal decrease of 1.6% over the previous year, affected by the continued weakness of the JPY versus S\$. While it will be difficult to predict the foreign exchange movements in the coming year, we are hopeful that continued improvements in property operations will offset the potential adverse effects of a weakening JPY.

It is worth noting that the distributable income includes an amount from capital cash resources that will be used to offset loan principal repayment. For FY2014, the use of capital cash resources to offset loan principal repayment contributed to 2.66 Singapore cents per Unit out of the DPU of 6.35

Singapore cents per Unit. 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.

We would like to convey our appreciation to our tenants, business partners, Unitholders, colleagues and Board of Directors for their support during the past year, and we look forward to continue working together to enhance the value of Saizen REIT for all stakeholders.

Linus Koh Kia Meng
Co-Chief Executive Officer
30 September 2014

Chang Sean Pey
Co-Chief Executive Officer
30 September 2014



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Key financial information of Saizen REIT

		FY2014
NAV per Unit:	as at 30 June 2013	JPY 96.90 (S\$1.24 ⁽¹⁾)
	as at 30 June 2014	JPY 99.26 (S\$1.22 ⁽²⁾)
Distribution per Unit:	1 July 2013 to 31 December 2013	3.25 cents
	1 January 2014 to 30 June 2014	3.10 cents
Closing market price per Unit on LPD		S\$0.880
Gearing (aggregate leverage ratio) ⁽³⁾		36.5%
Net gearing ⁽⁴⁾		30.9%
4Q FY2014 interest cover ratio		6.2 times
Deposited property:	as at 1 July 2013	JPY 47.29 billion
	as at 30 June 2014	JPY 47.30 billion
Net cash	as at 30 June 2014	JPY 4.29 billion
Borrowings due within next 12 months	as at 30 June 2014	JPY 1.56 billion
Value of investment properties	as at 30 June 2014	JPY 42.06 billion
Net appreciation in the value of investment properties in FY2014		JPY 0.84 billion

Notes:

1. Saizen REIT completed a unit consolidation exercise on 8 November 2013 (the "Unit Consolidation"). Based on 283,611,720 Units in issue (adjusted for the Unit Consolidation) as at 30 June 2013 and an exchange rate of JPY78.3/S\$ as at 30 June 2013.
2. Based on 283,611,720 Units in issue as at 30 June 2014 and an exchange rate of JPY81.3/S\$ as at 30 June 2014.
3. Gearing is equal to the sum of total borrowings divided by the total value of the assets of Saizen REIT.
4. Net gearing is equal to the sum of net borrowings divided by the total value of investment properties. Net borrowings is equal to total borrowings less net cash (i.e. cash at bank plus deposit with cash management agents less current rental deposits, other current liabilities and current tax liabilities).

Summary of statement of total return for FY2014

	FY2014 (JPY'000)
Gross Revenue	3,954,382
Net property income	2,726,893
Net income from operations	1,740,242
Total return for the year after income tax before distribution	2,131,826

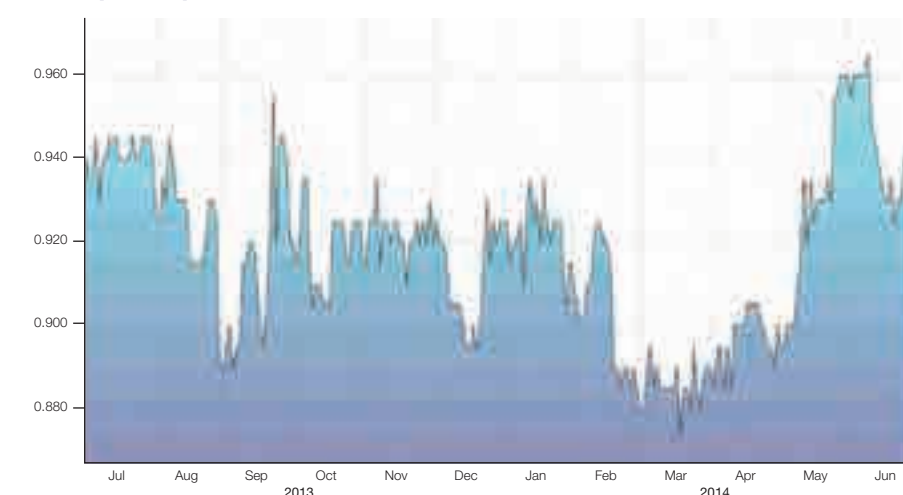
Unit Price Performance

	1 July 2013 to 30 June 2014
Closing price on first day (1 July 2013)	S\$0.925 (adjusted for the Unit Consolidation)
Closing price on last day (1 July 2014)	S\$0.940
Highest price (per Unit) ⁽¹⁾	S\$0.965
Lowest price (per Unit) ⁽¹⁾	S\$0.875
Volume weighted average price per Unit ⁽¹⁾	S\$0.922
Trading volume (million Units)	40.332

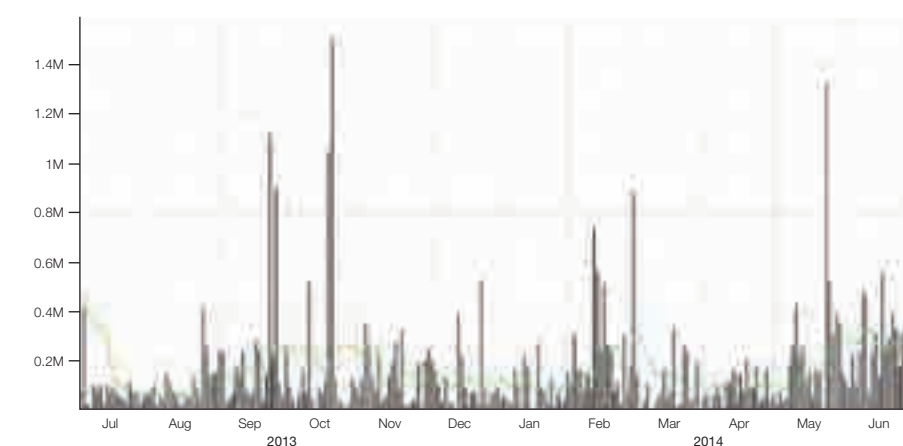
Note:

1. Based on daily closing prices.

Unit price performance



Unit daily trading volume



FINANCIAL REVIEW

FINANCIAL REVIEW

Review of performance

Group level

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,954,382	3,823,646	3.4
Net income from operations	1,740,242	1,502,178	15.8
Total return for the year before income tax	2,393,814	1,937,390	23.6
Total return for the year after income tax	2,131,826	1,672,779	27.4

Total return for the year before income tax was JPY 2,393.8 million in FY2014 as compared to JPY 1,937.4 million in FY2013. Revenue increased by 3.4% in FY2014 as compared to FY2013, due mainly to the acquisitions of 7 properties over the course of FY2013. This was partially offset by the divestment of 1 property in FY2014. Net income from operations increased by 15.8% on the back of a higher net income from property operations and the non-recurrence of one-off refinancing-related costs incurred in FY2013.

The average occupancy rate in FY2014 was 91.0% as compared to 91.9% in FY2013, while the overall rental reversion of new contracts entered into in FY2014 was marginally lower by about 0.5% (FY2013: lower by about 0.5%) from previous contracted rates. The average turnover rate remained stable at 19% in FY2014.

Downward rental reversions were mainly recorded for expired contracts previously entered into prior to 2008 as the rent of such contracts had not been changed to prevailing market rates during their multiple contract renewals over the years. Meanwhile, reversions which involved expired contracts previously entered into from 2011 onwards were mostly transacted at the same or higher rents.

Property level

	FY2014 ⁽¹⁾ (JPY'000)	FY2013 ⁽²⁾ (JPY'000)	Increase/ (Decrease) %
Gross revenue	3,954,382	3,823,646	3.4
Property operating expenses ⁽³⁾	(1,227,489)	(1,166,874)	5.2
Net property income	2,726,893	2,656,772	2.6
Asset management fees	(48,203)	(49,797)	(3.2)
Interest expenses ⁽⁴⁾	(445,652)	(436,949)	2.0
Guarantor fee to asset manager	(31,668)	(29,307)	8.1
Other administrative expenses	(108,361)	(136,789)	(20.8)
Net income from property operations	2,093,009	2,003,930	4.4

Notes:

1. There were 139 properties at the start of FY2014 and 138 properties at the end of FY2014.
2. There were 134 properties at the start of FY2013 and 139 properties at the end of FY2013.
3. Property operating expenses comprised the following:

	FY2014 (JPY'000)	FY2013 (JPY'000)	Increase/ (Decrease) %
Property tax	285,129	264,001	8.0
Property manager's fees	155,929	150,596	3.5
Operation and maintenance expenses	186,649	182,481	2.3
Repairs and renovations	217,655	199,279	9.2
Leasing and marketing expenses	120,744	121,074	(0.3)
Utilities charges	172,753	163,466	5.7
Insurance expenses	44,309	46,662	(5.0)
Write back of impairment on trade receivables	(311)	(1,549)	(79.9)
Trade receivables written-off	978	3,314	(70.5)
Consumption tax arising from operation	43,654	37,550	16.3

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

Gross revenue and net property income increased by 3.4% and 2.6% respectively in FY2014, due mainly to the acquisitions of 7 properties over the course of FY2013. This was partially offset by the divestment of 1 property in FY2014.

Property operating expenses increased by 5.2%. Higher repairs and renovations expenses, which increased by 9.2%, were incurred to enhance the competitiveness of Saizen REIT's properties. The higher repair and renovation expenses also included approximately JPY 4.4 million in water leakage repair works which were covered by insurance. The increase in consumption tax arising from operations was mainly due to the increase in consumption tax rate from 5% to 8% from April 2014.

The increase in guarantor fees for loans of 8.1% was mainly due to an increase in borrowings following the refinancing of loans in FY2013.

Other administrative expenses decreased by 20.8%, due mainly to the non-recurrence of legal and professional fees which were incurred in connection with the refinancing of loans in FY2013.

Exposure to derivatives

The net fair value loss on financial derivatives recognised in the Statement of Total Return of the Group for FY2014 comprised the aggregate of the following:

- (i) realised loss (payment) on interest rate swap;
- (ii) unrealised fair value loss on interest rate swap; and
- (iii) fair value gain on forward contract and/or zero cost collar.

FINANCIAL
REVIEW

FINANCIAL REVIEW

Interest rate swaps

Interest rate swaps have been entered into in respect of 3 variable rate loans to hedge against fluctuations in interest rates.

	As at 30 June 2014	As at 30 June 2013
Group net assets attributable to Unitholders (JPY'000)	28,151,410	27,482,536
Fair value of interest rate swap (non-current liabilities) (JPY'000)	377,343	245,771
Percentage of fair value of interest rate swap to Group net asset value	1.34%	0.89%
Percentage of notional amount of interest rate swap to total Group borrowings	77.3%	76.7%

Interest rate swaps are classified as derivative financial instruments on the Group's balance sheet. Under FRS 39, an interest rate swap is recognised at fair value at balance sheet date and any gain or loss arising from a change in its fair value is recognised as an unrealised fair value gain or loss on interest rate swap in the Statement of Total Return of the Group. The recognition of unrealised gain or loss on interest rate swap does not affect the amount available for distribution and does not have any impact on cash flow.

Unrealised fair value loss on interest rate swap of JPY 131.6 million in FY2014 arose in connection with the interest rate swap arrangements.

The settlement of the differences between the variable and fixed interest rates under the swap arrangements was recognised as a realised loss (payment) on interest rate swap during the financial year. Such realised loss (payment) on interest rate swap is included in the computation of the cost of borrowing of the Group.

Further details on each interest swap arrangement are provided below.

GK Choan

GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan from Mizuho Bank Ltd (the "GK Choan Loan"). The GK Choan Loan is subject to a variable interest rate of 1% per annum plus 3-month JPY Tokyo Interbank Offered Rate ("TIBOR"). In order to fix the interest rate of the GK Choan Loan throughout its term of up to March 2022, GK Choan has entered into an interest rate swap arrangement whereby GK Choan agreed to pay its counterparty payments of 2.91% per annum, in exchange for a variable interest rate of 1% per annum plus 3-month JPY TIBOR. The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 2.91% per annum.

GK Tosei

GK Tosei uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan from Mizuho Bank Ltd (the "GK Tosei Loan"). The GK Tosei Loan is subject to a variable interest rate of 1.125% per annum plus 3-month JPY TIBOR. In order to fix the interest rate of the GK Tosei Loan throughout its term of up to June 2022, GK Tosei has entered into an interest rate swap arrangement whereby GK Tosei agreed to pay its counterparty payments of 2.81% per annum, in exchange for a variable interest rate of 1.125% per annum plus 3-month JPY TIBOR. The interest rate swap arrangement enables GK Tosei to fix the effective interest rate on the GK Tosei Loan at 2.81% per annum.

GK Chosei, YK JOF, YK Keizan, YK Kokkei, YK Shingen and YK Shintoku

GK Chosei, YK JOF, YK Keizan, YK Kokkei, YK Shingen and YK Shintoku use interest rate swaps to hedge against fluctuations in interest rates in respect of their loan from the Tokyo Star Bank Ltd (the "TSB Loan"). The TSB Loan is subject to a variable interest rate of 2% plus 3-month JPY BBA (British Bankers' Association) LIBOR (London Interbank Offered Rate). In order to fix the interest rate of the TSB Loan up to February 2018, the TK operators have entered into an interest rate swap arrangement whereby they agreed to pay their counterparty payments of 2.42% per annum, in exchange for a variable interest rate of 2% per annum plus 3-month JPY BBA LIBOR. The interest rate swap arrangement enables the 6 TK operators to fix the effective interest rate on the TSB Loan at 2.42% per annum up to February 2018. Thereafter, for the remaining loan tenure up to maturity in February 2023, the TSB Loan will be subject to the variable rate stated above.

Forward contracts and zero cost collar

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. Saizen REIT may enter into hedging transactions to minimise the exposure to fluctuations in the JPY-S\$ cross rates that Unitholders may face in respect of their impending distributions.

Saizen REIT had entered into forward contracts and a zero-cost collar to hedge the JPY-S\$ cross rate in respect of its distribution payments to Unitholders.

Forward contracts

	As at 30 June 2014
Group net assets attributable to Unitholders (JPY'000)	28,151,410
Fair value of forward contract (current liabilities) (JPY'000)	7,565
Percentage of fair value of forward contract (current liabilities) to Group net asset value	0.03%

Saizen REIT's position on forward contract as at 30 June 2014 comprised a forward contract used to hedge the distribution payment for the six-month financial period ending 31 December 2014 (the "1H FY2015 Distribution"). The 1H FY2015 Distribution has been hedged at an average rate of JPY81.9/S\$ and is expected to be paid in March 2015.

Forward contracts are classified as derivative financial instruments on the Group's balance sheet. The Group's forward contracts are recognised at fair value at balance sheet date and any gain or loss arising from changes in fair value is recognised as fair value gain or loss on forward contract in the Statements of Total Return. The recognition of fair value gain or loss on forward contract does not affect the amount available for distribution and does not have any impact on cash flow.

Zero cost collar

	As at 30 June 2014
Group net assets attributable to Unitholders (JPY'000)	28,151,410
Fair value of zero cost collar (current assets) (JPY'000)	4,386
Percentage of fair value of forward contract (current assets) to Group net asset value	0.02%
Fair value of zero cost collar (current liabilities) (JPY'000)	160
Percentage of fair value of forward contract (current liabilities) to Group net asset value	0.001%

Saizen REIT had entered into a zero cost collar to hedge for the distribution payment for the six-month financial period ended 30 June 2014 (the "2H FY2014 Distribution"), which was paid in September 2014. This hedge restricts the range of the JPY/S\$ rate to be applied to that distribution to a cap of JPY82.00/S\$ and a floor of JPY76.18/S\$.

If the S\$ appreciates against the JPY to a rate that is at or above JPY82.00/S\$, the 2H FY2014 Distribution will be converted at JPY82.00/S\$. If the S\$ depreciates against the JPY to a rate that is at or below JPY76.18/S\$, the 2H FY2014 Distribution will be converted at JPY76.18/S\$. If the exchange rate is between JPY76.18/S\$ and JPY82.00/S\$ when the 2H FY2014 Distribution is due, the distribution payment will be converted from JPY to S\$ via a spot trade at the prevailing exchange rate.

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Zero cost collars are classified as derivative financial instruments on the Group’s balance sheet. Under FRS 39, 2 fair values of a zero cost collar (each valued based on the maximum strike rate or minimum strike rate) are recognised at balance sheet date. Any gain or loss arising from a change in its fair values is recognised as an unrealised fair value gain or loss on zero cost collar in the Statement of Total Return of the Group. The recognition of unrealised gain or loss on zero cost collar does not affect the amount available for distribution and does not have any impact on cash flow.

Fair value gain on forward contract and/or zero cost collar

The fair value gain on forward contract and/or zero cost collar amounted to JPY 23.0 million in FY2014.

Borrowings

As at the LPD, the Group had 13 outstanding loans which were borrowed through the various TK operators of Saizen REIT. Each loan is secured only by specific properties of the TK operator(s) which obtained the loan. There is no cross-collateralisation between the various loans, and there is also no recourse towards Saizen REIT. The 13 loans have varying amounts of amortisation over their respective tenures.

The following table sets out the loans obtained by the TK operators of Saizen REIT:

TK operator	Value of property pledged (JPY'mil)	Loan amount (JPY'mil)	Lender	Maturity date	Interest rate	Guarantor fee	Annual amortisation (JPY'mil)
YK Shinzan	4,594.0	1,775.0	Bank of Fukuoka, Ltd	26 Mar 2020	2.223%	0.175%	100.0
GK Choan	8,369.8	2,662.5	Mizuho Bank Ltd	25 Mar 2022	2.91% ⁽¹⁾	0.3%	150.0
GK Tosei	1,821.0	644.0	Mizuho Bank Ltd	27 Jun 2022	2.81% ⁽¹⁾	0.3%	28.0
6 TK operators ⁽²⁾	20,412.4	9,890.3	Tokyo Star Bank Ltd	19 Feb 2023	2.42% ⁽³⁾	0.175%	257.4
GK Chogen	647.0	223.7	The Higo Bank, Ltd	25 Mar 2023	1.10% + short-term prime rate ⁽⁴⁾	–	22.2
GK Chogen	445.0	185.0	The Higo Bank, Ltd	25 Dec 2032	1.20% + short-term prime rate ⁽⁴⁾	–	10.0
GK Gyokou	1,147.0	413.7	Kumamoto Dai-ichi Shinkin Bank	10 Feb 2031	1.775% + short-term prime rate ⁽⁵⁾	–	25.2
GK Gyokou	982.0	430.5	Kumamoto Dai-ichi Shinkin Bank	10 Oct 2031	1.625% + short-term prime rate ⁽⁵⁾	–	25.2
GK Gyokou	294.0	127.7	Kumamoto Shinkin Bank	10 Dec 2032	Base rate ⁽⁶⁾	0.3%	7.0
GK Gytatsu	1,384.0	740.0	The Kitakyushu Bank, Ltd	26 Aug 2036	1.462% ⁽⁷⁾	–	33.6
GK Gyosei	141.0	68.2	The Hiroshimashi Credit Cooperative	19 Jul 2041	1.15% + long-term prime rate ⁽⁸⁾	–	2.5
GK Gyosei	277.0	126.4	The Hiroshimashi Credit Cooperative	30 Sep 2041	1.10% + long-term prime rate ⁽⁸⁾	–	4.7
GK Gyosei	672.0	447.5	The Hiroshimashi Credit Cooperative	30 Sep 2044	1.10% + long-term prime rate ⁽⁹⁾	–	15.0
Total	41,186.2	17,734.5					680.8

Notes:

1. The interest rate is fixed via the use of an interest rate swap arrangement.
2. The loan was obtained by GK Chosei, YK JOF, YK Keizan, YK Kokkei, YK Shingen and YK Shintoku. The properties pledged under this loan include 4 properties owned by GK Choan.
3. The interest rate is fixed via the use of an interest rate swap arrangement up to February 2018. Thereafter, for the remaining loan tenure up to maturity in February 2023, the interest rate will be variable at 3-month JPY BBA LIBOR + 2%.
4. The prevailing short-term prime rate applicable to this loan is 1.975%.
5. The prevailing short-term prime rate applicable to this loan is 1.725%.
6. The base rate applicable to this loan is 3.175%.
7. Interest rate will be fixed at 5-year intervals based on Tokyo Swap Reference Rate + 1.2%. The interest rate is fixed at 1.462% per annum for the first 5 years.
8. The prevailing long-term prime rate applicable to this loan is 1.3%.
9. The prevailing long-term prime rate applicable to this loan is 1.15%.

In addition to the above-mentioned loans, borrowings as at the LPD also comprised advances of S\$12 million drawn down from 2 credit facilities of Saizen REIT.

Unencumbered portfolio

TK operator	Property value (JPY'mil)	Number of unencumbered properties
GK Choan	721.0	2

Property valuation

A total of 138 properties held by Saizen REIT were subjected to an annual valuation as at 30 June 2014.

The aggregate value of Saizen REIT’s investment properties increased from JPY 41.2 billion as at 30 June 2013 to JPY 42.1 billion as at 30 June 2014. The increase in the fair value of Saizen REIT’s properties 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, Sapporo and Tokyo. 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 FY2014, increases in renovation expenses for older properties and challenging leasing conditions in Kitakyushu.

The property value and rental income of each of Saizen REIT’s 138 properties is not material in the context of the whole portfolio, and there is no reliance on any single tenant. Only 28 of the 138 properties in the portfolio have valuations that individually amount to more than 1% of the total portfolio value, with no single property accounting for more than 3% of the total portfolio value as at 30 June 2014. No single property accounted for more than 3% of Saizen REIT’s total rental income in June 2014. The properties in Saizen REIT’s portfolio possess similar characteristics in that they comprise predominantly residential units that are rented to mass market tenants. On this basis, we are of the view that analysis of the changes in fair value of each of the 138 properties in the portfolio will not be meaningful.

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Property transactions

Disposal

During FY2014 and up to the LPD, Saizen REIT sold the following properties:

Property sold	TK operator	Date of completion of sale	Sale price (JPY mil)	Valuation (JPY mil)	Premium of sale price over valuation
Saumur Meinohama II	YK Shintoku	29 May 2014	60.0	50.4 ⁽¹⁾	19.0%
Sun Port 6	YK Shintoku	31 July 2014	168.0	149.0	12.8%
Total			228.0	199.4	14.3%

Note:

1. Based on a desktop valuation as at 1 May 2014. Under Appendix 6 of the Code on Collective Investment Schemes, the valuation used for assessing the reasonableness of a property sale price should not be more than 6 months old.

Unit buy-back activity

During FY2014 and up to the LPD, the Manager had not purchased any Units pursuant to the Unit Buy-Back Mandate approved by Unitholders on 30 October 2013.

Utilisation of warrant proceeds

Total warrant proceeds from warrant exercises amounted to S\$42.8 million. Up to the LPD, 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 borrowings and approximately S\$8.5 million had been deployed for offsetting loan principal repayment in connection with distribution payments. Warrant proceeds have been deployed towards uses as approved by Unitholders.

Mr Arnold IP Tin Chee

Chairman

Executive Director

Mr Arnold Ip Tin Chee is the Chairman of the Manager. Mr Ip is concurrently a director of KK Tenyu Asset Management, the Asset Manager. He is involved in the acquisition and disposal functions of the Asset Manager and also oversees the overall property management, leasing and renovation and financing functions.

Mr Ip is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Ip has been investing in Japanese real estate since 2000 and as well as real estate investment management and has experience in the evaluation and management of private equity investments including real estate and related companies. Prior to that, Mr Ip was a director of Yuanta Securities (Hong Kong) Company Limited between 1997 and 2001.

From 1989 to 1997, Mr Ip worked for Standard Chartered Asia Limited, a corporate finance advisory company focusing on the mid-cap segment of the Hong Kong/China market, where his last position there was as a director. During 1984 to 1988, Mr Ip worked for Arthur Andersen & Co in London, specialising in taxation.

Mr Ip is a graduate of Trinity College, Cambridge University and has been qualified as a chartered accountant since 1988. Mr Ip is also the chairman of the Corporate Announcement Committee and a member of the Risk Management Committee.

Mr CHANG Sean Pey

Co-Chief Executive Officer

Executive Director

Mr Chang Sean Pey is the Co-Chief Executive Officer of the Manager. Mr Chang works closely with Mr Linus Koh Kia Meng on the development and review of investment and divestment strategies, and the day-to-day operations of Saizen REIT. He works with the Manager’s executive officers in meeting the strategic, financial, investment, operational and investor relations objectives of Saizen REIT.

Mr Chang is a founding member of the management team of several funds which subsequently formed Saizen REIT. Mr Chang has been managing investments in Japanese real estate since 2000. Prior to this, Mr Chang worked for the corporate finance services division of DBS Group in Singapore between 1996 and 2000, specialising in fund raising activities in the equity capital markets.

Mr Chang holds a Bachelor of Engineering (Hons) degree from the National University of Singapore. Mr Chang is a member of the Corporate Announcement Committee.

Mr Raymond WONG Kin Jeon

Executive Director

Mr Raymond Wong Kin Jeon is a member of the Corporate Announcement Committee. He oversees the investor relations function of Saizen REIT and formulates strategic plans focusing primarily on the creation of value for the Unitholders, and promoting and marketing Saizen REIT to the Unitholders, analysts and prospective investors together with the Board and the Co-Chief Executive Officers.

Mr Wong is the managing director and responsible officer of Cheetah Investment Management Limited, an investment advisory firm licensed by the Securities and Futures Commission in Hong Kong, and is a director of Cheetah Korea Value Fund, CK Absolute Return Master Fund, CK Absolute Strategic Fund and CK Absolute Return Fund. Mr Wong is also a founder and director of Cheetah Group Holdings Limited, a substantial shareholder of the Sponsor, the holding company of the Manager.

Through its group companies, Cheetah Group Holdings Limited has launched funds since 2002 that invest in various alternative investment strategies around Asia. Mr Wong manages and supervises the fund raising, compliance and investor relations for these funds. Mr Wong has 20 years of experience managing both hedge fund portfolios and family office investments, and has extensive entrepreneurial experience in Canada and Hong Kong. He has more than 20 years of experience in real estate investment management. He is a member of the executive committee of the Hong Kong/China Chapter of Alternative Investment Management Association (AIMA).

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Mr Wong holds a BA in Engineering from Cambridge University and an MASc. in Systems Control from the University of Toronto. He is also a Chartered Financial Analyst.

Mr SOH Yew Hock

Lead Independent Non-executive Director

Mr Soh is the Lead Independent Director and the Chairman of the Audit Committee. He is also the Lead Independent Director of Kencana Agri Limited and Chairman of its Audit & Risk Committee, as well as, an Independent Director and Chairman of the Audit & Risk Committee of HTL Holdings Limited. Mr Soh has wide experience in commerce and industry. He had previously served as a director of several public listed companies and was Chief Executive Officer and Group Managing Director of Wearnes International (1994) Limited. Mr Soh was a past President of the Singapore Division of CPA (Australia).

Mr Soh holds a Bachelor of Accountancy degree from the University of Singapore and is a graduate of the Chartered Institute of Marketing (UK) and an AMP alumnus of Harvard Business School. He is a FELLOW of the Institute of Singapore Chartered Accountants, CPA (Australia), Association of Chartered Certified Accountants (UK), the Chartered Institute of Marketing (UK) and the Singapore Institute of Directors.

Mr Dennis LAM Siu Sun

Independent Non-executive Director

Mr Lam is the Chairman of the Risk Management Committee and a member of the Audit Committee. He is a practising solicitor in Hong Kong and the senior partner of a Hong Kong law firm Messrs. Li, Wong & Lam & W.I. Cheung. Mr Lam specialises in corporate, financial and property work, and is experienced in working with Japanese clients, having previously worked at the Japan Desk of Messrs. Baker & McKenzie from 1989 to 1992 and was involved in several mergers of Japanese banks.

Mr Lam holds a Bachelor of Laws degree from the University of Warwick, England, and a Postgraduate Certificate in Laws from The University of Hong Kong. He is also admitted as a solicitor in England & Wales.

Mr Harold SUN Dai Hoe

Independent Non-executive Director

Mr Sun is a member of the Audit Committee and Risk Management Committee. He is the executive director of Sun International (S) Pte Ltd and Sun Sung Trading (S) Pte Ltd, with long experience in import, export and distribution of consumer products from Japan and other Asian countries. Mr Sun also has real estate investment experiences in China, Hong Kong, Singapore, Malaysia and Canada through his family holdings. He has worked for the Corporate Banking Real Estate Division in Citibank, Hong Kong from 1987 to 1990.

Mr Sun holds a MBA degree from University of British Columbia, Canada and a Bachelor degree in Business Administration from Georgetown University in the United States.



EXECUTIVE OFFICERS OF THE MANAGER

Mr CHANG Sean Pey

Co-Chief Executive Officer

Executive Director

Details of the role, experience and expertise of Mr Chang are set out in the "Board of Directors of the Manager" section of this annual report.

Mr Linus KOH Kia Meng

Co-Chief Executive Officer

Mr Koh is the Co-Chief Executive Officer of the Manager. Mr Koh works closely with Mr Chang Sean Pey on the development and review of investment and divestment strategies, and the day-to-day operations of Saizen REIT. He works with the Manager's Executive Officers in meeting the strategic, financial, investment, operational and investor relations objectives of Saizen REIT.

Mr Koh is the Non-Executive Director of Nutmeg Solutions Pte Ltd, focused on private equity investments and providing strategy and financial consultancy. From 2008 to 2009, he was President and Chief Operating Officer of the Singapore Mercantile Exchange. Mr Koh has also served in the Singapore Exchange, as EVP and Head of Products and Services (2004 to 2006) and as Chief Financial Officer (2006 to 2007). Prior to this, Mr Koh was an Executive Director and Chief Operating Officer of G K Goh Holdings Limited. He has also held various senior appointments in Deutsche Bank from 1995 to 2000 in London and Singapore.

Mr Koh holds a Bachelor of Arts (Honours) degree in Economics from Sheffield University and a Master of Science degree in Management from the Massachusetts Institute of Technology. He is also a graduate of the Advanced Management Program at Harvard Business School.



Mr Joey GOH

Corporate Finance and Compliance Manager

Mr Goh works closely with the Board and the Co-Chief Executive Officers to ensure compliance with organisational and regulatory rules and obligations, which includes evaluating processes and procedures for compliance, alerting management to current regulatory issues and maintaining the compliance manual. He co-ordinates corporate actions and corporate finance activities with external advisers and professionals and reviews these activities and their related documentation for compliance with the relevant regulations.

Mr Goh also assists in the area of continuous disclosure, which includes the statutory reporting of quarterly and annual financial results. He reviews documents prior to public dissemination, such as announcements on the SGXNet as well as presentation materials, to ensure compliance with relevant rules and regulations. Mr Goh ensures that effective communication is maintained with the Trustee and regulatory authorities such as the MAS and SGX-ST.

Mr Goh has four years of corporate finance experience and has participated in a number of initial public offerings and other corporate finance advisory activities for companies listed on the SGX-ST. Prior to his involvement in corporate finance, he was an auditor in Ernst & Young and an accountant in Singapore Technologies Kinetics Ltd. He is a Chartered Accountant of Singapore and holds a Bachelor of Accountancy degree from the Nanyang Technological University. Mr Goh holds a Masters of Business Administration from the Imperial College Business School, United Kingdom.

EXECUTIVE OFFICERS OF THE MANAGER

ASSET MANAGER

Ms Ivy CHAN Ka Lam *Finance Manager*

Ms Chan is a member of the Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants, and is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Ms Chan graduated with a Bachelor of Sociology (Hons) from Hong Kong Baptist University and a Bachelor of Applied Accounting (Hons) from Oxford Brookes University. Ms Chan and Ms Sally Law are in charge of the finance and accounting function of the Manager. They are responsible for the reporting of Saizen REIT's financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT's assets.

Ms Chan is also responsible for the preparation of statutory accounts, the co-ordination with external auditors, the management of tax affairs, as well as the preparation of Saizen REIT's performance reports for the Unitholders and investors. Prior to this, Ms Chan was an accountant with Fung Kiu Manufacturing Limited from 1999 to 2003 and an audit assistant with Poon & Company, CPA from 2003 to 2004. She was an accounting manager in Altus Capital Limited from 2004 to 2007.

Ms Sally LAW Yin Nee *Finance Manager*

Ms Law is a member of Hong Kong Institute of CPAs and The Association of Chartered Certified Accountants, and is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms Law graduated with a Bachelor of Accountancy (Hons) from Hong Kong Baptist University.

As Finance Managers, Ms Law and Ms Ivy Chan are in charge of the finance and accounting function of the Manager. They are responsible for the reporting of Saizen REIT's financial and accounting conditions as well as the development of a comprehensive system of business score cards and key performance indicators to facilitate the effective management of Saizen REIT's assets.

Ms Law is also responsible for the preparation of statutory accounts, the co-ordination with external auditors, the management of tax affairs as well as the preparation of Saizen REIT's performance reports for the Unitholders and investors. Prior to this, Ms Law had worked in the accounting and audit department of Chan, Li Law & Co., and was an accounting manager in Altus Capital Limited. Her accounting and auditing experience covered a number of industries, including commodities trading, insurance brokerage and global wholesale.

Mr Yutaka MATSUNAGA *President*

Mr Matsunaga, the Representative Director and President of KK Tenyu Asset Management, the Asset Manager, works closely with Mr Arnold Ip Tin Chee and Mr Richard Lo on the acquisition and disposal functions of the Asset Manager and is responsible for the overall management, operation and monitoring of the Asset Manager in its role as the asset manager for the TK operators in order to enhance the performance of the TK operators and other asset holding entities and Saizen REIT as an investor in those entities.

Mr Matsunaga is based in Tokyo, Japan, and has been managing Japanese real estate since 1999. He has over 15 years of experience in real estate investment, and has established an extensive network in the property market in Japan. From 1999 to 2001, Mr Matsunaga was the chief executive officer and director of JAIC International (HK) Co., Ltd, a wholly-owned subsidiary of Japan Asia Investment Co., Ltd, one of the largest specialist private equity investment managers listed on Main Board of the Tokyo Stock Exchange.

Mr Matsunaga holds a bachelor's degree in commerce from Meiji University and is a licensed person under the Hong Kong Securities and Futures Ordinance.

Mr Arnold IP Tin Chee *Director*

Mr Ip is involved in the acquisition and disposal functions of the Asset Manager and oversees the overall property management, leasing and renovation and financing functions. Details of Mr Ip's experience and expertise are set out in the "Board of Directors of the Manager" section of this annual report.

Mr Richard LO *Director*

Mr Lo has over 30 years of business experience in Japan, including engaging in distributorships of computer and related products for major Japanese corporations in China and South East Asia. Mr Lo has over 10 years of experience in real estate investment management and has invested in real estate in Japan since 1999.

Mr Lo has established a wide network of contacts in both the property and corporate sectors in Japan. Mr Lo is a founder and director of a computer and related-products distribution group of companies, but he is no longer involved in the daily operations of these companies and will dedicate substantially all his time to the Asset Manager. Mr Lo is also a director of Altus Capital Limited, a company under the Altus Group.

Mr Lo holds a Master of Business Administration from the University of California, Los Angeles (UCLA).

Mrs Ikuko DAZIRON *General Manager, Operations Department*

Mrs Daziron is the head of all operational matters of the Asset Manager including, *inter alia*, property acquisition and disposal, property management, leasing and renovation, and financing activities.

Under her supervision, the Operations Department is involved in property acquisition and disposal activities such as conducting searches for suitable sellers/buyers, performing transaction due diligence, providing assistance in the arrangement of financing and coordinating the preparation of valuation and engineering reports.

In the area of property management, her department works directly and closely with property managers and property agents in each of the relevant cities in order to obtain up-to-date market information and to enhance or maintain occupancy rates at satisfactory levels. Mrs. Daziron also liaises with property managers on a regular basis to seek quotations from various service providers and suppliers with the objective of lower operating costs and, in the long-run, increasing property management efficiency. She is also involved in the preparation of property management plans and capital expenditure and renovation budgets.

In overseeing the financing functions of the Asset Manager and TK operators, her department liaises with lenders and loan servicers, and provides them with all necessary information for loan applications. Her team also oversees the preparation of statutory accounts, co-ordinates with external auditors and manages tax affairs.



PORTFOLIO SUMMARY

PORTFOLIO SUMMARY



Location	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area ("NLA") (sqm) (Residential and Commercial)	Occupancy rate by NLA (Residential and Commercial) as at 30 June 2014	Annual Rental ⁽²⁾ (JPY)	% of Total Rental Income for June 2014
Fukuoka	1	Arati Hakata South	1991	472.0	357.0	62	0	15	1,406	1,376	97%	33,672,708	1.0%
	2	AS Residence Hakataekiminami	2006	599.7	608.0	56	0	15	2,312	1,949	91%	42,923,700	1.1%
	3	Central Court Tenjin Higashi	1991	203.0	128.0	27	0	0	579	546	100%	14,076,000	0.4%
	4	Chic Takaramachi	1985	243.0	199.0	30	0	17	2,102	1,949	83%	18,564,000	0.5%
	5	Gold Mansion Nakao	1988	179.0	113.0	28	0	0	739	739	89%	11,616,000	0.3%
	6	La Finess Hakata Eki Minami	2006	550.0	474.0	50	0	7	1,319	1,228	92%	36,349,200	1.0%
	7	Le Pied Hirao	2000	288.0	247.0	32	0	10	1,004	794	100%	21,100,800	0.6%
	8	Orion Heim	1996	268.0	215.0	29	0	6	963	815	91%	18,034,800	0.5%
	9	Relief Ohorinishi	1989	132.0	106.0	17	0	0	519	450	100%	9,864,000	0.3%
	10	Wing Befu	1992	206.0	114.0	29	0	3	768	751	93%	12,241,896	0.3%
Subtotal				3,140.7	2,561.0	360	0	73	11,710	10,597		218,443,104	5.9%
Hakodate	11	Matsukaze Building	1990	382.0	227.0	32	5	30	3,101	2,387	81%	26,292,936	0.7%
	Subtotal			382.0	227.0	32	5	30	3,101	2,387		26,292,936	0.7%
Hiroshima	12	Estate 18 Shinonome	1990	253.3	254.0	68	0	0	1,133	1,133	90%	22,560,000	0.6%
	13	Fujimicho Building	2007	513.0	363.0	32	1	2	1,047	960	95%	28,908,000	0.8%
	14	Grand Polestone Fujimi	2005	228.4	181.0	19	0	1	598	548	100%	15,393,720	0.4%
	15	Grand Polestone Higashi Hiratsuka	2007	505.0	395.0	40	0	3	1,414	1,312	88%	31,128,000	0.8%
	16	Grand Polestone Kinya	2005	178.0	141.0	16	0	2	531	416	94%	11,340,000	0.3%
	17	Grand Polestone Otemachi	2007	655.0	467.0	38	0	7	1,812	1,529	94%	37,584,000	1.0%
	18	Grand Polestone Otemachi II	2007	470.0	381.0	30	0	6	1,271	1,133	97%	30,696,000	0.8%
	19	Grand Polestone Takeya	2006	641.0	529.0	52	1	3	1,897	1,575	94%	40,729,140	1.1%
	20	Grand Polestone Tsurumi	2006	465.0	359.0	36	0	5	1,216	1,060	97%	29,100,000	0.8%
	21	Grand Polestone Tsurumi II	2008	670.0	672.0	51	0	11	2,252	2,004	91%	48,613,440	1.3%
	22	Kusatsu Higashi Heights	1988	197.0	214.0	60	0	5	1,183	1,183	83%	19,740,576	0.5%
	23	Matoba Meijibashi II	1996	324.0	277.0	42	0	5	916	820	93%	22,596,000	0.6%
	24	Quest Tower Noboricho	2008	680.0	663.0	60	0	4	1,736	1,665	86%	46,752,852	1.3%
	25	Royal Shinonome	1990	320.0	325.0	80	0	16	1,373	1,358	94%	30,192,000	0.8%
	26	Shinonome Heights	1988	175.0	166.0	48	0	0	778	778	83%	15,048,000	0.4%
	27	Villa Kaita	1992	300.0	328.0	80	0	3	1,408	1,335	98%	31,440,000	0.8%
	28	VOGA Minami Kannon	1993	230.0	186.0	39	0	0	890	659	95%	16,361,760	0.4%
	29	Wing Nakahirodori	2007	838.0	723.0	72	2	13	2,239	2,161	100%	58,591,440	1.6%
Subtotal				7,642.7	6,624.0	863	4	86	23,693	21,628		536,774,928	14.4%

Notes:

- ¹ The valuations were determined using income approach, which includes the direct capitalisation method and discounted cash flow method.
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PORTFOLIO SUMMARY

PORTFOLIO SUMMARY



Location	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area ("NLA") (Residential and Commercial) (sqm)	Occupancy rate by NLA (Residential and Commercial) as at 30 June 2014	Annual Rental ⁽²⁾ (JPY)	% of Total Rental Income for June 2014
Kagoshima	30	Abitare Korimoto	1990	338.0	250.0	58	0	2	1,279	1,277	88%	23,004,000	0.6%
	31	Abitare Shimoarata I	1989	342.0	258.0	60	0	0	1,252	1,235	94%	24,606,000	0.7%
	32	Abitare Shinyashiki	1989	316.0	245.0	54	0	0	1,409	1,292	91%	23,070,000	0.6%
	33	Yamamoto Mansion	2004	765.0	563.0	99	1	8	2,762	2,672	97%	54,573,360	1.5%
Subtotal				1,761.0	1,316.0	271	1	10	6,703	6,476		125,253,360	3.3%
Kitakyushu	34	Alte Heim Kokura	1992	113.0	58.4	21	0	2	624	465	100%	8,436,000	0.2%
	35	Alte Heim Kokura II	1995	586.0	372.0	87	1	9	1,833	1,799	94%	36,492,000	1.0%
	36	Alte Heim Kokura IV	1989	124.0	73.9	17	0	2	818	733	79%	8,187,600	0.2%
	37	Alte Heim Mojekimae	1992	211.0	147.0	31	0	8	774	699	100%	16,074,288	0.4%
	38	Chalet Aoyama	1989	325.0	238.0	40	0	24	2,098	2,098	67%	19,051,200	0.5%
	39	Chalet Einomaru II	1991	147.0	101.0	20	0	9	937	937	79%	10,131,600	0.3%
	40	Chalet Harunomachi	1991	478.6	338.0	50	0	20	3,089	2,750	92%	36,024,000	1.0%
	41	Chalet Kanda II	1992	341.0	202.0	38	0	25	2,094	2,094	76%	20,580,000	0.6%
	42	Chalet Kishinoura	1991	384.0	293.0	41	0	23	1,754	1,727	80%	23,544,000	0.6%
	43	Chalet Matsuo II	1991	78.8	48.0	12	0	1	411	411	90%	5,688,000	0.2%
	44	Chalet Numahon Machi II	1991	246.0	158.0	20	3	14	1,344	1,313	92%	16,994,568	0.5%
	45	Chalet Shiragane	1990	285.0	214.0	21	1	5	1,337	1,316	92%	21,084,000	0.6%
	46	Chalet Suwamachi	1996	387.0	259.0	28	0	23	2,317	2,221	86%	25,158,000	0.7%
	47	Chalet Tsudashin Machi	1990	193.0	126.0	23	2	0	1,276	1,227	84%	12,984,000	0.3%
	48	City Room Nakai III	1998	193.0	150.0	30	0	5	855	855	93%	14,546,856	0.4%
	49	Cosmos Kokura Eki Mae	2006	753.9	776.0	61	0	28	3,334	3,063	92%	65,686,800	1.8%
	50	Katano Residential Building	1990	515.0	322.0	34	2	36	3,721	2,315	83%	29,444,580	0.8%
	51	Shinko Kokura Kogane Sky Mansion	1990	267.0	167.0	54	1	4	1,209	1,161	76%	17,642,880	0.5%
Subtotal				5,628.3	4,043.3	628	10	238	29,823	27,183		387,750,372	10.4%
Koriyama	52	Arioso Phrase	2006	475.0	448.0	45	0	43	1,949	1,882	98%	41,470,368	1.1%
	53	Leggiero Viola	2004	375.0	278.0	33	0	37	1,656	1,414	94%	27,255,408	0.7%
	54	Maestoso Figur	2000	456.0	350.0	45	0	45	1,710	1,662	96%	33,598,296	0.9%
Subtotal				1,306.0	1,076.0	123	0	125	5,316	4,957		102,324,072	2.7%

Notes:

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Location	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area ("NLA") (sqm) (Residential and Commercial)	Occupancy rate by NLA (Residential and Commercial) as at 30 June 2014	Annual Rental ⁽²⁾ (JPY)	% of Total Rental Income for June 2014
Kumamoto	55	EMYU Heisei Keyakidori Mansion	2007	956.0	681.0	90	0	53	4,281	3,699	85%	56,577,600	1.5%
	56	EMYU Honjo	2006	1,100.0	892.0	99	0	30	4,160	3,458	88%	69,672,000	1.9%
	57	EMYU Shinmachi	2006	761.0	611.0	81	0	22	2,932	2,517	94%	51,535,200	1.4%
	58	EMYU Suizenji	2006	1,305.0	1,080.0	119	0	57	4,503	4,257	93%	85,110,000	2.3%
	59	Flour Mansion Jyosei	1999	901.7	982.0	98	1	104	6,658	5,889	90%	89,022,000	2.4%
	60	KC Heights	1980	155.0	107.0	20	0	21	1,283	1,152	100%	12,542,400	0.3%
	61	Mon Palais Toroku	1994	362.0	201.0	72	0	10	1,740	1,494	85%	20,406,000	0.5%
	62	Rise Fujisaki Dai	2006	331.0	312.0	36	0	8	1,405	1,338	94%	25,044,000	0.7%
	63	Rise Heiseiekimae	2007	225.0	195.0	18	2	7	863	852	94%	16,889,724	0.5%
	64	Rise Kuhonji II	2005	484.0	384.0	45	3	4	1,973	1,884	100%	31,666,440	0.8%
	65	Rise Kumamoto Station South	2006	211.0	154.0	20	0	7	980	940	79%	12,072,000	0.3%
	66	Rise Oe	1998	306.0	242.0	36	1	0	1,204	1,163	90%	21,534,288	0.6%
	67	Rise Shimodori	2005	389.0	298.0	36	0	8	1,398	1,265	100%	24,176,160	0.6%
	68	Rise Shinoe	2003	285.0	294.0	34	0	19	1,623	1,556	94%	26,045,520	0.7%
	69	Rise Yotsugibashi	2012	428.0	445.0	49	0	3	1,898	1,812	90%	33,285,600	0.9%
	70	Romaug Kamidori Namikizaka	2007	750.0	647.0	56	13	6	3,048	2,796	85%	52,330,872	1.4%
Subtotal				8,949.7	7,525.0	909	20	359	39,950	36,073		627,909,804	16.8%
Kurashiki	71	Gardenia Kurashiki	1994	148.0	102.0	19	0	10	869	846	90%	12,244,296	0.3%
	Subtotal			148.0	102.0	19	0	10	869	846		12,244,296	0.3%
Morioka	72	K2 Mansion Morioka	1997	380.0	301.0	42	0	44	1,880	1,870	98%	30,012,000	0.8%
	73	Senboku Heim I	1991	204.0	153.0	24	0	26	1,325	1,230	100%	18,444,000	0.5%
	74	Senboku Heim II	1995	125.0	76.0	12	0	8	786	713	100%	8,952,000	0.2%
	Subtotal			709.0	530.0	78	0	78	3,991	3,813		57,408,000	1.5%
Niigata	75	Geo Kamiokawamaedori 3	2005	450.2	392.0	54	0	6	1,605	1,351	100%	32,592,000	0.9%
	76	Hills Kawabata	2006	315.0	291.0	40	0	0	1,320	1,067	100%	24,000,000	0.6%
	77	Hills Nogizaka	2006	404.9	328.0	32	3	0	1,402	1,302	90%	29,580,000	0.8%
	Subtotal			1,170.1	1,011.0	126	3	6	4,327	3,720		86,172,000	2.3%
Oita	78	Taisei Building III	1979	373.0	230.0	45	8	8	3,315	2,827	92%	34,515,288	0.9%
	Subtotal			373.0	230.0	45	8	8	3,315	2,827		34,515,288	0.9%

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Location	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	Net Lettable Area ("NLA") (Residential and Commercial) (sqm)	Occupancy rate by NLA (Residential and Commercial) as at 30 June 2014	Annual Rental ⁽²⁾ (JPY)	% of Total Rental Income for June 2014
Sapporo	79	Aster Yamahana	1987	193.0	131.0	20	0	10	1,015	986	95%	14,064,000	0.4%
	80	Bibress Tsukisamu Chuo Station	2007	530.7	613.0	70	1	24	3,785	2,781	91%	57,374,544	1.5%
	81	Casa Motomachi	2007	341.0	303.0	32	1	14	1,616	1,364	94%	27,797,508	0.7%
	82	Chateau 24	1994	649.0	391.0	84	2	45	2,580	2,105	91%	39,307,992	1.1%
	83	Chateau Nakanoshima	1989	298.0	204.0	49	0	17	1,775	1,379	93%	22,116,000	0.6%
	84	Dear Misono	1996	61.0	44.8	9	1	2	361	314	83%	4,344,000	0.1%
	85	Dominion Yamanote	1988	179.0	140.0	33	0	5	964	800	92%	14,360,004	0.4%
	86	Ebisu Building III	1985	91.0	71.0	16	0	0	459	403	94%	6,648,000	0.2%
	87	Estella 24-ken A	2006	109.0	73.6	12	0	1	468	372	92%	6,720,000	0.2%
	88	First Kotake Building	1984	1,147.0	850.0	28	8	18	4,379	3,169	94%	60,654,120	1.6%
	89	Glance Nishimachi	1993	466.0	348.0	40	0	37	3,192	2,668	95%	37,548,420	1.0%
	90	Heart Inn Hongou	1989	103.0	71.0	20	0	4	503	458	85%	7,044,000	0.2%
	91	Infinity Higashi Sapporo	1991	244.0	152.0	22	2	10	1,732	1,398	88%	16,644,000	0.5%
	92	Jeunes 23	1988	376.0	239.0	34	1	14	1,700	1,502	87%	22,836,444	0.6%
	93	Kohatsu 88	1990	68.1	47.7	8	1	0	533	453	100%	6,024,000	0.2%
	94	Kotoni 1-6 Mansion	1990	351.0	259.0	42	2	6	1,923	1,662	93%	27,103,440	0.7%
	95	Les Chambres	1986	89.7	69.6	20	0	3	546	469	90%	7,032,000	0.2%
	96	Luna Heights	1988	316.0	228.0	50	0	2	1,575	1,304	88%	21,240,000	0.6%
	97	Maison Towa	1988	210.0	161.0	25	2	7	1,502	1,149	100%	19,188,000	0.5%
	98	Matsui 53	1988	243.0	157.0	36	0	4	1,233	1,074	89%	17,040,000	0.5%
	99	Matsui 82	1989	452.0	287.0	48	2	4	2,970	2,483	82%	30,648,000	0.8%
	100	Misono	1991	339.0	301.0	26	8	16	1,837	1,598	97%	29,045,592	0.8%
	101	Park Crystal	1990	317.0	228.0	56	0	5	1,575	1,286	91%	22,212,000	0.6%
	102	Plaza Nakajima Park	1990	370.0	260.0	37	0	14	2,465	2,189	86%	27,060,000	0.7%
	103	Residence Shiroishi ABCD	1988(A,B) 1989(C,D)	525.0	466.0	124	0	25	3,927	3,492	95%	51,364,800	1.4%
	104	S. Heim	1987	136.0	95.0	26	0	8	794	636	88%	10,098,288	0.3%
	105	Sec' As Blue II	2004	440.0	349.0	48	0	11	2,159	1,643	94%	31,038,000	0.8%
	106	Suien	2004	131.0	92.0	15	0	0	681	577	86%	8,700,000	0.2%
	107	Sun City	1988	404.0	309.0	50	0	18	4,316	2,833	94%	37,774,740	1.0%
	108	Three Tower	1992	1,071.0	775.0	57	3	103	6,258	5,569	79%	73,880,160	2.0%
	109	TOA Mansion	1988	823.0	601.0	70	1	28	5,335	4,406	90%	58,144,308	1.6%
	110	Towa Kita 7 Jo	1989	350.0	376.0	33	0	24	2,781	2,509	94%	35,527,200	1.0%
	111	Towa Kotoni	1989	330.0	311.0	29	0	18	2,330	2,084	87%	28,230,000	0.8%
	112	Treasure 15	1990	187.0	131.0	36	0	0	886	879	100%	15,072,000	0.4%
	113	Urban Yamahana	1990	136.0	97.0	18	0	11	829	752	83%	10,812,000	0.3%
Subtotal				12,076.5	9,231.7	1,323	35	508	70,984	58,744		904,693,560	24.2%

Notes:

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										Net Lettable Area ("NLA") (sqm)	Occupancy rate by NLA (Residential and Commercial)	Annual Rental ⁽²⁾ (JPY)	% of Total Rental Income for June 2014
Location	No.	Property Name	Year Built	Purchase Consideration (JPY million)	Latest Valuation ⁽¹⁾ (JPY million)	No. of Residential Units	No. of Commercial Units	No. of Car Parking Units	Gross Floor Area (sqm)	(Residential and Commercial)	as at 30 June 2014		
Sendai	114	Aisho Plaza Hachiman	1991	240.0	176.0	27	0	0	643	607	100%	16,896,000	0.5%
	115	Castle Kano	1989	256.0	190.0	30	0	1	1,091	1,038	97%	19,683,600	0.5%
	116	Clio Court	1988	244.0	193.0	20	0	13	1,178	1,097	95%	19,183,428	0.5%
	117	Core Life	1990	541.0	458.0	46	3	43	4,780	3,849	80%	43,434,600	1.2%
	118	Etoile Higashi Sendai	1987	123.0	99.4	15	0	7	652	652	100%	10,360,008	0.3%
	119	Exceed Tsuchitai	1998	119.0	82.5	14	0	2	378	314	100%	9,060,000	0.2%
	120	Fantage Yaotome	1998	285.0	230.0	24	0	17	1,430	1,363	87%	20,218,872	0.5%
	121	Floreceer Miyagino	1999	239.2	307.0	39	0	30	1,082	1,021	100%	28,334,640	0.8%
	122	High Grace II	1998	413.0	316.0	51	1	10	1,206	1,170	91%	29,645,400	0.8%
	123	Liesse Wakabayashi	1995	179.0	154.0	32	0	9	781	671	97%	15,717,096	0.4%
	124	Lively Kamisugi	1991	91.8	69.3	12	0	3	294	277	100%	6,774,288	0.2%
	125	Maison d'Etoile II	1984	122.0	119.0	28	0	0	661	598	100%	13,020,000	0.3%
	126	Niken Chaya Grand Heights	1979	479.0	357.0	40	0	18	2,713	2,287	89%	34,788,000	0.9%
	127	Royal Hills Katagiri	1994	197.0	157.0	27	0	10	937	732	100%	15,856,200	0.4%
	128	Royal Hills Komatsushima	1990	174.0	145.0	26	0	5	691	678	100%	14,544,000	0.4%
	129	Sun Hills Asahigaoka	1987	70.2	53.0	15	0	0	335	334	100%	6,072,000	0.2%
	130	Sun Rise Kashiwagi	1997	249.0	170.0	31	0	4	680	666	100%	17,088,000	0.5%
	131	Sun Vario Shinden Eki Mae	2006	494.0	419.0	47	0	26	1,715	1,527	98%	36,898,152	1.0%
	132	Urban Hills Dainohara	1991	164.0	129.0	33	0	0	757	677	100%	13,764,000	0.4%
133	YSK Co-op Saiwaicho	1993	513.0	422.0	25	5	27	2,810	2,218	93%	36,489,324	1.0%	
	Subtotal			5,193.2	4,246.2	582	9	225	24,812	21,775		407,827,608	10.9%
Tokyo	134	AMS Hatchobori I	2004	1,117.7	1,253.0	44	0	2	2,311	1,932	95%	78,402,000	2.1%
	135	Clair Court Roka Koen	1998	712.5	754.0	29	0	13	1,727	1,621	86%	47,556,636	1.3%
	136	Cosmo Reveur Sangenjaya	1989	590.0	609.0	8	0	10	1,711	1,189	89%	37,333,200	1.0%
	137	The Palms Denenchofu	2005	559.6	568.0	30	0	2	931	778	92%	34,317,720	0.9%
	Subtotal			2,979.8	3,184.0	111	0	27	6,680	5,521		197,609,556	5.2%
	Grand Total			51,460.0	41,907.2	5,470	95	1,783	235,273	206,547		3,725,218,884	99.6% ⁽³⁾

Notes:

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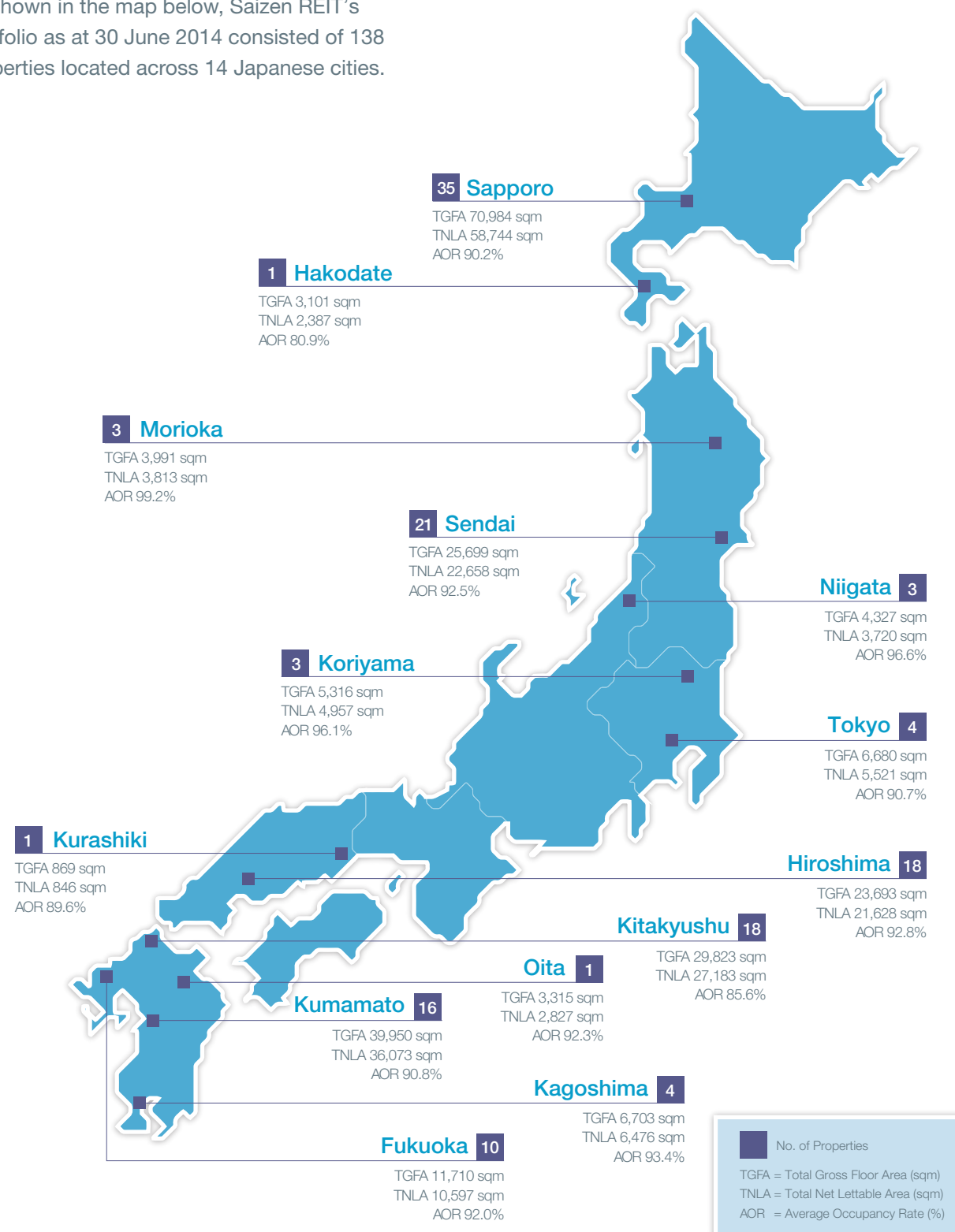
3 This does not add up to 100% as Sun Port 6, which was sold in July 2014, is not included in this portfolio summary,

PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

Geographical Distribution

As shown in the map below, Saizen REIT's portfolio as at 30 June 2014 consisted of 138 properties located across 14 Japanese cities.



Property title and land tenure

For all properties in the portfolio, the entire building and the freehold land on which each property is built are legally owned by the applicable TK operator with whom Saizen REIT has entered into a TK agreement.

Lease terms and tenant profile

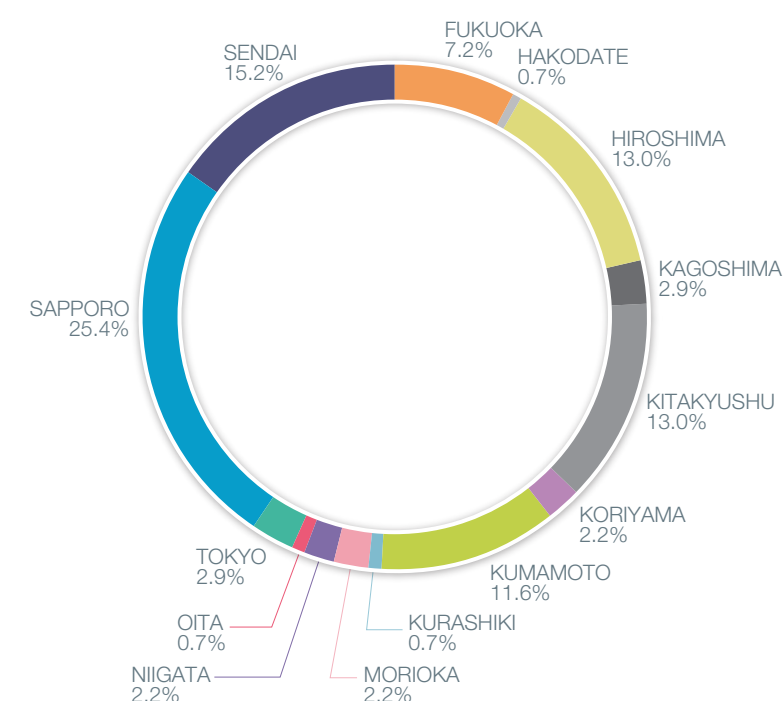
As at 30 June 2014, the property portfolio of Saizen REIT comprised 5,505 residential units and 95 commercial units, of which 5,067 residential units and 75 commercial units were occupied. Over 98% of our units were for residential use where the tenants were principally working singles, students and families. In view of the fact that the tenant mix of Saizen REIT's residential units was principally individuals and families and the trade sectors of such tenants cannot be clearly defined, we believe the disclosure of the trade sector mix of tenants as required by the Code on Collective Investment Schemes will not be meaningful. As less than 2% of the property portfolio of Saizen REIT comprised commercial units, we are also of the view that the disclosure of the trade sector mix of tenants in such commercial units will not be meaningful.

In line with the general practice of the Japan residential property market, the majority of the leases for our properties are standard leases for periods of two years. Notwithstanding, under their terms, such leases may generally be terminated by tenants upon giving one to two months' notice. During FY2014, tenant turnover rates (i.e. rate of termination of leases by tenants) of Saizen REIT's property portfolio were 20% for the small type units, 19% for the medium type units and 14% for family type units. Given that the lease tenures of two years are relatively short, we are of the view that an analysis on lease maturity will not be meaningful. Saizen REIT's property portfolio had 5,142 occupied residential and commercial units as at 30 June 2014. Given the broad tenant base, we believe the risk associated with lease maturity is well diversified.

Due to the diversification mentioned above, the aggregate revenue attributable to the top 10 residential unit tenants only accounted for about 1% of the gross monthly rental revenue of Saizen REIT in June 2014. For commercial units, the aggregate revenue attributable by the top 10 tenants only accounted for about 2% of the gross monthly rental revenue of Saizen REIT in June 2014. On this basis, we are of the view that analysis of the top 10 tenants will not be meaningful.

Portfolio Distribution by Location (%) (in terms of number of properties)

As at 30 June 2014

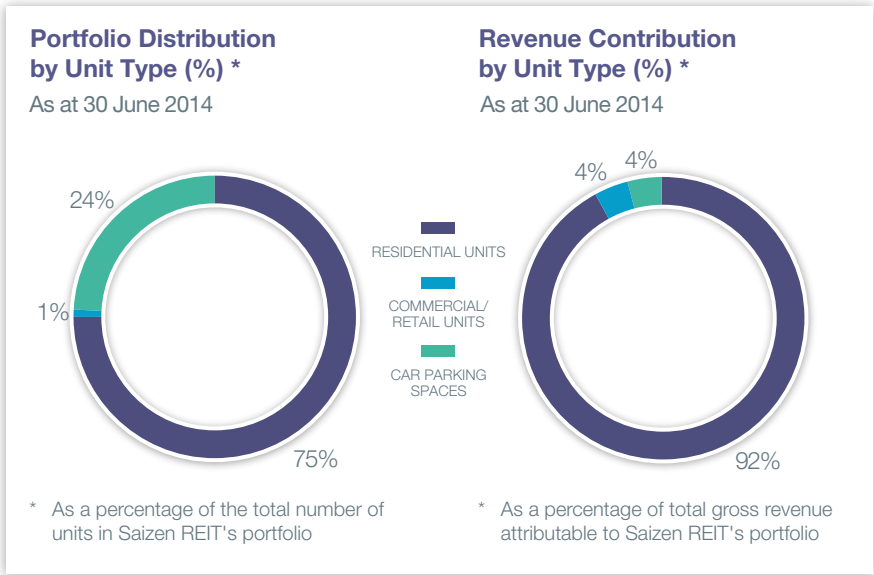


PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

Unit Type

Saizen REIT's portfolio consists predominantly of residential units, with some commercial elements in the form of office and retail units located in the property's lower floors. The portfolio also has a number of car parking spaces, including tower parking facilities. The charts below show the composition of the portfolio in terms of the type of units and their revenue contribution.



The descriptions of the general characteristics of a typical residential unit type are as follows:

Layout Type Studio (1R) Studio plus kitchen (1K) Average Size 20sqm – 35sqm	Young working singles, students	<ul style="list-style-type: none">– Downtown, around major business and entertainment areas.– Towns along major transportation networks linking major business and commercial centres ("Bed Towns")– Close to educational institutions
Layout Type 1 Bedroom plus dining and kitchen (1DK) 2 Bedrooms plus dining and kitchen (2DK) 2 Bedrooms plus living, dining and kitchen (2LDK) Average Size 35sqm – 50sqm	Young professionals, working singles, working couples without children	
Layout Type 3 Bedrooms plus living, dining and kitchen (3LDK) Average Size 50sqm and above	Families	<ul style="list-style-type: none">– Suburbs, residential areas– Bed Towns near transportation networks and basic amenities (e.g. schools, hospitals, supermarkets)

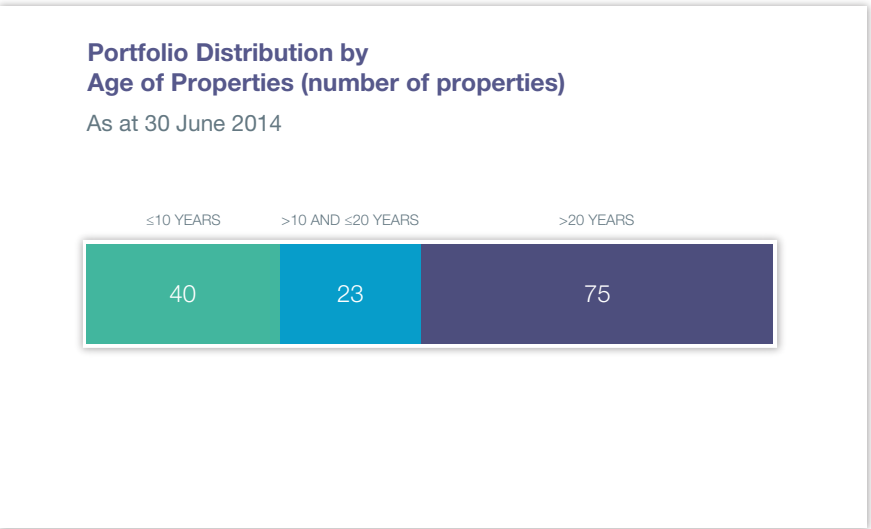
Residential Units

Residential units in the portfolio are divided into three categories in terms of their size, comprising small, medium and family units. Each property may have a combination of unit types, but a majority of the portfolio properties consist of small and medium units.



Portfolio Distribution by Age of Properties

About 29% of Saizen REIT's 138 properties are less than 10 years old, while about 17% of Saizen REIT's properties are between 10 and 20 years old. The remaining 54% of Saizen REIT's properties were built more than 20 years ago. The weighted average age of Saizen REIT's properties is 16.1 years.

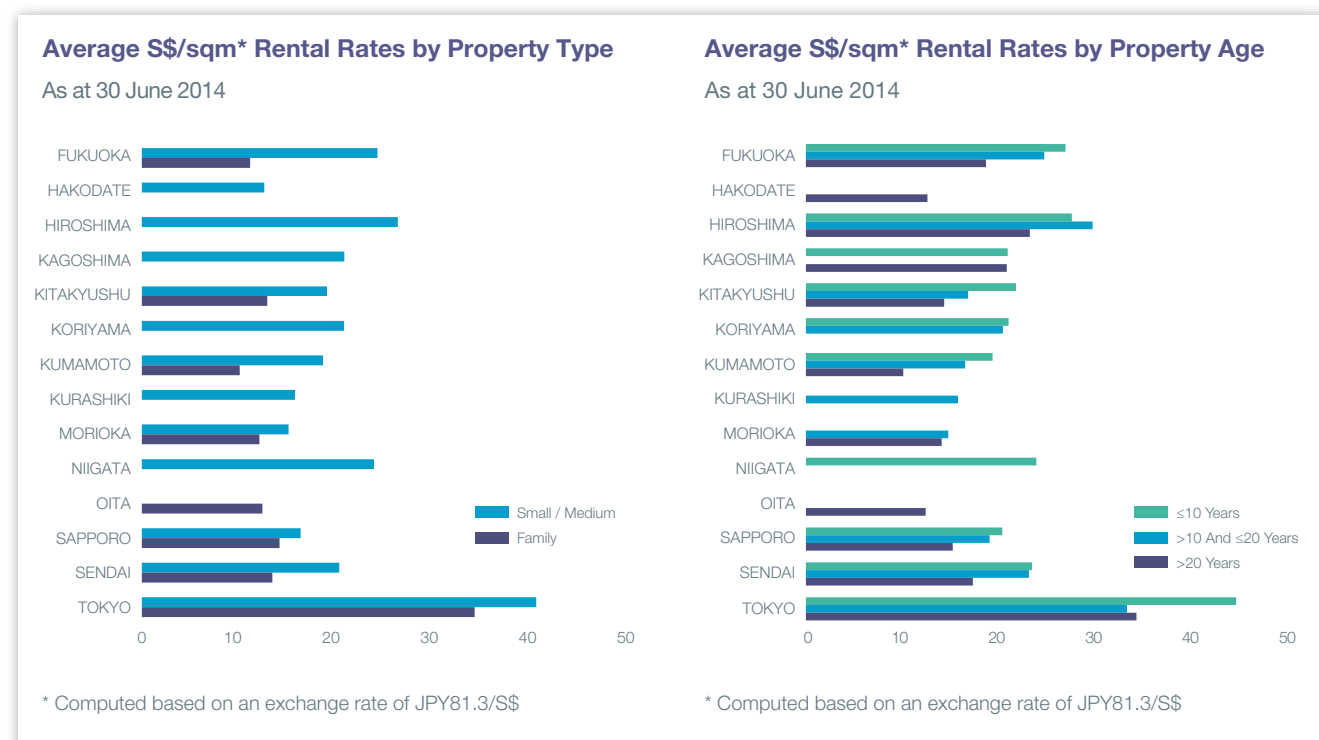


PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW

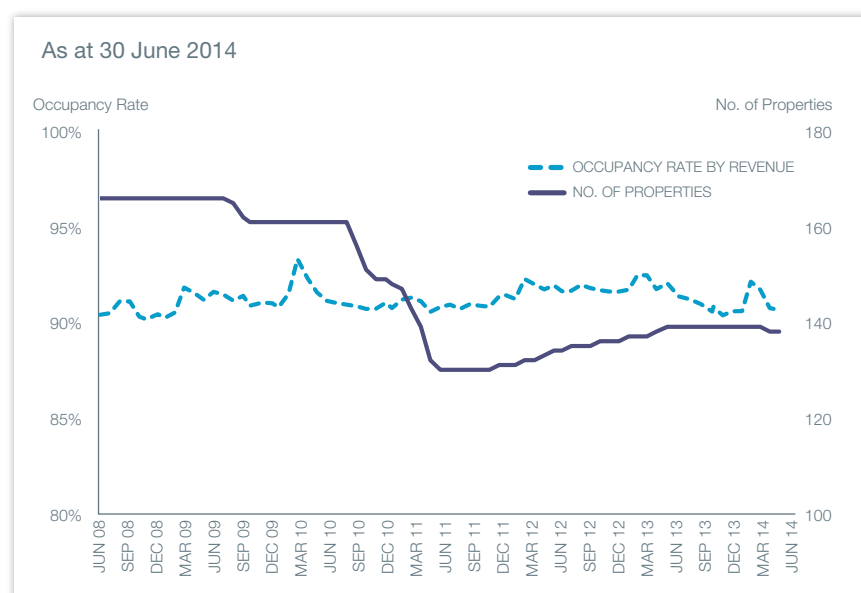
Rental Rates

The table below shows the average rental per square metre by property type and property age for each city in which Saizen REIT operates:



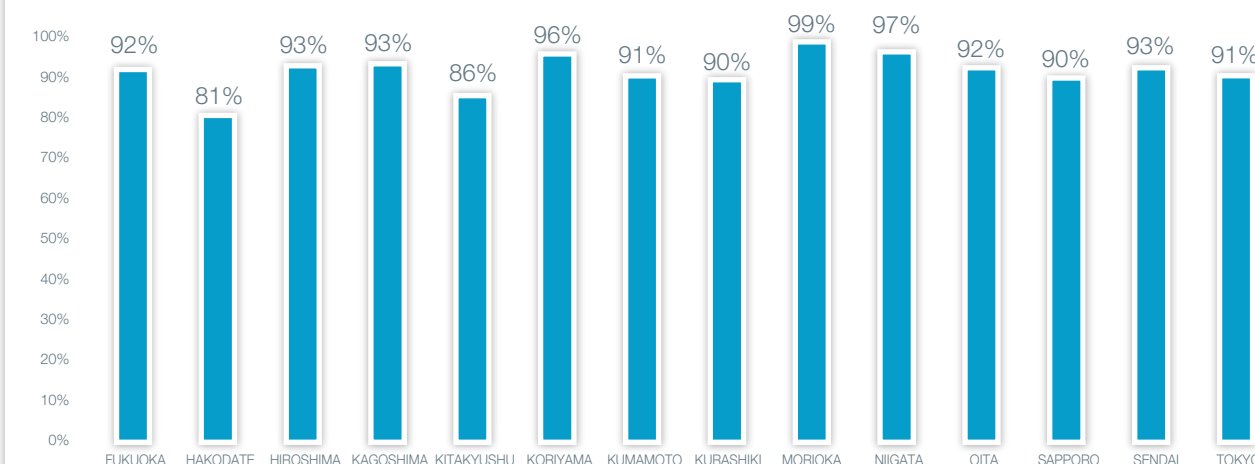
Occupancy Rates

Saizen REIT's portfolio has maintained stable occupancy. The diversification in terms of number of units (5,505 residential, 95 commercial and 1,796 car parking spaces), geographical distribution (14 cities) and a large tenant base further enhances stability.



Occupancy Rates by Geographical Distribution (%)

As at 30 June 2014



Occupancy Rates by Residential Unit Size (%)

As at 30 June 2014



Occupancy Rates by Property Age (%)

As at 30 June 2014



Earthquake Insurance

A limited form of earthquake insurance has been purchased for Saizen REIT's properties to provide certain coverage in a "worst case scenario" event. However, earthquake insurance in Japan may not cover the whole damage incurred and damage caused by earthquake or other natural disasters may result in losses (including loss of rent) which may not be fully compensated by insurance proceeds.



Corporate Governance

CORPORATE GOVERNANCE

As the manager of Saizen REIT, Japan Residential Assets Manager Limited (the “**Manager**”) is committed to high corporate governance standards to ensure clear internal control systems, policies, procedures, communication and reporting lines are in place so as to protect the interests of Unitholders.

The Manager also ensures that applicable laws and regulations within the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Code on Collective Investment Schemes (including Appendix 6 – the “**Property Funds Appendix**”) issued by the Monetary Authority of Singapore (“**MAS**”), and the Securities and Futures Act (“**SFA**”), are complied with, and that the Manager’s obligations under the tax rulings dated 28 June 2007 and 10 July 2007 respectively issued by the Inland Revenue Authority of Singapore in relation to the taxation of Saizen REIT and its Unitholders, and the trust deed dated 27 September 2007 (as supplemented from time to time) entered into between the HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”), as trustee of Saizen REIT and the Manager (the “**Trust Deed**”) are properly carried out.

This report sets out the corporate governance practices of the Manager for financial year ended 30 June 2014, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (“**2012 Code**”). Where there is any material deviation from the 2012 Code, an explanation has been provided within this report.

THE MANAGER

Japan Residential Assets Manager Limited was appointed as the manager of Saizen REIT in accordance with the Trust Deed. The Manager has general powers of management over the investment activities of Saizen REIT, for the benefits of the Unitholders. Pursuant to the Trust Deed, the Manager has the power to retire in favour of a corporation approved by the Trustee to act as the manager of Saizen REIT. Also, the Manager may be removed by way of an ordinary resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with provisions in the Trust Deed.

The Manager holds a capital markets services licence (to carry out real estate investment trust management) issued by the MAS under the SFA.

The principal responsibilities of the Manager include:

- setting the strategic directions of Saizen REIT and giving recommendations to the Trustee on the establishment of new TK arrangements, divestments, or propose other investment methods and strategies that are beneficial to Unitholders;
- making recommendations to the Trustee on investment opportunities identified by the Asset Manager;
- reviewing reports prepared by the Asset Manager on a regular basis, which may contain information and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions;
- preparing reports to Unitholders such as annual reports, quarterly and annual financial results as well as circulars and public announcements, when necessary;
- implementing suitable hedging strategies to minimise any foreign exchange rate risk;
- ensuring compliance with applicable rules and regulations; and
- attending to all regular communication with Unitholders.

CORPORATE GOVERNANCE

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and the management remains accountable to the board.

The Board is responsible for the overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, compliance monitoring, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Saizen REIT, including a system of internal controls and business risk management process.

The Board also considers sustainability issues as part of its strategy formulation process. Please see the sub-section entitled "Sustainability Reporting" of this report for further information.

Members of the Board are:

- Mr Arnold Ip Tin Chee (Chairman and Executive Director)
- Mr Chang Sean Pey (Co-Chief Executive Officer and Executive Director)
- Mr Raymond Wong Kin Jeon (Executive Director)
- Mr Soh Yew Hock (Lead Independent Non-executive Director)
- Mr Dennis Lam Siu Sun (Independent Non-executive Director)
- Mr Harold Sun Dai Hoe (Independent Non-executive Director)

Every newly appointed director of the Manager receives a formal letter, setting out his general duties and obligations as a director pursuant to the relevant legislations and regulations. Newly-appointed directors will be briefed on their roles and duties as well as the business model and operations of Saizen REIT. Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important bearing on Saizen REIT, the Manager or directors' obligations, the directors will be briefed either during Board meetings, at specially convened sessions or via circulation of Board papers. Where appropriate, further training conducted by external experts or internal staff will be arranged for directors.

The Board meets regularly, at least once every quarter, to review key activities, objectives and business strategies of the Manager. These include reviewing any significant investments and divestments, budgets, the financial performance of Saizen REIT and approving the release of the quarterly and annual results. The Board also reviews the risks relating to the assets of Saizen REIT, examines debt management and refinancing status, and acts upon any comments from the auditors of Saizen REIT ("Quarterly Review Board Meetings").

CORPORATE GOVERNANCE

To assist and facilitate the execution of its responsibilities, the Board has established the Audit Committee, Corporate Announcement Committee and Risk Management Committee. Further information on the Audit Committee and Risk Management Committee can be found in the sub-section entitled "Accountability and Audit" of this report, while information on the Corporate Announcement Committee can be found in the sub-section entitled "Shareholder Rights and Responsibilities".

In addition to the above-mentioned responsibilities of the Board and those of its various sub-committees, other matters which have to be presented to the Board for consideration and approval include, *inter alia*:

- the appointment and resignation of directors and senior management staff such as the chief executive officer;
- the opening of bank accounts and derivative trading accounts by Saizen REIT;
- financing-related issues such as obtaining new loans and refinancing existing loans;
- corporate actions to be carried out by Saizen REIT;
- business continuity plans; and
- expenditures of Saizen REIT which amount to more than S\$1 million.

During the financial year ended 30 June 2014, the Manager had held 5 Board Meetings (comprising 4 Quarterly Review Board Meetings and 1 Administrative Board Meeting) and 4 Audit Committee meetings respectively. The attendance of each director at these meetings is set out in the table below.

Name of members of the Board/Audit Committee	Quarterly Review Board Meetings	Administrative Board Meetings	Audit Committee Meetings
No. of meetings held:	4	1	4
Mr Arnold Ip Tin Chee	4	1	4
Mr Chang Sean Pey	4	1	4
Mr Raymond Wong Kin Jeon	3	1	3
Mr Soh Yew Hock ¹	4	1	4
Mr Dennis Lam Siu Sun ¹	4	1	4
Mr Harold Sun Dai Hoe ¹	4	1	4
Mr Chan Kin ²	–	–	–
Ms Angie Li Yick Yee ²	–	–	–

Notes:

1. Members of Audit Committee
2. Mr Chan Kin and Ms Angie Li Yick Yee had resigned as non-executive directors on 11 October 2013.

CORPORATE GOVERNANCE

Principle 2: The Board’s Composition and Guidance

There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board’s decision making.

As at the LPD, the Board consisted of six members, three of whom are independent non-executive directors. None of the directors has entered into any service contract with Saizen REIT.

A director is considered independent if he has no relationship with the Manager or its officers, its related corporations, its shareholders who hold 10% or more of the voting shares in the Manager, Unitholders who hold 10% or more of Saizen REIT Units in issue or the Trustee that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement with a view to the best interests of Saizen REIT.

The Board is of the view that its independent directors, namely Mr Soh Yew Hock, Mr Dennis Lam Siu Sun and Mr Harold Sun Dai Hoe, are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, their independent business judgement.

At least one-third of the Board shall comprise independent directors. In line with Guideline 2.2 of the 2012 Code, independent directors currently make up half of the Board.

The Board comprises directors with extensive experience in a broad range of competencies, such as real estate investment management, fund management, corporate finance, investment advisory, laws and accounting. This enables the Manager to benefit from their external and objective views on issues brought before the Board.

The Board is of the view that its current size is not so large as to be unwieldy and to the extent that will interfere with efficient and effective decision-making. Under the current composition, no one individual or group dominates the Board’s decisions or its process. The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company’s business. No one individual should represent a considerable concentration of power.

The positions of Chairman and Co-Chief Executive Officers (“**Co-CEOs**”) are held by separate individuals to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the Co-CEOs are not related to each other. There is a clear separation of the roles of the Chairman and the Co-CEOs.

The Chairman leads the Board to ensure its effectiveness on all aspects of the Board’s role. He ensures that the members of the Board receive accurate, clear and timely information, and that adequate time is available for discussion of all agenda items at Board meetings. He also facilitates the effective contribution of non-executive directors. He ensures that the members of the Board work together with management in a constructive manner to address strategy, business operations and enterprise issues.

CORPORATE GOVERNANCE

The Co-CEOs have full executive responsibilities over the development and review of investment and divestment strategies, and the day-to-day operations of Saizen REIT. They work closely with the management team to ensure the strategic, financial, investment, operational and investor relations objectives of Saizen REIT are met.

Mr Soh Yew Hock, being the lead independent non-executive director of the Manager, provides an independent channel to the Unitholders where they have concerns and for which contact through the normal channels of the Chairman and/or the Co-CEOs has failed to resolve or for which such contact is inappropriate.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

The Manager does not consider it necessary for the Board to establish a nominating committee. The Board performs functions that a typical nominating committee would perform, namely, reviewing the credentials and experience of existing or new directors, the overall composition of the Board and the independence of Board members. The Board conducts performance reviews informally and the performance of the Board is ultimately reflected in the performance of the Manager, including the ability of the Board to effectively guide management through challenging situations faced by Saizen REIT.

The Board is of the view that imposing a maximum number of listed company board representations which a director may hold is not meaningful as a director’s ability to act would depend on factors such as the time requirements and complexity of business operations for each directorship, whether the director is in full-time employment and the director’s other commitments. A director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Manager and Saizen REIT. Directors of the Manager are not subject to periodic retirement by rotation.

The profiles of directors are set out in the section “Board of Directors of the Manager” of this annual report.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is provided with complete, adequate and timely information prior to Board meetings. Directors have separate and independent access to the Manager’s senior management and the company secretaries of the Manager at all times. The appointment and removal of each of the company secretaries are subject to the approval of the Board as a whole.

Information provided to the directors includes background or explanatory information relating to matters to be brought before them. Management provides the Board with monthly reports on the financial results and key operating statistics. Any material variance between budget projections and actual results are also disclosed and explained. Management holds regular meetings to review business performance and significant business risk sensitivities and strategies.

The Board has the right to seek independent professional advice on matters relating to the management of Saizen REIT where it deems necessary for proper and efficient discharge of its duties and responsibilities. Such costs shall be borne by Saizen REIT.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Saizen REIT is externally managed by the Manager and has no personnel of its own. The Manager appoints experienced and qualified management personnel to handle its day-to-day operations. As all directors and employees of the Manager are remunerated by the Manager and not Saizen REIT, the Manager does not consider it necessary to include a report on the remuneration of its directors and key executives.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The board should present a balanced and understandable assessment of the company’s performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of Saizen REIT’s performance, position and prospects in interim and other price sensitive public reports, and in reports to regulators (if required). To assist the Board in this regard, Management provides timely, complete, adequate information to the Board through emails.

The Board is provided with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of Saizen REIT’s performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard the shareholders’ interest and the company’s assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

CORPORATE GOVERNANCE

Risk management

The Risk Management Committee is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board.

The members of the Risk Management Committee are:

- Mr Dennis Lam Siu Sun (Chairman of the Risk Management Committee)
- Mr Harold Sun Dai Hoe
- Mr Arnold Ip Tin Chee
- Mr Chang Sean Pey (alternate member to Mr Arnold Ip Tin Chee)

The Risk Management Committee oversees the processes for identification and assessment of the general risks and submits a risk management assessment report on a quarterly basis for the Board’s review during the Quarterly Review Board Meeting, or more often if necessary.

Effective risk management is a fundamental part of Saizen REIT’s business strategy. Recognising and managing risk is central to the business and to protecting Unitholders’ interests and value of the Units. Saizen REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risk involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board. In assessing business risk, the Board considers the economic environment and risks relevant to the real estate industry.

The Manager has determined that significant risk for Saizen REIT will most likely arise when making property investment and financing decisions. Accordingly, when making such decisions, the Manager has set out procedures to be followed prior to the completion of an investment in properties and the relevant financing. The Manager ensures comprehensive due diligence is carried out in relation to the proposed investment and a suitable determination is made as to whether the anticipated return on investment is appropriate having regard to the level of risk.

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. Saizen REIT may enter into hedging transactions so as to minimise the exposure to fluctuations in the JPY/S\$ cross rates that Unitholders may face in respect of their impending distributions.

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.

CORPORATE GOVERNANCE

Internal controls

The Manager has put in place a system of internal controls of procedures and processes to safeguard the assets and Unitholders’ interests in Saizen REIT. The Board has adopted a set of internal controls which sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories, amongst others. Approvals of matters not exceeding specified sub-limits are also delegated to various management levels to facilitate operational efficiency. The Manager’s internal control system manual is reviewed and updated at least semi-annually. Monthly reports on expenditures are also being reviewed by the Co-CEOs.

Reports from the internal and external auditors on internal controls are reviewed and the appropriate actions are taken.

The Board has received assurances from the Co-CEOs that (i) the financial records of Saizen REIT have been properly maintained and the financial statements give a true and fair view of Saizen REIT’s operations and finances, and (ii) the Manager’s risk management and internal control systems are effective.

The Board, with the concurrence of the Audit Committee, is of the opinion that the Manager’s internal controls, including those which address financial, operational, information technology and compliance risks, are adequate based on the reports of the internal and external auditors.

Principle 12: Audit Committee

The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board. The Audit Committee currently consists of three members, all of whom are independent non-executive directors. The members of the Audit Committee collectively are appropriately qualified to discharge their responsibilities as they have relevant accounting and/or financial management expertise and experience.

The members of the Audit Committee are:

- Mr Soh Yew Hock (Chairman of Audit Committee)
- Mr Dennis Lam Siu Sun
- Mr Harold Sun Dai Hoe

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager’s internal controls and is responsible for the nomination of external auditors and review of adequacy of existing audits in respect of cost, scope and performance, including the quality and reliability of information prepared for inclusion in financial reports.

CORPORATE GOVERNANCE

The Audit Committee’s responsibilities also include:

- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- reviewing internal audit reports at least once a year to ensure guidelines and procedures established have been complied with;
- approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or accounting/auditing firm if the internal audit function is outsourced;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within Saizen REIT;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix, including procedures established to regulate Related Party Transactions (as defined in the sub-section “Related Party Transactions” of this report);
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of Saizen REIT and any formal announcements relating to Saizen REIT’s financial performance;
- investigating any matters within the Audit Committee’s terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations;
- reviewing the Whistle-Blowing Policy (as described below) and Press Policy of the Manager; and
- reviewing the Manager’s determination of the fair market price of a Unit in relation to the issue of Units, and the determination of the number of Units that the Manager is entitled to receive as its management fee.

The Audit Committee has full access to and co-operation from management and enjoys full discretion to invite any director and executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

CORPORATE GOVERNANCE

The Audit Committee has reviewed the Internal Systems Control Manual, Whistle-Blowing Policy and Press Policy and is of the view that:

- the extent of disclosure and transparency of the Internal Systems Control Manual has provided further clarity about Saizen REIT’s operations, which could help its members to form constructive opinions and advices to the Manager;
- appropriate arrangements are in place for employees of the Manager to raise concerns about possible improprieties in Saizen REIT’s operations or other matters; and
- appropriate arrangements are in place for employees and directors of the Manager to handle media and general queries to ensure proper disclosures to stakeholders and compliance with the Listing Manual and the relevant rules and regulations.

The Audit Committee has also conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The total fees paid/payable to the external auditors for the financial year ended 30 June 2014 was JPY 51.7 million, comprising fees of JPY 50.5 million and JPY 1.2 million for audit and non-audit services respectively.

Saizen REIT complies with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

Management closely monitors changes to accounting standards and other similar issues which may potentially have an impact on financial statements, and provides the Audit Committee with relevant briefings and updates during quarterly Audit Committee meetings. The external auditors, when appropriate, also provide updates and discuss changes to accounting standards with the Audit Committee.

Audit Committee meetings are generally held after the end of each quarter of every financial year. During the year ended 30 June 2014, 4 Audit Committee meetings had been held. Details of the members’ participation in the Audit Committee meetings are set out in the sub-section “Board Matters” of this report.

The Board has put in place a Whistle-Blowing Policy whereby concerns may be raised about possible improprieties in matters of financial report or other matters without fear of retaliation or unfair treatment. The Whistle-Blowing Policy sets out arrangements for the independent investigation of such concerns and for the conduct of appropriate follow-up action. Relevant concerns can be made orally or in writing to either the Chairman of the Board or the Chairman of the Audit Committee.

Principle 13: Internal Audit

The board should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Audit Committee had appointed Yoshioka Certified Public Accountant Office and Katayama Certified Public Account Office to provide internal audit services for specified areas of internal controls for the current financial year reported on. Yoshioka Certified Public Accountant Office, Katayama Certified Public Account Office as well as Crowe Horwath First Trust Risk Advisory Pte Ltd had been engaged for past internal audit cycles. The internal auditor’s role is to provide risk assessment services and compliance audits in order to ensure internal controls are aligned to business objectives and related risks. Key operational activities are selected to be regularly and objectively evaluated to maintain and improve the efficiency and effectiveness of internal controls and corporate governance.

The internal auditor has unfettered access to Saizen REIT and to the Audit Committee.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.

The Listing Manual of the SGX-ST requires a listed entity to disclose to the market matters that could or might be expected to have a material effect on the price of the entity’s securities. The Board has established relevant policies and procedures to ensure that material information relating to Saizen REIT, its business and its financial performance is disclosed in an accurate and timely manner via SGXNET.

All Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings. All Unitholders are also informed of the rules, including voting procedures, which govern such meetings.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Corporate Announcement Committee is appointed by the Board from among the directors of the Manager and operates under the delegated authority of the Board. The Corporate Announcement Committee serves to simplify the approval process for standard announcements. Where appropriate, certain public announcements require the approval of the whole Board.

The members of the Corporate Announcement Committee are:

- Mr Arnold Ip Tin Chee (Chairman of the Corporate Announcement Committee)
- Mr Chang Sean Pey
- Mr Raymond Wong Kin Jeon

The principle role and responsibilities of the Corporate Announcement Committee include:

- reviewing and approving general corporate disclosure issues and announcements to be made to the SGX-ST and the public;
- ensuring that disclosure of any price-sensitive information is made in a timely manner to prevent the creation of a false market in dealings of the Units; and
- ensuring all disclosures are in compliance with applicable rules and regulations.

CORPORATE GOVERNANCE

The Board aims to ensure that Unitholders and the investment community are informed of all information and major developments affecting Saizen REIT's state of affairs on a timely basis. Communication to Unitholders and/or the investment community includes the following:

- (a) quarterly and annual results announcements containing financial information and a review of the operations of Saizen REIT during the relevant financial period;
- (b) annual report containing information on the operations of Saizen REIT during the financial year, changes in the state of affairs of Saizen REIT and details of future developments;
- (c) notice of meetings of Unitholders, where applicable;
- (d) distribution notices with information including the components which make up the distributions;
- (e) announcements and press releases in relation to the latest affairs of Saizen REIT; and
- (f) regular briefings for analysts, media representatives and investment community, which will generally coincide with the release of Saizen REIT's results announcement.

Items (a) to (e) above will be made available on the SGXNet website and Saizen REIT's corporate website at www.saizenreit.com.sg.

In addition, the public can also submit enquiries on Saizen REIT to the Manager via the "Contact Us" link on Saizen REIT's corporate website.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All Unitholders are sent a copy of Saizen REIT's annual report prior to an annual general meeting ("AGM"). As and when an extraordinary general meeting of the Unitholders is to be held, each Unitholder is sent a copy of a circular to Unitholders which contains details of the matters to be proposed for Unitholders' consideration and approval. The notice of meeting, which shall set out all items of business to be transacted at the meeting of the Unitholders, will also be announced on SGXNet and advertised in the newspapers. Resolutions put to the meetings are kept separate unless they are interdependent and linked. A Unitholder is allowed to appoint not more than two proxies to attend and vote at the general meetings in his/her stead.

Unitholders will be given the opportunity to air their views and ask questions regarding the matters tabled at general meetings. Representatives of the Trustee, members of the Board and Audit Committee, and the external auditors will be in attendance at general meetings to answer questions from Unitholders. Prior to exercising their votes at a general meeting, the Unitholders are duly briefed on the relevant voting procedures.

CORPORATE GOVERNANCE

As a matter of practice, Unitholders' votes on resolutions at general meetings have been conducted by poll in order to provide better clarity and transparency on Unitholders' support of the resolutions. The Manager also promptly issues a detailed announcement of the poll results. The Manager maintains minutes of general meetings. These minutes are available to Unitholders upon their requests.

The AGM of Saizen REIT will be held on 21 October 2014. Unitholders are encouraged to attend the AGM.

DISTRIBUTION POLICY

Saizen REIT's distribution policy is to distribute at least 90% of its income available for distribution to Unitholders on a semi-annual basis. Under the Trust Deed, the Manager is required to pay distributions within 90 days after each distribution period.

DEALING IN UNITS

The Manager will not deal in the Units:

- during the period commencing one month before the public announcement of Saizen REIT's annual results;
- two weeks before the public announcement of Saizen REIT's quarterly results; and
- at any time while in possession of price sensitive information.

In accordance with section 137ZC of the SFA, the Manager will announce via SGXNet any changes to its holdings in the Units no later than the end of the business day following the day on which it acquires or disposes of any Units, as the case may be.

The Manager has adopted internal guidelines relating to the dealing of Units. In general, the directors and employees of the Manager are encouraged, as a matter of policy, to hold Units. They are prohibited from dealing in the Units at the above time period and the directors and employees are advised not to deal in the Units on short-term considerations. They are also made aware of the applicability of the insider trading laws at all times.

MATERIAL CONTRACTS

There are no material contracts entered into by Saizen REIT or any of its subsidiaries that involve the interests of the Co-CEOs, any director, or any controlling Unitholder, except as disclosed in note 21 to the financial statements and the section entitled "Additional Information: Related Party Transactions" of this annual report.

CORPORATE GOVERNANCE

CONFLICTS OF INTERESTS

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

- the Manager will be a dedicated manager to Saizen REIT and will not manage any other real estate investment trust (excluding other investment vehicles such as closed-end funds) with the same investment strategies as Saizen REIT;
- all executive officers will be employed by the Manager;
- all resolutions in writing of the directors in relation to matters concerning Saizen REIT must be approved by all directors;
- at least one-third of the Board shall comprise independent non-executive directors;
- prior to Japan Regional Assets Manager Limited (being the sponsor of Saizen REIT (the “**Sponsor**”)), entering into any transaction which places it in a conflict of interest situation with Saizen REIT, the Sponsor shall resolve such conflict with Saizen REIT, for so long as (a) the Manager remains the manager of Saizen REIT, and (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains a controlling shareholder of the Manager;
- in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interests shall abstain from voting. In such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries (save for the Manager); and
- in respect of matters in which a director has an interest, direct or indirect, such interested director shall abstain from voting. In such matters, the quorum must comprise a majority of the directors and must exclude such interested director.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager (as defined below), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee or such person) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee or such person, on behalf of Saizen REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The directors will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee or any person for and on behalf of Saizen REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTIONS

The Manager has established internal control procedures to ensure that all future transactions involving the Trustee and a related party (either an “interested party” pursuant to the Property Funds Appendix or an “interested person” pursuant to the Listing Manual) of the Manager (“**Related Party Transactions**”) are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. In respect of such transactions, the Manager would have to demonstrate to the Audit Committee that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuation reports from independent valuers (in accordance with the Property Funds Appendix). The Audit Committee shall also periodically review the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Appendix. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Saizen REIT’s net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Saizen REIT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Saizen REIT’s net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of the Unitholders.

Where the Audit Committee's approval is required for a Related Party Transaction, such approval will have to be granted by a majority of the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and approval process of that transaction. In addition, the Trustee has the right to review the audit reports to ascertain that the Property Funds Appendix have been complied with.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual during the relevant financial year will be disclosed in Saizen REIT's annual report, if applicable.

CORPORATE GOVERNANCE

REPORT OF THE TRUSTEE

For the financial year ended 30 June 2014

SUSTAINABILITY REPORTING

The Board considers sustainability issues as part of its strategy formulation process to ensure that Saizen REIT's rental business is conducted responsibly within the cities where it operates, particularly from the environmental and social aspects.

By looking beyond economic, strategic and operational factors to include social and environmental considerations, sustainability reviews allow the Manager to consider emerging risk areas and develop appropriate responses that help protect corporate reputation and improve Unitholder value.

Environmental impact

In 1981, the seismic design building code of Japan was revised to introduce new standards for earthquake design. All but three (Taisei Building III, Niken Chaya Grand Heights and KC Heights) of Saizen REIT's properties were built after 1981 and hence were constructed in accordance with these new standards. Separate inspections had been commissioned for Taisei Building III, Niken Chaya Grand Heights and KC Heights, and these three buildings were certified to be in compliance with the earthquake requirements.

Saizen REIT is also committed in ensuring that its properties comply with pollution regulations. Compliance with pollution regulations are included in engineering reports which are prepared for sale- or financing-related transactions.

Social impact

Saizen REIT's business is to provide rental housing to the mass market segment of the Japanese housing market. The Asset Manager and property managers have carried out various initiatives to assist people who face problems renting basic accommodations due to budgetary constraints or the lack of a guarantor.

Saizen REIT ensures that it works with certified service providers such as property managers, contractors, valuers and real estate agents and that it pays fees which are competitive and at market rates.

The Manager and the Asset Manager do not practise any gender discrimination in their employment policies, with males and females making up about 45% and 55% respectively of their total staff and directors.

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Saizen Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") in trust for the Unitholders. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Japan Residential Assets Manager Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed, First, Second, Third, Fourth and Fifth Supplemental Deeds dated 27 September 2007, 3 October 2007, 29 October 2007, 5 May 2009, 20 September 2010 and 24 August 2012 respectively (as amended) (the "Trust Deed") between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the period covered by these financial statements, set out on pages 60 to 112 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,

HSBC Institutional Trust Services (Singapore) Limited



Antony Wade Lewis
Director
Singapore,
19 September 2014

STATEMENT BY THE MANAGER

For the financial year ended 30 June 2014

In the opinion of the directors of Japan Residential Assets Manager Limited, the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") as set out on pages 60 to 112, comprising the Balance Sheets for Saizen REIT and the Group and Portfolio Statement for the Group as at 30 June 2014, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds for Saizen REIT and the Group, the Consolidated Statement of Cash Flows for the Group and Notes to the Financial Statements for the year then ended, are drawn up so as to present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2014, the total return, amount distributable, movements of Unitholders' funds of Saizen REIT and of the Group and consolidated cash flows of the Group for the financial year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that Saizen REIT will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
Japan Residential Assets Manager Limited



Chang Sean Pey
Director
Singapore,
19 September 2014

INDEPENDENT AUDITOR'S REPORT

(Constituted under a Trust Deed in the Republic of Singapore)

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SAIZEN REAL ESTATE INVESTMENT TRUST

(Constituted under a Trust Deed in the Republic of Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of Saizen Real Estate Investment Trust ("Saizen REIT") and its subsidiaries (the "Group") set out on pages 60 to 112, which comprise the Balance Sheets of Saizen REIT and of the Group and Portfolio Statement of the Group as at 30 June 2014, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds of Saizen REIT and of the Group, the Consolidated Statement of Cash Flows of the Group for the financial year then ended 30 June 2014, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager of Saizen REIT is responsible for the preparation of the financial statements that give a true and fair presentation in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Saizen REIT, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saizen REIT and of the Group as at 30 June 2014, the total return, amount distributable, movements of Unitholders' funds of Saizen REIT and the Group and consolidated cash flows of the Group for the financial year ended 30 June 2014 in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 19 September 2014

STATEMENTS OF TOTAL RETURN

For the financial year ended 30 June 2014

		Group		Saizen REIT	
	Note	2014 JPY'000	2013 JPY'000	2014 JPY'000	2013 JPY'000
Gross revenue	4	3,954,382	3,823,646	898,897	785,608
Property operating expenses	5	(1,227,489)	(1,166,874)	–	–
Net property income/ distribution income		2,726,893	2,656,772	898,897	785,608
Interest income		2,611	2,318	1,651	1,471
Manager's management fees		(205,877)	(189,957)	(205,877)	(189,957)
Asset management fees		(48,203)	(49,797)	–	–
Trustee's fees		(10,224)	(10,710)	(10,224)	(10,710)
Other trust expenses	6	(111,800)	(84,602)	(72,782)	(103,078)
Finance costs, net	7	(496,189)	(856,089)	(57,296)	(121,381)
Other income		42,784	213,575	42,784	213,575
Other administrative expenses		(159,753)	(179,332)	(51,393)	(42,543)
Net income from operations		1,740,242	1,502,178	545,760	532,985
Gain on divestment of investment properties		4,716	15,807	–	–
Net fair value (loss)/gain on financial derivatives – fair value through profit or loss		(189,575)	16,109	23,013	8,245
Net fair value gain on investment properties	15	838,431	403,296	–	–
Write back on investment in subsidiaries		–	–	1,695,443	1,394,845
Total return for the year before income tax		2,393,814	1,937,390	2,264,216	1,936,075
Income tax	8	(261,988)	(264,611)	(183,652)	(158,475)
Total return for the year after income tax before distribution		2,131,826	1,672,779	2,080,564	1,777,600
Less: Distribution		(1,156,005)	(1,273,453)	(1,156,005)	(1,273,453)
Total return for the year after income tax and distribution		975,821	399,326	924,559	504,147
Total return for the year after income tax before distribution attributable to:					
Unitholders		2,099,879	1,653,867	2,080,564	1,777,600
Non-controlling interests		31,947	18,912	–	–
		2,131,826	1,672,779	2,080,564	1,777,600
Earnings per unit (JPY), after adjusting for effects of Unit Consolidation					
– Basic and diluted	9	7.40	5.82		

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 30 June 2014

		Group		Saizen REIT	
	Note	2014 JPY'000	2013 JPY'000	2014 JPY'000	2013 JPY'000
ASSETS					
Current assets					
Cash and cash equivalents	10	5,162,431	5,994,633	1,722,093	1,054,856
Deposits with cash management agent	11	510	540	–	–
Trade and other receivables	12	20,349	27,829	634,018	861,941
Other current assets	13	60,212	62,853	1,226	1,376
Derivative financial instruments	18	4,386	31,583	4,386	31,583
		5,247,888	6,117,438	2,361,723	1,949,756
Non-current assets					
Investments in subsidiaries	14	–	–	26,984,688	26,824,866
Investment properties	15	42,056,200	41,177,500	–	–
		42,056,200	41,177,500	26,984,688	26,824,866
Total assets		47,304,088	47,294,938	29,346,411	28,774,622
LIABILITIES					
Current liabilities					
Rental deposits		447,847	474,308	–	–
Rental received in advance		251,926	306,486	–	–
Borrowings	16	1,559,034	1,519,388	975,594	939,386
Other current liabilities	17	293,048	365,124	76,569	124,953
Current tax liabilities		130,083	177,529	128,938	173,578
Derivative financial instruments	18	7,725	28,679	7,725	28,679
		2,689,663	2,871,514	1,188,826	1,266,596
Non-current liabilities					
Rental deposits		33,901	33,828	–	–
Borrowings	16	15,729,710	16,462,821	–	–
Derivative financial instruments	18	377,343	245,771	–	–
Other non-current liabilities	17	30,335	15,882	–	–
Deferred tax liabilities	19	182,054	104,861	–	–
		16,353,343	16,863,163	–	–
Total liabilities		19,043,006	19,734,677	1,188,826	1,266,596
NET ASSETS		28,261,082	27,560,261	28,157,585	27,508,026
Represented by:					
Unitholders		28,151,410	27,482,536	28,157,585	27,508,026
Non-controlling interests		109,672	77,725	–	–
		28,261,082	27,560,261	28,157,585	27,508,026
Number of units in issue ('000)	20	283,612	283,612	283,612	283,612
Net asset value per unit attributable to Unitholders (JPY), after adjusting for effects of Unit Consolidation		99.26	96.90	99.28	96.99

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

For the financial year ended 30 June 2014

	Group		Saizen REIT	
	2014 JPY'000	2013 JPY'000	2014 JPY'000	2013 JPY'000
Total return for the year after income tax before distribution attributable to Unitholders	2,099,879	1,653,867	2,080,564	1,777,600
Distribution adjustments (Note a)	(615,910)	(326,272)	(596,595)	(450,005)
Income available for distribution to Unitholders	1,483,969	1,327,595	1,483,969	1,327,595
Income available for distribution to Unitholders at beginning of the year	692,174	575,449	692,174	575,449
Cash deployed for loan repayment and borrowing costs	(745,606)	(796,305)	(745,606)	(796,305)
Loan principal repayment, one-off borrowing costs and one-off swap breakage costs offset by capital resources	721,545	858,888	721,545	858,888
Income available for distribution to Unitholders	2,152,082	1,965,627	2,152,082	1,965,627
Distribution to Unitholders during the year:				
– Distribution of 3.15 cents per Unit for the period from 1 January 2012 to 30 June 2012	–	(569,651)	–	(569,651)
– Distribution of 3.30 cents per Unit for the period from 1 July 2012 to 31 December 2012	–	(703,802)	–	(703,802)
– Distribution of 3.15 cents per Unit for the period from 1 January 2013 to 30 June 2013	(687,669)	–	(687,669)	–
– Distribution of 3.25 cents per Unit for the period from 1 July 2013 to 31 December 2013	(743,336)	–	(743,336)	–
Total distribution to Unitholders during the year (Note b)	(1,431,005)	(1,273,453)	(1,431,005)	(1,273,453)
Income available for distribution to Unitholders at end of the year	721,077	692,174	721,077	692,174
Distribution to Unitholders²	720,941	671,105	720,941	671,105
Distribution per Unit¹ (S\$ cents)	3.10	3.15	3.10	3.15
Note a – Distribution adjustments				
Distribution adjustments items:				
– Gain on divestment of investment properties	(4,896)	(16,223)	–	–
– Change in fair value of investment properties, net of deferred tax	(761,238)	(338,827)	–	–
– Change in fair value of financial derivatives				
– unrealised loss/(gain)	137,815	(79,780)	6,242	(2,904)
– Write back of impairment loss on investment in subsidiaries	–	–	(1,695,443)	(1,394,845)
– Amortisation of transaction costs for borrowings	49,533	204,824	–	–
– Unrealised exchange gains	(6,034)	(107,400)	(6,034)	(107,400)
– Reserves required to be kept under loan agreements	(77,490)	(23,660)	–	–
– Non-controlling interests' share of adjustments	31,947	18,912	–	–
– Overseas income not distributed to the Trust	–	–	1,098,640	1,055,144
– Provision for asset management fees (Note 17)	14,453	15,882	–	–
	(615,910)	(326,272)	(596,595)	(450,005)
Note b – Distribution to Unitholders				
– From operations	(1,156,005)	(1,273,453)	(1,156,005)	(1,273,453)
– From Unitholders' contribution	(275,000)	–	(275,000)	–
	(1,431,005)	(1,273,453)	(1,431,005)	(1,273,453)

DISTRIBUTION STATEMENTS

For the financial year ended 30 June 2014

- A final tax-exempt distribution of 3.10 Singapore cents per unit was proposed on 26 August 2014 to the Board of Directors of the Manager. These financial statements do not reflect this distribution, which will be accounted for as an appropriation of Unitholders' funds in the financial year ending 30 June 2014.

A tax-exempt distribution of 3.25 Singapore cents per unit was resolved on 11 February 2014 in the Board of Directors' Meeting and paid on 21 March 2014.

For the financial year ended 30 June 2013, a final tax-exempt distribution of 0.63 Singapore cents per unit was resolved on 22 August 2013 in the Board of Directors' Meeting and paid on 24 September 2013. The distribution per unit adjusted for unit consolidation is 3.15 Singapore cents per unit.

A tax-exempt distribution of 0.66 Singapore cents per unit was resolved on 7 February 2013 in the Board of Directors' Meeting and paid on 22 March 2013. The distribution per unit adjusted for unit consolidation is 3.30 Singapore cents per unit.
- The distribution for the period from 1 January 2014 to 30 June 2014 presented in JPY is subject to the prevailing SGD/JPY exchange rate on actual payment date in FY2015.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 30 June 2014

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
OPERATIONS				
Balance at beginning of the year	(12,242,909)	(12,623,323)	(13,472,346)	(13,976,493)
Total return for the year	2,099,879	1,653,867	2,080,564	1,777,600
Distribution to Unitholders	(1,156,005)	(1,273,453)	(1,156,005)	(1,273,453)
Balance at end of the year	(11,299,035)	(12,242,909)	(12,547,787)	(13,472,346)
UNITHOLDERS' CONTRIBUTION				
Balance at beginning of the year	39,725,445	39,796,796	40,980,372	41,051,723
Cancellation of units pursuant to Unit buy-back	–	(71,175)	–	(71,175)
Costs relating to Unit buy-back	–	(176)	–	(176)
Distribution to Unitholders	(275,000)	–	(275,000)	–
Balance at end of the year	39,450,445	39,725,445	40,705,372	40,980,372
TOTAL ATTRIBUTABLE TO UNITHOLDERS	28,151,410	27,482,536	28,157,585	27,508,026
NON-CONTROLLING INTERESTS				
Balance at beginning of the year	77,725	58,853	–	–
Effect on investment in new TK operator	–	(40)	–	–
Total return for the year	31,947	18,912	–	–
Balance at end of the year	109,672	77,725	–	–
TOTAL	28,261,082	27,560,261	28,157,585	27,508,026

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2014

	Note	Group	
		2014	2013
		JPY'000	JPY'000
Cash flows from operating activities			
Total return for the year after income tax and before distribution		2,131,826	1,672,779
Adjustments for:			
– Income tax		261,988	264,611
– Interest income		(2,611)	(2,318)
– Interest expense	7	414,170	708,674
– Gain on divestment of investment properties		(4,716)	(15,807)
– Net fair value loss/(gain) on financial derivatives		189,575	(16,109)
– Net fair value gain on investment properties		(838,431)	(403,296)
– Unrealised foreign exchange loss		36,208	110,919
Operating profit before working capital changes		2,188,009	2,319,453
Changes in working capital			
– Deposits with cash management agent		30	52
– Trade and other receivables		7,447	2,557
– Other current assets		2,900	(24,432)
– Other current liabilities		(72,092)	47,525
– Other non-current liabilities		14,453	15,882
– Rental received in advance		(54,560)	80,466
– Rental deposits		(26,388)	7,049
Cash flows generated from operations		2,059,799	2,448,552
Income tax paid		(1,143)	(1,254)
Withholding tax paid		(231,098)	(173,286)
Cash flows provided by operating activities		1,827,558	2,274,012
Cash flows from investing activities			
Contribution from non-controlling interests		–	(40)
Capital expenditure/addition of investment properties		(90,669)	(4,445,104)
Proceeds from sale of investment properties		55,116	129,807
Cash flows used in investing activities		(35,553)	(4,315,337)
Cash flows from financing activities			
Proceeds from bank borrowings		–	13,448,463
Repayment of bank borrowings		(668,092)	(8,760,066)
Distribution to Unitholders		(1,431,005)	(1,273,453)
Interest received		2,643	2,271
Interest paid		(475,993)	(707,612)
Net settlement of financial derivatives		(51,760)	(63,671)
Payment for Unit buy-back		–	(71,351)
Bank deposits pledged for bank borrowings		(36,208)	(739,386)
Cash flows (used in)/provided by financing activities		(2,660,415)	1,835,195
Net decrease in cash and cash equivalents		(868,410)	(206,130)
Cash and cash equivalents at beginning of the year	10	4,860,247	5,066,377
Cash and cash equivalents at end of the year	10	3,991,837	4,860,247

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENT

As at 30 June 2014

			Valuation				Percentage of net assets attributable to Unitholders	
Description of properties	Location	Latest valuation date	30 June		30 June		30 June	30 June
			2014		2013		2014	2013
			JPY'000		JPY'000		%	%
YUGEN KAISHA ("YK") JOF								
Three Tower	Sapporo	30 June 2014	775,000	(j)	783,000	(j)	2.8	2.8
Luna Heights	Sapporo	30 June 2014	228,000	(a)	221,000	(a)	0.8	0.8
Matsui 53	Sapporo	30 June 2014	157,000	(a)	150,000	(a)	0.6	0.5
Plaza Nakajima Park	Sapporo	30 June 2014	260,000	(j)	252,000	(j)	0.9	0.9
Chateau Nakanoshima	Sapporo	30 June 2014	204,000	(a)	195,000	(a)	0.7	0.7
Chateau 24	Sapporo	30 June 2014	391,000	(j)	381,000	(j)	1.4	1.4
YK KOKKEI								
Glance Nishimachi	Sapporo	30 June 2014	348,000	(j)	327,000	(j)	1.2	1.2
Matsui 82	Sapporo	30 June 2014	287,000	(j)	292,000	(j)	1.0	1.1
Urban Yamahana	Sapporo	30 June 2014	97,000	(j)	99,000	(j)	0.3	0.4
Misono	Sapporo	30 June 2014	301,000	(f)	291,000	(f)	1.1	1.1
Maison Towa	Sapporo	30 June 2014	161,000	(f)	153,000	(f)	0.6	0.6
Wing Befu	Fukuoka	30 June 2014	114,000	(i)	104,000	(i)	0.4	0.4
Bibress Tsukisamu Chuo Station	Sapporo	30 June 2014	613,000	(j)	597,000	(j)	2.2	2.2
Cosmo Reveur Sangenjaya	Tokyo	30 June 2014	609,000	(k)	593,000	(a)	2.2	2.2
Clair Court Roka Koen	Tokyo	30 June 2014	754,000	(c)	732,000	(f)	2.7	2.7
YK KEIZAN								
Chic Takaramachi	Fukuoka	30 June 2014	199,000	(i)	208,000	(i)	0.7	0.8
Sun City	Sapporo	30 June 2014	309,000	(g)	297,000	(g)	1.1	1.1
S. Heim	Sapporo	30 June 2014	95,000	(f)	92,000	(f)	0.3	0.3
Les Chambres	Sapporo	30 June 2014	69,600	(g)	65,000	(g)	0.2	0.2
Dominion Yamanote	Sapporo	30 June 2014	140,000	(j)	132,000	(j)	0.5	0.5
Treasure 15	Sapporo	30 June 2014	131,000	(j)	127,000	(j)	0.5	0.5
Infinity Higashi Sapporo	Sapporo	30 June 2014	152,000	(f)	145,000	(f)	0.5	0.5
Arati Hakata South	Fukuoka	30 June 2014	357,000	(i)	342,000	(i)	1.3	1.2
First Kotake Building	Sapporo	30 June 2014	850,000	(f)	834,000	(f)	3.0	3.0
Park Crystal	Sapporo	30 June 2014	228,000	(a)	222,000	(a)	0.8	0.8
YK SHINTOKU								
Chalet Aoyama	Kitakyushu	30 June 2014	238,000	(h)	236,000	(h)	0.8	0.9
City Room Nakai III	Kitakyushu	30 June 2014	150,000	(f)	150,000	(h)	0.5	0.5
Matsukaze Building	Hakodate	30 June 2014	227,000	(a)	224,000	(a)	0.8	0.8
Gold Mansion Nakao	Fukuoka	30 June 2014	113,000	(i)	109,000	(i)	0.4	0.4
Kohatsu 88	Sapporo	30 June 2014	47,700	(a)	43,900	(a)	0.2	0.2
Central Court Tenjin Higashi	Fukuoka	30 June 2014	128,000	(i)	122,000	(i)	0.5	0.4
Ebisu Building III	Sapporo	30 June 2014	71,000	(f)	66,000	(f)	0.3	0.2
Heart Inn Hongou	Sapporo	30 June 2014	71,000	(f)	68,000	(f)	0.3	0.2
Saumur Meinohama II	Fukuoka	30 June 2014	—	—	50,400	(h)	—	0.2

PORTFOLIO STATEMENT

As at 30 June 2014

Description of properties	Location	Latest valuation date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June 2014		30 June 2013		30 June 2014	30 June 2013
			JPY'000		JPY'000		%	%
YK SHINTOKU (Continued)								
Urban Hills Dainohara	Sendai	30 June 2014	129,000	(a)	126,000	(b)	0.5	0.5
Sun Port 6	Sendai	30 June 2014	149,000	(b)	148,000	(b)	0.5	0.5
Exceed Tsuchitoi	Sendai	30 June 2014	82,500	(b)	81,000	(b)	0.3	0.3
Sun Hills Asahigaoka	Sendai	30 June 2014	53,000	(b)	52,200	(b)	0.2	0.2
Aisho Plaza Hachiman	Sendai	30 June 2014	176,000	(b)	178,000	(b)	0.6	0.7
Sun Rise Kashiwagi	Sendai	30 June 2014	170,000	(b)	169,000	(b)	0.6	0.6
Lively Kamisugi	Sendai	30 June 2014	69,300	(b)	68,600	(b)	0.2	0.2
Etoile Higashi Sendai	Sendai	30 June 2014	99,400	(b)	98,200	(b)	0.4	0.4
Shinko Kokura Kogane Sky Mansion	Kitakyushu	30 June 2014	167,000	(e)	179,000	(e)	0.6	0.6
Katano Residential Building	Kitakyushu	30 June 2014	322,000	(e)	314,000	(e)	1.1	1.1
High Grace II	Sendai	30 June 2014	316,000	(b)	312,000	(b)	1.1	1.1
Estella 24-ken A	Sapporo	30 June 2014	73,600	(a)	68,700	(a)	0.3	0.2
Niken Chaya Grand Heights	Sendai	30 June 2014	357,000	(b)	376,000	(b)	1.3	1.4
Kotoni 1-6 Mansion	Sapporo	30 June 2014	259,000	(j)	252,000	(j)	0.9	0.9
Aster Yamahana	Sapporo	30 June 2014	131,000	(a)	128,000	(a)	0.5	0.5
K2 Mansion Morioka	Morioka	30 June 2014	301,000	(f)	294,000	(g)	1.1	1.1
Mon Palais Toroku	Kumamoto	30 June 2014	201,000	(h)	192,000	(a)	0.7	0.7
YK SHINZAN								
Chalet Kishinoura	Kitakyushu	30 June 2014	293,000	(f)	295,000	(f)	1.0	1.1
Chalet Shiragane	Kitakyushu	30 June 2014	214,000	(f)	217,000	(f)	0.8	0.8
Chalet Suwamachi	Kitakyushu	30 June 2014	259,000	(e)	266,000	(e)	0.9	1.0
Chalet Numahon Machi II	Kitakyushu	30 June 2014	158,000	(e)	160,000	(e)	0.6	0.6
Chalet Matsuo II	Kitakyushu	30 June 2014	48,000	(e)	48,700	(e)	0.2	0.2
Chalet Tsudashin Machi	Kitakyushu	30 June 2014	126,000	(e)	126,000	(e)	0.4	0.5
Chalet Harunomachi	Kitakyushu	30 June 2014	338,000	(e)	324,000	(e)	1.2	1.2
Chalet Kanda II	Kitakyushu	30 June 2014	202,000	(e)	209,000	(e)	0.7	0.8
Chalet Einomaru II	Kitakyushu	30 June 2014	101,000	(f)	101,000	(f)	0.4	0.4
EMYU Honjo	Kumamoto	30 June 2014	892,000	(l)	877,000	(a)	3.2	3.2
EMYU Shinmachi	Kumamoto	30 June 2014	611,000	(l)	605,000	(a)	2.2	2.2
Yamamoto Mansion	Kagoshima	30 June 2014	563,000	(f)	561,000	(f)	2.0	2.0
KC Heights	Kumamoto	30 June 2014	107,000	(a)	105,000	(a)	0.4	0.4
Rise Shimodori	Kumamoto	30 June 2014	298,000	(a)	283,000	(a)	1.1	1.0
Rise Kuhonji II	Kumamoto	30 June 2014	384,000	(a)	370,000	(a)	1.4	1.3

PORTFOLIO STATEMENT

As at 30 June 2014

Description of properties	Location	Latest valuation date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June 2014		30 June 2013		30 June 2014	30 June 2013
			JPY'000		JPY'000		%	%
YK SHINGEN								
Alte Heim Kokura	Kitakyushu	30 June 2014	58,400	(e)	58,100	(e)	0.2	0.2
Alte Heim Kokura II	Kitakyushu	30 June 2014	372,000	(e)	372,000	(e)	1.3	1.3
Alte Heim Kokura IV	Kitakyushu	30 June 2014	73,900	(e)	83,800	(e)	0.3	0.3
Alte Heim Mojiekimae	Kitakyushu	30 June 2014	147,000	(e)	151,000	(e)	0.5	0.5
Castle Kano	Sendai	30 June 2014	190,000	(f)	184,000	(f)	0.7	0.7
Clio Court	Sendai	30 June 2014	193,000	(f)	190,000	(f)	0.7	0.7
Core Life	Sendai	30 June 2014	458,000	(f)	457,000	(f)	1.6	1.7
Taisei Building III	Oita	30 June 2014	230,000	(i)	262,000	(i)	0.8	1.0
EMYU Suizenji	Kumamoto	30 June 2014	1,080,000	(l)	1,028,000	(a)	3.8	3.7
Gardenia Kurashiki	Kurashiki	30 June 2014	102,000	(i)	109,000	(i)	0.4	0.4
Jeunes 23	Sapporo	30 June 2014	239,000	(a)	230,000	(a)	0.8	0.8
Rise Oe	Kumamoto	30 June 2014	242,000	(h)	233,000	(h)	0.9	0.8
Royal Hills Katagiri	Sendai	30 June 2014	157,000	(a)	153,000	(g)	0.6	0.6
Suien	Sapporo	30 June 2014	92,000	(a)	88,800	(a)	0.3	0.3
Sun Vario Shinden Eki Mae	Sendai	30 June 2014	419,000	(f)	406,000	(f)	1.5	1.5
TOA Mansion	Sapporo	30 June 2014	601,000	(j)	574,000	(j)	2.1	2.1
YSK Co-op Saiwaicho	Sendai	30 June 2014	422,000	(f)	420,000	(f)	1.5	1.5
Grand Polestone Takeya	Hiroshima	30 June 2014	529,000	(i)	510,000	(i)	1.9	1.9
Maestoso Figur	Koriyama	30 June 2014	350,000	(b)	351,000	(b)	1.2	1.3
Leggiero Viola	Koriyama	30 June 2014	278,000	(b)	276,000	(b)	1.0	1.0

PORTFOLIO STATEMENT

As at 30 June 2014

			Valuation				Percentage of net assets attributable to Unitholders	
Description of properties	Location	Latest valuation date	30 June 2014		30 June 2013		30 June 2014	30 June 2013
			JPY'000		JPY'000		%	%
GODO KAISHA (“GK”) CHOAN								
Sec' As Blue II	Sapporo	30 June 2014	349,000	(g)	334,000	(g)	1.2	1.1
Wing Nakahirodori	Hiroshima	30 June 2014	723,000	(i)	686,000	(i)	2.6	2.5
Abitare Shimoarata I	Kagoshima	30 June 2014	258,000	(f)	255,000	(f)	0.9	0.9
Abitare Shinyashiki	Kagoshima	30 June 2014	245,000	(f)	240,000	(f)	0.9	0.9
Royal Hills Komatsushima	Sendai	30 June 2014	145,000	(a)	140,000	(g)	0.5	0.5
Senboku Heim I	Morioka	30 June 2014	153,000	(f)	163,000	(g)	0.5	0.6
Senboku Heim II	Morioka	30 June 2014	76,000	(f)	79,200	(g)	0.3	0.3
Liesse Wakabayashi	Sendai	30 June 2014	154,000	(a)	147,000	(g)	0.5	0.5
Dear Misono	Sapporo	30 June 2014	44,800	(g)	38,900	(g)	0.2	0.1
Casa Motomachi	Sapporo	30 June 2014	303,000	(j)	297,000	(j)	1.1	1.1
Grand Polestone Tsurumi	Hiroshima	30 June 2014	359,000	(g)	348,000	(g)	1.3	1.3
La Finesse Hakataeki Minami	Fukuoka	30 June 2014	474,000	(i)	457,000	(i)	1.7	1.7
Rise Heiseiekimae	Kumamoto	30 June 2014	195,000	(h)	193,000	(h)	0.7	0.7
Maison d'Etoile II	Sendai	30 June 2014	119,000	(f)	116,000	(f)	0.4	0.4
Abitare Korimoto	Kagoshima	30 June 2014	250,000	(f)	249,000	(f)	0.9	0.9
Orion Heim	Fukuoka	30 June 2014	215,000	(i)	204,000	(i)	0.8	0.7
Fujimicho Building	Hiroshima	30 June 2014	363,000	(g)	346,000	(f)	1.3	1.3
Grand Polestone Fujimi	Hiroshima	30 June 2014	181,000	(g)	162,000	(f)	0.6	0.6
Grand Polestone Otemachi	Hiroshima	30 June 2014	467,000	(g)	462,000	(g)	1.7	1.7
Kusatsu Higashi Heights	Hiroshima	30 June 2014	214,000	(g)	205,000	(g)	0.8	0.7
VOGA Minami Kannon	Hiroshima	30 June 2014	186,000	(g)	184,000	(f)	0.7	0.7
Le Pied Hirao	Fukuoka	30 June 2014	247,000	(i)	241,000	(i)	0.9	0.9
Residence Shiroishi ABCD	Sapporo	30 June 2014	466,000	(j)	451,000	(j)	1.7	1.6
GEO Kamiokawamaedori 3	Niigata	30 June 2014	392,000	(f)	381,000	(f)	1.4	1.4
Hills Kawabata	Niigata	30 June 2014	291,000	(f)	282,000	(f)	1.0	1.0
Hills Nogizaka	Niigata	30 June 2014	328,000	(f)	317,000	(f)	1.2	1.2
Grand Polestone Otemachi II	Hiroshima	30 June 2014	381,000	(i)	354,000	(i)	1.4	1.3
Grand Polestone Higashi Hiratsuka	Hiroshima	30 June 2014	395,000	(i)	390,000	(i)	1.4	1.4
Florecer Miyagino	Sendai	30 June 2014	307,000	(k)	296,000	(k)	1.1	1.1
Shinonome Heights	Hiroshima	30 June 2014	166,000	(g)	159,000	(g)	0.6	0.6
Estate 18 Shinonome	Hiroshima	30 June 2014	254,000	(g)	254,000	(g)	0.9	0.9
Royal Shinonome	Hiroshima	30 June 2014	325,000	(g)	316,000	(g)	1.2	1.1
Villa Kaita	Hiroshima	30 June 2014	328,000	(g)	315,000	(g)	1.2	1.1
Arioso Phrase	Koriyama	30 June 2014	448,000	(b)	445,000	(b)	1.6	1.6
Fantage Yaotome	Sendai	30 June 2014	230,000	(k)	224,000	(k)	0.8	0.8
Towa Kita 7 Jo	Sapporo	30 June 2014	376,000	(f)	356,000	(f)	1.3	1.3
Towa Koton	Sapporo	30 June 2014	311,000	(j)	294,000	(j)	1.1	1.1
Relief Ohorinishi	Fukuoka	30 June 2014	106,000	(i)	105,000	(i)	0.4	0.4

PORTFOLIO STATEMENT

As at 30 June 2014

Description of properties	Location	Latest valuation date	Valuation				Percentage of net assets attributable to Unitholders	
			30 June 2014		30 June 2013		30 June 2014	30 June 2013
			JPY'000		JPY'000		%	%
GK CHOGEN								
Romauge Kamidori Namikizaka	Kumamoto	30 June 2014	647,000	(h)	643,000	(h)	2.3	2.3
Rise Yotsugibashi	Kumamoto	30 June 2014	445,000	(g)	425,000	(g)	1.6	1.5
GK CHOSEI								
Quest Tower Noboricho	Hiroshima	30 June 2014	663,000	(i)	643,000	(i)	2.3	2.3
GK GYOKOU								
Rise Fujisaki Dai	Kumamoto	30 June 2014	312,000	(h)	309,000	(h)	1.1	1.1
Rise Kumamoto Station South	Kumamoto	30 June 2014	154,000	(h)	153,000	(h)	0.5	0.6
EMYU Heisei Keyakidori Mansion	Kumamoto	30 June 2014	681,000	(h)	676,000	(h)	2.4	2.5
Flour Mansion Jyosei	Kumamoto	30 June 2014	982,000	(h)	951,000	(h)	3.4	3.5
Rise Shinoe	Kumamoto	30 June 2014	294,000	(g)	286,000	(g)	1.0	1.0
GK GYOSEI								
Matoba Meijibashi II	Hiroshima	30 June 2014	277,000	(g)	271,000	(g)	0.9	1.0
Grand Polestone Kinya	Hiroshima	30 June 2014	141,000	(g)	136,000	(g)	0.5	0.5
Grand Polestone Tsurumi II	Hiroshima	30 June 2014	672,000	(g)	671,000	(f)	2.3	2.4
GK TOSEI								
The Palms Denenchofu	Tokyo	30 June 2014	568,000	(c)	566,000	(c)	2.0	2.1
AMS Hatchobori I	Tokyo	30 June 2014	1,253,000	(c)	1,190,000	(f)	4.4	4.3
GK GYOTATSU								
Cosmos Kokura Eki Mae	Kitakyushu	30 June 2014	776,000	(f)	762,000	(a)	2.7	2.8
AS Residence Hakataekiminami	Fukuoka	30 June 2014	608,000	(g)	585,000	(g)	2.1	2.1
Investment properties			42,056,200		41,177,500		149.4	149.8
Other assets and liabilities (net)			(13,795,118)		(13,617,239)		(49.0)	(49.5)
Net assets			28,261,082		27,560,261			
Net assets attributable to non-controlling interests			(109,672)		(77,725)		(0.4)	(0.3)
Net assets attributable to Unitholders			28,151,410		27,482,536		100.0	100.0

PORTFOLIO STATEMENT

As at 30 June 2014

The properties above comprise of freehold land and freehold buildings, and are used primarily for residential and residential-related purposes.

The carrying amounts of the properties were based on independent full valuations undertaken by:

- (a) Asset Research Inc.,
- (b) Real Estate Appraisal Aota Jimusho,
- (c) International Appraisals Incorporated,
- (d) Le Futur Corporation,
- (e) Prime Appraisal Institute Co. Ltd,
- (f) Rich Appraisal Institute Co. Ltd,
- (g) Real Value Inc.,
- (h) KK Sakura Business Partners,
- (i) KK Soken,
- (j) Success Solution Inc.,
- (k) DTZ Debenham Tie Leung, K.K., and
- (l) K.K. Halifax Associates.

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on the Income Approach, which includes the direct capitalisation method and discounted cash flow method.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Saizen Real Estate Investment Trust ("Saizen REIT") is a Singapore domiciled unit trust constituted pursuant to the Trust Deed dated 27 September 2007 between Japan Residential Assets Manager Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of Saizen REIT in trust for the holders ("Unitholders") of units in Saizen REIT (the "Units").

Saizen REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 November 2007 (the "Listing") and was included in the Central Provident Fund ("CPF") Investment Scheme on 9 November 2007.

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 invests in the properties by entering into Japanese tokumei kumiai arrangements ("TK arrangements") as a tokumei kumiai investor ("TK investor") with Japanese limited liability companies known as tokumei kumiai operators ("TK operators"), which are the property holding companies. Such TK arrangement is a common method of investing and holding real estate in Japan. The relationship between the TK operators and the TK investors is governed by tokumei kumiai agreements ("TK agreements"), whereby the TK investors provide funds to the TK operators in return for income derived from the investments in properties held by the TK operators (the "TK business"). The TK investor can enter into TK arrangements with TK operators either through the acquisition from existing TK investors of all rights and obligations under their respective TK agreements with TK operators, or by entering into new TK agreements with TK operators.

As at 30 June 2014, Saizen REIT had entered into TK agreements with 13 Japanese TK operators, being YK JOF, YK Kokkei, YK Keizan, YK Shintoku, YK Shingen, YK Shinzan, GK Chosei, GK Choan, GK Chogen, GK Gyokou, GK Gyosei, GK Tosei and GK Gyotatsu. Under the TK agreements, the net income of the TK business, comprising principally the income generated from the property holding business, will be passed up to Saizen REIT. Saizen REIT is entitled to 97.0% of the profits and losses of such business while the shareholder of the TK operators is entitled to the remaining 3.0% of the allocated profits and losses. Saizen REIT is, therefore, exposed to the majority of risks and rewards from its agreements with the TK operators and the underlying property holding business.

The Manager has assessed the economic reality of Saizen REIT and its investment activities through the TK operators, and concluded that as Saizen REIT primarily bears the risks and enjoys the benefits under the TK agreements, the TK operators are considered as special purpose entities. The consolidated financial statements of Saizen REIT are presented on a group basis by consolidating Saizen REIT and the TK operators as special purpose entities (together referred to as the "Group").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

1. GENERAL INFORMATION (Continued)

Service agreements

Saizen REIT has entered into several service agreements in relation to the management of Saizen REIT and its property operations. The fee structures for these services are as follows:

(a) *Trustee's fees*

The Trustee's fee shall not exceed 0.03% per annum of the value of the Deposited Property (being all the assets of Saizen REIT as stipulated in the Trust Deed), subject to an aggregate minimum fee of S\$10,000 per month, or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders.

The Trustee's fee is payable out of the Deposited Property of Saizen REIT on a monthly basis, in arrears. The Trustee is also entitled to the reimbursement of all reasonable out-of-pocket expenses (including a one-time inception fee of S\$25,000) incurred by it in the performance of its duties under the Trust Deed.

(b) *Manager's Management fees*

The Manager is entitled to receive 0.5% per annum of the monthly weighted average value of all property assets of Saizen REIT (or proportional share) for the time being held or deemed to be held upon the trusts under the Trust Deed from time to time (the "Property Assets"). For the avoidance of doubt, cash does not form part of the Property Assets.

The management fee payable to the Manager will be paid in the form of cash and/or Units (as it may in its sole discretion determine). Where the management fees are paid in cash, the amounts are paid monthly in arrears. Where the management fees are paid in the form of Units, the amounts are paid quarterly in arrears.

(c) *Acquisition and Divestment fees*

The Manager is also entitled to receive an acquisition fee of 1.0% of the acquisition price and a divestment fee of 0.3% of the sale price on all future acquisitions or disposals of properties.

The acquisition and disposal fee will be paid in the form of cash and/or Units and is payable as soon as practicable after completion of the acquisition and disposal respectively.

(d) *Asset Manager's asset management fees*

The Asset Manager is entitled to receive 3.0% of the net profits of the property-holding business (before deducting the asset management fee and any expense of such business payable to Saizen REIT), calculated in accordance with accounting standards applicable to the property holding vehicles (the "Property Business Profits").

In the case of a TK arrangement, JPY150,000 per annum for overhead incurred by each TK operator will be deducted from the Property Business Profits.

The asset management fee is payable out of the Deposited Property of property holding vehicles, on a monthly basis, in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The financial statements, which are expressed in Japanese Yen (“JPY”), the functional currency of Saizen REIT and rounded to the nearest thousand, have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 3.

Interpretations and amendments to published standards effective in FY2014

On 1 July 2013, the Group adopted the new or amended Singapore Financial Reporting Standards (“FRS”), Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Saizen REIT’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosure required by FRS 113 into the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Revenue recognition

(a) Rental income and rental-related income

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Rental-related income includes non-refundable deposits from tenants which are amortised over the lease terms. The amortisation is taken to the Statements of Total Return.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.3 Expenses

(a) Property expenses

Property expenses are recognised on an accrual basis.

(b) Trustee’s fees, manager’s management fees, acquisition and divestment fees and asset management fees

These expenses are recognised on an accrual basis using the applicable formula stipulated in Note 1(a) – (d).

(c) Borrowing costs

Interest expense and similar charges are recognised on a time proportion basis in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

The Group identified the TK operators established in Japan as special purpose entities as defined in Interpretations of Financial Reporting Standards 12 Consolidation – Special Purpose Entities (“INT FRS 12”). The TK operators are principally engaged in the investment holding business. Under the TK agreements, the Group primarily bears the risks and enjoys the benefits of the investments held by the TK operators and, accordingly, consolidates their financial statements for reporting purpose.

The TK operators are consolidated from the date on which the relationship of special purpose entities defined under INT FRS 12 is established between the Group and the TK operators. They are de-consolidated from the date that such relationship ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to Note 2.7 for Saizen REIT’s accounting policy on investments in subsidiaries in the separate financial statements of Saizen REIT.

(b) *Non-controlling interests*

Non-controlling interests represent the interests in the operating results and net assets of the special purpose entities attributable to the shareholder of the TK operators, in accordance with the TK agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Japanese Yen, which is Saizen REIT’s functional currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the Statements of Total Return.

2.6 Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment properties comprise freehold land and freehold buildings.

Investment properties are initially recognised at cost, including related transaction costs and subsequently carried at fair value. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent professional valuers at least once a year, in accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

Changes in fair values are recognised in the Statements of Total Return as a net appreciation or depreciation in the value of the investment properties.

The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties (Continued)

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statements of Total Return during the financial year in which they are incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the Statements of Total Return.

2.7 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses (Note 2.16) in Saizen REIT's balance sheet. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the Statements of Total Return.

2.8 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(a) Classification (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "deposits with cash management agent" and "trade and other receivables" on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the Statements of Total Return.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised in the Statements of Total Return immediately as expenses.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the Statements of Total Return when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. The amount of allowance for impairment is recognised in the Statements of Total Return.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delay in payments are objective evidence that the financial asset is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the Statements of Total Return.

The allowance for impairment loss account is reduced through the Statements of Total Return in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value, and subsequently at amortised cost, using the effective interest method.

2.11 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statements of Total Return over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases

The Group leases investment properties to third parties.

Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the Statements of Total Return on a straight-line basis over the lease term.

Contingent rents are recognised as income in the Statements of Total Return when earned.

2.13 Income tax

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Income tax (Continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in the Statements of Total Return, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.14 Provisions

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the Statements of Total Return as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the Statements of Total Return when the changes arise.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Manager who is responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Impairment of non-financial assets

Investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the Statements of Total Return.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the Statements of Total Return.

2.17 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedging instrument is more than 12 months, and as a current asset or liability if the remaining expected life of the hedging instrument is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the Statements of Total Return when the changes arise.

2.18 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates or brokers' quote at the balance sheet date. The fair value of interest rate swaps are determined based on brokers' quote. The fair value of zero-cost collars are determined based on brokers' quote.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Distribution policy

The distribution of Saizen REIT is based on the cash flow it receives from the TK operators pursuant to its TK interests under the TK agreements entered into with the TK operators. Due to the difference between cash flow and accounting profits of the TK operators as further discussed below, the cash flow received by Saizen REIT may comprise profits from the TK operators' operations and return of capital from the TK interests.

Under the TK agreements, Saizen REIT will be entitled to 97.0% of the profits of the TK business and such profits are subject to a withholding tax at a rate of 20.42% (2013: 20.42%) when distributed to Saizen REIT. Return of capital from the TK interests is not taxable. After deducting expenses at the Saizen REIT level such as the Manager's fee, the Trustee's fee, other trust expenses and hedging costs (if any), the residual cash flow is available for distribution to Unitholders as distributable income (the "Distributable Income").

Saizen REIT's distribution policy is to distribute at least 90.0% of its Distributable Income in each financial year. For the avoidance of doubt, Distributable Income excludes cash from realisation of investments pursuant to sale of the underlying real properties by the TK operators.

Saizen REIT's distribution to Unitholders is not affected by non-cash expense items and unrealised gains or losses.

The actual proportion of Saizen REIT's distributable income distributed to the Unitholders may be greater than 90.0%, to the extent that the Manager believes it to be appropriate, having regard to Saizen REIT's funding requirements, other capital management considerations and the overall stability of distributions. Distributions, when made, will be in Singapore dollars.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Valuation of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involve certain estimates.

The fair values are determined using the Income Approach, which includes the direct capitalisation method and discounted cash flow method. This approach involves the estimation of income and expenses, taking into account expected future changes in economic and social conditions, which may affect the value of the properties.

The Manager is of the view that the valuation methods and estimates are reflective of the current market condition. The carrying amount of investment properties is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Continued)

(b) Income tax

The profit of the TK business which is distributed to Saizen REIT is subject to only withholding income tax in Japan. This profit distributed to Saizen REIT is exempt from Japan national and local corporate income taxes, subject to the TK arrangement meeting certain organisational and operational requirements. The Group calculated the tax expense on the basis that the requirements have been adhered to. In the event that the requirements are not met, the final tax outcome will be different from the amounts that were initially recorded. Such differences will impact the income tax in the period which such determination is made. The income tax expense is disclosed in Note 8.

4. GROSS REVENUE

	Group		Saizen REIT	
	2014 JPY'000	2013 JPY'000	2014 JPY'000	2013 JPY'000
Distribution income	–	–	898,897	785,608
Rental income	3,853,313	3,717,487	–	–
Rental-related income	101,069	106,159	–	–
	3,954,382	3,823,646	898,897	785,608

5. PROPERTY OPERATING EXPENSES

	Group	
	2014 JPY'000	2013 JPY'000
Property related taxes	285,129	264,001
Property management fees	155,929	150,596
Operation and maintenance	186,649	182,481
Renovations	217,655	199,279
Marketing and leasing commission	120,744	121,074
Utilities	172,753	163,466
Insurance	44,309	46,662
Write back of impairment on trade receivables	(311)	(1,549)
Trade receivables written off	978	3,314
Net consumption tax expense for operations	43,654	37,550
	1,227,489	1,166,874

Property related taxes comprise property tax of 1.4% (2013: 1.4%) and city planning tax of 0.3% (2013: 0.3%) on the municipal government's assessed value of the land and building.

All of the Group's investment properties generate rental income and the above expenses are direct operating expenses arising from its investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

6. OTHER TRUST EXPENSES

Included in other trust expenses are:

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Auditors' remuneration ¹	50,474	32,314	11,276	9,983
Property valuation fees	44,857	34,959	44,857	34,959
Goods and services tax	16,469	17,329	16,469	17,329
Acquisition fee ²	–	–	–	40,391
Divestment fee ³	–	–	180	416
	111,800	84,602	72,782	103,078

1 Fees for non-audit services paid to auditors of Saizen REIT amounted to JPY1.2 million (2013: JPY1.8 million) for the financial year ended 30 June 2014.

2 Acquisition fee relating to acquisition of properties held by YK Kokkei, GK Chogen, Gk Gyokou, GK Gyosei and GK Gytatsu computed based on 1.0% of the acquisition price was included in other trust expenses at Saizen REIT level and was accounted for as part of net fair value gain on investment properties at the Group level.

3 Divestment fee for the financial year ended 30 June 2014 and 30 June 2013 relating to disposal of a property held by YK Shintoku and disposal of properties by YK Shintoku and YK Shinzan respectively computed based on 0.3% of the sale price was included in other trust expenses at Saizen REIT level and was accounted for as part of gain on divestment of investment properties at the Group level.

7. FINANCE COSTS, NET

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Interest expense on bank borrowings	414,170	708,674	6,945	3,273
Guarantee fee to asset manager	31,668	29,307	–	–
Exchange loss	50,351	118,108	50,351	118,108
	496,189	856,089	57,296	121,381

Included in interest expense from bank borrowings is amortisation of loan commission, amounting to JPY49.5 million (2013: JPY204.8 million).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

8. INCOME TAX

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Tax expense attributable to loss is made up of:				
Current income tax				
– Singapore	–	17	–	17
– Foreign withholding tax	184,795	159,733	183,652	158,458
Deferred income tax (Note 19)	77,193	104,861	–	–
	261,988	264,611	183,652	158,475

The income tax expense on the results for the financial year differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Net return for the year before income tax	2,393,814	1,937,390	2,264,216	1,936,075
Tax calculated at tax rate of 17% (2013: 17%)	406,948	329,356	384,917	329,133
Effects of:				
– Different tax rates in other countries	58,740	53,368	30,742	24,231
– Expenses not deductible for tax purposes	67,587	79,504	67,587	79,504
– Income not subject to tax	(11,185)	(37,709)	(299,411)	(274,833)
– Temporary differences not recognised due to initial recognition	(242,003)	(142,365)	–	–
– Utilisation of previously unrecognised tax losses	(38,896)	(25,491)	–	–
– Others	20,797	7,948	(183)	440
Tax charge	261,988	264,611	183,652	158,475

The Ministry of Finance has issued a tax ruling on the taxation of Saizen REIT for the income earned after its listing on the SGX-ST. Subject to meeting the terms and conditions of the tax ruling, Saizen REIT will not be taxed on TK distribution receivable from the TK operators in Japan.

The above tax ruling does not apply to gains derived from the sale of real properties or TK interests by Saizen REIT. Such gains, if they are considered as trading gains, are assessable to tax on Saizen REIT. Where the gains are capital gains, Saizen REIT will not be assessed to tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

8. INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of JPY1,729 million (2013: JPY1,957 million) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by the Japanese TK operators with unrecognised tax losses in Japan. The tax losses have no expiry date.

9. EARNINGS PER UNIT

The calculation of basic and diluted earnings per unit is based on:

EPU	FY2014	FY2013
Total return for the year after income tax before distribution attributable to Unitholders (JPY'000)	2,099,879	1,653,867
Units		
Weighted average number of Units applicable to basic EPU ('000)	283,612	284,122
Basic and Diluted earnings per unit – (JPY)	7.40	5.82
– (S\$ cents)	9.22	8.23

Following the completion of the Unit Consolidation on 8 November 2013, the weighted average number of units for the year ended 30 June 2013 have been adjusted for the effects of the Unit Consolidation (Note 20). Accordingly, basic and diluted earnings per unit for the year ended 30 June 2013 have been restated.

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

Notes:

- 1 Based on SGD/JPY average exchange rate of 80.3 between 1 July 2013 and 30 June 2014
- 2 Based on SGD/JPY average exchange rate of 70.7 between 1 July 2012 and 30 June 2013

10. CASH AND CASH EQUIVALENTS

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Cash at bank and on hand	5,162,431	5,994,633	1,722,093	1,054,856

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

10. CASH AND CASH EQUIVALENTS (Continued)

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash at bank and on hand comprise the following:

	Group	
	2014	2013
	JPY'000	JPY'000
Cash and bank balances (as above)	5,162,431	5,994,633
Less: Bank deposits pledged	(1,170,594)	(1,134,386)
Cash and cash equivalents per consolidated statement of cash flows	3,991,837	4,860,247

11. DEPOSITS WITH CASH MANAGEMENT AGENT

The balance relates to deposits placed with cash management agent as required by the bank borrowing agreements. The deposits are restricted for use and are required to be maintained for payments of certain operating expenses and capital expenditure on the investment properties, and a minimum amount of deposits placed with the cash management agent should be maintained. The calculation of minimum amount of deposits required is based on the estimated future capital expenditure for each investment property acquired.

As at 30 June 2014, there is no minimum amount of deposits required (2013: nil).

12. TRADE AND OTHER RECEIVABLES

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Trade receivables	8,551	10,329	–	–
Less: Allowance for impairment	(2,725)	(3,036)	–	–
Trade receivables – net	5,826	7,293	–	–
Deferred rent receivable	13,719	14,631	–	–
Distribution receivable from subsidiaries	–	–	633,236	861,502
Other receivable	36	5,512	14	46
Goods and services tax receivable	768	393	768	393
	20,349	27,829	634,018	861,941

Deferred rent receivable relates to rental incentives (rent free period) granted to tenants which will be amortised over the remaining lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

13. OTHER CURRENT ASSETS

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Prepayments	35,066	38,069	1,226	1,376
Deposits	22,329	22,332	–	–
Prepaid interest	2,711	2,452	–	–
Prepaid asset management fees	106	–	–	–
	60,212	62,853	1,226	1,376

14. INVESTMENTS IN SUBSIDIARIES

	Saizen REIT	
	2014	2013
	JPY'000	JPY'000
Balance at beginning of the financial year	26,824,866	24,169,209
Additional investments in TK operators	–	4,061,000
Return on investments in TK operators	(1,535,621)	(2,800,188)
Write back of impairment losses	1,695,443	1,394,845
Balance at end of the financial year	26,984,688	26,824,866

The impairment losses were written back following an increase in fair values of the underlying assets held by the subsidiaries. Details of the subsidiaries are included in Note 27.

15. INVESTMENT PROPERTIES

	Group	
	2014	2013
	JPY'000	JPY'000
Balance at beginning of the financial year	41,177,500	36,443,100
Acquisition of investment properties	–	4,290,605
Divestment of investment properties	(50,400)	(114,000)
Capital expenditure on investment properties	90,669	154,499
Net fair value gain recognised in the Statements of Total Return	838,431	403,296
Balance at end of the financial year	42,056,200	41,177,500

Investment properties are leased to non-related parties under operating leases (Note 23)

Certain investment properties amounting to JPY39.3 billion (2013: JPY39.2 billion) are pledged as security for bank facilities granted to the TK operators.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

15. INVESTMENT PROPERTIES (Continued)

The carrying amount of the Group's interests in investment properties as at 30 June 2014 and 2013 are based on independent valuations undertaken by independent professional valuers based on the investment properties' highest and best use. Details of the properties are disclosed in the Portfolio Statement.

Fair value hierarchy

Description	Fair value measurements at 30 June 2014 using Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant other observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000
Recurring fair value measurements			
Investment properties			
– Residential	–	–	42,056,200

Valuation techniques used to derive Level 3 fair value measurement

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value at 31 June 2014 (JPY'000)	Valuation methods	Key unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Residential properties	42,056,200	Income capitalisation	Capitalisation rate	From 6.1% to 7.2%	The higher the capitalisation rate, the lower the fair value.
		Discounted cash flow	Discount rate	From 4.6% to 7.7%	The higher the discount rate, the lower the fair value.
			Terminal capitalisation rate	From 4.9% to 8.2%	The higher the terminal capitalisation rate, the lower the fair value.

There were no significant inter-relationship between unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

16. BORROWINGS

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
<i>Current</i>				
Bank loans	1,559,034	1,519,388	975,594	939,386
<i>Non-current</i>				
Bank loans	15,729,710	16,462,821	–	–
Total borrowings	17,288,744	17,982,209	975,594	939,386

Borrowings are secured over some of the Group's investment properties (Note 15) and bank deposits (Note 10).

(i) Maturity of non-current borrowings

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Between 1 to 2 years	584,144	580,884	–	–
Between 2 to 5 years	1,726,280	10,779,015	–	–
Over 5 years	13,419,286	5,102,922	–	–
	15,729,710	16,462,821	–	–

(ii) Interest rate risks

The weighted average effective interest rate of total borrowings at the balance sheet date was 2.47% (2013: 2.47%).

(iii) Carrying amounts and fair values

The carrying amounts of borrowings approximated their fair values. The fair values were determined from cash flow analyses, discounted at the borrowing rates which the Manager expected to be available to the Group at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

17. OTHER LIABILITIES

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
<i>Current</i>				
Accrued interest payable on borrowings	24,217	24,200	831	735
Accrued operating expenses	258,655	333,603	75,738	124,218
Consumption tax payable	10,176	7,321	–	–
	293,048	365,124	76,569	124,953
<i>Non-current</i>				
Provision for asset management fees	30,335	15,882	–	–
Total	323,383	381,006	76,569	124,953

Provision of asset management fees relates to the contingent management fees in connection with the fair value gain in investment properties (as any gains on the divestment of properties could increase property business profits).

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Saizen REIT		
	Contract notional amount	Fair value		Contract notional amount	Fair value	
	JPY'000	Asset	Liability	JPY'000	Asset	Liability
		JPY'000	JPY'000		JPY'000	JPY'000
2014						
<i>Current</i>						
Currency forwards	672,400	–	(7,565)	672,400	–	(7,565)
Zero-cost collar	1,581,800	4,386	(160)	1,581,800	4,386	(160)
		4,386	(7,725)		4,386	(7,725)
<i>Non-current</i>						
Interest rate swap	13,362,125	–	(377,343)	–	–	–
Total		4,386	(385,068)		4,386	(7,725)
2013						
<i>Current</i>						
Currency forwards	1,562,740	31,583	(28,679)	1,562,740	31,583	(28,679)
<i>Non-current</i>						
Interest rate swap	13,799,675	–	(245,771)	–	–	–
Total		31,583	(274,450)		31,583	(28,679)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

18. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Interest rate swap

The TK operator GK Choan uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan from Mizuho Bank Ltd (the "GK Choan Loan"). The GK Choan Loan is subject to a variable interest rate of 1% per annum plus 3-month JPY Tokyo Interbank Offered Rate ("TIBOR"). In order to fix the interest rate of the GK Choan Loan throughout its term of up to March 2022, GK Choan has entered into an interest rate swap arrangements whereby GK Choan agreed to pay its counterparty payments of 2.91% per annum, in exchange for a variable interest rate of 1% per annum plus 3-month JPY TIBOR ("Choan Swap Arrangement"). The interest rate swap arrangement enables GK Choan to fix the effective interest rate on the GK Choan Loan at 2.91% per annum.

The TK operators YK Shintoku, YK Shingen, YK JOF, YK Kokkei, YK Keizan and GK Chosei ("6 TK Operators") uses interest rate swaps to hedge against fluctuations in interest rates in respect of theirs loan from the Tokyo Star Bank Ltd (the "TSB Loan"). The TSB Loan is subject to a variable interest rate of 2.0% per annum plus 3-month JPY British Bankers' Association ("BBA") London Interbank Offered Rate ("LIBOR"). In order to fix the interest rate of the TSB Loan throughout its term up to February 2018, the 6 TK Operators have entered into interest rate swap arrangements whereby they agreed to pay their counterparty payments of 2.42% per annum, in exchange for a variable interest rate of 2.0% per annum plus for 3-month JPY BBA LIBOR ("6 TK Operators Swap Arrangement"). The interest rate swap arrangement enables 6 TK Operators to fix the effective interest rate on the TSB Loan at 2.42% per annum.

In addition, the TK operator GK Tosei uses interest rate swaps to hedge against fluctuations in interest rates in respect of its loan from Mizuho Bank Ltd (the "GK Tosei Loan"). The GK Tosei Loan is subject to a variable interest rate of 1.125% per annum plus 3-month JPY TIBOR. In order to fix the interest rate of the GK Tosei Loan throughout its term of up to June 2022, GK Tosei has entered into interest rate swap arrangements whereby GK Tosei agreed to pay its counterparty payments of 2.81% per annum, in exchange for a variable interest rate of 1.125% per annum plus 3-month JPY TIBOR ("Tosei Swap Arrangement"). The interest rate swap arrangement enables GK Tosei to fix the effective interest rate on the GK Tosei Loan at 2.81% per annum.

The above-mentioned swap arrangements were entered into by 6 TK Operators, GK Choan and GK Tosei in February 2013, March 2012 and July 2012 respectively. Prior to these, YK JOF had used a swap arrangement ("Previous JOF Swap Arrangement") to hedge against fluctuations in interest rates in respect of its previous loan from Mizuho Bank Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

18. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(i) Interest rate swap (Continued)

The realised loss (payment) on interest rate swap in FY2013 comprised (i) the settlement of the difference between a fixed interest rate of 2.91% per annum and the then prevailing 3-month JPY TIBOR plus interest rate of 1% per annum pursuant to Choan Swap Arrangement, (ii) the settlement of the difference between a fixed interest rate of 2.69% per annum and the then prevailing 3-month JPY TIBOR plus interest rate of 1.125% pursuant to Previous JOF Swap Arrangement, (iii) the settlement of the difference between a fixed interest rate of 2.42% per annum and the then prevailing 3-month JPY BBA LIBOR plus interest rate of 2.0% per annum pursuant to 6 TK Operators Swap Arrangement and (iv) the settlement of the difference between a fixed interest rate of 2.81% per annum and the then prevailing 3-month JPY TIBOR plus interest rate of 1.125% per annum pursuant to Tosei Swap Arrangement.

The realised loss (payment) on interest rate swap in FY2014 comprised (i) the settlement of the difference between a fixed interest rate of 2.91% per annum and the then prevailing 3-month JPY TIBOR plus interest rate of 1% per annum pursuant to Choan Swap Arrangement, (ii) the settlement of the difference between a fixed interest rate of 2.42% per annum and the then prevailing 3-month JPY BBA LIBOR plus interest rate of 2.0% per annum pursuant to 6 TK Operators Swap Arrangement and (iii) the settlement of the difference between a fixed interest rate of 2.81% per annum and the then prevailing 3-month JPY TIBOR plus interest rate of 1.125% per annum pursuant to Tosei Swap Arrangement.

These interest rate swaps are classified as derivative financial instruments and recognised as non-current liabilities on the Group's balance sheet as at 30 June 2014. Under FRS 39 – Financial Instruments: Recognition and Measurement ("FRS 39"), the interest rate swaps are recognised at fair value at balance sheet date and any gain or loss arising from a change in fair value is recognised as an unrealised fair value gain or loss on interest rate swaps in the Statements of Total Return of the Group if no hedge accounting is practised. The recognition of unrealised gain or loss on interest rate swaps does not affect the amount available for distribution and does not have any impact on cash flow.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

18. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(ii) Currency forwards

Currency forwards are transacted to hedge the distribution payable which is denominated in Singapore dollar and is expected to be paid within one year from the balance sheet date. The currency forwards have maturity dates that coincide within the expected occurrence of the distributions. The currency forwards are recognised at fair value at the balance sheet date and any gains and losses is recognised in Statements of Total Return. The fair value gain or loss on currency forwards does not have any impact on cash flow.

(iii) Zero-cost collar

Zero-cost collar are options transacted to hedge the future distribution which is denominated in Singapore dollar and is expected to be paid within one year from the balance sheet date. The zero-cost collar has maturity date that coincides within the expected occurrence of the distribution. The zero-cost collar is recognised at fair value at the balance sheet date and any gains and loss on zero-cost collar is recognised in Statements of Total Return. The fair value gain or loss on zero-cost collar does not have any impact on cash flow.

19. DEFERRED INCOME TAXES

	Group	
	2014	2013
	JPY'000	JPY'000
Deferred income tax liabilities		
– To be settled after one year	182,054	104,861

The movement in deferred income tax is as follows:

Deferred income tax liabilities

	Group	
	2014	2013
	JPY'000	JPY'000
2014		
Beginning of the financial year	104,861	–
Tax credited to		
– Statements of Total Return	77,193	104,861
End of the financial year	182,054	104,861

Deferred income tax liabilities of JPY182 million (30 June 2013: JPY105 million) pertain to temporary difference between the carrying amounts and tax base of the investment properties which will result in taxable amounts in the future when the carrying amounts of the investment properties are recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

20. UNITS IN ISSUE

	Saizen REIT	
	No. of units	
	2014	2013
	'000	'000
Units at beginning of the financial year	1,418,059	1,424,384
Units cancelled	–	(6,325)
Adjustment arising from Unit Consolidation	(1,134,447)	–
Units at end of the financial year	283,612	1,418,059

On 8 November 2013, Saizen REIT completed the consolidation of every five units held by the Unitholders into one consolidated unit (the "Unit Consolidation"), resulting in an adjustment of 1,134,447,075 units. Any fractions of consolidated units arising from the Unit Consolidation were disregarded.

Each unit in Saizen REIT represents an undivided interest in Saizen REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the units held;
- participate in the termination of Saizen REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Saizen REIT less any liabilities, in accordance with their proportionate interests in Saizen REIT. However, a Unitholder does not have the right to require that any assets (or part thereof) of Saizen REIT be transferred to him; and
- attend all Unitholders' meetings. The Trustee of the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth of the number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of Saizen REIT in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request to redeem their units while the units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any units in Saizen REIT. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of Saizen REIT exceed its assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

21. RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to Saizen REIT when Saizen REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Saizen REIT and the party are subject to common significant influence. Related parties may be individuals or other entities.

In addition to related party transactions disclosed elsewhere in the financial statements, the following transactions took place at terms agreed between the parties as follows:

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Manager's management fees				
paid/payable to the Manager	205,877	189,957	205,877	189,957
Divestment fees paid/payable to the Manager in relation to the disposal of investment properties by the subsidiaries	180	416	180	416
Asset management fees	48,203	49,797	–	–
Acquisition fees paid/payable to the Manager in relation to the acquisition of investment properties by the subsidiaries	–	40,391	–	40,391
Guarantee fee to asset manager	31,668	29,307	–	–
Property management and maintenance fees to the related company of the Asset Manager	25,838	26,329	–	–
Reimbursement of non-deal road show expenses paid on behalf by a related party	154	341	154	341
Trustee's fees	10,224	10,710	10,224	10,710
Fees paid to the Asset Manager for the rental of office premises	815	847	815	–
	322,959	348,095	217,250	241,815

22. SEGMENT INFORMATION

The Group's investment properties are primarily used for residential and residential-related purposes and are located in Japan. The revenues from the Group are derived from individual tenants and there is no single major customer. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in Japan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

23. COMMITMENTS

Operating lease commitments – where the Group is a lessor

The operating lease commitments are generally cancellable in nature. In line with the general practice in the Japan residential property market, the majority of the leases for the investment properties are standard 2-year leases which the tenants may terminate upon giving 1 to 2 months' notice.

24. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors ("BOD") of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines, approved by the BOD.

(a) Market risk

(i) Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's business is not exposed to significant currency risk and its portfolio of properties held by the TK operators is located in Japan and the cash flows from the operations of the properties are denominated in Japanese Yen.

However, Saizen REIT will receive distributions from the TK operators where cash flows at the TK level are denominated in Japanese Yen, before flowing through to Saizen REIT level where cash flows are denominated in Singapore dollars. This exposes the Group to fluctuations in the cross currency rates of the Japanese Yen and Singapore Dollar ("SGD"). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Group's main currency exposure based on the information provided to key management is as follows:

	Group			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
At 30 June 2014				
Financial Assets				
Cash and cash equivalents	1,171,164	3,991,019	248	5,162,431
Deposits with cash management agent	–	510	–	510
Trade and other receivables	782	19,567	–	20,349
Derivative financial instruments	4,386	–	–	4,386
	1,176,332	4,011,096	248	5,187,676
Financial Liabilities				
Rental deposits	–	(481,748)	–	(481,748)
Other current liabilities	(16,752)	(275,670)	(626)	(293,048)
Derivative financial instruments	(7,725)	(377,343)	–	(385,068)
Borrowings	(975,594)	(16,313,150)	–	(17,288,744)
	(1,000,071)	(17,447,911)	(626)	(18,448,608)
Net financial assets/(liabilities)	176,261	(13,436,815)	(378)	(13,260,932)
Add: Net financial liabilities denominated in the respective entities' functional currencies	–	13,436,815	–	13,436,815
Less: Firm commitments and highly probable transactions in foreign currencies	(720,941)	–	–	(720,941)
Add: Currency forwards	672,400	–	–	672,400
Currency exposure	127,720	–	(378)	127,342

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	Group			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
At 30 June 2013				
Financial Assets				
Cash and cash equivalents	1,041,535	4,952,760	338	5,994,633
Deposits with cash management agent	–	540	–	540
Trade and other receivables	439	27,390	–	27,829
Derivative financial instruments	31,583	–	–	31,583
	1,073,557	4,980,690	338	6,054,585
Financial Liabilities				
Rental deposits	–	(508,136)	–	(508,136)
Other current liabilities	(20,767)	(343,700)	(657)	(365,124)
Derivative financial instruments	(28,679)	(245,771)	–	(274,450)
Borrowings	(939,386)	(17,042,823)	–	(17,982,209)
	(988,832)	(18,140,430)	(657)	(19,129,919)
Net financial assets/(liabilities)	84,725	(13,159,740)	(319)	(13,075,334)
Add: Net financial liabilities denominated in the respective entities' functional currencies	–	13,159,740	–	13,159,740
Less: Firm commitments and highly probable transactions in foreign currencies	(671,105)	–	–	(671,105)
Add: Currency forwards	1,562,740	–	–	1,562,740
Currency exposure	976,360	–	(319)	976,041

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The REIT's main currency exposure based on the information provided to key management is as follows:

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
At 30 June 2014				
Financial Assets				
Cash and cash equivalents	1,171,164	550,681	248	1,722,093
Trade and other receivables	782	633,236	–	634,018
Derivative financial instruments	4,386	–	–	4,386
	1,176,332	1,183,917	248	2,360,497
Financial Liabilities				
Derivative financial instruments	(7,725)	–	–	(7,725)
Borrowings	(975,594)	–	–	(975,594)
Other current liabilities	(16,752)	(59,191)	(626)	(76,569)
	(1,000,071)	(59,191)	(626)	(1,059,888)
Net financial assets/(liabilities)	176,261	1,124,726	(378)	1,300,609
Less: Net financial assets denominated in the respective entities' functional currencies	–	(1,124,726)	–	(1,124,726)
Less: Firm commitments and highly probable transactions in foreign currencies	(720,941)	–	–	(720,941)
Add: Currency forwards	672,400	–	–	672,400
Currency exposure	127,720	–	(378)	127,342

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	Saizen REIT			
	SGD	JPY	Others	Total
	JPY'000	JPY'000	JPY'000	JPY'000
At 30 June 2013				
Financial Assets				
Cash and cash equivalents	1,041,535	12,983	338	1,054,856
Trade and other receivables	439	861,502	–	861,941
Derivative financial instruments	31,583	–	–	31,583
	1,073,557	874,485	338	1,948,380
Financial Liabilities				
Derivative financial instruments	(28,679)	–	–	(28,679)
Borrowings	(939,386)	–	–	(939,386)
Other current liabilities	(20,767)	(103,529)	(657)	(124,953)
	(988,832)	(103,529)	(657)	(1,093,018)
Net financial assets/(liabilities)	84,725	770,956	(319)	855,362
Less: Net financial assets denominated in the respective entities' functional currencies	–	(770,956)	–	(770,956)
Less: Firm commitments and highly probable transactions in foreign currencies	(671,105)	–	–	(671,105)
Add: Currency forwards	1,562,740	–	–	1,562,740
Currency exposure	976,360	–	(319)	976,041

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the SGD changes against the JPY by 4% (2013: 25%) with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	Increase/(Decrease)	
	2014	2013
	Statements of	Statements of
	Total Return	Total Return
	JPY'000	JPY'000
Group and Saizen REIT		
SGD against JPY		
– strengthened	5,109	244,090
– weakened	(5,109)	(244,090)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has significant interest-bearing borrowings. The Group's policy is to maintain around 90.0% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from floating rate borrowings obtained in the current year. The Group manages the material cash flow interest rate risks using an interest rate swap.

The Group's floating rate borrowings as at 30 June 2014 amounted to JPY14.9 billion (2013: JPY15.5 billion), of which JPY13.3 billion (2013: JPY13.8 billion) have been hedged by interest rate swaps (Note 18). If the interest rates increase/decrease by 0.5% (2013: 0.5%) with all other variables including tax rate being held constant, the total return for the year after income tax will be lower/higher by JP 8.0 million (2013: JPY8.5 million) as a result of higher/lower interest expenses on the unhedged floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group does not have significant concentrations of credit risk. Trade receivables from tenants are monitored on an ongoing basis. Cash are placed with financial institutions which are regulated.

The credit risk for trade receivables and other receivables based on the information provided to key management is presented in Note (ii) below. Saizen REIT's receivables are mainly distribution receivable from subsidiaries.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade receivables and other receivables of the Group that are neither past due nor impaired are mainly from tenants from whom rental deposits have been collected.

None of Saizen REIT's financial assets are past due nor impaired. Saizen REIT's receivables that are neither past due nor impaired are mainly distribution receivable from subsidiaries.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2014	2013
	JPY'000	JPY'000
Past due less than 1 month	4,499	5,722
Past due 1 to 2 months	1,327	1,571
	5,826	7,293

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	← Group →	
	2014 JPY'000	2013 JPY'000
Gross amount	2,725	3,036
Less: Allowance for impairment	(2,725)	(3,036)
	—	—
Beginning of financial year	3,036	4,585
Write back of impairment on trade receivables	(311)	(1,549)
End of financial year	2,725	3,036

Allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of these receivables.

(c) Liquidity risk

With recurring interest payment obligations and operating expenses, the Group is exposed to liquidity risk. The Group manages this risk by:

- (i) maintaining sufficient cash reserves for interest, tax, insurance, capital expenditure, leasing commissions, and other major operations-related disbursements; and
- (ii) preparing budgets and cash flow forecasts, and regular monitoring and matching of assets to liabilities as they become due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and Saizen REIT's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year JPY'000	Between 1 and 2 years JPY'000	Between 2 and 5 years JPY'000	Over 5 years JPY'000
<u>Group</u>				
At 30 June 2014				
Net-settled interest rate swaps	83,420	83,420	211,316	152,178
Other derivative financial instruments	7,565	—	—	—
Rental deposits	447,847	33,901	—	—
Other current liabilities	293,048	—	—	—
Borrowings	1,609,660	634,770	1,908,758	13,516,889
Interest payable	170,793	160,944	670,152	1,057,971
	2,612,333	913,035	2,790,226	14,727,038
At 30 June 2013				
Net-settled interest rate swaps	84,195	84,195	242,961	216,792
Other derivative financial instruments	28,678	—	—	—
Rental deposits	474,308	33,828	—	—
Other current liabilities	365,124	—	—	—
Borrowings	1,573,449	634,946	10,926,176	5,167,390
Interest payable	367,368	357,216	939,185	487,503
	2,893,122	1,110,185	12,108,322	5,871,685
<u>Saizen REIT</u>				
At 30 June 2014				
Other current liabilities	76,569	—	—	—
Other derivative financial instruments	7,565	—	—	—
Borrowings	975,594	—	—	—
Interest payable	1,021	—	—	—
	1,060,749	—	—	—
At 30 June 2013				
Other current liabilities	124,953	—	—	—
Other derivative financial instruments	28,678	—	—	—
Borrowings	939,386	—	—	—
Interest payable	883	—	—	—
	1,093,900	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital risk

The Manager's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise Unitholder value.

The Manager monitors capital based on aggregate leverage limit. Under the Property Fund Guidelines (issued by the Monetary Authority of Singapore), all Singapore-listed real estate investment trusts ("S-REITs") are given an aggregate leverage limit of 60.0% of its deposited property if a S-REIT has obtained a credit rating from a major credit rating agency.

The aggregate leverage ratio is calculated as total borrowings divided by total assets.

	2014 JPY'000	2013 JPY'000
Total borrowings	17,288,744	17,982,209
Total assets	47,304,088	47,294,938
Aggregate leverage ratio	36.5%	38.0%

In addition, certain subsidiaries within the Group have to comply with financial debt covenants relating to their borrowings. These covenants include debt service cover and loan to value ratio.

The Group is in compliance with the borrowing limit requirement imposed by the Property Fund Guidelines and all other externally imposed capital requirements for the financial years ended 30 June 2014 and 2013.

(e) Fair value measurements

The following table shows the carrying amounts of financial assets and financial liabilities measured at fair value, including their levels in the fair value measurement hierarchy. It does not include fair value information for current financial assets and financial liabilities as their carrying amounts are reasonable approximation of fair values.

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value measurements (Continued)

	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<u>Group</u>				
2014				
Financial assets measured at fair value				
Derivative financial instruments	–	4,386	–	4,386
Financial liabilities measured at fair value				
Derivative financial instruments	–	385,068	–	385,068
Financial liabilities not measured at fair value				
Non-current borrowings	–	15,729,710	–	15,729,710
Non-current rental deposits	–	–	64,236	64,236
2013				
Financial assets measured at fair value				
Derivative financial instruments	–	31,583	–	31,583
Financial liabilities measured at fair value				
Derivative financial instruments	–	274,450	–	274,450
Financial liabilities not measured at fair value				
Non-current borrowings	–	16,462,821	–	16,462,821
Non-current rental deposits	–	–	49,710	49,710
	Level 1 JPY'000	Level 2 JPY'000	Level 3 JPY'000	Total JPY'000
<u>Saizen REIT</u>				
2014				
Assets				
Derivative financial instruments	–	4,386	–	4,386
Liabilities				
Derivative financial instruments	–	7,725	–	7,725
2013				
Assets				
Derivative financial instruments	–	31,583	–	31,583
Liabilities				
Derivative financial instruments	–	28,679	–	28,679

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

24. FINANCIAL RISK MANAGEMENT (Continued)

(f) Financial instruments by category

The carrying amounts of financial assets and liabilities measured at fair value (derivative financial instruments) are disclosed on the face of the balance sheet and in Note 18 to the financial statements respectively.

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	Group		Saizen REIT	
	2014	2013	2014	2013
	JPY'000	JPY'000	JPY'000	JPY'000
Loans and receivables	5,205,619	6,045,334	2,356,111	1,916,797
Financial liabilities at amortised cost	18,093,875	18,871,351	1,052,163	1,064,339

25. FINANCIAL RATIOS

	2014	2013
Ratio of expenses to weighted average net assets ¹		
– including performance component of asset management fees	1.94%	1.90%
– excluding performance component of asset management fees	1.77%	1.71%
Portfolio turnover rate ²	0.00%	0.51%

1. The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore.

The expenses used in the computation relate to expenses of the Group, excluding property expenses, borrowing costs, net foreign exchange differences and income tax expense.

2. The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of Saizen REIT expressed as a percentage of daily average net asset value in accordance with the formulae stated in the Code on Collective Investment Schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

26. EVENT OCCURRING AFTER BALANCE SHEET DATE

On 11 July 2014, GK Chosei has entered into a 30-year loan of JPY450 million with the Hiroshimashi Credit Cooperative.

On 31 July 2014, the Manager announced that YK Shintoku has completed the disposal of Sun Port 6, Sendai, to an independent private investor for a cash consideration of JPY168 million.

On 29 August 2014, GK Gyotatsu has entered into a 22-year loan of JPY740 million with The Kitakyushu Bank, Ltd.

27. LIST OF SUBSIDIARIES – TK OPERATORS

Name of entities	Principal activities	Country of business/ incorporation	Effective interest	
			2014 %	2013 %
Yugen Kaisha Shingen ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Shintoku ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Shinzan ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha JOF ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Kokkei ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Yugen Kaisha Keizan ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Choan ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Chosei ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Chogen ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Gyokou ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Gyosei ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Tosei ^(a)	Special purpose entity – Investment in real estate	Japan	97	97
Godo Kaisha Gyotatsu ^(a)	Special purpose entity – Investment in real estate	Japan	97	97

(a) Audited by PricewaterhouseCoopers, Hong Kong.

These special purpose entities have been consolidated in the financial statements in accordance with Interpretations of Financial Reporting Standards 12: Consolidation – Special Purpose Entities, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2014 or later periods and which the Group has not early adopted:

(i) FRS 110 – Consolidated financial statements (effective for annual periods beginning on or after 1 January 2014)

FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess.

(ii) FRS 112 – Disclosures of interests in other entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities.

The Manager anticipates that the adoption of the above FRSs in the future periods will not have a material impact on the financial statements of the Group in the period of their adoption.

29. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Manager and the Trustee on 19 September 2014.

STATISTICS OF UNITHOLDINGS

As at 10 September 2014

UNITHOLDINGS

As at 10 September 2014, Saizen REIT had 283,611,720 Units in issue.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 999	1,910	28.97	962,576	0.34
1,000 – 10,000	3,603	54.66	13,941,684	4.91
10,001 – 1,000,000	1,060	16.08	46,786,977	16.50
Above 1,000,000	19	0.29	221,920,483	78.25
TOTAL:	6,592	100.00	283,611,720	100.00

Based on the information available to the Manager as at 10 September 2014, approximately 84.6% of the number of Units in issue was held by the public. Hence, the Manager has complied with Rule 723 of the Listing Manual which requires at least 10% of the total number of issued Units to be at all times held by the public.

20 Largest Unitholders

No.	Name	No. of Units	%
1.	HSBC (Singapore) Nominees Pte Ltd	85,057,395	29.99
2.	Citibank Nominees Singapore Pte Ltd	48,823,973	17.22
3.	DBS Nominees (Private) Ltd	19,005,012	6.70
4.	Bank Of Singapore Nominees Pte. Ltd.	13,608,864	4.80
5.	Raffles Nominees (Pte) Limited	9,815,503	3.46
6.	DBSN Services Pte. Ltd.	7,688,875	2.71
7.	UOB Kay Hian Private Limited	5,876,481	2.07
8.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,772,801	2.04
9.	BNP Paribas Nominees Singapore Pte Ltd	5,291,336	1.87
10.	DB Nominees (Singapore) Pte Ltd	3,550,550	1.25
11.	Maybank Kim Eng Securities Pte. Ltd.	2,878,409	1.01
12.	DBS Vickers Securities (Singapore) Pte Ltd	2,772,480	0.98
13.	Phillip Securities Pte Ltd	2,643,997	0.93
14.	United Overseas Bank Nominees (Private) Limited	2,481,200	0.87
15.	ABN Amro Nominees Singapore Pte Ltd	1,927,200	0.68
16.	See Beng Lian Janice	1,668,600	0.59
17.	OCBC Nominees Singapore Private Limited	1,033,100	0.36
18.	OCBC Securities Private Limited	1,024,107	0.36
19.	Toh Cheng Hock Kenneth	1,000,600	0.35
20.	Chang Sean Pey	730,000	0.26
Total		222,650,483	78.50

STATISTICS OF UNITHOLDINGS

As at 10 September 2014

List of Substantial Unitholders

Based on the register of Substantial Unitholders (based on statutory notifications filed by such persons or entities with the Manger and adjusted for the Unit Consolidation), the list of substantial unitholders are as follow:

Name	No. of Units (Deemed Interest)	%
ASM Hudson River Fund (“ ASMHRF ”)	6,360,077 ⁽¹⁾	2.24
ASM Asia Recovery (Master) Fund (“ ASMARMF ”)	18,726,305 ⁽²⁾	6.60
ASM Asia Recovery Fund (“ ASMARF ”)	18,726,305 ⁽³⁾	6.60
ASM Co-Investment Opportunity Trust I LP (“ ASMCOPT ”)	145,800 ⁽⁴⁾	0.05
ASM General Partner I Limited (“ ASMGP ”)	145,800 ⁽⁵⁾	0.05
Argyle Street Management Limited (“ ASML ”)	25,232,182 ⁽⁶⁾	8.98
Argyle Street Management Holdings Limited (“ ASMHL ”)	25,232,182 ⁽⁷⁾	8.98
Mr Yeh V-Nee	34,784,470 ⁽⁸⁾	12.26
Mr Chan Kin	25,716,243 ⁽⁹⁾	9.07

Notes:

1. ASMHRF is deemed to be interested in the 6,360,077 Units held by a nominee for ASMHRF.
2. ASMARMF is deemed to be interested in the 18,726,305 Units held by a nominee for ASMARMF.
3. ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. Pursuant to the Companies Act, ASMARF is deemed to be interested in the underlying Units held directly or indirectly by ASMARMF.
4. ASMCOPT is deemed to be interested in the 145,800 Units held by a nominee for ASMCOPT.
5. ASMGP is the general partner of ASMCOPT, manages, controls the operation and determines the policy with respect to ASMCOPT. Pursuant to the Companies Act, ASMGP is deemed to be interested in the underlying Units held directly or indirectly by AMSCOPT.
6. ASML is the beneficial holder of more than 20% of the voting shares of ASMHRF and ASMARF. ASMARF is the beneficial holder of more than 50% of the issued share capital of ASMARMF. ASML is also the fund manager of ASMCOPT. Accordingly, pursuant to the Companies Act, ASML is deemed to be interested in the underlying Units held directly or indirectly by ASMHRF, ASMARF, ASMARMF and ASMCOPT.
7. ASMHL is the beneficial holder of more than either 50% of the voting shares of ASML and ASMGP. Pursuant to the Companies Act, ASMHL is deemed to be interested in the 25,232,182 Units which ASML is deemed to be interested in. See note 6 above. ASMHL is also deemed to be interested in the 145,800 Units which ASMGP is deemed to be interested in. See note 5 above.
8. Mr Yeh V-Nee is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Yeh is deemed to be interested in the 25,232,182 Units which ASMHL is deemed to be interested in. See note 7 above. Mr Yeh is also deemed to be interested in 6,292,099 Units held by a company in which Mr Yeh is considered to be the beneficial holder of more than 20% of its issued share capital and 3,260,189 Units held by a nominee for Mr Yeh.
9. Mr Chan Kin is the beneficial holder of more than 20% of the issued share capital of ASMHL. Pursuant to the Companies Act, Mr Chan is deemed to be interested in the 25,232,182 Units which ASMHL is deemed to be interested in. See note 7 above. Mr Chan is also deemed to be interested in 484,061 Units held by his spouse.

Interests of directors of the Manager in Units (as at 21 July 2014)

Name	No. of Units (Direct interest)	No. of Units (Deemed interest)	% ⁽¹⁾
Arnold Ip Tin Chee	–	2,668,987 ⁽²⁾	0.94
Chang Sean Pey	730,000	–	0.26
Raymond Wong Kin Jeon	–	4,981,878	1.76
Soh Yew Hock	–	–	–
Dennis Lam Siu Sun	–	120,320	0.04
Harold Sun Dai Hoe	–	–	–

Notes:

1. Computed based on 283,611,720 Units in issue as at 21 July 2014.
2. Among the 2,668,987 Units, Mr Ip is deemed to be interested in the 757,771 Units held by the Manager as he is indirectly entitled to control the exercise of not less than 20% of the voting shares in the Manager.

ADDITIONAL INFORMATION

RELATED PARTY TRANSACTIONS

Transactions entered into with related parties during the financial year ended 30 June 2014 pursuant to the Listing Manual of the SGX-ST and the Code on Collective Investment Scheme are listed below:

Name of related parties	Aggregate value of all related party transactions (excluding transactions less than S\$100,000)
Japan Residential Assets Manager Limited	
– Management fees	(JPY'000) 205,877 (S\$'000) ⁽¹⁾ 2,564
HSBC Institutional Trust Services (Singapore) Limited	
– Trustee fees	(JPY'000) 10,224 (S\$'000) ⁽¹⁾ 127
KK Tenyu Asset Management	
– Asset management fees	(JPY'000) 48,203 (S\$'000) ⁽¹⁾ 600
– Guarantor fees	(JPY'000) 31,668 (S\$'000) ⁽¹⁾ 394
– Property management and maintenance fee ⁽²⁾	(JPY'000) 25,838 (S\$'000) ⁽¹⁾ 322

Please also refer to note 21 “Related party transactions” in the “Notes to the Financial Statements” section of this report.

Save as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000).

Non-deal roadshow expenses of JPY 153,702 (S\$1,914 ⁽¹⁾) were incurred during the year ended 30 June 2014.

Notes:

1. Based on an average exchange rate of JPY80.3/S\$ between 1 July 2013 and 30 June 2014.
2. Property management and maintenance fees for services provided by a related company of the Asset Manager.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the unitholders of Saizen Real Estate Investment Trust ("**Saizen REIT**") will be held at Marina Mandarin Singapore, Taurus/Leo Ballroom, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 at 10.00 a.m. on Tuesday, 21 October 2014 to transact the following business:

(A) AS ORDINARY BUSINESS

- 1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Saizen REIT (the "**Trustee**"), the Statement by Japan Residential Assets Manager Limited, as manager of Saizen REIT (the "**Manager**"), and the Audited Financial Statements of Saizen REIT for the financial year ended 30 June 2014 and the Independent Auditors' Report thereon.

(Ordinary Resolution 1)

- 2. To re-appoint Messrs PricewaterhouseCoopers LLP as the Independent Auditors of Saizen REIT and to hold office until the conclusion of the next AGM of Saizen REIT, and to authorise the Manager, to fix their remuneration.

(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:

- 3. That authority be and is hereby given to the Manager, to:
 - (a) (i) issue units in Saizen REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, "**Instruments**"),at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and
- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution, shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a *pro rata* basis to Unitholders shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) as at the time this Resolution is passed, after adjusting for:
 - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Saizen REIT (as amended, varied or supplemented from time to time) (the "**Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by the Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, or in the interest of Saizen REIT to give effect to the authority conferred by this Resolution as well as the transactions contemplated and/or authorised by this Resolution.

(Please see Explanatory Note)

(Ordinary Resolution 3)

NOTICE OF ANNUAL GENERAL MEETING

4. That:

- (a) the exercise by the Manager of all the powers of Saizen REIT to purchase or otherwise acquire Units not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Manager from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) market purchases (each a **"Market Purchase"**) on the SGX-ST; and/or
- (ii) off-market purchases (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access scheme (as defined in the Trust Deed) as may be determined or formulated by the Manager as it considers fit, which scheme shall satisfy all the conditions prescribed in accordance with the Trust Deed,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Unit Buy-Back Mandate"**);

- (b) unless varied or revoked by Unitholders in a general meeting, the authority conferred on the Manager pursuant to the Unit Buy-Back Mandate may be exercised by the Manager at any time during the Mandate Duration (as hereafter defined); and
- (c) the Manager, any director of the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Saizen REIT to give effect to the transactions contemplated and/or authorised by this Resolution.

In this Resolution:

"Maximum Limit" means that the number of Units representing not more than 10.0% of the total number of issued Units of Saizen REIT as at the date of the passing of this Resolution;

"Mandate Duration" means the period commencing from the date on which the AGM is held and this Resolution is passed, and expiring on:

- (a) the date on which the next AGM of Saizen REIT is held;
- (b) the date by which the next AGM of Saizen REIT is required by law or the provisions of the Trust Deed to be held; or
- (c) the date on which the purchases of Units by the Manager pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated,

whichever is earlier:

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Unit to be purchased, means an amount (excluding related expenses of the purchase) not exceeding:

- (i) in the case of a Market Purchase: 105.0% of the Average Closing Market Price;
- (ii) in the case of an Off-Market Purchase: 120.0% of the Highest Last Dealt Price,

where:

"Average Closing Market Price" means the average of the closing market prices of a Unit over the last five (5) Market Days¹, on which transactions in Units were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period in accordance with Rule 884 of the Listing Manual of the SGX-ST;

"Highest Last Dealt Price" means the highest price transacted for a Unit as recorded on the Market Day on which there were trades in the Units immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"day of the making of the offer" means the day on which the Manager announces its intention to make an offer for the purchase of Units from Unitholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Unit and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(Ordinary Resolution 4)

By Order of the Board
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As manager of Saizen Real Estate Investment Trust



Chang Sean Pey (Mr.)
Executive Director and Co-Chief Executive Officer

30 September 2014

¹ **"Market Day"** means a day on which the SGX-ST is open for trading in securities.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:
Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of the AGM until (i) the conclusion of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required to be held, whichever is earlier, to issue Units and to make or grant Instruments up to a number not exceeding 50% of the total number of issued Units (excluding treasury Units, if any) of which up to 20% may be issued other than on a *pro rata* basis.

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the date of the next AGM of Saizen REIT or (ii) the date by which the next AGM of Saizen REIT is required to be held, whichever is earlier, to issue Units as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST, the Trust Deed or any applicable laws and regulations in such instances, the Manager will obtain the approval of Unitholders accordingly.

Notes:

1.

A Unitholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. A body corporate which is a Unitholder may also appoint by resolution of its directors or other governing body, such person as it thinks fit to act as its authorised representative in accordance with its articles of association and section 179 of the Companies Act, Chapter 50 of Singapore.
2.

Where a Unitholder appoints two proxies, he/she should specify the proportion of his/her Unitholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the Unitholding and the second named proxy shall be deemed to be an alternate to the first named.
3.

The instrument appointing a proxy must be lodged at the Manager’s registered office at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 not later than **10.00 a.m. on 19 October 2014**, being 48 hours before the time fixed for the AGM.

SAIZEN REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted under the laws of the Republic of Singapore pursuant to a trust deed dated 27 September 2007 (as amended))

IMPORTANT

- For investors who have used their CPF money to buy Units in Saizen Real Estate Investment Trust, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees in accordance with their instructions within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
- PLEASE READ THE NOTES TO THE PROXY FORM.**

PROXY FORM
ANNUAL GENERAL MEETING

*I/We of _____ of
(Name and identification number)

(Address)

being a unitholder/unitholders of Saizen Real Estate Investment Trust (“**Saizen REIT**”), hereby appoint(s):

Name	Address	NRIC/ Passport Number	Proportion of Unitholding (%)	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholding (%)	
			No. of Units	%

as *my/our proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of Saizen REIT (“**Annual General Meeting**”) to be held at Marina Mandarin Singapore, Taurus/Leo Ballroom, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 at 10.00 a.m. on Tuesday, 21 October 2014 and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Annual General Meeting.

No.		No. of Votes For **	No. of Votes Against **
	Ordinary business		
1.	To receive and adopt the Report of the Trustee, the Statement by the Manager, and the Audited Financial Statements of Saizen REIT for the year ended 30 June 2014 and the Independent Auditors’ Report thereon		
2.	To re-appoint PricewaterhouseCoopers LLP as Independent Auditors and authorise the Manager to fix the Independent Auditors’ remuneration		
	Special business		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments (Ordinary Resolution)		
4.	Approval for the proposed renewal of the Unit Buy-Back Mandate (Ordinary Resolution)		

* Delete where applicable.
** If you wish to exercise all your votes “For” or “Against”, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2014

Signature(s) of Unitholder(s)/and, Common Seal of Corporate Unitholder

Total number of Units held

1st fold here

2nd fold here

Affix
Postage
Stamp

Japan Residential Assets Manager Limited
(as Manager of Saizen Real Estate Investment Trust)
3 Anson Road #34-01
Springleaf Tower
Singapore 079909

3rd fold here

IMPORTANT: PLEASE READ NOTES TO PROXY FORM BELOW

Notes to Proxy Form:

1. A unitholder of Saizen REIT ("**Unitholder**") entitled to attend and vote at a meeting of Saizen REIT is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. A body corporate which is a Unitholder may also appoint by resolution of its directors or other governing body, such person as it thinks fit to act as its authorised representative in accordance with its articles of association and section 179 of the Companies Act, Chapter 50 of Singapore.
2. Where a Unitholder appoints two proxies, he/she should specify the proportion of his/her Unitholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the Unitholding and the second named proxy shall be deemed to be an alternate to the first named.
3. Please insert the total number of units in Saizen REIT ("**Units**") you hold. If you have Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies (the "**Proxy Form**") shall be deemed to relate to all the Units in Saizen REIT held by you.
4. The Proxy Form must be lodged at the registered office of the manager of Saizen REIT (the "**Manager**") at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909, not less than 48 hours before the time set for the Annual General Meeting.
5. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
7. The Manager shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Manager.
8. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the Annual General Meeting. Any appointment of proxy or proxies shall be deemed to be revoked if a Unitholders attends the Annual General Meeting in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the Annual General Meeting.
9. All Unitholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
10. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Unitholders present in person or by proxy, or holding or representing one-tenth in value of the Units represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
11. On a show of hands, every Unitholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

CORPORATE INFORMATION

SAIZEN REIT

Website: www.saizenreit.com.sg

Email: info@saizenreit.com.sg

MANAGER

Japan Residential Assets Manager Limited

3 Anson Road #34-01

Springleaf Tower

Singapore 079909

Tel: +65 6327-8163

Fax: +65 6327-8092

TRUST

Registered Address

HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay

#10-02 HSBC Building

Singapore 049320

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay

#03-01 HSBC Building

Singapore 049320

Tel: +65 6558-6909

Fax: +65 6534-5526

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

Tel: +65 6536-5355

Fax: +65 6536-1360

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

8 Cross Street #17-00

PWC Building

Singapore 048424

Audit Partner-in-charge:

Ms Rebekah Khan

Date of appointment: Since the financial period ended 30 June 2013

INDEPENDENT TAX ADVISERS

Japan

KPMG Tax Corporation

Izumi Garden Tower

1-6-1, Roppongi, Minato-ku

Tokyo 106-6012, Japan

BOARD OF DIRECTORS

Mr Arnold Ip Tin Chee (Chairman)

Mr Chang Sean Pey (Co-CEO)

Mr Raymond Wong Kin Jeon

Mr Soh Yew Hock

Mr Dennis Lam Siu Sun

Mr Harold Sun Dai Hoe

AUDIT COMMITTEE

Mr Soh Yew Hock (Chairman)

Mr Dennis Lam Siu Sun

Mr Harold Sun Dai Hoe

CORPORATE ANNOUNCEMENT COMMITTEE

Mr Arnold Ip Tin Chee (Chairman)

Mr Chang Sean Pey

Mr Raymond Wong Kin Jeon

RISK MANAGEMENT COMMITTEE

Mr Dennis Lam Siu Sun (Chairman)

Mr Harold Sun Dai Hoe

Mr Arnold Ip Tin Chee

Mr Chang Sean Pey (alternate member to Mr Arnold Ip Tin Chee)

JOINT COMPANY SECRETARIES OF THE MANAGER

Mr Desmond Lee Heng Choong

Ms Khoong Lai Kheng

ASSET MANAGER

KK Tenyu Asset Management

Heights Showa, 9-1, East 3

South 4, Chuo-ku, Sapporo

Hokkaido, Japan 060-0054

INDEPENDENT VALUERS

Asset Research Inc.

21-12, B314 Sakuragaoka cho
Shibuya-ku, Tokyo

DTZ Debenham Tie Leung KK

9F, Uchisaiwaicho Daibiru

Uchisaiwaicho 1-3-3, Chiyoda-ku

100-0011 Tokyo, Japan

International Appraisals Incorporated

1-2-3 Kaigan, Minato-ku

Tokyo 105-0022, Japan

K.K. Halifax Associates dba Colliers International

3-16-26, Halifax Building 8F

Roppongi, Minato-ku

Tokyo 106-0032 Japan

KK Sakura Business Partners

2-4-22, Shin Nihon Building

Daimyo Chuo-ku

Fukuoka 810-0041, Japan

KK Soken

1-13-2 Tenjin, Chuo-ku

Fukuoka 810-0001, Japan

Prime Appraisal Institute Co, Ltd

2-4-30, Nishitetsu Akasaka Building

Daimyo, Chuo-ku

Fukuoka 810-0041, Japan

Real Estate Appraisal Aota Jimusho

2-1-1, 7F Sendai Bank Building

Ichibancho, Aoba-ku

Sendai, Miyagi 980-0811, Japan

Real Value Inc.

1-21-16 Kamitoda, Toda-shi

Saitama 335-0022, Japan

Rich Appraisal Institute Co., Ltd.

1-14-4, Ginza, Chuo-ku

Tokyo 104-0061, Japan

Success Solution Inc.

5-45-5 2F Higashi-Ikebukuro

Toshima ku 170-0013, Tokyo

The Manager of
SaizenREIT 最善

JAPAN RESIDENTIAL ASSETS MANAGER LIMITED

3 Anson Road #34-01

Springleaf Tower

Singapore 079909

Tel: +65 6327-8163

Fax: +65 6327-8092